

Nicola Doyle, Gerard Hughes
and Eskil Wadensjö

Freedom of Movement for Workers from Central and Eastern Europe

Experiences in Ireland
and Sweden

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FOREWORD

In 2004 the European Union (EU) gained ten new Member States. However in many of the old Member States there were increasing concerns about the implications of this particular enlargement. Not only did it represent a large increase in the Union's population; in eight of the ten countries the wage levels were substantially below the wage levels in the old Member States. As several governments feared mass immigration, "welfare tourism" and negative effects on their labour markets, transitional rules were included in the Accession Treaty with regard to the freedom of movement for workers from the Central and East European Member States.

As two years have passed since the 2004 EU enlargement, the Swedish Institute for European Policy Studies, SIEPS, finds it important to examine the effects in the countries that opened their labour market to workers from the CEE Member States. This study attempts to provide as thorough as possible a picture of the post-enlargement experiences in Ireland and Sweden.

SIEPS conducts and promotes research and analysis of European policy issues within the disciplines of political science, law and economics. SIEPS strives to act as a link between the academic world and policy-makers at various levels. By issuing this report, SIEPS hopes to make a contribution to the debate on transitional rules and the role of migration in the European Union.

Stockholm, May 2006
Annika Ström Melin
Director
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ABBREVIATIONS AND IRISH AND SWEDISH LANGUAGE TERMS

EU8	The Central and Eastern European Accession States (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, Slovakia)
EU10	EU8 + Cyprus and Malta
CTA	Common Travel Area
Dáil Eireann	Parliament of Ireland
ECJ	European Court of Justice
IBEC	Irish Business and Employers Confederation
ICP	Immigration Control Platform
ICTU	Irish Congress of Trade Unions
LO	Swedish Trade Union Confederation
Riksdag	Parliament of Sweden
SACO	Swedish Confederation of Professional Associations
SIPTU	Services, Industrial, Professional and Technical Union
SVT	Swedish National Television
Taoiseach	Prime Minister
TCO	Swedish Confederation of Professional Employees

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EXECUTIVE SUMMARY

In the run-up to the 2004 enlargement of the European Union (EU) there were increasing concerns in the old Member States about its effects on labour markets and future immigration flows. The magnitude of the increase in the EU population coupled with higher unemployment and lower incomes in the Accession States (EU10) – especially in the Central and Eastern European (CEE) Member States – fuelled fears of mass immigration and “welfare tourism”. In the end only Ireland, Sweden and the United Kingdom opened up their labour markets to workers from the ten new Member States. This study attempts to give as thorough as possible a picture of the post-enlargement experiences in two of the three countries; Ireland and Sweden.¹

The pre-enlargement debates

Even though Ireland, Sweden and the United Kingdom opened their labour markets to workers from the Accession States, restrictions of some kind were seen as a necessary precaution by important political actors in all three countries. The first movements came in Sweden in November 2003, when Swedish Prime Minister Göran Persson suddenly voiced fears of “welfare tourism” becoming a problem after the enlargement. In the course of events there were also assertions that the Swedish labour market would be negatively affected by wage competition and that immigration would be higher as a consequence of restrictions being imposed in all or the majority of the remaining EU15 Member States. At the same time, several proponents of open borders pointed out that a reversal of Sweden’s position on transitional rules would be a breach of faith vis-à-vis the new members. It was also argued that the “welfare tourism” hypothesis lacked credibility as migrant workers tend to be young, well educated and single and that this in turn implied that the economic gains from immigration were likely to outweigh any economic losses.

The Swedish Government’s announcement that it would propose transitional arrangements had important implications for Ireland and Britain. The British Labour Government came under pressure from the Conservative party and the British tabloid press and introduced measures that effectively closed off any possibilities for Accession State nationals to access out-of-work benefits unless they had been working continuously in the UK for more than one year. A Worker Registration Scheme (WRS), which places

¹ The impact of the Eastern enlargement on the UK has been extensively analysed in a paper by Gilpin *et al.* (2005).

an obligation on Accession State nationals gaining employment as an employee to register details with the Home Office, was also introduced. The WRS would allow the British Government to closely monitor the labour market and therefore act quickly should any disturbances occur.

The Irish labour market was in a very strong position at the time of enlargement. Low unemployment coupled with strong employment growth meant that Irish employers were sourcing more of their labour from abroad. In the year prior to accession 45,700 work permits were issued in Ireland. It was expected prior to the EU enlargement that the Accession States together with the old Member States would provide the bulk of immigrants required to meet the employment needs for maintaining economic growth. The EU enlargement debate was therefore much more focused around protecting the welfare system, in particular after the UK decided to close off welfare benefits to Accession State nationals for a two year period. By the end of February 2004 the Irish Government introduced the Habitual Residence Condition (HRC) which meant that foreign nationals would have to live in the Common Travel Area (CTA), comprising Ireland, the UK, the Channel Islands and the Isle of Man, for at least two years, or meet certain other requirements, before being entitled to social assistance or child benefit.

The enlargement debates across Europe resulted in four different regimes being in place in the EU15 Member States. The first regime (Belgium, Finland, France, Germany, Greece, Luxembourg and Spain) gives citizens from the Accession States no more rights than non-EEA nationals. The second regime (Austria, Denmark, Italy, the Netherlands and Portugal) adopts essentially the same rule as the first but opens the labour market to a quota of the Accession State nationals. The third regime (Ireland and the UK) allows unrestricted access to labour markets but restrict access to social benefits. In the fourth regime (Sweden) European Community rules apply.

Immigration and economic effects

The large differences in income and the high unemployment rates in the Accession States, along with free movement of workers, imply that immigration will flow from new to old Member States. However, income disparities are not sufficient to induce migration. The level of unemployment and the number of job vacancies in the host country are important pull factors and the relative labour market situation is also important in determining whether migrant workers from the Accession States choose to go to Ireland, Sweden or the UK. Other factors influencing a migrant's choice of

destination are geographic proximity and language. Studies have shown that countries with English as the main language are preferred by migrants with high levels of education.

The net effects on the public sector from immigration depend on the size of the migration flow, the composition of the new immigrants and the functioning of the economy. The term “welfare magnets” suggests that immigrants are to an extent moving because the country of destination has a highly developed welfare state with generous compensation for those who are out of work. Empirical studies have not been able to show conclusively that “welfare tourism” is an important pull factor.

In general, immigration increases labour supply, which in turn implies a decline in wages. However, an increased supply of labour may also induce new investments which may counteract a wage decline. Furthermore, labour is not a homogeneous factor of production: the immigrant work force may be a complement to, rather than a substitute for, the native work force. This would imply an increase in the wages of native workers. Hence it is not possible to determine the sign and size of the wage effect without empirical studies. Most such studies indicate only small effects.

There have also been fears of displacement effects, i.e. that immigrants displace native workers. This is based on the mistaken belief that the number of jobs in the economy is fixed. The unemployment rate is mainly determined by macroeconomic developments and by economic policy. Available empirical studies indicate that the effects of immigration on unemployment are small.

The case of Sweden

Labour migration dominated immigration to Sweden in the post-war period up to the early 1970s. The direction of migration has mainly been from countries with lower income and wage levels than Sweden. Variations over time have been large and very sensitive to the labour market situation in the country of origin and especially in Sweden. Following the recession in the early 1970s labour migration practically stopped from outside the common Nordic labour market. The migration from the Accession States will most likely be dominated by labour migration and we can therefore expect large variation in size depending on the Swedish labour market situation.

Immigration from the Accession States to Sweden increased substantially in relative terms in 2004 and 2005. Immigration from the EU10 countries is however still only a small part of the total immigration to Sweden. In the year before enlargement 2,381 people immigrated to Sweden from the

Accession States, while the corresponding numbers in 2004 and 2005 were 4,232 and 5,559, respectively. Emigration to the Accession States has also increased but to a much smaller extent than immigration. Immigration of men has increased more than immigration of women in the years following accession. More than half of the immigrants come from Poland and a large share of the immigrants come from the three Baltic states, especially Lithuania and Estonia.

There are at least three possible explanations for why immigration to Sweden has been so small. First, there have been few job vacancies available for newly arrived immigrants, as job growth has been low. Second, only a few had the Nordic countries as the preferred destination according to pre-enlargement surveys. Third, those migrating have chosen Ireland and the UK instead of Sweden due to easier access to their labour markets and not least because English is the vernacular language of those two countries.

The number of residence permits according to the EEA agreement for citizens from the ten Accession States, which are necessary for those who wish to stay more than three months in the country, increased both in 2004 and 2005. The increase is large for the categories employers and consultants, but the number of residence permits granted to students and to relatives of people living in Sweden has also increased. In total, the number of residence permits issued to Accession State nationals in 2003, including prolongations, was 6,317 and the corresponding numbers in 2004 and 2005 were 8,487 and 9,012, respectively.

Labour market statistics for Sweden have a production lag which makes it impossible to say anything about the situation of the new immigrants in 2005 and 2006. The employment rate for immigrants from the Accession States living in Sweden in 2003 and 2004 is lower than for people born in Sweden. Among employed immigrants from the Accession States working hours are shorter and monthly wages for full-time work are lower compared to those of people born in Sweden, but the differences are relatively small. The educational level is by contrast on average higher among those coming from the Accession States than for those born in Sweden. Finally, the distributions according to industry are somewhat different for the native and the Accession State groups. Those coming from the Accession States are overrepresented in the health care sector, a sector characterized by a high demand for labour. Those born in Sweden are instead overrepresented in construction and public administration.

Econometric estimates indicate a negative wage premium of about ten per cent for Accession State workers, with a slightly less negative value for

immigrant women than for immigrant men. The earlier the immigrants have arrived, the smaller is the wage disadvantage. For those who have arrived before 1970 the difference is less than 3 per cent and for those who have arrived in the period 2000-04 the difference is 20 per cent.

With regard to the fears of “welfare tourism”, voiced prior to enlargement, there have been no discernible effects. The number of applications for social assistance in 2004 granted to people who are citizens in one of the ten Accession States or who were born in one of those states was more or less the same as in 2003. Moreover, only 1 per cent (€0.01 million) of total payments of support to family members living in another country was paid to family members living in one of ten Accession States in 2004.

The case of Ireland

As in Sweden, migratory flows to and from Ireland are very sensitive to economic conditions, both in Ireland and in the country of origin/destination. In the period from 1995 to 2000 the Irish economy experienced a major reversal in fortune, which at the same time led to a reversal in the migratory trend experienced in the 1980s. Ireland began to experience positive net migration and in April 2005 the foreign born population reached 6.3 per cent of the total population, compared with 3.2 per cent in April 1996. Even though the boom period of the Irish economy peaked around the turn of the century, at the time of accession the Irish economy was still in a strong position: GDP growth was the highest in Europe, at 4.5 per cent, and unemployment, at 4.4 per cent, was the lowest.

In contrast to Sweden, immigration from the Accession States to Ireland was much higher than expected, mainly because of continuing strong labour demand and possibly because of re-direction of migration. In the fourth quarter of 2005 it is estimated that some 73,000 EU10 nationals aged 15 and over were living in Ireland. The labour force participation rate for Accession State nationals is 90 per cent, compared with 62 per cent for Irish nationals. EU10 nationals have accounted for approximately half of the jobs created in Ireland since accession. The number of EU10 citizens in employment more than trebled between the third quarter in 2004 (19,500) and the fourth quarter in 2005 (61,600). The majority of EU10 workers are in the construction and manufacturing sectors which employ more than half of the Accession State workforce in Ireland. The hotels and restaurants sector has the highest share of EU10 workers, 7.4 per cent.

Personal Public Service Numbers (PPSNs) – which are individual identifiers required to take up a job or access state benefits in Ireland – provide

detailed information on short-term immigration. The number of PPSNs issued to EU10 nationals has increased dramatically since the turn of the millennium in general and since accession in particular. In 2004 the number of PPSNs issued was 59,000 (close to 54,000 post accession) and in 2005 the number almost doubled to 112,000. Between May 2004 and February 2006, 186,000 PPSNs were allocated to nationals of the Accession States, out of which more than half went to Polish citizens. At the same time less than 1,000 Accession State nationals were signing on the unemployment register in March 2006, contradicting the “welfare tourism” argument. The unemployment rate of EU10 nationals was 2.4 per cent compared with 4.4 per cent for Irish nationals.

Even though it is not possible to distinguish between Irish and EU10 workers with regard to hourly earnings, it is interesting to note that earnings growth rates decreased after accession in eight of the ten sectors for which data is available. As noted above, this corresponds well with economic theory. However, the drop in the earnings growth rates is within historical experience and it may also be explained by seasonal and other factors besides immigration.

There has been concern about displacement of native workers in some firms by foreign workers who are being paid less than the collectively agreed rates of pay. That having been said, if there is displacement it has not reduced the percentage of firms reporting vacancies or increased the unemployment rate. In May 2004 10.6 per cent of firms in all sectors reported vacancies, in May 2005 the number was the same and by February 2006 it had risen to 16.7 per cent. Similarly there is no evidence from the unemployment data that displacement of Irish workers has resulted in an increase in the unemployment rate. In sum, evidence of a significant reduction in the number of jobs available for Irish workers is lacking. However, the problem has the potential to become a bigger issue unless it is dealt with, for example by measures such as providing information on workers rights, extending collective agreements and strengthening the labour inspectorate.

Conclusion

The enlargement of the European Union on the 1st of May 2004 did lead to increased migration from the Accession States to Ireland and Sweden. Two years is a short timeframe for assessing the impact of the EU enlargement on the Swedish and Irish labour markets. Due to data lags the statistical timeframe is even shorter. Although the full impact of migration cannot be expected to have taken place within two years, we believe that the infor-

mation provided in this report may contribute to the knowledge of likely effects of the deregulation of migration from the Accession States. To date the enlargement of the EU has not resulted in any disturbances in the Swedish or Irish labour markets. There has been no evidence of welfare tourism or displacement of native workers.

The migratory flows to Sweden were lower than had been anticipated. In 2005 approximately 5,600 migrants came to Sweden from the Accession States. The majority of the migrants were female and came from Poland and the Baltic States. The relatively low flows into Sweden reflected the fact that citizens of the Accession States were not engaging in welfare tourism. Of those who did migrate to Sweden there is no evidence that they are over-represented in the welfare state schemes. The employment rate for immigrants from the Accession States living in Sweden in 2003 and 2004 is lower than for people born in Sweden.

Employed immigrants from the Accession States work shorter hours, receive lower monthly wages and have, on average, a higher level of education than Swedish born workers.

Ireland experienced much larger migratory flows than was anticipated prior to enlargement. In the lead up to the enlargement and during the post enlargement period the Irish labour market was in a very strong position in Europe. Employment growth in the year prior to enlargement was 2.8 per cent and the unemployment rate, at 4.4 per cent, was the lowest in Europe. The unemployment rate in Ireland has remained low throughout the post-enlargement period, at around 4.4 per cent. Ireland, therefore, has been an attractive country of destination for labour migrants. The PPSN figures estimate flows of 186,000 Accession State nationals aged over 15 into Ireland in the post-accession period up to February 2006. Labour statistics estimated the stock of Accession State nationals aged 15 and over at 72,700 in the fourth quarter of 2005. The participation rate of Accession State nationals in the fourth quarter of 2005 was 90 per cent. This compares with 62 per cent for the labour force as a whole. Through the Habitual Residency Condition the Irish welfare state is largely protected from welfare tourism and the unemployment register shows that only 1,000 Accession State nationals were signing on in March 2006. Although there have been some cases of Irish workers being replaced by migrant workers receiving lower than collectively agreed rates of pay, there is no evidence that the large inflow of labour migrants into Ireland in the post-accession period is a source of disturbance in the Irish labour market.

1 INTRODUCTION

On the 1st of May 2004 eight Central and Eastern European Countries (CEE), Cyprus and Malta¹ joined the European Union. Never in EU history had so many countries or persons entered the EU at the same time, as Table 1.1 shows. The relative increase in the EU population post-enlargement was smaller than that experienced when Denmark, Ireland and the United Kingdom (UK) joined in 1973 and it represented an increase of only 2.8 percentage points more than when the 1986 enlargement, encompassing Spain and Portugal, occurred. Nevertheless, the magnitude of the increase in the EU population coupled with higher unemployment and lower incomes in the CEE Member States fuelled fears in the EU15 Member States of large inflows of migrants from the EU10 Member States.

Table 1.1 Population of Accession Countries Relative to EU Population

Year	Acceding Countries	Number of countries in the EU	Population	
			Absolute (1000s)	Relative (% of EU)
1973	Denmark, Ireland and the UK	9	64 227.8	30.8
1981	Greece	10	9 700.8	3.5
1986	Spain and Portugal	12	48 498.9	16.7
1995	Austria, Finland and Sweden	15	29 339.3	8.4
2004	Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia	25	74 100.0	19.5

Source: Kvist (2004)

These fears resulted in debates that were conditioned by the different economic circumstances obtaining in each member state and with a watchful eye on how the debate on enlargement was developing in neighbouring Member States. The extra-national dimension of the debates on enlargement had a domino effect in which Member States who initially said they were committed to free movement of labour changed their positions as the enlargement date of 1 May 2004 approached.

¹ The ten Accession States (EU10) are Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia. Nationals from the eight CEE Member States are interchangeably referred to as EU10 or Accession State nationals.

The next section of the paper gives an overview of the pre-enlargement debates in the EU15 Member States paying particular attention to Ireland, Sweden and the UK as they were the three countries which allowed free movement of labour following enlargement, although Ireland and the UK introduced special conditions restricting access of migrants to welfare benefits. In section three we will discuss the type of economic effects an expansion of immigration may lead to. In the fourth section we will focus on the dimension and composition of the actual migration to Sweden in the first two years after enlargement. Consideration will be given to the labour market situation of the immigrants from the Accession States and to what extent social (benefit) tourism has emerged. The fifth section of the paper will document changes in migration flows from the Accession States to Ireland before and after enlargement. Particular attention will be paid to the labour market position of the migrants in the period up to the end of 2005. A distinction will be made between stocks and flows of migrants from the Accession States and the composition of migrants from these states by nationality will be analysed. The last section will summarise the results for Ireland and Sweden and draw some conclusions about the magnitude of the migration in the light of what could have been expected if all of the EU15 Member States had allowed free movement of labour and what actually happened. As the impact of the Eastern enlargement on the UK has been extensively analysed in a paper by Gilpin *et al.* (2005) we did not feel it necessary to repeat their results.

2 THE PRE-ENLARGEMENT DEBATES

2.1 Overview of the Debates in EU15 Member States

A number of studies were commissioned to consider the likely migratory flows that would result from the EU10 enlargement. These studies have been summarised in various reports by the European Commission (2000, 2003). The earlier Commission study predicted migration flows of 333,000 per year to the EU15 initially, declining to 150,000 per year in a decade. The later study revised the earlier estimates downward. It predicted net immigration of 325,000 per year in the first five years following accession, declining to 60,000 in a decade. In a report for the Economic Policy Panel meeting in Luxembourg in April 2005 Boeri and Brücker (2005) estimated that in the year after enlargement net migration from the Central and Eastern European Accession States would also amount to around 300,000 people and they gave an estimate of how this would be distributed across the EU15 Member States provided all of them observed European Community rules in relation to the free movement of labour. They estimated that the number of migrants from these States living in Sweden in 2005 would be about 6,700, while the number living in Ireland and the UK would be around 3,400 and 12,600 respectively. Their estimate for the UK was similar to an upper estimate of 12,600 persons per year made for the Home Office by Dustmann *et al.* (2003).

The conclusions in the European Commission reports were supported by the experience of previous accessions. Fears that the accession of Spain and Portugal in 1986 would lead to a mass influx of workers into existing Member States proved unfounded.² When Spain joined the EU in 1986 there were 109,000 Spanish nationals working in France. By 1994 this figure had fallen to just 35,000. Net migration from Portugal and Greece was approximately 7,700 and 10,000 respectively per annum between 1985 and 1997, whilst there was positive net migration from the EU to Spain over the same period (Kvist 2004).

However, the EU10 enlargement took place in a context in which all but three of the EU15 Member States adopted transitional arrangements which restricted the free movement of labour. In previous enlargement rounds all countries took the same stance in relation to the free movement of workers except Luxembourg, which employed more restrictive measures when Spain and Portugal joined. When enlargement negotiations for the EU10

² At the accession of Spain and Portugal a seven year transitional period (which was subsequently reduced to six years) was introduced. In the case of Greece a six year transitional period was agreed.

states were completed in December 2002 transitional arrangements for the free movement of labour, which would allow countries to postpone the opening of their labour markets for a maximum period of seven years post-accession, were provided for in the Nice Treaty. This treaty reformed the institutional structure of the EU to cope with the enlargement. The seven year transitional period is divided into three stages, according to the “2 plus 3 plus 2” formula (European Commission 2006).

As a safeguard, provision was made in the Nice Treaty that countries which decide to open their labour markets can at any stage reintroduce a work permit system temporarily should they undergo or foresee any disturbances in their labour markets. At the end of the five-year post-accession period Community rules regarding labour mobility should be introduced in all Member States. However, a country documenting that it would experience “serious disturbances” in its labour market should it allow access to the new Member States can prolong the transitional period for a further two years. At each stage of the transitional period the decision whether or not to open national labour markets is left to national Governments. From 1st May 2011 Community rules governing free movement of workers will apply in all EU25 Member States.

Leaving the decision on whether or not to open the labour market to national Governments had important consequences. Germany and Austria, who prior to accession were attracting two thirds of migrants from the Accession States, as Boeri and Brücker (2005) note, made it clear immediately that they would be availing of the transitional arrangements to restrict access to their labour markets for the full seven year period. Belgium, Finland, France, Greece and Luxembourg declared that they would be imposing tight restrictions on migrants from the Accession States for at least the first two years after Enlargement. Italy, Portugal and Spain indicated that they were in favour of the mobility of Accession State workers but did not give a final decision on their policy. Therefore only five countries, Ireland, the UK, Sweden, Denmark and the Netherlands, announced on the signing of the Accession Treaty in 2003 that, from the 1st of May 2004, citizens from the Accession States would receive equivalent access to their labour markets as citizens from the existing EU15.

However, the decision of Germany and Austria to restrict access to their labour markets raised concerns in smaller Member States that potential migration to bigger Member States would be diverted elsewhere (Boeri and Brücker 2005). Fuelled by fears of large labour influxes and “welfare tourism”, a race to the top in terms of migration restrictions occurred in the months preceding the enlargement date (Kvist 2004). Of the five

countries who declared an open labour market policy, Denmark was the first to have second thoughts. In December 2003 the Danish government announced that permission to live and work in Denmark would only be granted to people employed in jobs paid according to a tariff system of minimum salaries. In addition workers from the Accession States would have no access to the Danish social security system. The decisions followed a year of negotiations between the Danish political parties. Following the Danish U-turn, the Netherlands declared on the 23rd of January 2004 that they were reversing the decision made by the Kok II Government in 2001. There would be a cap of 22,000 on the number of workers from the new Member States allowed access to the Dutch labour market in the first year post-enlargement. This decision is argued to have been based on the deterioration of the Dutch labour market and a study by the Dutch Central Plan Bureau which estimated that detrimental effects on the Dutch labour market and the costs of enlargement on the social security system at 70 million euro. The Dutch Government also justified their change of position by referring to the decisions of other governments to reverse their positions after December 2002 (Kvist 2004).

2.2 The Swedish Enlargement Debate³

In the debate that took place in Sweden between November 2003 and late April 2004 there were basically three variations of the hypothesis that EU10 nationals would go to Sweden to “benefit shop”. The “benefit tourism” arguments were brought forward by different actors and are described below. However, there were also two additional arguments. The first concerned the fear of low wage competition, in particular from self-employed persons. Moreover, the argument was often intertwined with the “benefit tourism” hypothesis: that organised crime and unscrupulous employers would be able to use the Swedish social security system in order to keep wage costs down (see Dagens Nyheter 2004; and Swedish Government 2004).

The second argument concerned the risk of migration being diverted to Sweden as a consequence of the country being one of very few to open its labour markets. The re-direction argument came to the forefront in early February 2004 when first the Dutch Government changed its position and even more so when the British and the Irish Governments began to sway on the issue. The situation was described as one where Sweden would

³ A fuller account of the Swedish pre-enlargement debate is provided in Appendix A and we will therefore summarise only the most important arguments in the main text.

stand alone with open borders (see, for example, Swedish Television 2004).⁴

The main pro-arguments for transitional rules were thus,

1. That the generous Swedish social security system would attract people from the new Member States who would be able to use it to support themselves and their families, either in Sweden or by exporting allowances to the family in their home country;
2. That organised crime and unscrupulous employers would use the social security system to finance wages, putting strain on the Swedish social security system;
3. That people from the new Member States should be entitled to protection so that they would not be taken advantage of due to their weak position in the Swedish labour market;
4. That the Swedish labour market would be negatively affected by wage competition;
5. That immigration would be higher as a consequence of restrictions being imposed in all or the majority of the remaining EU15 Member States, which would in turn aggravate the above mentioned problems.

Those who advocated open borders post-enlargement did so only partly by positioning themselves against the pro-arguments described above. Several observers pointed to the links between labour mobility and immigration on the one hand and economic growth and demographic change on the other. The latter aspect in particular occurred frequently in the debate (see, for example, Sf 2004:43), either as a solution to the problem of an ageing population, or, since the dependency ratios in EU10 in most cases are more troublesome than in Sweden, as a fact that spoke against a large immigration of workers from Eastern Europe.

To summarise the counterarguments, those who opposed restrictions argued,

1. That Sweden had originally pledged to open its borders and should not go back on its word;
2. That labour mobility is low in Europe, so immigration was likely to be low even without transitional arrangements;
3. That a number of factors contradicted the “benefit tourism” hypothesis, among other things that those who emigrate tend to be young,

⁴ This argument would serve as the main motivation (see the Government’s proposal, Skr. 2003/04:119, p. 24) for the Government’s proposal to the Swedish parliament regarding transitional measures, even though there were no references to the re-direction argument at the time of the Swedish Prime Minister’s u-turn in November 2003.

well educated and single; that the pro-arguments did not take into account differences in costs of living between Sweden and the EU10 countries; that the new Member States experience deteriorating dependency ratios; and that they are growing and dynamic economies likely to have a strong domestic demand for labour;

4. That the economic gains from immigration were likely to outweigh any economic losses.

In the end the Swedish Parliament voted against imposing restrictions and European Community rules in relation to free movement of labour were adopted in Sweden.

2.3 The UK Enlargement Debate

The Swedish Government's announcement that it would propose transitional arrangements left Ireland and Britain exposed in Europe. The British Labour Government came under pressure from the Conservative Party and the British tabloid press and it began to rethink its migration policy (Guardian, 2004). The tabloid press headlined an argument from the pressure group Migration Watch that up to 40,000 immigrants per annum would come to Britain from the new Member States following enlargement. In a study for the Home Office Dustmann *et al.* (2003) estimated that the figure would be between 5,000 and 13,000 per annum.

The British Prime Minister, Tony Blair, said he would have to consider whether the British benefits system would attract an unmanageable number of immigrants from the new Member States. On the 5th of February 2004 he stated "we will take whatever measures are necessary to make sure that the 'pull factor' which might draw people here is closed off". The Home Office announced, on the 23rd of February 2004, measures aimed at protecting the British labour market and ensuring that people could not come to the UK simply to claim benefits. One of the measures was the introduction of a Worker Registration Scheme which placed an obligation on Accession State nationals gaining employment as an employee to register details with the Home Office (self-employed migrants are not required to register under this scheme). The aim of the scheme is to ensure that the British government can foresee any disturbances inflows may cause to the labour market and thereby act swiftly to reintroduce a work permit system for the Accession State nationals. To ensure that the British social welfare system is protected workers must be working in the UK continuously for a period of at least 12 months before they acquire full Treaty rights, including access to benefits. Those who are economically inactive will receive no benefits.

2.4 The Irish Enlargement Debate

The Nice Treaty had a major influence on the enlargement debate in Ireland as it was the only country that had to ratify the treaty in a referendum. The treaty was initially rejected by the Irish electorate by 54 per cent to 46 per cent in June 2001. This was a very embarrassing defeat for the Irish Government and it decided it should hold another referendum on the treaty to try and get it ratified. In the wake of the “no” vote, it reassured the other Member States that it would honour the principle of freedom of movement within the EU following enlargement. This undertaking was criticised by the anti-Nice campaign groups. One of them, the National Platform said:

This irresponsible commitment by the Government significantly changes the argument about EU enlargement. It means that the Government has agreed to bear the costs of potentially heavy East European migration to Ireland... without any debate in the Dáil (Parliament), consultation with the public, or consultation with the UK government, which could be significantly affected by this Irish Government commitment. (Irish Times 3/7/2002)

Subsequent to this statement some of the anti-Nice campaigners claimed that EU enlargement would lead to large numbers of Eastern European workers undercutting Irish workers’ wages and to multinational businesses moving to the East where wages were said to be one-third of those in Ireland.⁵ These claims were rejected by both the trade unions and the employers. A spokesman for the Services, Industrial, Professional and Technical Union (SIPTU), the largest trade union in the country said that unnecessary fears were being raised about Ireland being subject to a “flood” of immigrants from candidate EU Member States. A spokeswoman for Irish Business and Employers Confederation (IBEC), the main employers’ organisation, said fears of large numbers of workers coming from the candidate Member States were unfounded. The General Secretary of the Irish Congress of Trade Unions and every major business organisation subsequently endorsed these statements.

The allegations about “floods” of immigrants eventually divided the anti-Nice campaigners when the Socialist Workers Party, the Green Party and Sinn Fein all said that they were opposed to the introduction of immigration as an issue in the debate on the Nice Treaty. Campaigners for the Nice Treaty strongly rejected the argument that there would be “floods” of im-

⁵ The anti-Nice groups included No to Nice (led by an anti-abortion campaigner), the National Platform, the Alliance against Nice (a broadly left grouping including the Socialist Workers Party, Sinn Fein and the Green Party).

migrants and probably went too far in suggesting that the flows would be minimal. For example, the government's spokesman on the Nice Treaty, Mr. Roche, said that:

Existing surveys on migration patterns in Europe show that the claims are false. Ireland barely registers as a location in these surveys. The most recent research in Hungary and Poland shows no interest whatsoever in Ireland as a work location. (Irish Times 22/8/2002)

In the second referendum in October 2002 the electorate ratified the Nice Treaty by 63 per cent to 37 per cent. After ratification of the Nice Treaty, none of the major actors in the economic debate about enlargement expressed concerns about any adverse effects of immigration from Central and Eastern Europe on pay and working conditions in Ireland. However, the General Secretary of the Irish Congress of Trade Unions (ICTU) said in a Press Release on the 3rd of November 2005 that the ICTU had not been consulted on the decision to open the labour market to the EU10 Member States and that the government had acted at the behest of the business community.

In the months preceding enlargement the decisions of other EU governments to restrict access to their labour markets did not affect the policy stance of the Irish government. Employment growth in Ireland was 2.6 per cent in 2003 and the unemployment rate was 4.5 per cent so there was very nearly full employment. The Department of Enterprise, Trade and Employment felt that the new Accession States would provide the bulk of the employment needs for maintaining economic growth. In the year prior to enlargement Ireland processed over 47,500 work permits, almost fifty per cent of which went to Accession State nationals. The Taoiseach (Prime Minister) stated that he believed "70 to 80" per cent of the work permit jobs could be filled in the future by citizens from the new EU states (Ahearn 2004).

Given the economic conditions in Ireland the EU enlargement debate was much more focused around protecting the welfare system from possible abuse rather than around labour market issues. The decision by Britain to close off welfare benefits to Accession State workers for a two year period, therefore, had important consequences for Ireland. The decision by the British government to impose restrictions in relation to benefits meant that Ireland would be one of only two countries in Europe offering equal welfare rights to Accession State nationals. An inter-departmental committee, which had been set up by the Department of the Taoiseach in autumn 2003 to review the implications of the EU enlargement on the Irish State, including housing and social welfare costs, was asked to reassess whether re-

restrictions were necessary in light of the UK decision. During the few months before enlargement, the Government was urged by public lobby groups, such as the Immigration Control Platform (ICP) and the National Platform, to protect Ireland's social welfare system. On the 24th of February 2004 the Taoiseach announced that Ireland would have to protect its welfare and social benefits systems from possible abuse in light of EU enlargement (Ahern 2004). An immediate concern for the government was to protect the Common Travel Area (CTA) between Ireland and Britain by having similar arrangements for the receipt of social benefits. On the 24th of February the Minister of Social and Family Affairs announced:

Because of our common travel area with Britain it is now important that we put in place some conditions... I will be proposing changes to the social welfare code which will be no less robust than those introduced in Britain (DFSA Press Release, 24 February 2004).

By the end of February the Irish Government introduced the Habitual Residence Condition (HRC) which meant foreign nationals would have to live in the CTA, comprising Ireland, the UK, the Channel Islands and the Isle of Man, for at least two years, or meet certain other requirements, before being entitled to social assistance or child benefit.

The HRC is an additional condition which must be satisfied along with the other conditions for entitlement to welfare payments. Other factors, beside the two-year residency requirement, are taken into consideration when determining whether a person meets the HRC. These factors include: length and continuity of stay; length and purpose of absence from Ireland; nature and pattern of the employment; applicants connection with Ireland; and the future intentions of the applicant (see www.dsfa.ie).

2.5 Outcome of the Pre-Enlargement Debates

The views of the various actors who participated in the enlargement debates in Ireland, Sweden and the UK are summarised in Table 2.1. Although there was support for transitional rules among the political parties in Sweden the specific proposals made by different parties could not command majority support. In the absence of agreement, therefore, Sweden adopted the EU Community rules. In the UK the decision to impose some restrictions on access to social benefits and to introduce a Worker Registration Scheme was supported by the main political parties and accepted by the general public as a necessary precaution. In Ireland the maintenance of a common travel area with the UK was probably the factor which most influenced the introduction of a habitual residence condition along the lines of similar conditions found in other EU Member States.

Table 2.1 The Actors and Their Views on Transitional Rules

	Ireland	Sweden	United Kingdom*
Media	Unitary The main newspapers and independent TV and radio stations were not in favour of transitional rules. The public service radio and television observed its obligation to remain neutral	Unitary Major newspapers opposed . The public service radio and television observed its obligation to remain neutral.	Divided A number of tabloids in favour, while the broadsheet press in general were opposed
Political parties in parliament	Fianna Fail: opposed (in favour of Habitual Residence Condition) Progressive Democrats: opposed (in favour of Habitual Residence Condition) Fine Gael: opposed Labour: opposed Green Paper: opposed Sinn Fein: opposed	Social Democratic Party: in favour Moderate Party: opposed (in favour of restricting access to social security) Liberal Party: in favour (major split within party) Christian Democratic Party: opposed Centre Party: opposed Left Party: opposed Green Party: opposed	Labour Party: opposed (Worker Registration Scheme) Conservative Party: in favour (work permits system) Liberal Democrats: opposed
Unions and employers	Unitary The ICTU and IBEC did not oppose the restrictions	Fairly unitary The major players, LO, SACO, TCO and CSE, decided early on that no restrictions were needed. However, five LO affiliates initially supported restrictions.	Fairly unitary The major players, the TUC and the CBI, decided early on that no restrictions were needed.
Public opinion	Divided	Divided According to three opinion polls, a large share of the public felt concern with respect to immigration after enlargement	Divided Opinion polls prior to May 2004 showed fairly strong support for a toughening of immigration policy in the UK

* Only the three major parties in the United Kingdom have been included as the representations of other parties in the House of Commons are small.

Sources: Hansard, Sveriges Riksdag, Parliamentary Debates Dail Eireann, political parties' publications, editorials and working documents

Table 2.2 The Four Labour Market Regimes Emerging From the Pre-Enlargement Debates in the EU-15 Member States

Country	Labour Market	Access to Social Welfare
	No More Rights than EEA Nationals	
Belgium	Restricted access to the labour market for at least two years.	Accession State nationals are entitled to same benefits as EU citizens, if they are legally working and resident or self-employed. Access to benefits is restricted for those seeking jobs or economically inactive as they will not be able to achieve legal residence.
Finland	Restricted access to the labour market for at least two years.	Access to benefits for Accession State nationals will not be restricted <i>per se</i> but residency permits will not be issued unless a work permit has already been issued. Therefore citizens from the EU8 will not have access to the majority of benefits as the benefits system is based on residence.
France	Restricted access to the labour market for at least two years.	Accession country nationals will be allowed the same access to benefits as citizens of the EU15. Like other EU nationals they will be subject to the qualifying conditions, such as they must be resident for 3 months to access income support and they must have been employed in France and made sufficient contributions into the system to access unemployment benefits.
Germany	Restricted access to the labour market for at least two years. It is expected that this will be extended for the full five years.	No support for Accession State nationals who enter Germany to seek benefits.
Greece	Restricted access to the labour market for at least two years.	EEA nationals are treated the same as Greek nationals and must show an identity card to claim benefits.
Luxembourg	Restricted access to the labour market for at least two years.	EEA nationals must be legally resident and hold a residence permit to claim social assistance.
Spain	Restricted access to the labour market for at least two years, but Spain has a bilateral agreement with Poland to allow a limited number of Polish nationals to work.	Benefits are disbursed via the regional governments and access to them varies. All EU nationals must be legally resident in a particular region before they can access benefits. Accession State nationals would need to be legally resident for 3 years in order to access benefits.

Quota for Nationals of EU10 Member States	
Austria	Restricted access to the labour market for at least two years. It is expected that this will be extended for the full five years. Accession State nationals are banned from seeking work. The self-employed and economically inactive will have the right of residence but are not allowed access to social welfare. Those without means are deported. However, social assistance can be given at a regional level.
Denmark	Access to labour market subject to residence and work permits. Only those working for a minimum of 10 weeks will receive access to social benefits under EC law. Those who are not working will have no benefit entitlements. The only financial assistance they will receive is in relation to their journey home.
Italy	Restricted access to the labour market for at least two years. EEA nationals who wish to claim social assistance are required to register as resident in order to claim benefits.
Netherlands	Restricted access to the labour market for at least two years. People just arrived from other Member States are not eligible for benefits. An economically inactive person who applies for public funds will lose his or her right to stay. EEA nationals must have a residence permit to claim benefits.
Portugal	Accession State nationals are subject to same access as EEA nationals. Quota of 6,500 per annum. EEA nationals are treated the same as Portuguese nationals, i.e. they must be habitually resident in Portugal before they can access benefits.
European Community Rules but with Restrictions on Access to Social Benefits	
Ireland	Free movement of workers Same access as EU-15 citizens. Therefore they must be declared habitually resident, i.e. have lived in the Common Travel Area for two years or meet other requirements, to access social welfare.
United Kingdom	Free movement of workers Must be habitually resident for 2 years to gain access to social welfare benefits.
European Community Rules	
Sweden	EU rules on free movement of workers

Sources: Kvist (2004); and Home Office (2005)

The debates on enlargement in the EU15 Member States resulted in four different transitional regimes as Table 2.2 shows. The first regime gives citizens from the Accession States no more rights than non-EEA nationals. Access to the labour market is only granted in exceptional circumstances, through work permits, when an EEA citizen cannot fill the job vacancy. The main means of entry, therefore, is through family reunification. This regime applies to Belgium, Finland, France, Germany, Greece, Luxembourg and Spain. The second regime adopts essentially the same rule as the first but opens the labour market to a quota of the Accession State nationals. Austria, Denmark, Italy, the Netherlands and Portugal have adopted such a regime.

The third regime is adopted by Ireland and the UK. They allow unrestricted access to their labour markets but restrict access to social benefits. In the fourth regime European Community rules on the free movement of labour are applied without any restrictions. Sweden is the only country implementing the Community rules.

3 ECONOMIC EFFECTS OF AN INCREASE IN IMMIGRATION

Although the enlargement made large-scale migration to Ireland, Sweden and the UK possible it did not necessarily mean that it would occur. There are a number of factors besides labour market access that would influence the decision of a citizen from the Accession States to migrate. These factors include income and unemployment differentials as important influences on the magnitude and direction of migration. The direction of the flow is expected to be from countries with low GDP per capita and high unemployment rates to countries with high incomes and low unemployment rates. The magnitude of the differentials in incomes and unemployment rates impact on the size of the migratory flow. As incomes in the sending and receiving countries converge the propensity of the sending country's citizens to migrate decreases. Therefore, if incomes in the Accession States come closer to those of the Member States, by way of high growth rates, the incentives for EU10 nationals to migrate will be reduced. At the time of accession, average GDP per capita in the Accession States was only a quarter of the average for the EU15 and it is estimated that it would require between 20 and 30 years to catch up with the EU15 at current growth rates (see Kvist 2005). Consequently, the income incentive for accession state nationals to migrate is strong.

However, income disparities are not sufficient to induce migration from the EU10 if there is no possibility of gaining employment. The level of unemployment and job vacancies in the host country are important pull factors, as few people want to move to countries with no jobs. The relative labour market situation is also important in determining whether migrant workers from the Accession States choose to go to Ireland, Sweden or the UK. A booming labour market in one country may divert potential immigrants from the other countries.

Another factor identified as influencing a migrant's choice of destination is language. Studies have shown that countries with English as the main language are preferable to migrants with high levels of education. Therefore, Ireland and the UK may be more attractive destinations for high skilled migrants than Sweden. Research by Barrett, Bergin and Duffy (2006) has shown that the immigrant population in Ireland is characterised by high educational levels.

Geographic proximity is another important pull factor for migration. Countries closer to the home country are preferable targets for migration. This would make Sweden a more attractive destination for EU10 migrants than Ireland or the UK. Prior to accession two-thirds of the flows of Accession

State nationals into Europe went to Germany and Austria, who share borders with five of the acceding countries.

An enlargement of immigration due to an expansion of the European common labour market may have various effects, positive and negative. The size of these effects depends of course on the size of the increase in immigration – a small increase in immigration means small effects. The effects also depend on the composition of the new immigrants and the functioning of the economy they are going to. Here we will discuss the types of effects most highlighted in research and in the public debate.

In the international debate “welfare magnets”⁶ has been a catchword just like “social (benefit) tourism” and “welfare tourism” became catchwords in the Swedish and Irish debates. These terms suggest that immigrants, at least to some extent, are coming because the country of destination has a highly developed welfare state with generous compensation for those who are out of work. Some studies have related the selection of migrants to different countries or parts of a country (states in the United States) to the generosity of the compensation schemes. Other studies have especially studied immigrant representation in some parts of the welfare system, for example social assistance.

It is important to note that those schemes constitute only a minor part of the total public sector budget. People living in a country, natives and immigrants, pay taxes and receive different forms of income transfers and public consumption like education and health care. It is possible to relate the costs of some forms of public services to the individuals using them, the costs for other forms of public consumption relate to the size of the population (which increases as a result of immigration), and finally some costs relate to pure public goods that do not vary with changes in the size of the population. The difference between the change in the taxes and the sum of the change of the income transfers and public consumption due to migration is the net transfer to the public sector from the migrants.

The net transfer from the immigrants to the public sector may be positive or negative. A factor supporting the presumption of a positive value of the net transfer is that the new immigrants generally are of active age and that the public sector mainly redistributes from people of active age to people

⁶ Borjas (1999) is the main advocate for this view using data on immigration to different states in the US. Passel and Zimmermann (2001) do not find support for the welfare magnet hypothesis in a study of the settlement pattern of immigrants in the US. Pedersen, Pytlikova and Smith (2004) do not get support for the welfare magnet hypothesis in their study which is based on international migration between a large number of countries.

of passive age (children and young people, and retired people). However, there are also different forms of transfers within the group of people of active age, mainly between those who have a job and those who do not have a job or if they have a job and are not working, but are on sick leave, for example.

Studies of the net transfers from immigrants to the public sector in countries like Sweden show that the net transfers are positive for labour migrants coming from western countries but negative for refugee immigrants coming from non-western countries.⁷ The negative transfer for refugee immigrants is explained by the fact that few of them are integrated into the labour market. This suggests that if immigrants from the Accession States become integrated in the labour market, the net transfers will most likely be positive, i.e. going from the immigrants to the public sector. However, empirical studies are necessary to determine the actual outcome. The main point of this discussion is that it is not sufficient to look at one program, for example social assistance, to determine if the new immigration is a burden for the welfare state. Higher costs for social assistance for immigrants than for natives may be more than compensated by the taxes paid by the new migrants if a high proportion of them are working.

Another issue much discussed in the public debate is the effect on wages of (an increase in) immigration. Immigration means generally an increase in the labour force. An increase in the supply of a production factor can be expected to lead to a decline in the price of that factor, i.e. to a decline of wages. However, it is not as simple as that. First, an increased supply of labour may induce new investments which may counteract the expected wage decline. Second, labour is not a homogeneous factor of production. The immigrant work force may be a complement in the production process to the native work force and not a substitute, so that an increase in immigration induces an increase in the wages of native workers. Hence, it is not possible to determine the sign and size of the wage effect without empirical studies. There are quite a few studies on the wage effects of immigration for different countries and periods, most of them indicating only small effects.⁸ Even if the effects are small on average and may go in both

⁷ See Wadensjö (1973), Ekberg (1983, 1998, 1999) and Gustafsson and Österberg (2001) for Sweden and Coleman and Wadensjö (1999), Wadensjö (2000, 2000a, 2002), Wadensjö and Orrje (2002) and Wadensjö and Gerdes (2004) for Denmark, and Gott and Johnston (2002) for the UK. Some surveys of studies in the field are found in Wadensjö and Orrje (2002), Leibfritz, O'Brien and Poot (2003), and Chonicki (2004).

⁸ See Longhi, Nijkamp and Poot (2004) for a meta-study of a large number of studies on wage effects. Borjas (2003) is one of the few who find large effects.

directions, the effects in areas, sectors and occupations with a large inflow of immigrants may be larger. It is therefore of interest to study the sectoral, occupational and regional distribution of immigrants compared to that of the natives.

Another area of discussion is if immigration influences the size and structure of unemployment.⁹ A common fear is that immigrants may displace some of the native workforce so that they become unemployed. Such a discussion is generally based on an idea that the number of jobs is fixed, an idea not based on knowledge of how the economy functions. The unemployment rate is mainly determined by macroeconomic developments and by economic policy. Sweden has a target range for inflation and if the inflation tends to be higher than the upper limit of the target range, the Central Bank will increase the interest rate and by that increase the unemployment rate. The unemployment rate following from such a policy is the unemployment rate that is possible to maintain without getting an accelerating inflation (NAIRU). If the immigrant unemployment rate is higher than the native unemployment rate this could be interpreted as if the immigrants are contributing relatively more to combat inflation. An argument for a decline in NAIRU as a result of immigration is that immigrants are more geographically mobile than natives on the labour market leading to less wage inflation. An argument for an increase of NAIRU as a result of immigration is that immigrants are less occupationally mobile on the labour market (confined to fewer occupations) leading to a higher structural unemployment. However, immigration is probably not a significant influence on the NAIRU. The relatively few empirical studies in this area indicate that the effects of immigration on unemployment are small.

Ireland's currency is the Euro so it no longer has an independent monetary policy. Consequently, it cannot change interest rates to try and influence unemployment. It has, therefore, to rely on labour market policies to ensure that excessive earnings growth does not result in an increase in unemployment. The main instrument which it uses to moderate earnings growth is a social partnership agreement, usually covering three to four years, negotiated between the employers, the trade unions and the government. Since Ireland joined the Euro economists have recommended that these agreements should incorporate a mechanism for the downward adjustment of wages which would come into operation during a recession. So far, these recommendations have fallen on stony ground.

⁹ Gilpin *et al.* (2006) is a recent study of much relevance for this study. The main result is that the post-enlargement migration to the UK has not influenced the local unemployment rate.

Immigration may also have other effects for example on prices and also on influencing exports by forming networks between the country of origin and the country of destination.¹⁰

¹⁰ See Bandyopadhyay, Coughlin, and Wall (2006) for the effects of networks on export.

4. THE DEVELOPMENT OF IMMIGRATION TO SWEDEN FROM THE NEW EU MEMBER STATES¹¹

4.1 Migration Flows by Country of Origin and Destination

There are several different types of international migration. Labour migration, refugee migration and family (re)union are the three most important ones.¹² For Sweden, labour migration dominated in the post-war period up to the early 1970s. Most of the labour migrants arrived from the neighbouring Nordic countries, especially Finland, and other European countries. The migrants typically came directly to work, in many cases recruited in their home countries by Swedish employers. Due to the recession in the early 1970s and in practice a stop for labour migration from outside the common Nordic labour market (and later the European common labour market), labour migration decreased drastically. As a result refugee migration and family (re)union dominated. Those coming for family (re)union are in most cases coming to live with labour migrants and refugees who have arrived earlier.

Figures 4.1 and 4.2 show that labour migration has continued on a lower level also during the last decade mainly from the countries belonging to the Nordic common labour market or the European Union common labour market. The direction of labour migration was mainly from countries with lower income and wage levels than Sweden. The variations over time are large, very sensitive to variations in the labour market situation in the country of origin and especially in Sweden, the country of destination. As noted, not many migrants go to countries that have few job vacancies.

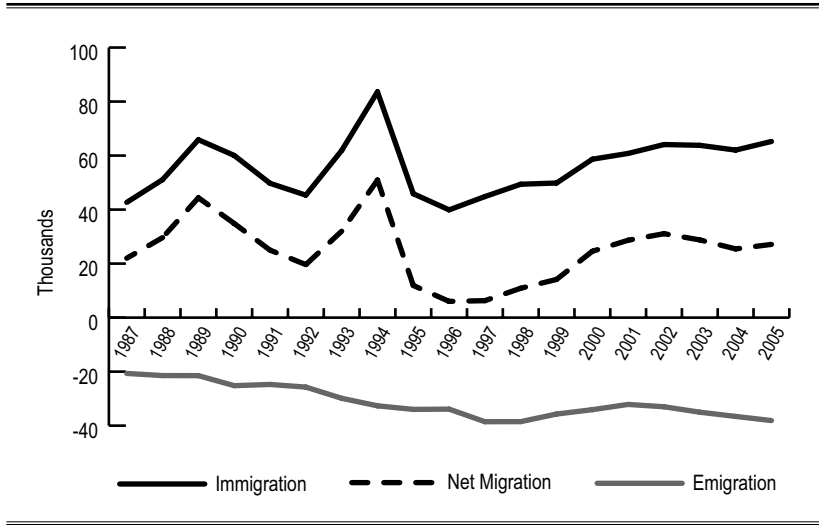
The migration from the Accession States will most likely be dominated by labour migration and we can therefore expect large variation in size depending on the Swedish labour market situation.

The economic effects of the enlargement of the European Union labour market are primarily dependent on the size of the new migration. Crucial for all predictions of the effects are predictions of the size of the new im-

¹¹ There are a few follow-up studies of immigration from the Accession States after the enlargement of the European Union. See Dølvik and Eldring (2005) for the migration to the Nordic countries, and Commission of the European Communities (2006) comparing migration from the EU10 and the EU15 to all EU15 countries. Note that the numbers based on residence permits in the latter study are strongly misleading regarding the immigration from EU15 countries to Sweden. Danish and Finnish citizens who constitute the majority of immigrants from other EU15 countries in Sweden do not need a residence permit.

¹² Nilsson (2004) contains a detailed presentation of migration to and from Sweden in the post-war period.

Figure 4.1 Immigration, Emigration and Net Migration, Sweden, 1987-2005



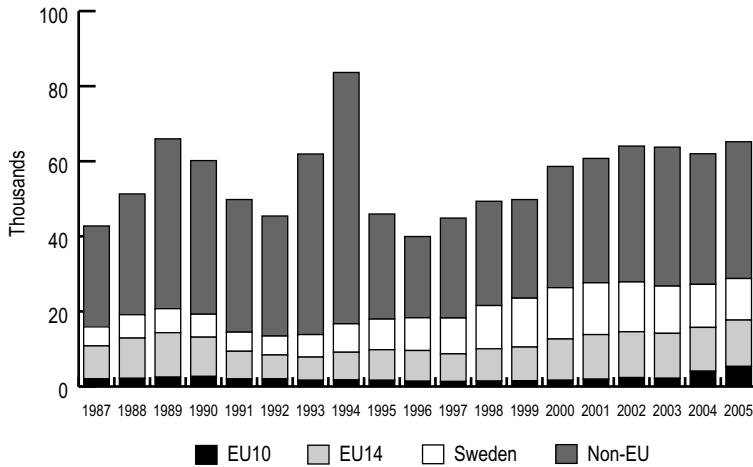
Source: Statistics Sweden

migration.¹³ In this section we will present the development of the number and composition of immigrants from the EU10 countries before and after the enlargement. It will be an incomplete picture for different reasons. First, not all immigrants in Sweden are registered. Second, and more importantly, the share registered may have changed: it is likely that some immigrants who lived and worked in Sweden for a period before enlargement but who were not registered may have registered as a result of the legal change. We also cannot exclude that immigration from other countries, registered and unregistered, may have declined as a result of the accession agreement. Employers who earlier employed immigrants from other countries may have turned to employing immigrants from the Accession States.

It is also important to study emigration to the Accession States. Emigration to those states will mainly be return migration of earlier immigrants. Given

¹³ The predictions of the size and the effects of migration made before the enlargement of the European Union vary. See for example Boeri, Hanson and MacCormick (2002), Dustmann *et al.* (2003), Eriksson (2004), Pedersen, Pytlikova and Smith (2004) and Sinn and Ochel (2003). The study most critical of free migration for citizens of the accession states is Sinn and Ochel (2003). They argue that migration without restriction would lead to a dismantling of the welfare state.

Figure 4.2 Composition of Immigration to Sweden According to Country of Birth, 1987-2005



Note: EU14 = EU15 minus Sweden. Prior to 1991 immigrants from Estonia, Latvia and Lithuania were citizens of the Soviet Union and prior to 1993 immigrants from Czech Republic and Slovakia were citizens of Czechoslovakia.

Source: Statistics Sweden

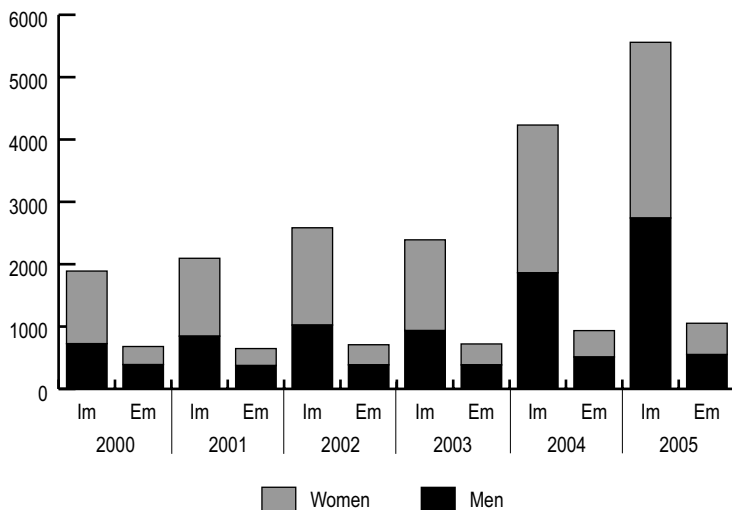
the propensity to re-emigrate return migration may increase because the immigrant population living in Sweden becomes larger. However, it may also increase if the deregulation of immigration makes it more attractive to return so that it will be possible to immigrate to Sweden again after a period in the home country. The decision to go back to the home country is easy to change if it is regretted.

We will first look at the flows of immigrants and emigrants from the ten Accession States in the period 2000-2005. Immigration and emigration is here defined as the number of people who intend to move to or from the country for more than one year. See Figure 4.2 and Figure 4.3.¹⁴ We will underline some of the main results.

- The total numbers show that there was an increase in immigration during the first years of the decade but a much higher increase in 2004 and 2005. That the increase continued in 2005 is an indication that it was not

¹⁴ Note that tables corresponding to the figures presented in the main text can be found in Appendix 2.

Figure 4.3 Immigration and Emigration to and from the Accession States, Sweden, 2000-2005



Note: Im = Immigrants, Em = Emigrants

Source: Statistics Sweden

only a result of higher registration, i.e. a registration effect, but a real increase. However, immigration from the EU10 countries is still only a small part of the total immigration to Sweden.

- Emigration to the Accession States also increased but to a much smaller extent than immigration (Cyprus and Malta are the only exceptions). Net immigration is a large part of gross immigration. It should be noted that return migration is probably considerably underestimated which means that the net immigration is overestimated.
- Women have constituted the majority of immigrants from the EU10 countries in all years of the period. At the same time the fact that most of the emigrants are men indicates that male immigrants are returning to a greater extent. Immigration of men has increased more than immigration of women in 2004 and 2005. As a result almost the same number of men and women migrated to Sweden from the ten Accession States in 2005.
- More than half of the immigrants to Sweden from the ten Accession States are from Poland. The relative importance of immigration from

Poland greatly increased in 2004 and 2005. This is not surprising as Poland is the largest of the EU10 countries and a neighbour to Sweden on the other side of the Baltic Sea.¹⁵ After Poland immigration is largest from the three Baltic states, especially Lithuania and Estonia.

Immigration has increased considerably from the Accession States, especially from Poland, but it is still small compared to the total immigration and the size of the Swedish labour market. Why is this so? One explanation may be that there have been few job vacancies available for newly arrived immigrants. The Swedish unemployment rate is low compared to that in several other European countries and it is presently declining, but job growth has been low and job vacancies few. Another explanation may be that the propensity to emigrate has been lower than many expected in the Accession States. An interview survey of migration intentions in the Baltic states carried out a few years before the accession date shows that the willingness to move abroad was not very high and also that only a few had the Nordic countries (including Sweden) as the preferred destination (Brunoskis, Djuve and Hauland 2003). A third explanation is that those migrating have chosen Ireland and the UK instead of Sweden due to easier access to the labour market in those countries and not least that English is the language of those two countries.

4.2 The New Immigrants and the Labour Market

We will now turn to the immigrants from the Accession States and their position on the Swedish labour market. We will start with those who arrived in the period from 2003 to 2005 and who have been granted residence permits. A residence permit according to the European Economic Area (EEA) Agreement is a requirement for any EEA national who wishes to stay for longer than three months in an EEA country.¹⁶ Figure 4.4 gives some basic information. See also Table A.2.4, where we have included

¹⁵ Poland with a fast growing and changing economy is not only a country of origin for international migration but also a country of destination for especially people coming from some of the successor states to the Soviet Union. See Iglicka (2005) and also Iglicka *et al.* (2005). A comparison with the migration statistics of other countries for the same migration flows indicates that international migration is probably much under-estimated in Polish statistics.

¹⁶ In other words, whereas immigration and emigration as described above cover those who migrate on a more long-term basis, i.e. for more than one year, the statistics on EEA residence permits illustrate the short-term movements to Sweden. Furthermore, we would like to point out that we are very much in the dark with regard to those who go to Sweden for less than three months. However, a reasonable estimate is that these flows, as is the case with both the long- and the short-term migration flows, has doubled. Since 15,496 work permits were issued to EU10 nationals in 2003, out of which 6,433 concerned seasonal work, it is reasonable to assume that the number is within the range of 10,000-30,000 per year.

Box 4.1 The Vaxholm Case

In the autumn of 2004 a conflict arose in the municipality of Vaxholm north of Stockholm. L&P Baltic AB, a subsidiary to the Latvian company Laval un Partneri, had won a contract in May 2004 from the Vaxholm municipality to refurbish a school (Söderfjärds-skolan). L&P Baltic AB employed Latvian workers posted in Sweden.

In June 2004 the Swedish Building Workers' Union (Byggnads) contacted L&P Baltic AB and requested that the company sign a collective agreement – in this case an application agreement, since the employer was not a member of the Swedish employer's union. In September the same year the parties had not managed to reach an agreement. The Latvian company argued that a Latvian agreement already existed and in the negotiations on wages, Byggnads demanded that the Latvian company pay their workers the average hourly wage in the Stockholm area, SEK 145 (ca €16), later lowered to SEK 138 (ca €15). The Latvian company would only agree to pay SEK 109 (ca €12), which was at the very low end of the interval in the agreements. In early November 2004 Byggnads took industrial action and launched a blockade. Sympathy actions were taken in December by the Swedish Electricians' Union (Elektrikerförbundet).

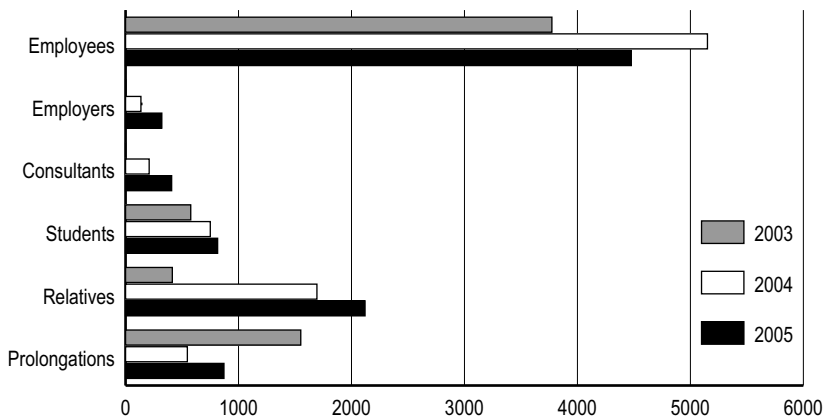
In the same month, L&P Baltic AB asked the Swedish Labour Court for an interim decision prohibiting the conflict actions. The Labour Court rejected these claims, since, according to the Court, the company had not been able to show probable cause for its claims. L&P Baltic AB sued the concerned Swedish trade unions before the Labour Court, arguing that the conflict actions were in breach of EU law. On the 29th of April the Swedish Labour Court decided that it was necessary to ask the European Court of Justice for a preliminary ruling as to whether the Swedish unions had violated articles 12 and 49, EC Treaty, and/or the Posting of Workers Directive. L&P Baltic AB filed a petition for bankruptcy in Latvia in early 2005.

The European Court of Justice is not expected to give a final judgement before 2007.

the four countries of origin with most immigrants and the aggregate information for all coming from the ten Accession States and as a comparison those coming from the twelve old member states (according to the rules of the common Nordic labour market, citizens from Denmark and Finland do not need a residence permit). The number of residence permits for citizens from the ten Accession States increased both in 2004 and 2005. The increase is large for the categories employers and consultants which may include self-employed people, for example in the building sector.

Immigration of self-employed was a concern of the LO prior to enlargement (see appendix A.1 on the Swedish pre-enlargement debate). In late 2004, only a few months after the EU enlargement, there was a conflict in the municipality of Vaxholm north of Stockholm, where a Latvian company was contracted to refurbish a school. The case is described in Box 4.1. However, it is important to stress that the incident did not concern the freedom of movement for workers, but rather the free movement of services, and the workers concerned in this and similar cases would not necessarily appear in the statistics on residence permits.

Figure 4.4 Residence Permits for Accession State Nationals 2004-2005 According to the EEA Agreement



Note: Reasons for granting a permit are up to May 2004 estimated for those coming from the Accession States.

Source: Migrationsverket (Swedish Migration Board)

However, also the number of residence permits granted to students is increasing, and even more to those who are relatives of people living in Sweden. Note that the number of residence permits reported in Figure 4.4 is greater than the number of immigrants according to Figure 4.3. There may be several explanatory factors. People arriving in the year after a residence permit is granted, a lag in the reporting of immigration and that not all of those receiving a residence permit are coming to Sweden are some likely explanations.

The next step is to look at the labour market situation of the new migrants. This is however not easy to do. The statistical data bases with information on the labour market which cover the period after the accession of the ten member states are surveys, mainly the labour force surveys, and the samples are not large enough to be of any use for a study of the new migrants.

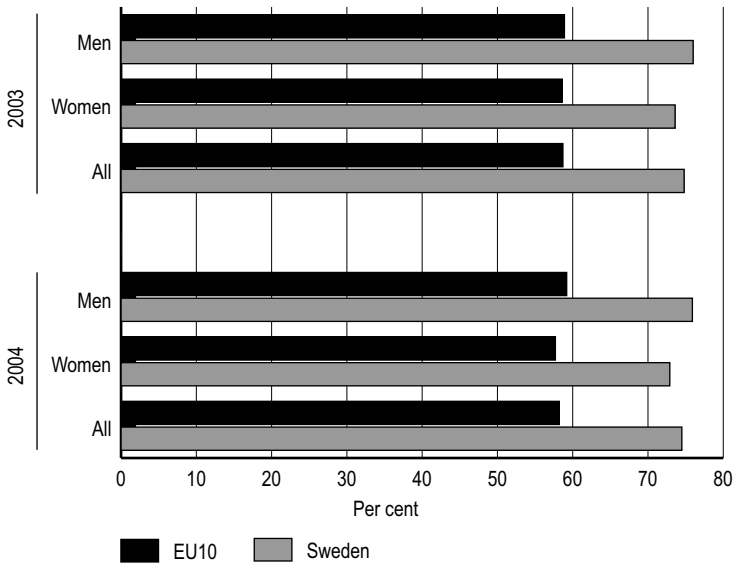
We have instead used data containing information on all the population living in Sweden. The latest year for which this data set is available is 2004. This means that we do not have any information for immigrants arriving in 2005 and 2006. A further problem is that even if the population included

are those who are registered as living in Sweden in the end of the year (for those coming from the Accession States the criterion is that they have a residence permit and are registered as living in Sweden on December 31), the employment information is for November. It means that the data set does not include labour status information on people who arrived in December (and maybe also in November) of the year studied. We only know that they arrived and were living in Sweden at the end of the year. In practice we do not have any information on the labour market situation for the majority of those who have arrived after the enlargement of the EU. What we can do, and have done, is to look at the labour market situation for people who were born in one of the ten Accession States and were living in Sweden at the end of 2003 and 2004, respectively. Note that this data is on the stock of immigrants in Sweden and not on flows of immigrants to Sweden. We will start with the employment rates for those who were born in the ten Accession States and as a comparison the corresponding information for Sweden. See Figure 4.5.

The employment rates for those from the Accession States are about the same in both 2003 and 2004 and in both years considerably lower than for people born in Sweden (but larger than for refugee immigrants according to information from the labour force surveys¹⁷). A closer look behind the figures show that among those not employed that are from the Accession States, many do not have any income, not even an income from the income transfer programs (unemployment benefits, sickness benefits, pensions etc.). This category may hide several different groups. The first one, and a not very large group, consists of those who have immigrated to Sweden in December and who could not have worked in Sweden in November the same year (it will be possible to exclude this group in a revised estimation). The second one consists of immigrants who have (re) emigrated without notifying the tax authorities about it. We do not know the size of this group. A third group consists of students (in secondary level and in higher education) who do not combine studies with work. A fourth group

¹⁷ European Commission (2006) gives information on employment rates based on Labour Force Surveys for 2004 and 2005. For citizens from the EU10 the employment rate was 62 per cent in 2004 in Sweden. This is slightly higher value than that shown in Figure 4.5 and Table A.2.5. There are two main candidates for an explanation of the difference. One possible explanation is that the populations are different; citizens of EU10 countries or people born in the EU10 countries. However, a re-estimation of Table A.2.5 with citizens of EU10 as the population shows even lower employment rates. The explanation may instead be that data collecting methods are different. In the labour force only those participating in the survey are included. Those who have left the country without registering in it are not included. A problem with the labour force surveys is that those employed may be over-represented among those answering, leading to a selection problem.

Figure 4.5 Employment Rate in September Among Those Aged 16-64 According to Country of Origin, Living in Sweden at the End of 2003 and 2004



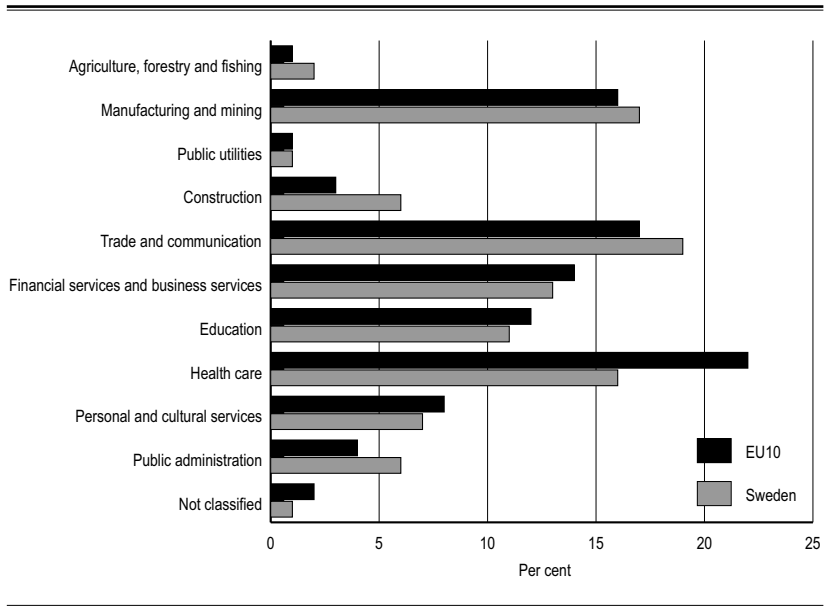
Note: As those who immigrated to Sweden in December cannot have been employed in Sweden in November the same year the employment rates for the immigrants are underestimated. There are immigrants who have arrived from the areas of the present states Estonia, Latvia, Lithuania and Slovenia who are registered as immigrants from the Soviet Union and Yugoslavia. It has not been possible to separate those from others registered as immigrants from the Soviet Union and Yugoslavia.

Source: Statistics Sweden

is people who are not working and are supported by other family members, for example housewives. A fifth group consists of people who work in the unregistered part of the economy (the shadow economy). We do not have any estimates of the size of this group.

Figure 4.6 shows the industry distribution for those who were born in EU10 countries and as a comparison those who were born in Sweden. The distributions are somewhat different. The main difference is that those coming from EU10 are overrepresented in the health care sector, a sector characterized by a high demand for labour. Those born in Sweden are overrepresented in construction and public administration.

Figure 4.6 Distribution of People Born in the Accession States and in Sweden According to Industry in September 2004; Per cent



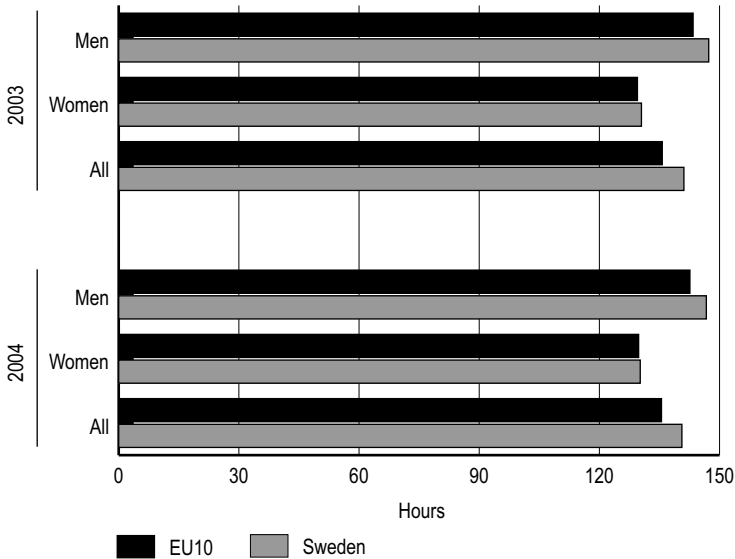
Source: Statistics Sweden

4.3 Wages and Education

Even if the employment rate estimations have to be interpreted with care, information on working hours and wages for those employed do not have the same problem. In Figure 4.7 information on working hours in September 2003 and 2004 are shown. There are only small differences between those born in Sweden and those born in the EU10 countries. There is a variation in working hours among the ten countries (see Table A.2.7 in Appendix 2) and between the two years which may be explained by the fact that there are few observations so that outliers have a large influence.

Figure 4.8 shows the monthly average wage (recalculated to full-time monthly wage for those not working full-time) for people who were born in the ten Accession States and in Sweden. The average monthly wage is lower for those born in the Accession States than in Sweden, even though the difference is less than ten per cent. Also here there are differences between those coming from different countries (see Table A.2.8 in Appendix 2) and it should be stressed that some groups contain only a small number

Figure 4.7 Working Hours in September Among Those Aged 16-64 According to Country or Origin in September 2003 and 2004



Note: Only those employed are included. There are immigrants who have arrived from the areas of the present states Estonia, Latvia, Lithuania and Slovenia who are registered as immigrants from the Soviet Union and Yugoslavia. It has not been possible to separate those from others registered as immigrants from the Soviet Union and Yugoslavia.

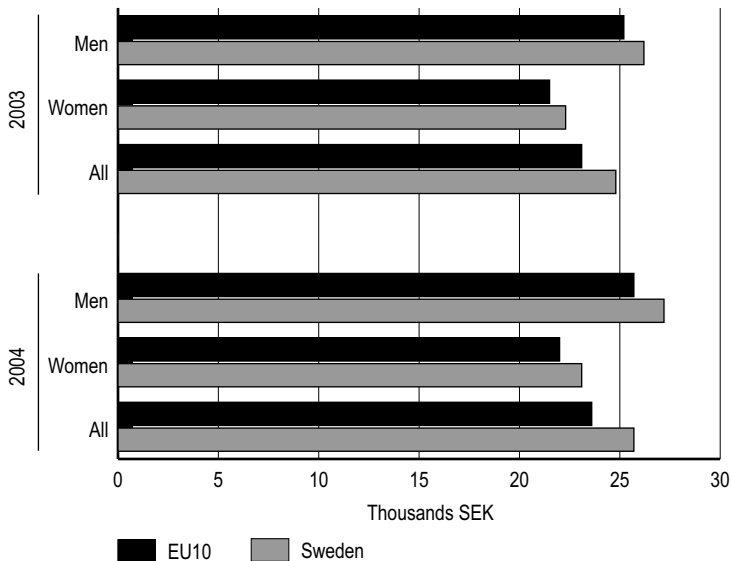
Source: Statistics Sweden

of individuals. There are differences in the composition according to age and education which may contribute to explain the differences. We will look at the educational distribution and after that report some results from estimations of the Mincer equation.

Figure 4.9 shows that the educational level is on the average higher among those coming from the Accession States than for those born in Sweden. There are large variations between the different Accession States (see Table A.2.9 in Appendix A.2). Note also that we are missing information for a larger share of the immigrants than for those born in Sweden. It is mainly for the newly arrived information on education is missing.

We have estimated Mincer equations with the logarithm of the monthly full-time wage as the dependent variable, and as independent variables age,

Figure 4.8 Monthly Wage Among Those Aged 16-64 According to Country of Origin in September 2003 and 2004; in Thousands SEK

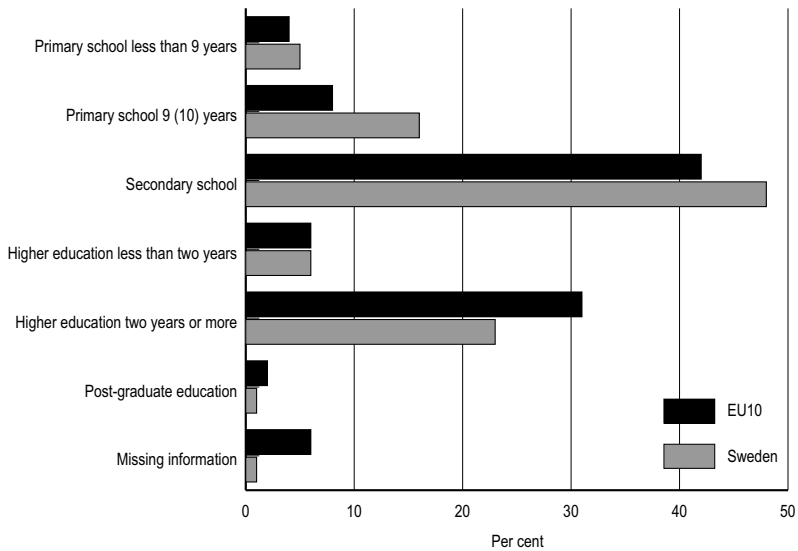


Note: For those working less than full-time the wage is recalculated to full-time wage. Only those employed are included. There are immigrants who have arrived from the areas of the present states Estonia, Latvia, Lithuania and Slovenia who are registered as immigrants from the Soviet Union and Yugoslavia. It has not been possible to separate those from others registered as immigrants from the Soviet Union and Yugoslavia.

Source: Statistics Sweden

age squared, female, educational levels and either dummy variables for being an immigrant from the different EU10 countries or a dummy variable for coming from any of them (see Table 4.1). The result for the coefficient of the EU10-dummy is a negative value indicating a negative wage premium of about ten per cent (separate estimations for men and women have also been made, which indicate a slightly less negative value for immigrant women than for immigrant men). When dummies for the different countries are included in the estimations, the coefficients of all the dummies are negative (those born in Sweden is the reference group), but the value of the coefficient varies. It is lower in absolute terms for immigrants coming from countries from which many have stayed for long periods in Sweden, which could be explained by the fact that integration takes time.

Figure 4.9 Distribution of People Born in One of the Accession States and in Sweden According to Education in 2004; Per cent



Source: Statistics Sweden

We have re-estimated the equations with dummies for the period of arrival and get as expected that the earlier the immigrants have arrived the smaller is the wage disadvantage (see Table 4.2). For those who have arrived before 1970 the difference is less than 3 per cent and for those who have arrived in the period 2000-04 the difference is 20 per cent.

4.4 Welfare magnet? Effects for the Public Sector of the New Immigration

As mentioned in the first section, the parts of the welfare state most discussed in connection with the expansion of the European Union are not very large items in the budget of the public sector. Nevertheless it may be of interest to follow up what has happened in the two areas most discussed: social assistance and support for family members (children) not living with the parent in Sweden but in another European Union country.

Table 4.1 Wage equation estimates with log monthly wage at full time work in 2004 as the dependent variable

	Male	Female	All	Male	Female	All
Constant	8.989 (0.0042)	9.015 (0.0047)	9.057 (0.0032)	8.989 (0.0042)	9.015 (0.0047)	9.057 (0.0032)
Female			-0.148 (0.0006)			-0.148 (0.0006)
Age	0.0377 (0.0002)	0.0362 (0.0002)	0.0368 (0.0002)	0.0377 (0.0003)	0.0362 (0.0002)	0.0368 (0.0002)
Age squared	-0.00035 (0.000003)	-0.00037 (0.000002)	-0.00037 (0.000002)	-0.00035 (0.000003)	-0.00037 (0.000002)	-0.00037 (0.000002)
Primary school 9 or 10 years	0.086 (0.0015)	0.052 (0.0019)	0.073 (0.0012)	0.086 (0.0016)	0.052 (0.0019)	0.073 (0.0012)
Secondary School	0.165 (0.0014)	0.109 (0.0017)	0.146 (0.0011)	0.165 (0.0014)	0.109 (0.0017)	0.146 (0.0011)
Higher education less than two years	0.360 (0.0019)	0.272 (0.0025)	0.333 (0.0015)	0.360 (0.0019)	0.272 (0.0025)	0.333 (0.0015)
Higher education two years or more	0.502 (0.0018)	0.359 (0.0019)	0.446 (0.0014)	0.502 (0.0018)	0.359 (0.0019)	0.447 (0.0014)
Post graduate education	0.732 (0.0049)	0.689 (0.0075)	0.717 (0.0042)	0.732 (0.0049)	0.689 (0.0075)	0.717 (0.0042)
Czech Republic				-0.179 (0.071)	-0.107 (0.043)	-0.144 (0.042)
Czechoslovakia				-0.039 (0.017)	-0.016 (0.016)	-0.032 (0.012)
Cyprus				-0.074 (0.050)	-0.065 (0.054)	-0.072 (0.038)
Estonia				-0.073 (0.021)	-0.121 (0.015)	-0.105 (0.013)
Hungary				-0.093 (0.010)	-0.059 (0.011)	-0.079 (0.007)
Latvia				-0.134 (0.040)	-0.160 (0.030)	-0.159 (0.025)
Lithuania				-0.126 (0.074)	-0.254 (0.033)	-0.226 (0.033)
Malta				-0.086 (0.085)	-0.140 (0.046)	-0.097 (0.063)
Poland				-0.123 (0.006)	-0.104 (0.004)	-0.116 (0.004)
Slovakia				-0.120 (0.054)	-0.101 (0.056)	-0.121 (0.040)
Slovenia				-0.071 (0.030)	-0.104 (0.037)	-0.085 (0.023)
EU10	-0.104 (0.005)	-0.096 (0.004)	-0.103 (0.003)			
R squared	0.298	0.260	0.311	0.298	0.260	0.311

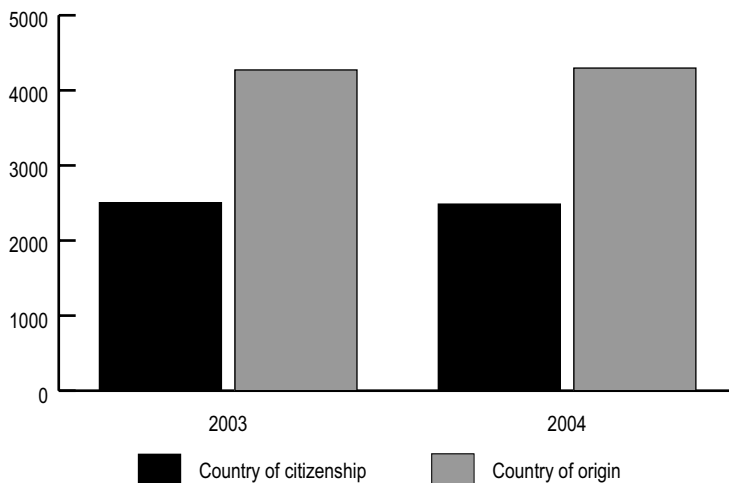
Note: Standard errors within parentheses.

Table 4.2 Wage equation estimates with log monthly wage at full time work in 2004 as the dependent variable and time of arrival to Sweden among the explanatory variables

	Male	Female	All
Constant	8.988 (0.0042)	9.015 (0.0047)	9.057 (0.0032)
Female			-0.148 (0.0006)
Age	0.0377 (0.0002)	0.0362 (0.0002)	0.0369 (0.0002)
Age squared	-0.00035 (0.000003)	-0.00037 (0.000003)	-0.00036 (0.000002)
Primary school 9 or 10 years	0.086 (0.0015)	0.051 (0.0019)	0.073 (0.0012)
Secondary School	0.165 (0.0014)	0.109 (0.0017)	0.146 (0.0011)
Higher education less than two years	0.360 (0.0019)	0.272 (0.0025)	0.333 (0.0015)
Higher education two years or more	0.502 (0.0018)	0.358 (0.0019)	0.447 (0.0013)
Post graduate education	0.732 (0.0049)	0.689 (0.0075)	0.717 (0.0042)
Arrived before 1970	-0.028 (0.013)	-0.007 (0.014)	-0.022 (0.010)
Arrived from EU10 1970-74	-0.096 (0.014)	-0.018 (0.013)	-0.063 (0.009)
Arrived from EU10 1975-79	-0.101 (0.014)	-0.041 (0.011)	-0.072 (0.009)
Arrived from EU10 1980-84	-0.130 (0.010)	-0.066 (0.008)	-0.099 (0.006)
Arrived from EU10 1985-89	-0.132 (0.010)	-0.110 (0.008)	-0.122 (0.006)
Arrived from EU10 1990-94	-0.137 (0.015)	-0.154 (0.009)	-0.153 (0.008)
Arrived from EU10 1995-99	-0.072 (0.022)	-0.178 (0.012)	-0.146 (0.011)
Arrived from EU10 2000-04	-0.165 (0.025)	-0.226 (0.014)	-0.202 (0.013)
R squared	0.298	0.260	0.311

Note: Standard errors within parentheses.

Figure 4.10 Number of Applications for Social Assistance Granted Accession State Nationals Aged 16 and Older According to Country of Citizenship and Country of Origin in 2003 and 2004



Source: Socialstyrelsen (The National Board of Health and Welfare)

Figure 4.10 shows the number of applications for social assistance in 2003 and 2004 granted to people who are citizens in one of the ten Accession States or who were born in one of those states. It is clear from the table that there is, in practice, not any increase in the number of applications granted (a slight decline for citizens and a slight increase for foreign born). Social (benefit) tourism is not evident, therefore, in this part of the welfare state.¹⁸

Different forms of support to family members living in another country may be paid according to EU-rules. Information on such payments from March-December 2004 has been published (for the ten Accession States payments are only for the period since May 2004).¹⁹ The study shows that

¹⁸ It should be noted, however, that the table only shows the number of applications by EU10 nationals and not actual sums paid out.

¹⁹ See Lönnqvist (2005) for the development up to 2005, and also RFV (2004) for an earlier report of the development in the first months after the EU-enlargement.

the total payments of this type are low, c. SEK 82 million (€8.8 million). The major part goes to the neighbouring countries Norway, Denmark and Finland. Only 1 (one) per cent of this amount (c. SEK 0.9 million or €0.01 million), is paid to family members living in one of ten Accession States. Social (benefit) tourism for family support has not, therefore, been a “pull” factor for immigrants from the EU10 countries.

5 THE DEVELOPMENT OF IMMIGRATION TO IRELAND FROM THE NEW EU MEMBER STATES

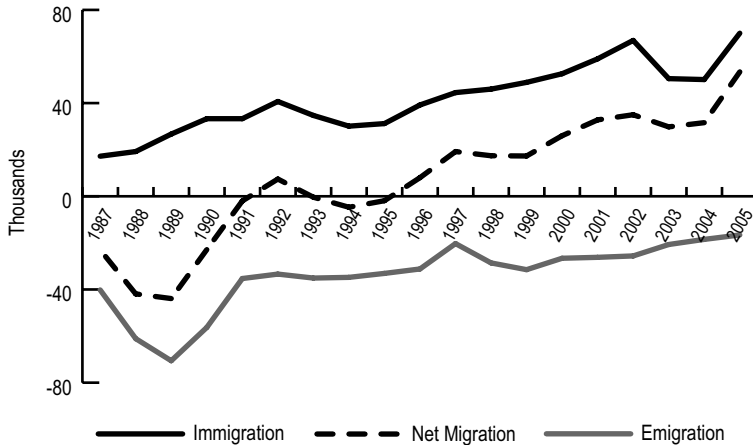
5.1 Migration Flows in Aggregate and from the Accession States

Migratory flows have long played an important role in determining the structure of the Irish population and labour market. The Irish experience from the late 1980s to date has shown that migratory flows to and from Ireland are very sensitive to economic conditions not only in Ireland but also in the countries of destination/origin of migrants. For example, the global downturn that occurred in the early 1980s was accentuated by inappropriate domestic economic policies and it had a particularly severe impact on the Irish economy, resulting in the country languishing in recession until the early part of the 1990s. By 1986 the unemployment rate had reached over 17 per cent. This created a significant divergence in labour market conditions between Ireland and other countries, particularly the United Kingdom, which led to a sharp rise in emigration, as Figure 5.1 shows. The net outflows were very high at the end of the decade – almost 45,000 in 1988/89, or 13.0 per thousand of the population. The economy began to stabilise in the early 1990s. Unemployment decreased and the net migration balance hovered close to zero. Unattractive labour market conditions abroad, due to the renewed onset of global recession, meant the emigration option was no longer attractive and many former Irish emigrants began to return home. The resulting pressure on the labour market caused unemployment to rise to nearly 16 per cent in 1993, compared with 13 per cent in 1990.

However, in the period from 1995 to 2000 the Irish economy experienced a major reversal in fortune. Real annual GNP growth averaged almost 9 per cent and the estimated net jobs created totalled 389,000, or over 5 per cent on an annual average basis for the period. Even though the labour force continued to expand throughout this period, this occurred at a much slower pace, and by April 2000 the unemployment rate had fallen to 4.3 per cent. The improvement in Irish economic conditions relative to its EU partners in the 1990s led to a reversal in the migratory trend experienced in the 1980s; Ireland began to experience positive net migration. As the unprecedented employment growth eventually gave rise to labour shortages, Ireland experienced a rapid increase in the influx of foreign workers which relaxed the constraint on labour supply. These came not only from the EU15 but also from a wide range of other countries, particularly the Baltic States, mainly under the work permits system.

The boom period of the Irish economy peaked around the turn of the century. Nevertheless, annual GNP growth averaged 4 per cent for the period

Figure 5.1 Immigration, Emigration and Net Migration, Ireland, 1987-2005 (year ending April)



Source: CSO Population and Migration Estimates, various editions

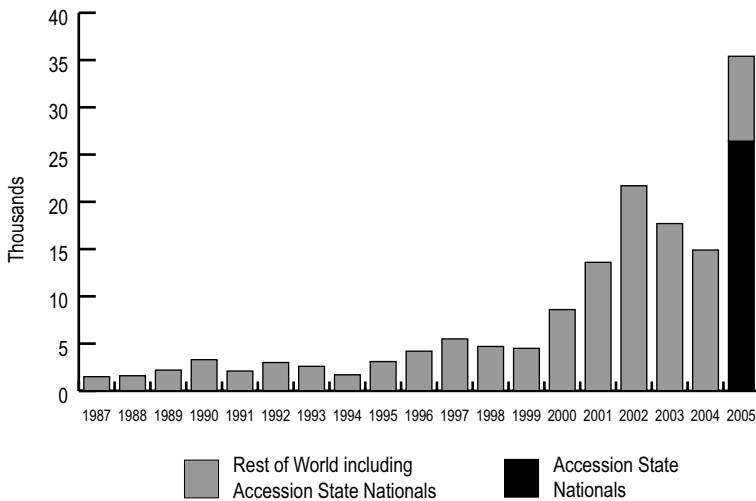
from 2000-2005 and employment continued to increase, albeit at a slower rate. However due to the fall in the unemployment rate in the late 1990s, the potential domestic supply of labour from which employers could draw had also fallen. Hence, Ireland became an attractive location for many immigrants, particularly those from outside the EU, and net migration continued to increase reaching 30,000 in 2003, 35,000 in 2004 and 53,400 in 2005.

It is evident from Central Statistics Office (CSO, 2005) migration estimates in Figure 5.2 that from the mid-1990s onwards an increasing number of immigrants came from the Rest of the World²⁰ (ROW) including the Central and Eastern European states. The only year for which the number of immigrants from the Accession States can be identified is 2005 when they accounted for 26,400 of the 35,400 immigrants from the Rest of the World.

Figure 5.3 shows the proportion of net inward migration accounted for by immigrants from the Rest of the World, i.e. nationals from countries outside the EU and the USA. The Rest of World proportion of total immigration increased from 16.3 per cent in 2000 to 35 per cent by 2003. It fell slightly to 30 per cent in 2004 before increasing sharply to 50 per cent in 2005.

²⁰ The Rest of the World includes immigrants from all countries excluding nationals of Ireland, the EU15 and the USA.

Figure 5.2 Immigration Flows From the Accession States, 1987-2005

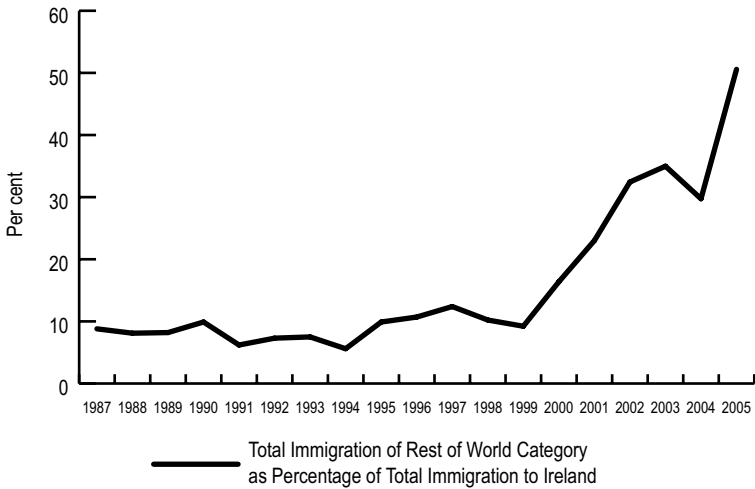


Source: CSO Population and Migration Estimates, various editions

At the time of accession the Irish economy was in a strong position. GDP growth was the highest in Europe, at 4.5 per cent, and unemployment, at 4.4 per cent, was the lowest. Since accession, the Irish labour market has continued to perform strongly. Employment growth reached 4.7 per cent in 2005, its highest level since 2000, and unemployment remained low at 4.4 per cent. Open access to the labour market coupled with a continuing strong demand for labour have, therefore, attracted large and growing numbers of immigrants from the Accession States to Ireland.

The increased immigration to Ireland resulted in the foreign born population reaching 259,000, or 6.3 per cent of the total population in April 2005. This compares with 3.2 per cent in April 1996. Unfortunately these data cannot be disaggregated to provide a figure for Accession State nationals. These nationals were aggregated in the “Other” category which currently represents 32 per cent of the foreign population in Ireland, compared to 15 per cent (18,100) in 1996. The latest Quarterly National Household Survey (QNHS) for the fourth quarter of 2005 provides an estimate of approximately 73,000 for the number of Accession State nationals aged 15 and over who are living in Ireland.

Figure 5.3 Gross Immigration From the Rest of the World Including the Accession States as a Percentage of Total immigration, Ireland, 1987-2005



Source: CSO Population and Migration Estimates, various editions

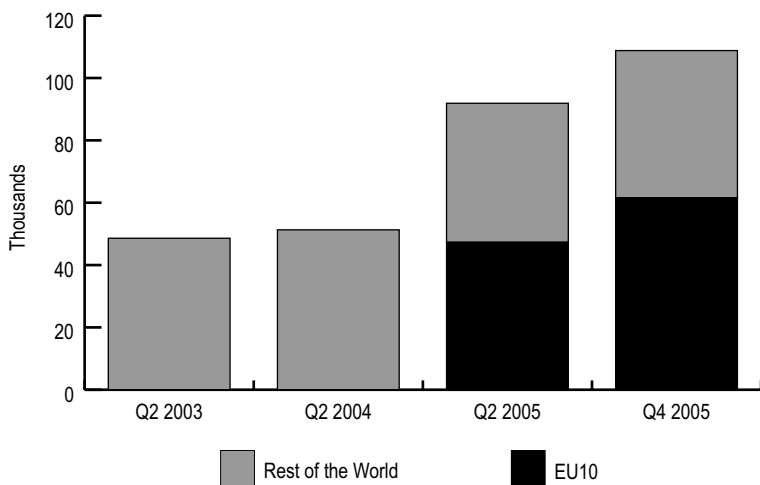
5.2 The Stock of Accession State Workers in Ireland.

Data on the stock of EU10 workers in Ireland is sourced from the CSO's Quarterly National Household Survey (QNHS). Unfortunately the QNHS does not provide information on the stock of Accession State nationals in employment in Ireland prior to the third quarter of 2004. Therefore to get an idea of the stock of EU10 nationals in Ireland prior to the accession date it is necessary to examine the Rest of the World category in which they were aggregated. See Figure 5.4.

The Rest of the World category increased throughout the post accession period. In Q2 2004, prior to accession, the stock of workers from ROW countries was 51,000. By Q4 2005 this figure had more than doubled to 109,000. Of the Non-EU workers employed in Ireland in the fourth quarter of 2005, 61,600 were EU10 nationals. This compares with a figure of 28,100 in the previous year

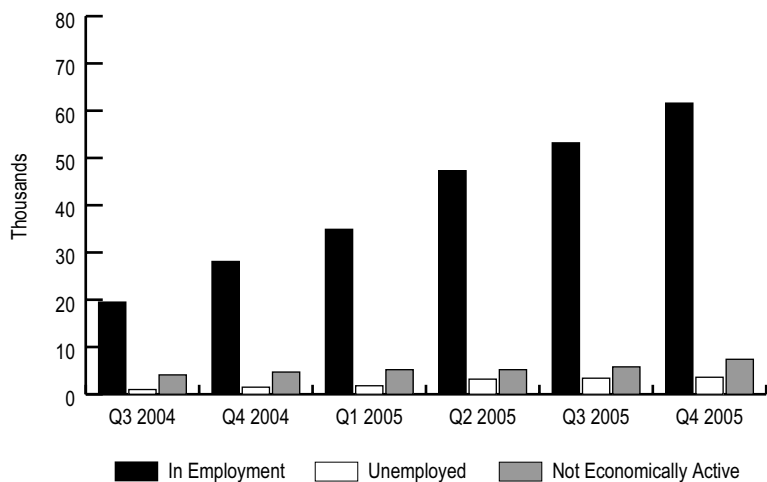
Accession State nationals have a much higher labour force participation rate than Irish nationals; 90 per cent versus 62 per cent. Since the enlargement date the number of EU10 nationals in employment in Ireland has in-

Figure 5.4 Number of Accession State Nationals in Employment Before and After Accession



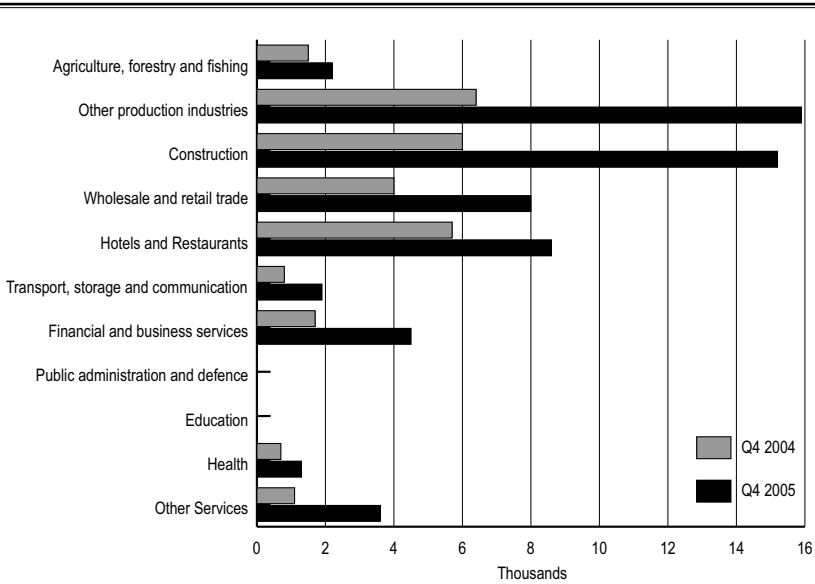
Source: CSO Special Tabulation of Quarterly National Household Surveys

Figure 5.5 ILO Status of Accession State Nationals Aged 15 and Over, Q3 2004 to Q4 2005



Source: CSO Quarterly National Household Surveys

Figure 5.6 Employment of Accession State Nationals by NACE Sector, Q4 2004 and Q4 2005

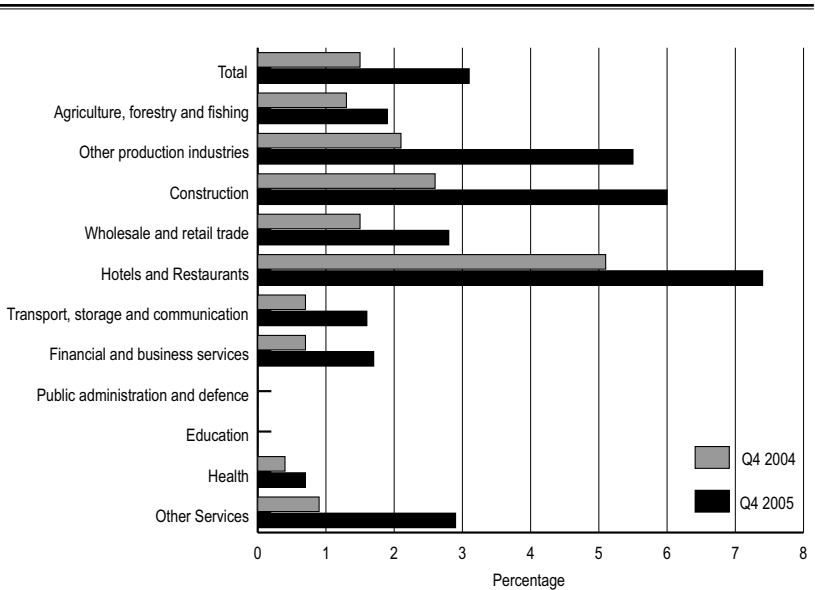


Source: CSO Quarterly National Household Survey Q4 2005

creased more than three-fold from 19,500 in Q3 2004 to 61,600 in Q4 2005 (see Figure 5.5). This means that EU10 nationals have accounted for approximately half of the jobs created in Ireland since accession. The average quarterly employment growth rate of the EU10 nationals is 26 per cent for the post-accession period. This compares with a figure of 0.9 per cent for Irish nationals. It must be noted that the Irish unemployment rate has been low and stable at around 4.4 per cent throughout the post-accession period. The unemployment rate of EU10 nationals has been even lower at an average of 2.4 per cent. Although the number of EU10 nationals who describe themselves as economically inactive has increased from 4,000 in Q3 2004 to 7,400 in Q4 2005 they represent a decreasing proportion of the total number of EU10 nationals aged 15 and over.

Figure 5.6 shows the employment of accession state workers in Ireland by NACE sector in Q4 2004 and Q4 2005. The figures show that the majority of EU10 workers are in the construction and manufacturing (other production industries) sectors. These sectors employ over half of the Accession

Figure 5.7 Employment of Accession State Nationals by NACE Sector as a Proportion of the Total Workforce in Ireland, Q4 2004 and Q4 2005



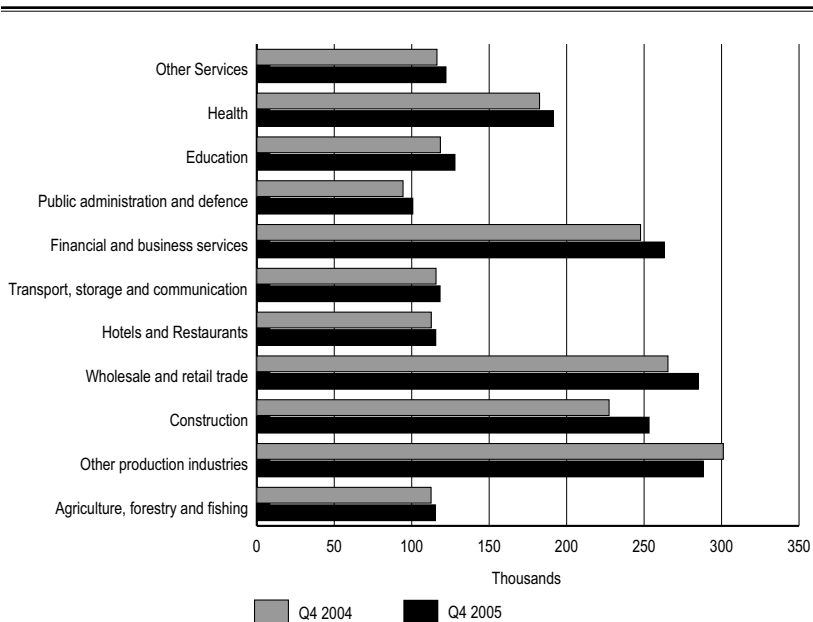
Source: CSO Quarterly National Household Survey Q4 2005

State workforce in Ireland. However, as we can see from Figure 5.7, Accession State nationals accounted for only 6.0 per cent of total construction workers and 5.5 per cent of total industrial workers in Q4 2005. The sector with the highest proportion of EU10 workers is the hotels and restaurants sector. In Q4 2005 this sector was employing over 8,600 accession state nationals, 7.4 per cent of all those employed in the sector.

The distribution of workers from the Accession States by sector in Ireland is very different from the distribution in Sweden. In Ireland there is a big concentration in the construction, manufacturing and hospitality sectors whereas in Sweden there is a distribution across all sectors which is similar to the distribution of Swedish workers across sectors. The main exception in Sweden is the health sector in which 22 per cent of Accession State nationals work compared with 16 per cent of Swedish workers.

Figure 5.8 shows employment levels in the Irish economy by NACE sectors. It is evident that overall employment in the Irish labour market also

Figure 5.8 Employment in Ireland by NACE sector, Q4 2004 and Q4 2005

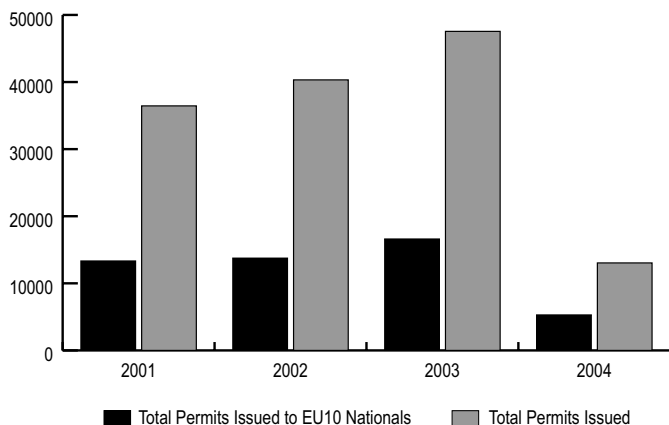


Source: CSO Quarterly National Household Survey Q4 2005

increased during the period from the fourth quarter of 2004 to the fourth quarter of 2005. All of the broad labour market sectors experienced increases except for other production industries.

Prior to enlargement workers from the EU10 countries had to obtain a work permit in order to work in Ireland. The data in Figure 5.9 indicates that the number of work permits issued to them increased from 13,330 in 2001, or 36 per cent of the total, to 16,600 in 2003, or 35 per cent of the total. In 2004 work permits data for EU10 workers only run until the end of April as beyond that date work permits were no longer required by them to work in Ireland. Examining data for the period from the 1st of January 2004 to the 31st of April 2004, almost 5,300 work permits were issued to EU10 workers, this represented 40 per cent of all permits issued in that period. The total number of work permits fell from 47,500 in 2003 to 34,000 in 2004, and to 20,400 in 2005. The sharp decrease in the number of work permits issued following enlargement suggests that the Irish Government's policy of sourcing most of the country's requirements for

Figure 5.9 Number of Work Permits Issued to Accession State Nationals, 2001-2004



Note: 2004 data refers to permits issued from 1st January 31st of April

Source: CSO Quarterly National Household Survey Q4 2005

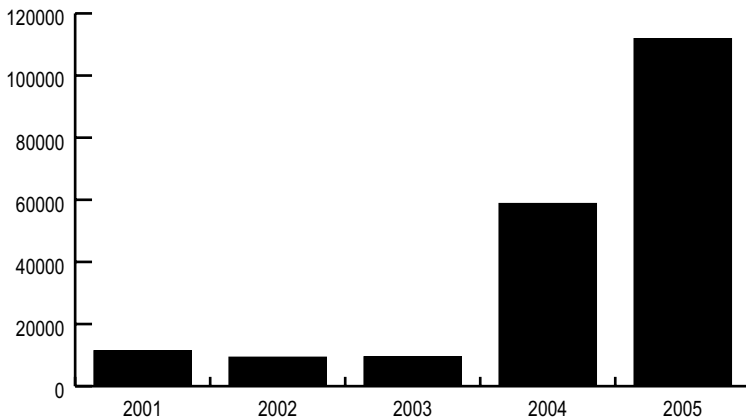
foreign workers from within the enlarged EU is being successfully implemented.

5.3 Flows of Accession State Nationals into Ireland

Personal Public Service Numbers (PPSNs) are individual identifiers required in order to gain employment in Ireland or to access state benefits and public services. An individual must be living in Ireland in order to apply for a PPSN. PPSNs provide a good indication of the short-term trends in migration into Ireland from the EU10. It is important to note that PPSNs record the monthly gross inflows of migrants from the Accession States who are predominantly looking for employment and not the increase in the stock of migrants. The number of PPSNs issued is likely to overstate the stock of Accession State nationals as they will also include those EU10 migrants who work in Ireland for only a short period of time and return home.

Figure 5.10 shows that the level of PPSNs issued to EU10 nationals has increased dramatically over the past five years. In the years 2001-2003 between 9,000 and 11,000 PPSNs were issued annually. In 2004 this figure increased more than five times to 59,000. Almost 54,000 of these were is-

Figure 5.10 Personal Public Service Numbers Issued to Accession State Nationals 2001-2005

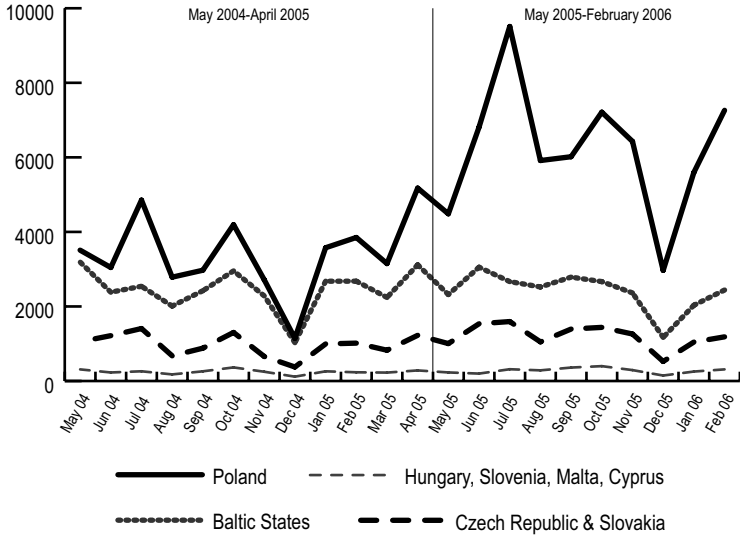


Source: Department of Social and Family Affairs

sued in the post accession period (May 2004 to December 2004). In 2005 the number of PPSN allocations to EU10 nationals almost doubled to a phenomenal 112,000. This represents an increase of 830 per cent on the numbers issued in 2003. In the period after enlargement 186,000 PPSNs were allocated to nationals of the Accession States in the period up to February 2006. This compares with a figure of about 35,000 from the 1st of January 2001 to the 31st of April 2004. Despite this massive increase, less than 1,000 accession state nationals were signing on the unemployment register in March 2006 (FÁS, 2006). There is no evidence, therefore that nationals of the Accession States are coming to Ireland for the purposes of “welfare tourism“.

The number of PPSN numbers issued monthly since May 2004 to nationals from (a) Poland, (b) the Baltic States, (c) the Czech Republic and Slovakia, and (d) Hungary, Slovenia, Cyprus and Malta are shown in Figure 5.11. Although there are significant fluctuations in the monthly figures, possibly due to seasonal factors, there is a discernible upward trend. This is most evident from the figures for Poland and to a lesser extent from the figures for the Czech Republic and Slovakia. The upward trend is very clear from the monthly averages based on six months data for 2004, 12

Figure 5.11 Personal Public Service Numbers Issued to Nationals of the Accession States May 2004 to February 2006

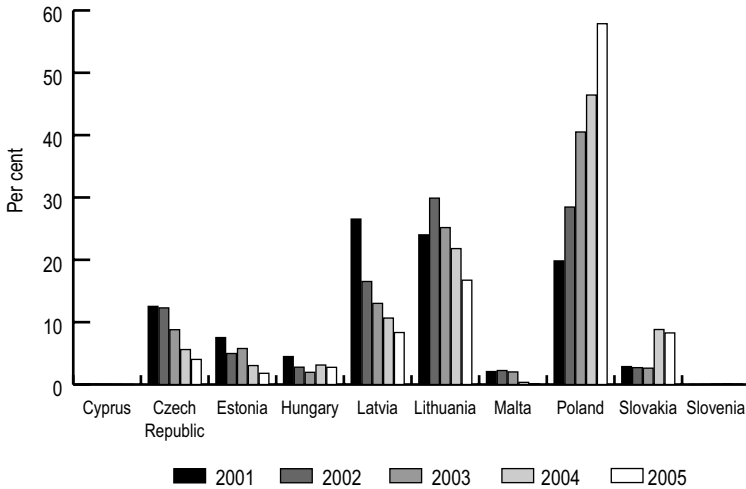


Source: Department of Social and Family Affairs

months data for 2005 and three months data for 2006. The average number of PPSNs issued in these periods was 8,931 in 2004, 9,162 in 2005 and 10,269 in 2006.

Over 55 per cent of the PPSNs issued to EU10 nationals in the post accession period were allocated to Polish citizens (see Figure 5.12). The number of PPSNs issued to Poles increased significantly in the post accession period from 3,800 in 2003 to 65,000 in 2005. Poland is the largest of the Accession States, with a population of almost 40 million, and also has one of the weakest labour markets. Prior to accession Lithuanian and Latvian nationals represented a significant proportion of the PPSNs issued to EU10 citizens. Although their proportions have decreased post-accession their numbers have increased almost nine-fold; in 2003 2,400 Lithuanians and 1,200 Latvians were allocated PPSNs, by 2005 the numbers had grown to 18,700 and 9,400 respectively.

Figure 5.12 Percentage of Personal Public Service Numbers Issued to Accession State Nationals, by Nationality, 2001-2005



Source: Department of Social and Family Affairs

The fact that almost 186,000 PPSNs have been issued since May 2004 does not mean that all of these migrants found a job as the PPSN number is also required for other purposes such as access to State services. However, cross matching of PPSN numbers with income tax records indicates that around 70 per cent of those with a PPSN number subsequently took up employment.

Table 5.1 shows that although Polish nationals are the largest group to receive PPSNs, it is the Lithuanians and Latvians who have the greatest propensity to enter the Irish labour market. These countries are experiencing poor economic conditions with low GDP per head and high unemployment rates. It is not surprising therefore that the propensity of their citizens to migrate to Ireland is relatively higher. The correlation between propensity to migrate and GDP per capita of country of origin is 0.66 and it is significant at the 5 per cent level. The correlation between the propensity to migrate and the unemployment rate is not significant.

Table 5.1 PPSNs Issued May 2004 to February 2006 as a Proportion of Country of Origin Population

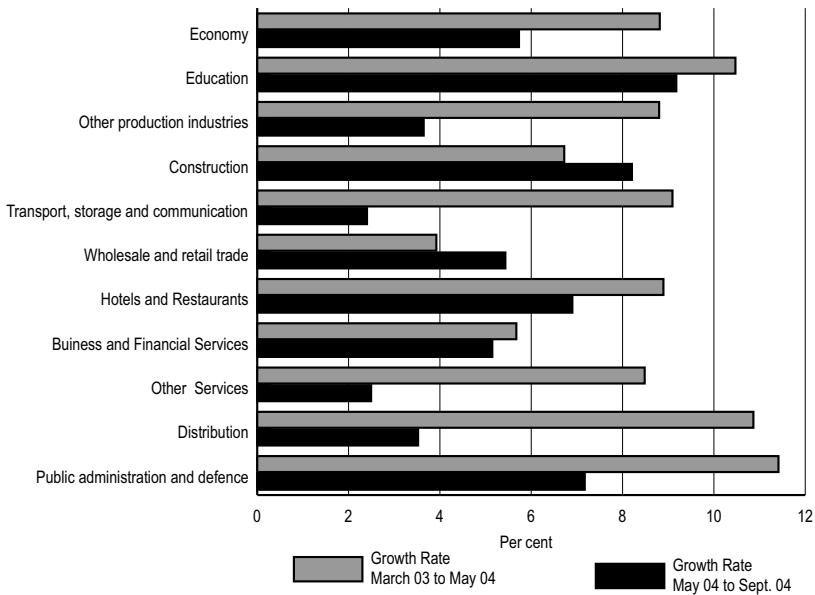
Country of Origin	PPSN issued to nationals as percentage of home country population in 2004	GDP per head in country of origin (Euros per inhabitant at 1995 exchange rates and prices)	Unemployment rate in country of origin 2004
Lithuania	0.959	2,500	11.4
Latvia	0.717	3,100	10.4
Slovakia	0.287	4,200	18.2
Estonia	0.286	4,000	9.7
Poland	0.270	4,200	19.0
Czech Republic	0.080	5,200	8.3
Hungary	0.052	5,000	6.1
Slovenia	0.008	11,400	6.3

Source: Department of Social and Family Affairs, Eurostat.

5.4 Average Hourly Earnings of Employees in Ireland

The earnings data for Ireland do not distinguish between earnings of Irish and foreign workers. Nevertheless, it is worth looking at earnings growth before and after enlargement in the context of the data on employment of accession state nationals in Figures 5.6 and 5.7 to see if there is any relationship between employment of nationals from the Accession States and earnings growth. The data in Figure 5.13 on hourly earnings of employees in Ireland indicate a decrease in earnings growth rates at the aggregate level and for eight of the ten sectors for which data are available. In the five quarters prior to accession the average hourly earnings of employees grew by 8.8 per cent whereas in the five quarters post-accession they grew by 5.7 per cent. While it is not possible to say to what extent the slow down in earnings growth was influenced by the inflow of workers from the Accession States, economic theory suggests that an increase in the supply of workers should exert downward pressure on earnings growth. However, a decrease in earnings growth of the magnitude recorded between the pre- and post-accession periods is well within historical experience and it may have been influenced by other factors as well as immigration. Further research is needed to try and identify the effects of immigration and other factors, such as continuing strong labour demand, on the slow-down in earnings growth between the pre- and post-accession periods.

Figure 5.13 Average Hourly Earnings Growth by Sector, Average of Five Quarters Pre and Post Accession



Source: ESRI earnings series created from CSO earnings publication

Some support for the view that factors other than immigration were at work is provided by the behaviour of earnings growth in two of the sectors in which the largest percentage increases in employment of accession state nationals occurred. In construction, employment of accession state nationals increased by two and a half times from 6,000 in Q4 2004 to 15,200 in Q4 2005 while in wholesale and retailing employment of accession state nationals doubled from 4,000 to 8,000. In the five quarters before and after accession earnings in construction grew from 6.7 per cent to 8.2 per cent, while in wholesale and retailing they increased from 3.9 per cent to 5.4 per cent. It should also be noted that the ranking of these two sectors in terms of earnings remained unchanged after enlargement. In construction average hourly earnings in March 2004 amounted to €16.70 and to €18.61 in September 2005 while in wholesaling and retailing they increased from €15.95 to €16.86.

6 IMMIGRATION AND JOB DISPLACEMENT IN IRELAND

The inflows of immigrants from the EU10 Member States in the post-accession period have been much larger than expected mainly because of continuing strong labour demand and possibly because of re-direction of migration from countries which imposed transitional rules on access to their labour markets. The scale of the inflows has put increased pressure in Ireland on the price of renting and buying accommodation, on transport and other infrastructure. In addition there have been a number of developments that have resulted in some concern that Irish workers in certain sectors are being displaced by foreign workers who are being paid less than the collectively agreed rates of pay. These issues were first brought to national prominence by the Gama and Irish Ferries cases (see boxes). A number of examples similar to the Gama case have subsequently been cited by different trade unions as evidence of foreign companies employing their nationals at lower than the legally recognised rates of pay for the job²¹.

These cases were regarded by the Irish Congress of Trade Unions (ICTU) as breaching the terms of the social partnership arrangement between the trade unions, the employers and the Government. The last national agreement expired at the end of 2005 and the government issued an invitation to the social partners to participate in a new agreement in October 2005. The ICTU deferred accepting this invitation pending clarification from the government that issues relating to employment standards, displacement, inspection and enforcement would be discussed before negotiations on rates of pay under a new national agreement. The Irish Ferries and Gama cases were cited by the trade unions as examples of the failure of the regulatory regime to respond effectively to the exploitation of foreign workers and displacement of Irish workers in the pursuit of greater profits by the business community.

The leader of the Labour Party, Mr. Pat Rabbitte, raised the displacement question and its implications for the free movement of labour in an interview he gave to the Irish Times on the 3rd of January 2006 when he said:

...displacement is going on in the meat factories and it is going on in the hospitality industry and it is going on in the building industry.

²¹ These examples include claims of Polish workers being underpaid at the Electricity Supply Board power station at Moneypoint, Hungarian workers being underpaid at the Spencer Dock construction site, and Serbian workers being underpaid by a Belgrade based sub-contractor involved in the renewal of the electricity network. All of these claims have been contested by the main contractors responsible for the projects.

Box 6.1 The Gama Case

On 8 February 2005 the Socialist T.D. Mr. Joe Higgins alleged in the Irish Parliament that Gama Construction Ireland, which employed approximately 2,000 construction workers on public works projects, paid its unskilled workers between €2 and €3 per hour and its skilled workers somewhere over €3 per hour. Gama Construction Ireland operates under the umbrella of Gama International B.V. (established in the Netherlands in 2003) and Gama Group, the parent company in Turkey.

Mr. Higgins pointed out that the minimum wage is €7 per hour and that the registered employment agreement for the lowest paid operative in construction is €12.96 per hour. The Taoiseach (Prime Minister) said that the matter would be investigated by the labour inspectorate of the Department of Enterprise, Trade and Employment.

On 23 March 2005 Mr. Higgins said that Gama had paid up to €40 million into bank accounts in Finansbank in Amsterdam in the names of their Turkish employees'. He said the money was probably the difference between what the employees were paid in Turkey and the agreed trade union rate in Ireland. While the Turkish workers had signed documents authorising the creation of these bank accounts they said the form they signed was in English, which they did not understand, and that they learned of the existence of the bank accounts only after the investigation into the company began.

Gama Construction Ireland rejected the allegation about underpayment of its Turkish workers. It said that its Turkish employees received some of their wages in Ireland subject to Irish taxation, a portion in Turkey subject to Turkish taxation and that a portion was paid into a Dutch bank on a remittance basis of taxation allowed by the Irish government. Under the remittance basis earnings paid to foreign nationals working in Ireland were only liable for tax on the portion of earnings required for living expenses in Ireland. The taxation of earnings on a remittance basis is no longer allowed in Ireland.

The Minister for Enterprise, Trade and Employment said in a statement on 12 April 2005 that he had received the report of the Labour Inspectorate into alleged breaches of Employment Rights but was prevented from publishing it following proceedings initiated in the courts by Gama. Although the report was never published a report in the Examiner newspaper in April 2005 indicated that it had failed to clear the company.

The time may be coming when we will have to sit down and examine whether we would have to look at whether a works permit regime ought to be implemented in terms of some of this non-national labour, even for countries in the EU. We didn't require any such regime at the time of accession. The time may be coming when we have to examine it because we need to know more about what is going on.

What Irish Ferries has done has lanced the boil and we need to know more about the numbers coming here, the kind of work they are engaged in, the displacement effect, if any, on other sectors. We need to look at that because there is anecdotal evidence about it happening in meat factories and happening in the hospitality industry.

These remarks were criticised by the Government parties but welcomed by the trade unions. The Minister for Enterprise, Trade and Employment said the Government had no plans to review its decision to allow workers from

Box 6.2 The Irish Ferries Case

In September 2005 the management of a company operating services between Ireland, the UK and France, Irish Ferries, announced that it planned to offer redundancy terms to 543 seafarers and to replace them with agency workers, mainly from Latvia, who would be paid €3.60 an hour, less than half the minimum wage. The company planned to re-register its vessels in Cyprus and justified its action on the grounds that most of its competitors were using hired-in agency crews rather than directly employed seafarers.

The government condemned the company's action but said it could not prevent it re-registering in Cyprus to avoid Ireland's employment laws. Many of the seafarers accepted the redundancy offer but some members of the trade union SIPTU reacted in November by occupying one of the company's ships while it was docked in Wales. There was considerable public support in Ireland, the UK and France for the seafarers. It culminated in December 2005 in the biggest national demonstration seen in Ireland in almost thirty years. In addition to supporting the seafarers many of those participating in the demonstration demanded that foreign nationals employed in Ireland should be paid the collectively agreed rate of pay for the job. Irish Ferries eventually entered into negotiations with SIPTU. A compromise settlement was reached under which the company could proceed with its plan to re-register its vessels in Cyprus but agreed to pay its agency workers the minimum wage €7.65 per hour.

The European Trade Union Confederation believes that the core issues raised by the Irish Ferries case are similar to the Vaxholm case in Sweden.

the EU10 states free access to the labour market without requiring a work permit.

The only statistical data which have been used to support the argument about displacement were cited in an article in the Irish Times on 13 January 2006 by the Head of Research at SIPTU, the country's largest trade union (see O'Riordan 2006). He used earnings and employment data for the manufacturing sector to argue that "unregulated immigration and unscrupulous hiring practices are undermining wages and conditions". His evidence shows that earnings growth fell in the manufacturing sector from 4.7 per cent in the year ending March 2005 to 2.1 per cent in the year ending September 2005 and that the level of hourly earnings fell in some sub-sectors such as food products, office machinery and computers, and electrical machinery. He supported his case with data on employment in the manufacturing sector which show that the number of foreign workers increased by 8,000 while the number of Irish workers decreased by 19,400 between September 2004 and September 2005.

This evidence is circumstantial. It infers that earnings growth fell in manufacturing because foreign workers took lower wages in some sub-sectors and displaced Irish workers. However, the decrease in earnings growth in manufacturing could be due to other factors such as seasonal changes in

Figure 6.1 Earnings Growth Rates year end Q1 1999 to Q3 2005



Source: Doyle (2006)

employment. A comprehensive earnings series developed in the ESRI (see Doyle 2005) shows that in other production industries (which is comparable to manufacturing) a similar trend to the one identified by O’Riordan was observed between March 2002 and September 2002 and March 2003 and September 2003 before the increase in immigration from the Accession States, as Figure 6.1 shows.

The QNHS employment data for the period Q4 2004 to Q4 2005 indicate that the number of migrants in other production industries and in hotels and restaurants has increased while the number of Irish workers in these sectors has decreased. In the remaining sectors employment of Irish and foreign workers have both increased. The earnings data show that there has been no decline in the aggregate level of earnings since enlargement in either the industrial or hotels and restaurants sectors or indeed in any of the remaining sectors. The substitution of migrant workers for Irish workers in some sectors is the kind of labour turnover one would expect as Irish workers take advantage of a growing labour market to move into higher paying jobs and migrants fill the resulting vacancies.

If there was displacement on a significant scale, one would expect to see some evidence of it in falling vacancies and rising unemployment. At the beginning of the enlargement in May 2004 the percentage of firms in all sectors reporting vacancies was 10.6 per cent, in May 2005 the figure was the same and by February 2006 it had risen to 16.7 per cent. In the manufacturing sector 18.9 per cent of firms reported vacancies in May 2004, 21.4 per cent reported vacancies in May 2005 and 22.2 per cent reported vacancies in February 2006. The vacancies data suggest that the demand for labour remained strong after enlargement and they provide no evidence of a substantial reduction in the number of jobs available in the economy.

Similarly there is no evidence from the unemployment data that displacement of Irish workers has resulted in an increase in the unemployment rate. In an article in the Irish Times on 14 January 2006 addressing the displacement issue, Garret FitzGerald noted that since the Irish labour market was opened to CEE nationals the unemployment rate had actually fallen up to December 2005. As he points out:

...if there has been significant displacement of Irish workers by immigrants in some sectors, the unemployment data suggest they must have been re-employed elsewhere. And, in so far as there is a difference between Irish and immigrant workers, part at least of this phenomenon could be accounted for by Irish workers moving to better-paid jobs, and being replaced by lower-paid immigrants in their old positions.

The statistical data that have been used to address the displacement issue are capable of different interpretations and further research is needed to disentangle the different arguments. On the evidence available to date, displacement does not appear to be a source of disturbance in the labour market. However, the cases that have occurred of replacement of Irish workers by workers from within the EU earning lower rates of pay indicate that the problem has the potential to become a bigger issue unless it is dealt with by such measures as providing information in Central and Eastern European languages on workers rights, co-ordinated campaigns by the social partners to extend collective agreements to foreign enterprises bringing in their own workers, and strengthening the labour inspectorate to implement existing legislation on pay and conditions of employment.

7 CONCLUSIONS

In December 2003 the Accession Treaty was signed by the existing member states of the European Union and the ten Accession States (EU10). It was therefore agreed that ten new Member States would join the European Union on the 1st of May 2004. The Treaty provided for transitional arrangements whereby countries could restrict access to their labour markets for a period of up to seven years. Fears of mass immigration and welfare tourism fuelled enlargement debates across Europe which resulted in only three countries, Ireland, Sweden and the UK, opening their labour markets to citizens from the Accession States from the 1st of May 2004. However, both Ireland and the UK restricted social welfare access to Accession State nationals for up to two years. It is now two years since ten countries became members of the European Union. Our paper has evaluated developments in Ireland and Sweden and Gilpin *et al.* (2005) have assessed the impacts on the UK labour market.

Two years is a very short period for following up what has happened and in practice the period is even shorter. In the Swedish case for some types of data we only have information for 2004 and 2005 (but not for any part of 2006), i.e. for one year and eight months. For other types of data we have information for only 2004, i.e. for only eight months after the accession, and for the labour market outcome the information covers an even shorter part of the enlargement period. In the Irish case, we have labour market data for accession state nationals only for the period Q4 2004 to Q4 2005 following enlargement so that it is not possible to make comparisons of their labour market position before and after enlargement. As it takes time to react to new circumstances, like new rules regarding migration, we cannot expect the full effect of the change to have taken place in only a few months or even in two years. However, we believe that information for this short period may contribute to better knowledge of the likely effects of the deregulation of migration from the Accession States.

Economic theory proposes income as an important factor influencing migration. People tend to migrate from countries with low-income levels to countries with high-income levels. At the time of enlargement the average GDP per capita of the Accession States was only a quarter that of the existing EU15. Therefore, as anticipated the migratory flows in both the pre- and post-enlargement periods have been from the poorer Accession countries to the richer existing member states. The flows from the Accession States to Sweden, Ireland and the UK did increase in the post enlargement period. Migration from the Accession States to Sweden was twice as large in 2005 as it was in 2003: 2,818 in 2003 compared with 5,559 in 2005.

The immigrants were predominantly male and came mainly from the Poland and the three Baltic States. Consequently the number of residence permits granted for citizens of the ten Accession States also increased. In the first year after enlargement, the gross inflow of immigrants to Ireland reached its highest level recorded (53,400), since annual estimates began in 1987. Almost forty per cent of these immigrants came from the accession states, with approximately twenty per cent from Poland and ten per cent from Lithuania. Although the majority of the immigrants were Polish, Latvians and Lithuanians have the highest propensity to migrate to Ireland. Relative to their populations Lithuanians, for example, are more than three times likely to migrate to Ireland as Poles. The propensity of nationals of the Accession States to migrate to Ireland is inversely related to GDP per head in the country of origin.

Higher incomes alone are not a sufficient pull factor for migration, as people generally will not migrate if there are no available jobs. Therefore the labour market situations in the home and host countries are also important factors influencing a person's decision to migrate. At the time of enlargement unemployment levels in the Accession States were relatively high compared with Sweden, Ireland and the UK. The Irish labour market was in a very strong position at the time of enlargement. Employment growth in 2003 was 2.8 per cent and the unemployment rate was 4.5 per cent. In the year prior to enlargement 45,700 work permits were issued in Ireland with over half given to Accession State nationals. The Irish Government were hoping that in the post-accession period 70 to 80 per cent of these jobs could be sourced from the Accession States. In the post enlargement period Accession State nationals accounted for over half of the jobs created in the Irish economy and the employment of EU10 nationals tripled. In the third quarter of 2004 19,500 EU10 nationals were employed in Ireland. This figure reached 61,600 in final quarter of 2005. The strength and flexibility of the Irish labour market appears to have been the main factor explaining why the migratory inflows were much greater than expected.

Unemployment in Sweden both at the time of enlargement and in the post-enlargement period was relatively low compared to the rest of the EU. However, the labour market was not in as strong a position as the Irish labour market. This could partly explain the lower migratory flows to Sweden despite its closer proximity to the Accession States. However, the English language is also mentioned in the literature as a pull factor for highly educated migrants. Migration from the Accession States to Sweden was lower than had been projected. It is difficult to discuss the labour market status of the migrants as the labour market statistics in Sweden have a pro-

duction lag. The information available is for 2003 and 2004 and indicates that EU10 workers work shorter hours, have lower full-time monthly wages than Swedish nationals and also their employment rate is lower than that of Swedish nationals. This contrasts with the experience of Ireland where the participation rate of EU10 nationals is 90 per cent, compared with 62 per cent for Irish nationals. The countries also differ in relation to the concentration of EU10 workers across sectors. In Ireland there is a concentration of workers from the Accession States in the construction, manufacturing and hospitality sectors. This contrasts with the position in Sweden where, apart from the health sector in which they are overrepresented and the construction and public administration sectors in which they are underrepresented, they are distributed across sectors in similar proportions to Swedish workers. However, in both Ireland and Sweden, nationals of the EU10 states represent a relatively small minority of workers even in the sectors in which they are concentrated.

In relation to the 'welfare tourism' debate there is no evidence from Sweden or Ireland that Accession State nationals are in any way over-represented in the welfare state schemes. In relation to Ireland, the evidence suggests that displacement of Irish workers by lower paid immigrants is not a source of disturbance in the labour market. To the extent that there has been displacement in some sectors it could be accounted for, at least in part, by the normal dynamics of the labour market in which Irish workers move to better-paid jobs and are replaced by lower-paid immigrants.

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APPENDIX 1 THE PRE-ENLARGEMENT DEBATE IN SWEDEN

Jonas Eriksson

A.1.1 General Attitudes to Enlargement

Sweden became the only country among the EU15 Member States to have Community rules for all citizens of the European Union after 1 May 2004. However, it long looked as if Sweden would also impose restrictions to the freedom of movement for workers from the new Member States and there were even accusations voiced by those who opposed transitional rules that the Swedish u-turn had been the reason things were set in motion in Ireland and the UK. We therefore find it interesting to provide a more thorough survey of the Swedish debate.

The debate in Sweden on immigration after 1 May 2004 picked up speed in late November 2003, five months before the enlargement. The process of enlarging the Union with ten new members had long had strong support from both the political parties and a majority of the public (see, for example, Eurobarometer 2002-2004; and SIFO 2004a and 2004b) and the position of the Social Democratic Government was until November 2003 that there would be no need for restrictions to the free movement of workers from the EU10 countries. Earlier warnings from three labour unions and the recommendations of a Government report from 2002 (SOU 2002:116), which had warned of unscrupulous employers who would exploit workers from EU10 and take advantage of the Swedish social security system in order to keep wages at a minimum, had been rejected by the Swedish Prime Minister, Göran Persson.

However, on 21 November 2003, Göran Persson for the first time publicly expressed concern that the Swedish social security system would come under strain as people from the new Member States would immigrate to Sweden and abuse the Swedish welfare system (see, for example, Tidningarnas Telegrambyrå 2003b). This sparked the debate in Sweden and the perceived consequences of the Eastern enlargement on immigration and “benefit tourism” would dominate the enlargement debate until May 2004.

A.1.2 Swedish Government Reports

The potential effects of the 2004 EU enlargement were examined in a series of Government reports in 1997.¹ Regarding the free movement of labour, which was covered in the fourth chapter in the Government report SOU

¹ The reports covered aspects such as security (SOU 1997:143); environment (SOU 1997:149); agriculture (SOU 1997:150); and the public economy (SOU 1997:153).

1997:153, Per Lundborg, Professor of Economics at the Trade Union Institute for Research (FIEF), emphasised the need to distinguish between potential and actual migration. While the former aspect is determined by, *inter alia*, real wage differences, unemployment in the sending country and geographic distance between countries, the latter is to a large extent controlled by labour demand, i.e. the number of vacancies, in the receiving country.

The report concluded that potential emigration from the EU10 was indeed considerable, given substantial wage differences and the educational structures in the EU10 countries,² but that a number of factors spoke against high actual emigration. First, the industrial sector, where labour demand was high in the 1960s and 1970s, has decreased in the world's richer countries, including Sweden, and labour demand is therefore substantially lower today. Second, wages are not flexible in the Swedish labour markets due to regulations (the collective agreements system). Third, education and linguistics³ have become more important and domestic employers have better insights into the domestic education system (SOU 1997:153).

The report also identified several channels within which immigration might still take place. First, the right to actively look for work in richer countries might lead to significant immigration and hence to extensive search unemployment. Second, a number of employers are not part of the above mentioned regulations and these firms may attract foreign workers. Third, open borders might give rise to extensive immigration of self-employed persons, who are not part of the collective agreements. Fourth, the potential for major immigration flows is greater in labour market segments with freer wage structures. The report therefore pointed to the possibility of negative consequences as a result of immigration, especially if unions were to demand increased regulation, which in turn would imply higher equilibrium unemployment (SOU 1997:153).⁴

In 2002 a new Government report, SOU 2002:116 (henceforth the Rollén report), examined likely disturbances in the Swedish labour market after enlargement. The Rollén report concluded that immigration would probably be low and disturbances therefore minor, despite open borders,

² Emigration is more common among highly-educated and among people with low education; see SOU 1997:153.

³ In countries such as Sweden, where few outside the country master the language, immigration is likely to be lower, *ceteris paribus*, than in English and German speaking countries.

⁴ Transitional rules had not yet become an issue in 1997 and the report did not problematise this particular aspect. However, FIEF questioned the conclusions of the 2002 Government report, SOU 2002:116; see Ministry for Foreign Affairs of Sweden (2003) and below. As will become clear below, the prediction that the unions would demand increased regulation turned out to be correct.

but that the Swedish welfare system was vulnerable to organised crime and unscrupulous employers and that this motivated transitional rules.⁵ The conclusions in the report were in important aspects based on the interpretations of a number of rulings in the European Court of Justice, in particular the Rinner-Kühn (ECJ 1989) and the Kempf (ECJ 1986) cases. These cases, especially the former, would play key roles in the spring 2004 debate and it might therefore be useful to provide the background.

Mrs Rinner-Kühn had worked for FWW Spezial-Gebaeudereinigung GmbH, an office-cleaning undertaking, and the company had refused to continue to pay wages during absence due to illness.⁶ The German Labour Court in Oldenburg had therefore referred to the Court for a preliminary ruling on the interpretation of Article 119⁷ and of Council Directive 75/117/EEC concerning the principle of equal pay for men and women. The Court concluded that (ECJ 1989, italics added),

[a]rticle 119 of the EEC Treaty must be interpreted as precluding national legislation which permits employers to exclude employees whose normal working hours do not exceed 10 hours a week or 45 hours a month from the continued payment of wages in the event of illness, *if that measure affects a far greater number of women than men*, unless the Member State shows that the legislation concerned is justified by objective factors unrelated to any discrimination on grounds of sex.

The second case concerned a German national, Mr Kempf, who had worked part-time as a music teacher in the Netherlands. As his income was insufficient to support himself, he applied for and received social allowance in the Netherlands. He had also received social security benefits under the Dutch Law on Sickness Insurance during a period when he was unable to work due to illness. When Mr Kempf applied for a residence permit in 1981, the application was refused on the grounds that Mr Kempf “had recourse to public funds in the Netherlands and was therefore manifestly unable to meet his needs out of the income received from his employment” (ECJ 1986). However, the Court ruled that (ECJ 1986),

⁵ The recommendations were thus based on rather different concerns from those originally intended when the EU15 Member States decided to introduce transitional arrangements on labour mobility in the Accession Treaty.

⁶ “The German Law [...] provides that an employer must continue to pay wages for a period of up to six weeks to any employee who, after the commencement of his employment and through no fault of his own, is incapable of working. However, employees whose contract of employment provides for a normal period of work of not more than 10 hours a week or 45 hours a month are excluded from the benefit of that provision,” see ECJ (1989).

⁷ Article 119 (Article 141 in the Treaty of Nice) of the EEC Treaty states that “[e]ach Member State shall ensure that the principle of equal pay for male and female workers for equal work or work of equal value is applied.”

[w]here a national of a Member State pursues within the territory of another Member State by way of employment activities which may in themselves be regarded as effective and genuine work, the fact that he claims financial assistance payable out of the public funds of the latter Member State in order to supplement the income he receives from those activities does not exclude him from the provisions of community law relating to freedom of movement for workers.

The Rollén report inferred, on basis of the Court's rulings, that it was possible to work for a minimum of ten hours a week and then collect social allowance in Sweden. This became known as the "ten-hour-rule".⁸ The Rollén report argued that the Swedish social security system was easily accessible and that this would act as an incentive for organised crime and unscrupulous employers to use social allowances as part of wages paid to their workers.

On basis of this conclusion the report therefore suggested, among other things, that Sweden should continue to apply national legislation for 2-7 years vis-à-vis the new Member States,⁹ but at the same time introduce measures that would speed up turnaround time for EU10 workers and facilitate an improvement of matching between applicants from the EU10 and vacancies in the Swedish labour market (SOU 2002:116).

The Rollén report caused some confusion in Sweden.¹⁰ Experts on EU law, at a public hearing before the Committee on Social Insurance in the Riksdag on 13 April 2004, questioned the validity of the interpretation of the Court's rulings (Riksdagen 2004). They argued that the Rinner-Kühn case did not concern the definition of what constitutes a "worker" *per se*, but the principle of equal pay for equal work, as was also stated by the Court in its ruling. At the same hearing it was also emphasised that the Court's definition of a "worker" is ambiguous and varies according to context. Furthermore, the definition of a "worker" according to article 39, EC Treaty, and Council Regulation 1612/68/EEC, on the freedom of movement for workers, does not necessarily coincide with the definition in arti-

⁸ Interestingly, the European Commission has provided a similar interpretation. A Commission communication from 2002, in referring to the Rinner-Kühn case, claims that the Court considers a person to be a worker if he or she "works ten hours a week", see EC (2002, p. 5).

⁹ Any employment that would warrant a residence permit in Sweden would, according to the report, be defined as full-time employment with a normal Swedish income, or, at least, an income on which the worker in question would be able to support himself during his stay in Sweden (SOU 2002:116, p. 15).

¹⁰ It also caused confusion elsewhere: on the BBC homepage (<http://news.bbc.co.uk/2/hi/europe/3513889.stm>; 10 February 2006) one can read that Sweden "is particularly concerned about exploitation of its generous social security system – which requires work for only 10 hours to gain access to benefits." Needless to say, if the Court's rulings were interpreted correctly in the Rollén report, the "ten-hour-rule" would be applicable in all EU25 Member States and not just in Sweden.

cle 42, EC Treaty, and Council Regulation 1408/71/EEC, on social security in relation to the free movement of workers. The lowest common denominator for the definition of a worker is rather that a person is carrying out “genuine and effective work” that is not “purely marginal and ancillary” (see ECJ 1982).

Several of the political parties were to incorporate the discussion in their proposals to the Riksdag on 28 April 2004, in some cases requesting the Government to review EU legislation with the intention to reform Council Regulation 1408/71/EEC or to gain support in other EU Member States for making alterations to the “ten-hour-rule” (see proposals 2003/04:Sf39; 2003/04:Sf40; and 2003/04:Sf44). Much energy was thus put into discussing a non-existent rule, despite the fact that it may well be possible for a person from another EU Member State to work for *less* than ten hours a week and still be seen as a worker in the eyes of the Court.

A majority of Swedish Government agencies, labour unions, employers’ organisations, municipalities and regional authorities, rejected the proposals when commenting on the Rollén report (see Ministry for Foreign Affairs of Sweden 2003). The most common counterargument concerned the current and future need for workers in the Swedish labour market, since restrictions would hamper the process of filling vacancies. Several commentators believed the proposals would have a limited or no effect on infringements, whilst instead causing unnecessary and costly bureaucracy.¹¹

A third counterargument often cited concerned the demographic situation in the new Member States. The fact that several of the EU10 countries face even worse dependency ratio problems than Sweden implies that immigration would remain low. Fourth, and related to the first point, several commentators called attention to the potential economic gains from the free movement of workers and argued that an increased labour mobility would be good for both economic growth and a future EMU membership.¹²

Other reasons for rejecting the proposals were that they were seen as a disproportionate response to a minor problem; that it would be discrimination on basis of nationality and an unfortunate singling out of nationals from eight specific nations as “cheaters”; that the Rollén report had based its conclusions on speculations not supported by evidence concerning the risk

¹¹ A better solution would according to this line of reasoning be to combat problems where they appeared, although the preferred solutions differed. A related argument was provided by the Trade Union Institute for Research, who wanted to know why the abuses the Rollén report warned for would suddenly be acceptable after two years; see Ministry for Foreign Affairs of Sweden (2003).

¹² When the report was presented the EMU referendum in Sweden had not yet taken place.

of abuse of the social security system; and that the proposals would mean that Sweden went back on its word, originally having pledged to open its labour market (Ministry for Foreign Affairs in Sweden 2003).

The commentators who supported the proposals generally did so either by recommending a precautionary approach, according to which borders would be opened only after the enlargement effects were known, or by simply agreeing with the report's conclusions that the social security system was in jeopardy. Only one of the commentators, the Swedish Federation of Painting Contractors, referred to the fact that a majority of the EU15 Member States had already decided to impose restrictions and voiced fears that immigration would increase and thus aggravate the problems foreseen in the Rollén report.

Two additional aspects deserve mentioning. First, several commentators, among them the Swedish Trade Union Confederation (LO), foresaw a growing problem with the number of self-employed from other EU Member States, as they are not (necessarily) covered by the collective agreements. Second, the Swedish Social Insurance Agency warned in their comment that parents- and child allowances might be exported to the EU10 countries (Ministry for Foreign Affairs of Sweden 2003). This argument would play a role in the Liberal Party's proposal for transitional rules before the Riksdag in April 2004 (see discussion below) and it also gave rise to a report by the Social Insurance Agency in 2005, commissioned by the Swedish Government, which examined the extent of the problem after enlargement (see discussion in the main text above).

A.1.3 The Swedish Media

On 11 November 2003, a documentary that was based on the conclusions in the Rollén report was broadcast on Swedish national television (SVT 2003). The viewers learned, for example, that an Estonian woman who worked as a nurse for a minimum of ten hours per week could bring her husband, children and even her own and her husband's parents to Sweden, who would then be eligible for support from the Swedish social security system. On basis of the calculations in the Rollén report,¹³ the reporter

¹³ These calculations, which were carried out by Professor Jan Ekberg at Växjö University, were also reported on in the Swedish press (see, for example, Svenska Dagbladet 2004). Professor Ekberg – who has emphasised the importance of quickly integrating immigrants into the labour market upon arrival if they are to be successfully integrated into society and earn their own living (see, for example, Dagens Nyheter 2004g) – believed that the EU legislation was too liberal in so far as it was too easy to access benefits in other EU Member States. However, his view concerned the Union as a whole, rather than the EU enlargement specifically.

concluded that supporting this family would cost society approximately 38,000 (340,000 Swedish kronor) each year and that the Eastern enlargement therefore might become a burden on the Swedish budget.

According to one theory (see Dagens Nyheter 2004a), based on interviews with decision makers, union representatives and civil servants, the SVT documentary took the political establishment by surprise and explains to a great extent the Government's u-turn on transitional rules. That having been said, as late as on 20 November 2003, nine days after the SVT documentary¹⁴ and the day before changing his position, Göran Persson responded to concerns expressed by three labour unions (the Transport Workers' Union, the Building Workers' Union and SEKO Seafarers) on wage dumping and said there would be no need for transitional arrangements (Tidningarnas Telegrambyrå 2003a).

The Swedish press was generally more to the point and liberal towards the principle of free movement of workers from the EU10 countries than the SVT documentary. A survey of the largest Swedish newspapers¹⁵ from November 2003 to May 2004 shows that they chose to focus much of their attention on the Prime Minister's statements and sudden change of position, as the Government originally had pledged to let workers from the new members compete on an equal footing with workers from the rest of EU15 Member States¹⁶ in the Swedish labour market.

Articles in general and editorials in particular either covered aspects that contradicted the "benefit tourism" hypothesis or were critical of the Government's u-turn.¹⁷ To name but a few examples of the reporting in the Swedish press, Göteborgs-Posten, in an article on 28 March 2004, attempted to look beyond the stereotypes and prejudices attached to the Roma

¹⁴ A repeat of the documentary was broadcast on 14 November 2003.

¹⁵ The papers surveyed include, Aftonbladet; Borås Tidning; Dagens Industri; Dagens Nyheter; Dalarnas Tidningar; Expressen; Göteborgs-Posten; Hallandsposten; Helsingborgs Dagblad; Nerikes Allehanda; Norrtälje Tidning; Nya Dagen; Nya Wermlands-Tidningen; Skånska Dagbladet; Svenska Dagbladet; Sydsvenska Dagbladet; Sydsvenskan; Upsala Nya Tidning; Västerbottens-Kuriren; and Östgöta Correspondenten. They are the largest national and regional papers according to Swedish Newspapers' Publishers Association; see <http://www.tu.se/>. Tidningarnas Telegrambyrå, the largest Swedish news agency, and Smålands-posten, were also included in the survey.

¹⁶ With the exception of Danish and Finnish citizens who, under the Agreement on Common Nordic Labour Market, need no residence permits. The agreement also includes Norwegian and Icelandic citizens; see Nordic Council (1982).

¹⁷ Examples of headlines from the two biggest Swedish tabloids, Aftonbladet and Expressen, include "Persson på fel spår" ("Persson on the wrong track", editorial in Aftonbladet on 25 November 2003); and "Lugn, Persson – de vill inte flytta hit" ("Keep calm, Persson – they don't want to move", in Expressen on 28 April 2004).

population in Slovakia (a much debated issue in several UK tabloids in early 2004) and Dagens Nyheter, on 25 April 2004, published an article on the same theme (Dagens Nyheter 2004f). Furthermore, the editorials in several of the major newspapers in Sweden (see Aftonbladet, 2004a; Dagens Nyheter, 2004c; Göteborgs-Posten, 2004; and Norrtälje Tidning, 2004), on 5 February 2004, all argued against imposing restrictions. The Government's u-turn was described as "tragic" (Smålandsposten 2004) and the Liberal Party's newly adopted position (see below) as "xenophobic" (Dagens Nyheter 2004c).

One reason for the opposition to transitional rules in the Swedish media might be that the governing Social Democratic Party adopted a tougher position than the remaining parties in the Riksdag. As scrutinising the Government is among the more important functions of the media, this implies a critical stance towards whatever the Government says or does. Another hypothesis would be that there is an overrepresentation of liberal newspapers in the country, but at the same time left wing newspapers, such as Aftonbladet, were decidedly against restrictions. A third explanation might of course be that the Government's u-turn was an error of judgement that alienated it from the mainstream view on labour immigration in Sweden. Regardless of the reasons for the reactions in the media, it seems in retrospect somewhat ironic that a documentary on the public service television helped trigger the debate on "benefit tourism".

A.1.4 Swedish Unions and Employers' Organisations

The LO decided in February 2004 that they would support free movement of workers from the EU10 countries after enlargement.¹⁸ The largest affiliates, among them the Municipal Workers' Union and the Metalworkers' Union, which together organise more than a million workers, were in accord with this decision (LO 2004a),¹⁹ while five of the fifteen affiliates, the Swedish Building Workers' Union, the Transport Workers' Union, the Swedish Electricians' Union, the Swedish Painters' Union and SEKO Sea-

¹⁸ This decision was practically taken already in June 2003, when the LO commented on the circulation of the Rollén report; see Ministry for Foreign Affairs of Sweden (2003). However, the LO did support transitional rules in the areas of roads and shipping (see; <http://www.lo.se/home/lo/home.nsf/unidView/9F8C9235EB68563EC1256F6200520F5D>, 20 February 2006). Adding confusion to the discussion, in an article on 13 January 2004, two economists at the LO, Dan Andersson (Chief Economist) and Kristina Mårtensson, questioned the freedom and solidarity of the free movement of workers if it meant lower wages for low-income earners and slave-like working conditions and explicitly referred to union support for transitional rules (Dagens Nyheter 2004d).

¹⁹ However, the Municipal Workers' Union did "accept" the proposals contained in the Rollén report when commenting on it in 2003; see Ministry for Foreign Affairs of Sweden (2003).

farers, which together organise close to 250,000 members, supported transitional rules (Byggnads 2003).

In February 2004 the Swedish Building Workers' Union started a campaign with advertisements in the press and large posters displayed in the Stockholm subway system. The campaign attracted much attention due to its choice of illustration (semi-naked men in recumbent positions, wearing only trousers and protective helmets). The key words in the campaign were "orderliness in the labour market",²⁰ a phrase that was to be used extensively in the months that followed. The aim of the campaign was allegedly to call attention to problems with slave wages, "black" workers, jerry-building and tensions due to stress in the construction sector. Even though it was not spelled out, the edge was clearly pointed at the coming EU enlargement, as the campaign warned for low wages and the consequences of illegal labour immigration two months before the Eastern enlargement (see Byggnads 2004).

At the same time the LO requested a number of concessions, under the same parole of "orderliness in the labour market", partly to prepare for enlargement by making transitional rules superfluous. The LO wanted amongst other things to see that main contractors were made responsible for sub contractors' taxes; that flexible staffing companies were made subject to authorisation; that standards regarding preliminary tax paid by self-employed persons were strengthened; and that unions were given increased control and monitoring capabilities with regard to the observance of the collective agreements.²¹ As has become abundantly clear after the enlargement, the real concern of the LO prior to 1 May 2004 was not the free movement of workers, but the free movement of self-employed and, to an even greater extent, the free movement of services.²²

The two main trade union confederations in Sweden for white-collar workers, the Swedish Confederation of Professional Employees (TCO), with around 1.3 million members, and the Swedish Confederation of Professional Associations (SACO), with around 500,000 members, came out even more strongly against transitional rules. In a common article pub-

²⁰ The Swedish phrase is "ordning och reda på arbetsmarknaden".

²¹ A web page has been devoted to this campaign, available at <http://www.ordningochreda.se/>. The LO's request was met by the Green Party, which tabled a motion in March 2004 which contained the LO's proposals (see ML 2003/04:mp022). The Social Democrats, the Greens and the Left Party all incorporated this into their proposals, which meant that LO's demands gained a majority in the chamber in April 2004; see Riksdagen 2004b.

²² The Accession Treaty does not allow for transitional arrangements regarding the free movement of services, even though Austria and Germany negotiated concessions in the services sector.

lished in the Swedish tabloid Expressen, on 25 March 2003, TCO, SACO and the Confederation of Swedish Enterprise, an employer's organisation, argued that the proposals in the Rollén report needlessly cast suspicion on people in the new Member States; that the low labour mobility in Europe suggested that immigration from the EU10 countries would be insignificant; and that the ageing population in Sweden served as a reason to promote immigration rather than restricting it (see Expressen 2003).

Furthermore, in an article in Dagens Nyheter on 28 April 2004, the presidents of pro-business interest organisations in Denmark, Finland and Sweden, argued that the Danish, Finnish and Swedish Governments' positions on transitional rules were protectionist and that the freedom of movement for workers from the EU10 countries would, among other things, boost growth and prosperity and improve the dependency ratios in the Nordic countries. They also argued that increased mobility would help deepen the integration of the Baltic Sea Region and serve as a bridge to the Russian market (Dagens Nyheter 2004e).

A.1.5 The Swedish Public

The Swedish public has been among the most supportive of the enlargement process in the EU15. According to an opinion poll in November 2002, 58 per cent were in favour of enlargement, 26 per cent were against and 16 per cent did not know. In April 2004, according to the same institute (DN/TEMO 2004), 62 per cent were in favour, 26 per cent were against and 12 per cent did not know.

The picture is less clear regarding the attitude towards transitional rules and free labour mobility from the new Member States. According to a Eurobarometer survey carried out in January-February 2002, 45 per cent of those polled believed that only a limited number of people would move to Sweden, while four out of ten polled thought that immigration from the EU10 would be significant. Close to two thirds in the latter group viewed a high immigration as a negative development (Eurobarometer 2002), but the majority of respondents overall did not anticipate negative effects from free labour movement.

That having been said, opinion polls can produce very different results depending on the question posed to the respondents. Two surveys carried out in the spring of 2004 by the institute SIFO present examples of how the formulation of questions can cause results that seemingly contradict each other. In the first survey in February 2004 (SIFO 2004a) the respondents were asked whether they thought it was good that EU10 workers could ap-

ply for jobs in Sweden on an equal footing with workers from the old Member States. Almost two thirds of those polled agreed, which seems to confirm the results of the Eurobarometer survey from 2002. In the second survey, which was carried out in late March the same year (SIFO 2004b), the interviewees were asked whether they thought imposing restrictions to the free movement of workers from the new Member States was a good idea. More than half (54%) agreed that it was a good idea, while a third disagreed and 13 per cent did not know.²³

However, apart from different questions being asked, which may have prompted different replies, it should be noted that the discrepancy may also in part be explained by two other factors. First, by the time the second survey was performed, the Netherlands had decided to impose restrictions and the British Government had introduced new legislation, which in turn led some observers in Sweden to warn for a re-direction of immigration. Second, as time passed the enlargement drew nearer and public consciousness of the coming event and its potential labour market implications may have become enhanced.

In conclusion, a majority of Swedes were according to a number of opinion polls supportive of the Eastern enlargement prior to 1 May 2004, even though there were indeed fears of its implications in some segments. The political parties that tried to cultivate these fears may thus have found that the soil was fertile to an extent, but not excessively rich.

A.1.6 The Political Parties in the Riksdag

The party political debate in Sweden prior to the Eastern enlargement was characterised by changing positions and a major split in the Liberal Party,²⁴ on an issue that was expected to receive support across the board. All of the seven parties in the Riksdag were staunch supporters of the Eastern enlargement. As noted, there was also confusion with regard to the mentioned “ten-hour-rule” and the interpretation of EU law.

²³ Women in this sample were slightly more positive than men towards restrictions; 58 per cent of the women and 50 per cent of the men polled were in favour of transitional rules. Differences were also visible in different age groups: more than 62 per cent of those in the group 50-64 were in favour of transitional rules, whilst less than 43 per cent were in favour in the 15-29 group, although still a majority of 7 percentage points. The same survey also asked whether they supported enlargement: 50% were in favour, 32% were against and 19% did not know (SIFO 2004b). The sample size in both surveys was 1,000 respondents.

²⁴ The split in the Liberal Party is illustrated by two things. First, that Liberal Members of the Riksdag, among them Erik Ullenhag, spokesperson for the party on questions regarding refugees and integration, submitted their own proposal, in which they opposed restrictions (see proposal 2003/04:Sf38) and, second, that a majority of the party's regional districts reportedly were against restrictions (see Swedish Radio 2004).

When the Committee on Foreign Affairs discussed the issue of free movement for workers in relation to the ratification of the Accession Treaty in the Riksdag in November 2003 – after the Government’s u-turn – the Liberals, together with the Greens, the Centre Party and the Christian Democratic Party, in a joint statement from the Committee on Social Insurance, dismissed the need for restrictions (CFA 2003 and CSI 2003). In a separate statement the Moderate Party seemed to concur with this conclusion, although on different grounds,²⁵ while the Left Party in its statement vigorously opposed restrictions of any kind.

However, in the spring of 2004 the Moderates and the Liberals changed their positions and drafted their own proposals, which differed from each other in important aspects, for restricting EU10 nationals’ rights after 1 May 2004. Consequently, three different proposals were tabled in which measures were planned to curb negative effects from EU enlargement. Moreover, in February 2004 the Christian Democrats seemed to sway in their opinion on the issue (see Swedish Radio 2004), but by the time the question had reached the chamber they had decided to reject restrictions.

Proposals before the Riksdag

According to the Government’s proposal, which was the most far-reaching proposal for transitional rules, national regulation vis-à-vis the EU10 countries would continue to apply for at least two years, with the possibility of extending the period to the full seven years. Hence EU10 nationals would according to the proposal have to apply for work permits from their home countries. Moreover, a work permit would have required an offer of employment of a certain length and a wage in accordance with the collective agreements. The permits would have been limited to one year, during which a person’s permission to work in the country would have been confined to a certain profession and employer. The Swedish Migration Board and the Swedish National Tax Board would have been given a widened competence with regard to control over self employed and their ability to support themselves (Swedish Government 2004).²⁶

²⁵ In the special statement the Moderates requested clarification as to which alterations to Swedish law was intended before enlargement.

²⁶ Furthermore, a number of actors, including the National Labour Market Board, the Swedish Migration Board and the unions and employers in the Swedish labour market, would have been given the task to set up and implement a monitoring system in order to detect any disturbances in the Swedish labour market after enlargement (Swedish Government 2004). In other words, this part of the Government’s proposal was in accordance with the LO’s wish list.

The Liberals' proposed a shortened transition period of eight months, during which workers from the EU10 countries would need a work permit. Work permits would only be granted if workers could prove that they were able to support themselves while staying in Sweden. However, unlike in the Social Democrats' proposal, they would have been allowed to apply for work permits in Sweden, rather than from the Swedish embassy in their respective home countries. They also proposed that access to social security would require something in return, i.e. that applicants could show, for example, that they were actively looking for work.

The proposal also recommended that the Government promoted reform of both the EU's and Sweden's legislation concerning housing-, parent- and child allowances and study grants, according to a "principle of settlement", that is to say, that allowances should only be given if a person lives in the country.²⁷ Lastly, the Liberals proposed that an information campaign be carried out in the EU10 countries, which would inform about Swedish labour market regulations and conditions, and that more effort was put into combating tax evasion (see proposal 2003/04:Sf39).

The Moderates, which is the second largest political party in Sweden, were opposed to work permits being a necessary qualification before EU10 nationals could get residence permits,²⁸ but proposed instead that all EU citizens, in order to avoid discrimination according to the EC Treaty, would be denied immediate access to the Swedish social security system and would have to successively qualify for support (see proposal 2003/04:Sf40).

The remaining four parties in the Riksdag, the Greens, (proposal 2003/04:Sf41), the Left Party (proposal 2003/04:Sf42), the Centre Party (proposal 2003/04:Sf43) and the Christian Democrats (proposal 2003/04:Sf44), all shared the view that no transitional rules were needed. The Centre Party was publicly the strongest advocate of free movement, mainly due to the strong reaction of the party leader, Maud Olofsson, but the Left Party was not lagging far behind.

None of the three proposals for restrictions gained majority in the chamber, but it is interesting to note that a majority of Swedish parliamentarians, according to party composition in the Riksdag, supported restrictions of some kind, albeit in different forms. Widespread speculation also ap-

²⁷ This was obviously a response to the belief that allowances might be exported to the new Member States.

²⁸ As a matter of fact, the Moderates' proposal had the same intention as the legislation introduced by the Labour Government in the UK, even though registration of workers was not proposed.

peared before the vote as to whether the Social Democratic group in the Riksdag would choose to vote tactically, supporting proposals in an order that would have given a proposal for transitional rules majority in the chamber (see, inter alia, Dagens Nyheter 2004g; and SVT 2004). In the end they refrained from doing so and Community rules were thus adopted in Sweden.

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APPENDIX 2 TABLES

Table A.2.1 Immigration, Emigration and Net Migration,
According to Country of Origin and Destination,
Sweden, 1987-2005

Year	Immigration	Emigration	Net Migration
1987	42,666	20,673	21,993
1988	51,092	21,461	29,631
1989	65,866	21,484	44,382
1990	60,048	25,196	34,852
1991	49,731	24,745	24,986
1992	45,348	25,726	19,622
1993	61,872	29,874	31,998
1994	83,598	32,661	50,937
1995	45,887	33,984	11,903
1996	39,895	33,884	6,011
1997	44,818	38,543	6,275
1998	49,391	38,518	10,873
1999	49,839	35,705	14,134
2000	58,659	34,091	24,568
2001	60,795	32,141	28,654
2002	64,087	33,009	31,078
2003	63,795	35,023	28,772
2004	62,028	36,586	25,442
2005	65,229	38,118	27,111

Source: Statistics Sweden

Table A.2.2 Composition of Immigration According to Country of Birth, Sweden, 1987-2005

Year	EU10	EU14	Sweden	Rest of World
1987	2,048	8,773	5,064	26,781
1988	2,176	10,731	6,215	31,970
1989	2,489	11,855	6,383	45,139
1990	2,687	10,454	6,116	40,791
1991	2,038	7,346	5,089	35,258
1992	2,054	6,348	5,035	31,911
1993	1,661	6,179	5,994	48,038
1994	1,771	7,359	7,577	66,891
1995	1,654	8,138	8,159	27,936
1996	1,399	8,191	8,718	21,587
1997	1,339	7,362	9,546	26,571
1998	1,443	8,613	11,508	27,827
1999	1,542	8,972	13,011	26,314
2000	1,668	10,993	13,664	32,334
2001	1,948	11,881	13,797	33,169
2002	2,388	12,201	13,266	36,232
2003	2,191	11,968	12,588	37,048
2004	4,077	11,668	11,467	34,816
2005	5,354	12,346	11,066	36,463

Notes: EU14 = EU15 minus Sweden. The category EU14 includes citizens of the German Democratic Republic. Prior to 1991, immigrants from Estonia, Latvia and Lithuania were citizens of the Soviet Union and prior to 1993 immigrants from the Czech Republic and Slovakia were citizens of Czechoslovakia. The peak in 1993-1994 in the Rest of World category is explained by an increase in the immigration from Bosnia and Herzegovina.

Source: Statistics Sweden

Table A.2.3 Immigrants and Emigrants According to Country of Origin and Destination, Sweden

Country	2000		2001		2002		2003		2004		2005	
	Im	Em	Im	Em	Im	Em	Im	Em	Im	Em	Im	Em
Czech Republic												
Men	50	50	64	39	86	40	69	48	61	55	106	46
Women	65	24	66	33	65	28	54	29	59	39	89	46
Cyprus												
Men	15	31	19	23	25	31	23	22	32	34	21	39
Women	14	31	13	16	34	33	21	32	23	26	19	42
Estonia												
Men	98	46	97	36	109	43	88	56	155	69	161	88
Women	218	22	215	17	236	40	223	43	266	56	263	77
Hungary												
Men	95	93	96	69	123	71	105	63	113	88	144	91
Women	111	62	110	65	151	69	139	64	154	85	178	90
Latvia												
Men	64	21	74	31	63	25	57	33	70	29	98	28
Women	139	10	114	9	126	21	125	25	148	19	151	21
Lithuania												
Men	54	14	75	39	85	18	73	22	191	21	356	16
Women	101	10	143	11	176	5	159	16	253	19	353	10
Malta												
Men	5	21	13	9	15	32	19	10	12	20	13	17
Women	4	16	6	8	14	17	14	9	14	12	13	14
Poland												
Men	309	100	372	117	474	100	470	113	1,163	161	1,815	177
Women	471	99	536	100	712	90	664	103	1,358	138	1,701	173
Slovakia												
Men	29	7	29	5	38	15	22	12	43	16	40	18
Women	34	6	29	3	38	6	34	11	76	15	59	12
Slovenia												
Men	7	7	7	7	6	11	10	6	23	9	22	11
Women	7	10	17	10	8	13	12	4	18	7	19	10
EU10	1,890	680	2,095	647	2,584	708	2,381	721	4,232	935	5,559	1,053
Men	726	390	846	375	1,024	386	936	385	1,863	512	2,741	551
Women	1,164	290	1,249	272	1,560	322	1,455	336	2,369	423	2,818	502

Note: Im = immigrants, Em = emigrants.

Source: Statistics Sweden.

Table A.2.4 Residence Permits for Citizens From the Accession States in 2003-2005 According to the EEA Agreement, Sweden

Year	Countries	Reasons for granting the residence permit							All
		Employees	Employers	Consultants	Students	Relatives	Prolongations		
2003	Poland	2,134	1	0	320	201	771	3,427	
	Estonia	363	0	0	57	53	178	651	
	Latvia	213	0	0	36	43	87	379	
	Lithuania	404	0	0	70	33	220	727	
2004	EU10	3,774	1	0	577	414	1,551	6,317	
	EU12	2,788	131	334	2,813	2,484	953	9,503	
	Poland	3,156	99	141	244	1,038	278	4,956	
	Estonia	383	5	26	122	160	44	740	
2005	Latvia	278	13	13	74	68	44	490	
	Lithuania	872	14	11	139	193	90	1,319	
	EU10	5,151	136	209	750	1,694	547	8,487	
	EU12	2,570	140	312	3,007	2,587	904	9,520	
2005	Poland	2,810	251	194	281	1,498	493	5,527	
	Estonia	320	12	14	91	83	89	609	
	Latvia	207	8	18	75	72	66	446	
	Lithuania	756	27	13	129	252	117	1,294	
2005	EU10	4,477	321	408	815	2,120	871	9,012	
	EU12	2,893	197	315	3,042	2,254	814	9,515	

Note: Reasons for granting a permit are up to May 2004 estimated for those coming from EU10. EU12 = EU15 minus Denmark, Finland and Sweden.
Source: Migrationsverket (Swedish Migration Board)

Table A.2.5 Employment Rate in September Among Those Aged 16-64 According to Country of Origin, Living in Sweden at the End of 2003 and 2004

Country	2003			2004		
	Men	Women	All	Men	Women	All
Czech Republic	55.8	38.6	45.3	60.1	41.3	48.5
Czechoslovakia	64.7	65.1	64.9	64.1	65.8	65.0
Estonia	55.5	53.2	54.0	54.5	53.8	54.0
Hungary	58.5	58.6	58.6	59.0	57.1	58.0
Latvia	44.6	46.3	45.8	46.4	46.7	46.6
Lithuania	47.4	46.4	46.7	50.5	47.6	48.4
Malta	51.0	50.0	50.5	56.0	46.7	51.6
Poland	59.4	59.9	59.7	59.9	58.8	59.2
Slovakia	47.0	43.7	44.8	46.7	40.7	42.8
Slovenia	62.8	54.2	58.4	64.2	52.6	58.3
EU10	58.9	58.6	58.7	59.2	57.7	58.2
Sweden	76.0	73.6	74.8	75.9	72.9	74.5

Note: As those who immigrated to Sweden in December cannot have been employed in Sweden in November the same year the employment rates for the immigrants are underestimated. There are immigrants who have arrived from the areas of the present states Estonia, Latvia, Lithuania and Slovenia who are registered as immigrants from the Soviet Union and Yugoslavia. It has not been possible to separate those from others registered as immigrants from the Soviet Union and Yugoslavia.

Source: Statistics Sweden

Table A.2.6 Distribution of People Born in One of the Accession States and in Sweden According to Industry in September 2004; Per cent

Country	Industry										All	
	0	1	2	3	4	5	6	7	8	9		10
Czech Republic	8	0	20	0	1	10	9	15	23	11	3	100
Czechoslovakia	2	0	17	1	2	16	14	13	22	8	5	100
Cyprus	4	0	12	0	3	17	12	17	16	17	4	100
Estonia	2	1	11	1	3	19	16	13	19	10	6	100
Hungary	2	0	19	1	3	18	14	12	19	8	4	100
Latvia	2	3	10	1	3	13	13	17	22	10	5	100
Lithuania	3	11	10	0	3	12	13	16	24	7	3	100
Malta	2	0	24	0	4	22	10	18	10	6	2	100
Poland	2	1	16	1	3	17	14	11	24	8	4	100
Slovakia	4	1	15	0	1	13	12	17	26	11	0	100
Slovenia	1	0	34	0	5	16	11	8	14	6	3	100
EU10	2	1	16	1	3	17	14	12	22	8	4	100
Sweden	1	2	17	1	6	19	13	11	16	7	6	100

Note: Industry classification; 0 not classified, 1 agriculture, forestry, fishing, 2 manufacturing, mining, 3 public utilities, 4 construction, 5 trade, communication, 6 financial services, business services, 7 education, 8 health care, 9 personal and cultural services, 10 public administration.

Source: Statistics Sweden

Table A.2.7 Working Hours in September Among Those Aged 16-64 According to Country or Origin in September 2003 and 2004

Country	2003			2004		
	Men	Women	All	Men	Women	All
Czech Republic	142.7	118.2	130.8	158.1	117.4	136.9
Czechoslovakia	142.5	128.9	136.0	141.8	130.4	136.5
Cyprus	130.9	120.1	127.5	132.7	151.9	137.8
Estonia	144.6	127.9	135.1	134.5	126.3	129.5
Hungary	142.8	131.2	137.9	145.0	129.7	138.2
Latvia	150.5	128.4	136.4	139.3	123.4	128.7
Lithuania	158.0	130.5	140.0	145.7	126.1	131.4
Malta	128.1	121.8	125.9	169.3	123.0	157.7
Poland	143.6	129.5	135.1	142.7	130.5	135.4
Slovakia	162.4	133.2	146.7	149.5	120.7	137.1
Slovenia	141.8	122.3	133.9	132.9	124.4	129.9
EU10	143.4	129.5	135.7	142.6	129.8	135.5
Sweden	147.3	130.5	141.1	146.7	130.2	140.6

Note: Only those employed are included. There are immigrants who have arrived from the areas of the present states Estonia, Latvia, Lithuania and Slovenia who are registered as immigrants from the Soviet Union and Yugoslavia. It has not been possible to separate those from others registered as immigrants from the Soviet Union and Yugoslavia.

Source: Statistics Sweden

Table A.2.8 Monthly Wage Among Those Aged 16-64
According to Country of Origin in September
2003 and 2004; in Thousands SEK*

Country	2003			2004		
	Men	Women	All	Men	Women	All
Czech Republic	27.2	20.5	23.9	24.4	21.5	22.9
Czechoslovakia	28.8	24.1	26.6	29.7	24.5	27.3
Cyprus	26.3	20.5	24.5	27.4	22.5	26.1
Estonia	27.1	20.7	23.5	26.1	20.8	22.9
Hungary	24.8	21.9	23.6	26.1	22.9	24.7
Latvia	26.5	21.0	23.1	25.2	21.0	22.4
Lithuania	26.2	18.4	21.1	27.9	19.5	21.7
Malta	21.3	18.6	20.3	23.7	18.2	22.3
Poland	24.5	21.3	22.6	24.9	21.8	23.0
Slovakia	22.9	19.9	21.5	24.3	22.4	23.5
Slovenia	23.7	20.1	22.3	23.8	21.0	22.9
EU10	25.2	21.5	23.1	25.7	22.0	23.6
Sweden	26.2	22.3	24.8	27.2	23.1	25.7

* For those working less than full-time the wage is recalculated to full-time wage

Note: Only those employed are included. There are immigrants who have arrived from the areas of the present states Estonia, Latvia, Lithuania and Slovenia who are registered as immigrants from the Soviet Union and Yugoslavia. It has not been possible to separate those from others registered as immigrants from the Soviet Union and Yugoslavia.

Source: Statistics Sweden

Table A.2.9 Distribution of People Born in One of the Accession States and in Sweden According to Education in 2004; Per cent

Country	Education							All
	1	2	3	4	5	6	9	
Czech Republic	2	4	28	5	36	5	18	100
Czechoslovakia	4	8	44	7	33	3	1	100
Cyprus	10	12	45	5	20	1	7	100
Estonia	5	9	31	6	37	3	9	100
Hungary	6	7	49	6	26	2	3	100
Latvia	2	8	22	6	42	5	15	100
Lithuania	1	5	16	5	45	7	21	100
Malta	8	15	40	4	21	1	11	100
Poland	4	9	44	6	30	2	6	100
Slovakia	4	7	22	3	31	6	27	100
Slovenia	12	11	49	4	17	1	5	100
EU10	4	8	42	6	31	2	6	100
Sweden	5	16	48	6	23	1	1	100

Note: Educational classification; 1 primary school less than 9 years, 2 primary school 9(10) years, 3 secondary school, 4 higher education less than two years, 5 higher education two years or more, 6 post-graduate education, 9 missing information.

Source: Statistics Sweden

Table A.2.10 Number of Applications for Social Assistance Granted Foreign Citizens Aged 16 and Older According to Country of Citizenship and Country of Origin in 2003 and 2004

Country	Country of citizenship		Country of origin	
	2003	2004	2003	2004
Cyprus	8	8	23	24
Czech Republic	35	31	38	36
Estonia	125	124	230	218
Hungary	323	328	680	698
Latvia	55	59	102	95
Lithuania	79	91	83	96
Malta	2	4	3	7
Poland	1,753	1,702	3,021	3,020
Slovenia	28	26	26	24
Slovakia	96	112	66	79
Total	2,504	2,485	4,272	4,297

Source: Socialstyrelsen (The National Board of Health and Welfare)

Table A.2.11 Immigration, Emigration and Net Migration, Ireland, 1987-2005, Thousands

Year	Immigration	Emigration	Net Migration
1987	17.2	40.2	-23.0
1988	19.2	61.1	-41.9
1989	26.7	70.6	-43.9
1990	33.3	56.3	-22.9
1991	33.3	35.3	-2.0
1992	40.7	33.4	7.4
1993	34.7	35.1	-0.4
1994	30.1	34.8	-4.7
1995	31.2	33.1	-1.9
1996	39.2	31.2	8.0
1997	44.5	20.3	19.2
1998	46.0	28.6	17.4
1999	48.9	31.5	17.3
2000	52.6	26.6	26.0
2001	59.0	26.2	32.8
2002	66.9	25.6	35.0
2003	50.5	20.7	29.8
2004	50.1	18.5	31.6
2005	70.0	16.6	53.4

Note: These figures are derived from the CSO series of Annual Labour Force Surveys over the period from 1987 to 1996 and the QNHS series from 1997 onwards

Source: CSO Annual Population and Migration Estimates (various releases).

Table A.2.12 Immigration Flows from the Accession States and Gross Immigration from the Rest of the World Including the Accession States as a Percentage of Total Immigration, 1987-2005, Thousands

Year	Rest of World	EU10	Per cent of total immigration to Ireland	Total immigration
1987	1.5	-	8.8	17.2
1988	1.6	-	8.1	19.2
1989	2.2	-	8.2	26.7
1990	3.3	-	9.9	33.3
1991	2.1	-	6.2	33.3
1992	3.0	-	7.3	40.7
1993	2.6	-	7.5	34.7
1994	1.7	-	5.6	30.1
1995	3.1	-	9.9	31.2
1996	4.2	-	10.7	39.2
1997	5.5	-	12.4	44.4
1998	4.7	-	10.2	46.0
1999	4.5	-	9.2	48.8
2000	8.6	-	16.4	52.5
2001	13.6	-	23.0	59.1
2002	21.7	-	32.4	66.9
2003	17.7	-	35.0	50.6
2004	14.9	-	29.7	50.1
2005	35.4*	26.4	50.6	70.0

* Including EU10

Source: CSO Population and Migration Estimates (various editions).

Table A.2.13 Number of Accession State Nationals in Employment Before and After Accession, Thousands

	Non-EU including EU10	EU10
Q2 2003	48.6	-
Q2 2004	51.3	-
Q2 2005	91.9	47.3
Q4 2005	108.8	61.6

Source: CSO Special tabulation of Quarterly National Household Surveys

Table A.2.14 Estimated Number of Accession State Nationals Aged 15 Years and Over in Employment (ILO) in Ireland, Classified by ILO Status, Q3 2004 to Q4 2005

	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Thousands						
In Employment	19.5	28.1	34.9	47.3	53.2	61.6
Unemployed	1.0	1.5	1.8	3.2	3.4	3.6
In Labour Force	20.5	29.6	36.8	50.4	56.6	65.2
Not Economically Active	4.1	4.7	5.2	5.2	5.8	7.4
Per cent						
In Employment	79.3	81.9	83.1	84.2	85.4	84.7
Unemployed	4.1	4.4	4.3	4.9	5.5	5.0
In Labour Force	83.3	86.3	87.6	89.2	90.9	89.7
Not Economically Active	16.7	13.7	12.4	10.8	9.3	10.2
Employment Growth and Participation Rates, Per cent						
Employment Growth	-	44.1	24.2	35.5	12.5	15.8
Participation Rates	83.3	86.3	87.4	90.8	90.9	89.7

Source: Quarterly National Household Surveys

Table A.2.15 Employment of Accession State Nationals by NACE Sector, Q4 2004 and Q4 2005

NACE Sector	Q4 2005	Q4 2005
Agriculture, forestry and fishing	1.5	2.2
Other production industries	6.4	15.9
Construction	6.0	15.2
Wholesale and retail trade	4.0	8.0
Hotels and Restaurants	5.7	8.6
Transport, storage and communication	0.8	1.9
Financial and business services	1.7	4.5
Public administration and defence	0.0	0.0
Education	0.0	0.0
Health	0.7	1.3
Other Services	1.1	3.6
Total	28.1	61.6

Source: CSO Quarterly National Household Survey Q4 2005

Table A.2.16 Employment of Accession State Nationals by NACE Sector as a Proportion of the Total Workforce in Ireland, Q4 2004 and Q4 2005

NACE Sector	Q4 2004	Q 4 2005
Agriculture, forestry and fishing	1.3	1.9
Other production industries	2.1	5.5
Construction	2.6	6.0
Wholesale and retail trade	1.5	2.8
Hotels and Restaurants	5.1	7.4
Transport, storage and communication	0.7	1.6
Financial and business services	0.7	1.7
Public administration and defence	0.0	0.0
Education	0.0	0.0
Health	0.4	0.7
Other Services	0.9	2.9
Total	1.5	3.1

Source: CSO Quarterly National Household Survey Q4 2005

Figure A.2.17 Employment in Ireland by NACE sector, Q4 2004 and Q4 2005

NACE Sector	Q4 2004	Q4 2005	Change
Agriculture, forestry and fishing	112.5	115.3	2.8
Other production industries	301.1	288.2	-12.9
Construction	227.4	253.2	25.8
Wholesale and retail trade	265.4	285.0	19.6
Hotels and Restaurants	112.6	115.5	2.9
Transport, storage and communication	115.7	118.3	2.6
Financial and business services	247.7	263.0	15.3
Public administration and defence	94.4	100.7	6.3
Education	118.5	127.9	9.4
Health	182.5	191.5	9.0
Other Services	116.3	122.1	5.8
Total	1894.1	1980.6	86.5

Source: CSO Quarterly National Household Survey Q4 2005

Table A.2.18 Number of Work Permits Issued to Accession State Nationals, 2001-2004*

Year	Permits Issued to EU10 Nationals	Total Permits Issued
2001	13,330	36,446
2002	13,752	40,321
2003	16,606	47,551
2004	5,290	13,041

* 2004 data refers to permits issued from 1st of January to 31st of April

Source: Department of Enterprise, Trade and Employment

Table A.2.19 Personal Public Service Numbers Issued to Accession State Nationals, 2001-2005

Nationality	2001	2002	2003	2004	2005
Cyprus	12	8	6	27	23
Czech Republic	1,428	1,144	831	3,298	4,505
Estonia	858	463	546	1,788	2,011
Hungary	511	259	185	1,839	3,086
Latvia	3,023	1,538	1,230	6,266	9,328
Lithuania	2,735	2,782	2,379	12,817	18,717
Malta	237	209	191	205	124
Poland	2,259	2,649	3,828	27,295	64,731
Slovakia	328	252	248	5,187	9,258
Slovenia	1	2	7	64	76
Total	11,392	9,306	9,451	58,786	111,859

Source: Department of Social and Family Affairs

Table A.2.20 Personal Public Service Numbers Issued to Nationals of Accession States, May 2004 to February 2006

	Month	Poland	Baltic States	Czech Republic and Slovakia	Hungary, Slovenia, Malta and Cyprus
2004	May	3,510	3,192	1,054	312
	June	3,045	2,383	1,217	229
	July	4,853	2,541	1,408	261
	August	2,786	2,011	676	177
	September	2,972	2,422	881	260
	October	4,195	2,954	1,303	365
	November	2,716	2,284	659	249
	December	1,145	1,029	376	117
2005	January	3,575	2,677	995	260
	February	3,851	2,678	1,016	234
	March	3,150	2,242	826	226
	April	5,175	3,117	1,226	284
	May	4,485	2,320	1,004	230
	June	6,811	3,053	1,536	199
	July	9,511	2,667	1,595	316
	August	5,915	2,523	1,050	286
	September	6,017	2,787	1,394	361
	October	7,212	2,667	1,439	399
	November	6,428	2,363	1,261	293
	December	2,968	1,171	525	147
2006	January	5,595	2,033	1,045	254
	February	7,262	2,441	1,185	312
Total		103,177	53,555	23,671	5,771

Source: Department of Social and Family Affairs

Table A.2.21 Percentage of Personal Public Service Numbers Issued to Accession State Citizens, by Nationality, 2000-2005

Year	2001	2002	2003	2004	2005
Cyprus	0.1	0.1	0.1	0.0	0.0
Czech Republic	12.5	12.3	8.8	5.6	4.0
Estonia	7.5	5.0	5.8	3.0	1.8
Hungary	4.5	2.8	2.0	3.1	2.8
Latvia	26.5	16.5	13.0	10.7	8.3
Lithuania	24.0	29.9	25.2	21.8	16.7
Malta	2.1	2.2	2.0	0.3	0.1
Poland	19.8	28.5	40.5	46.4	57.9
Slovakia	2.9	2.7	2.6	8.8	8.3
Slovenia	0.0	0.0	0.1	0.1	0.1

Source: Department of Social and Family Affairs

Table A.2.22 Average Hourly Earnings Growth by Sector, Average of Five Quarters Pre and Post Accession

	Growth Rate March 03 to May 04	Growth Rate May 04 to Sept. 04
Education	10.5	9.2
Other production industries	8.8	3.6
Construction	6.7	8.2
Transport, storage and communication	9.1	2.4
Wholesale and retail trade	3.9	5.4
Hotels and Restaurants	8.9	6.9
Business and Financial Services	5.7	5.1
Other Services	8.5	2.5
Distribution	10.9	3.5
Public administration and defence	11.4	7.2
Economy	8.8	5.7

Source: ESRI earnings series created from CSO earnings publication

SVENSK SAMMANFATTNING

I takt med att 2004 års utvidgning av Europeiska unionen (EU) närmade sig ökade också farhågorna i de gamla EU-medlemsstaterna för vilka effekter utvidgningen skulle få på arbetsmarknaderna och på de framtida migrationsströmmarna. Storleken på utvidgningen, tillsammans med högre arbetslöshet och lägre inkomster i anslutningsländerna (EU10) – särskilt i de Central och Östeuropeiska medlemsstaterna – skapade oro för massinvandring och ”social turism”. När utvidgningen väl var ett faktum var det endast Irland, Storbritannien och Sverige som öppnade sina arbetsmarknader för fri arbetskraftsrörlighet från de nya medlemsstaterna. Denna rapport försöker ge ett så utförligt svar som möjligt på frågan om vad som har hänt sedan 1 maj 2004 utifrån tillgängliga data i två av dessa länder; Irland och Sverige.¹

Företvidgningsdebatterna

Även om Irland, Storbritannien och Sverige öppnade upp sina arbetsmarknader för arbetare från anslutningsstaterna diskuterade framstående aktörer även i dessa länder om det inte fanns anledning att införa någon form av restriktioner. Sveriges statsminister Göran Persson startade denna diskussion på allvar när han i november 2003 för första gången uttryckte oro för att det svenska socialförsäkringssystemet skulle missbrukas av människor från de nya EU-länderna. I den debatt som följde uttrycktes också farhågor för lönekonkurrens och massinvandring till följd av att Sverige var ett av få länder som hade valt att tillåta fri arbetskraftsinvandring. Samtidigt argumenterade andra för att Sverige var på väg att begå löftesbrott med tanke på sin ursprungliga position. Vidare menade många debattörer att faran för ”social turism” var så gott som obefintlig mot bakgrund av att de människor som väljer att emigrera oftast är unga, välutbildade och ogifta. Detta talade i sin tur för att de ekonomiska vinsterna skulle vara större än förlusterna.

Den svenska regeringens tillkännagivande att man hade för avsikt att föreslå så kallade övergångsregler i syfte att begränsa invandringen fick effekter i Irland och Storbritannien. Det brittiska konservativa partiet, Tory, och den brittiska tabloidpressen satte press på Labour-regeringen, som i februari 2004 annonserade åtgärder i syfte att sätta stopp för ”social turism” från EU10. Vidare infördes ett registreringssystem (Worker Registration Scheme) enligt vilket arbetare från EU10 tvingas registrera sig inom en månad

¹ Effekterna på den brittiska arbetsmarknaden har analyserats detaljerat i Gilpin *et al.* (2005).

efter att de har hittat arbete i Storbritannien. Syftet med systemet är att övervaka invandringen från de nya medlemsstaterna.

Den starka irländska ekonomin och det stora antalet vakanser har inneburit att Irland till stor del har tvingats rekrytera utländsk arbetskraft. Den irländska debatten fokuserade därför i hög grad på att skydda det irländska välfärdssystemet, i synnerhet efter den brittiska omsvängningen. I slutet av februari 2004 introducerade den irländska regeringen ett bosättningskrav (Habitual Residence Condition), enligt vilket utländska medborgare var tvungna att bo i den så kallade Common Travel Area (Irland, Kanalöarna, Isle of Man och Storbritannien och Nordirland) i åtminstone två år innan de tilläts tillträde till bidragssystemet.

Fyra olika typer av system för övergångsregler infördes 2004 i EU-15. Det första systemet (Belgien, Finland, Frankrike, Grekland, Tyskland och Österrike) gav samma rättigheter till medborgare från EU10 som för medborgare utanför EES-området. Det andra systemet (Danmark, Italien, Nederländerna och Portugal) var detsamma som det första med undantag för att kvoter bestämde hur många arbetare från EU10 som släpptes in. Det tredje systemet (Irland och Storbritannien) tillåter obegränsat antal arbetare från de nya medlemsstaterna men begränsar tillgången till välfärdssystemet. Det fjärde systemet (Sverige) innebär att EU-lagstiftningen tillämpas fullt ut.

Ekonomiska effekter av invandring

De stora inkomstskillnaderna och den höga arbetslösheten i EU10 tillsammans med fri rörlighet för arbetskraft implicerar att arbetskraften framför allt kommer att flytta från nya till gamla medlemsstater. Stora inkomstskillnader är dock inte ett tillräckligt villkor för att migration ska komma till stånd. Arbetslösheten och antalet vakanser i mottagarlandet är viktiga faktorer och arbetsmarknaders relativa styrka avgör i hög grad till vilka länder – Irland, Storbritannien eller Sverige – arbetskraften väljer att flytta. Andra faktorer som är viktiga för emigrantens val av land är den geografiska närheten och det talade språket i mottagarlandet. Studier har visat att engelskspråkiga länder föredras av invandrare med hög utbildning.

Nettoeffekterna av invandring på den offentliga sektorn beror av storleken på invandringen, sammansättningen av de nya invandrarna samt hur ekonomin preseterar. Termen ”social turism” implicerar att människor väljer att flytta till ett annat land för att där finns ett generöst och väl utbyggt välfärdssystem. Empiriska studier har dock inte visat på något entydigt stöd för denna hypotes.

Generellt sett leder invandring till att arbetsutbudet ökar, vilket i sin tur

implicerar sjunkande löner. Ett större arbetsutbud kan dock också leda till fler investeringar, vilka motverkar sjunkande löner. Vidare är arbete inte en homogen produktionsfaktor; den invandrade arbetskraften kan verka som komplement snarare än substitut till den inhemska arbetskraften, vilket i sin tur implicerar att invandringen leder till högre löner för inhemska arbetare. Det är därför inte möjligt att bestämma invandringens effekt på löner utan empiriska studier. De flesta dylika studier indikerar att effekterna är små.

Oro har också funnits för undanträngningseffekter. Detta argument baseras på en idé om att antalet arbetstillfällen i en ekonomi är fast och förbestämt, något som inte är sant. Arbetslösheten beror framför allt av den makroekonomiska utvecklingen och ekonomisk politik. Tillgängliga empiriska studier indikerar att effekterna av invandring på arbetslösheten är små.

Sverige efter utvidgningen

Arbetskraftsinvandring var den dominerande formen av invandring till Sverige under efterkrigstiden och fram till lågkonjunkturen i början av 70-talet, då arbetskraftsinvandringen mer eller mindre stoppades från länder utanför den gemensamma nordiska arbetsmarknaden. Flödet har mestadels gått från länder med lägre inkomst- och lönenivåer än i Sverige. Variationerna över tiden har varit stora och mycket känsliga för hur arbetsmarknaden har presterat. Immigrationen från EU10 kommer sannolikt att domineras av arbetskraftsinvandring och vi kan därför förvänta oss stora fluktuationer beroende på den svenska arbetsmarknadssituationen.

Invandringen från EU10 ökade kraftigt i relativa termer 2004 och 2005 jämfört med 2003. I absoluta tal är invandringen dock liten och den utgör en mycket liten del av den totala invandringen till Sverige. År 2003 invandrade 2381 personer från EU10, medan motsvarande siffror för 2004 och 2005 var 4232 respektive 5559. Emigrationen från Sverige till EU10 ökade också, men inte alls i samma omfattning som invandringen. Männens andel av den totala invandringen ökade efter anslutningen. Mer än hälften av invandrarna kom från Polen men en stor andel av invandrarna kom också från de baltiska staterna, i synnerhet Estland och Litauen.

Det finns åtminstone tre skäl till att invandringen har varit så obetydlig från EU10. För det första har antalet vakanser varit lågt. För det andra visade undersökningar före utvidgningen av få hade Sverige som förstaval. För det tredje har flödet från EU10 gått till Irland och Storbritannien, tack vare bättre arbetsmarknader och av språkskäl.

Statistiken över antalet uppehållstillstånd enligt EES-avtalet, vilken ger information om den kortsiktiga immigrationen, ökade både 2004 och 2005.

Ökningen är störst i kategorierna egenföretagare och konsulter, men antalet uppehållstillstånd som beviljades till studenter och anhöriga till människor som redan bor i Sverige ökade också. Totalt beviljades 6317 uppehållstillstånd till medborgare från EU10 2003, medan motsvarande siffra 2004 och 2005 var 8487 respektive 9012.

Den svenska arbetsmarknadsstatistiken har en fördröjning, vilket gör det omöjligt att säga något om de som har kommit 2005 och 2006, men sysselsättningen både 2003 och 2004 för medborgare från de nya EU-länderna var lägre än för inhemska medborgare. Bland sysselsatta medborgare från EU10 är också antalet arbetade timmar mindre och månadslönen lägre, medan utbildningsnivån däremot är högre. Skillnader är också synliga i arbetskraftens fördelning över sektorer; medborgare från EU10 är överrepresenterade i sjukvårdssektorn, en sektor som karaktäriserats av hög efterfrågan på arbetskraft, medan den inhemska arbetskraften istället är överrepresenterad i byggnadsbranschen och i offentlig förvaltning.

Ekonometriska skattningar indikerar en negativ lönepremie på ungefär tio procent för medborgare från EU10, med en något positivare bild för invandrade kvinnor än för invandrade män. Ju tidigare en invandrare har anlänt i landet, desto mindre är skillnaden till den inhemska arbetskraften. För dem som anlände före 1970 är skillnaden mindre än 3 procent och för dem som anlände 2003-2004 är skillnaden 20 procent.

När det gäller oron för "social turism" synes den ha varit obefogad. Antalet ansökningar om socialbidrag var mer eller mindre konstant 2004 jämfört med 2003, det vill säga innan utvidgningen var ett faktum. Vidare gick endast en (1) procent av utbetalat stöd till familjer i de nya medlemsstaterna (ca €0.01 million).

Irland efter utvidgningen

Liksom i Sverige har migrationsflödet till och från Irland varit mycket känsligt för det ekonomiska läget, både i Irland och i sändar/mottagarlandet. Under perioden 1995 till 2000 upplevde den irländska ekonomin ett rejält uppsving, vilket ledde till att migrationsflödena reverserades från att ha varit negativa under 80-talet. Irland fick uppleva positiv nettomigration och i April 2005 nådde den utlandsfödda delen av befolkningen 6.3 procent av den totala irländska befolkningen. Motsvarande siffra 1996 var 3.2 procent. Även om uppsvinget nådde sin kulmen vid millennieskiftet var den irländska ekonomin fortfarande stark vid tidpunkten för utvidgningen, med en BNP-tillväxt på 4.5 procent, högst i EU, och en arbetslöshet på 4.4 procent, lägst i EU.

Utvidgningen verkar inte heller ha verkat för att slå av takten på den irländska ekonomin. Däremot har invandringen, till skillnad från i Sverige, varit mycket högre än vad som förväntades före utvidgningen. Detta förklaras framför allt av den irländska ekonomins styrka med en hög efterfrågan på arbetskraft, men det kan möjligtvis också till viss del förklaras av en viss omdirigeringsseffekt från de EU-länder som valde att införa övergångsregler. Under det fjärde kvartalet 2005 beräknas att ca 73,000 medborgare från EU10 bodde i Irland.

Arbetskraftsdeltagandet för medborgare från EU10 är 90 procent, att jämföra med 62 procent för irländska medborgare. Ökningen av antalet medborgare från EU10 i sysselsättning mer än tredubblades mellan det tredje kvartalet 2004 (19,500) och det fjärde kvartalet 2005 (61,600). Medborgare från de nya EU-länderna har därmed svarat för ungefär hälften av de arbeten som har skapats i Irland sedan utvidgningen. Samtidigt har arbetslösheten inom denna grupp varit mycket låg, i genomsnitt 2.4 procent, att jämföras med 4.4 procent för irländska medborgare. Majoriteten av arbetare från EU10 återfinns i tillverknings- och byggnadsbranscherna, vilka tillsammans sysselsätter hälften av arbetskraften från EU10. Hotell- och restaurangbranschen svarar för största andelen i förhållande till den inhemska arbetskraften, med 7.4 procent av den totala arbetskraften i den sektorn.

De irländska Public Personal Service Numbers (PPSNs), individuella personbevis som krävs för att ta anställning och för att få tillgång till olika bidrag i Irland, erbjuder detaljerad information om den kortsiktiga invandringen från de nya EU-länderna. Antalet PPSNs till medborgare från EU10 har ökat dramatiskt sedan millennieskiftet i allmänhet och sedan utvidgningen i synnerhet. År 2004 utgavs 59,000 PPSNs (54,000 efter 1 maj) och 2005 nästan fördubblades antalet till 112,000. Mellan maj 2004 och februari 2006 har 186,000 PPSNs allokaterats till medborgare från EU10. Av dessa gick fler än hälften till polska medborgare. Samtidigt var färre än 1,000 medborgare från anslutningsländerna registrerade som arbetslöshetsbidragstagare i mars 2006, vilket talar emot hypotesen om "social turism" som en viktig faktor för invandringen till Irland från de nya medlemsstaterna.

Även om det inte har varit möjligt att skilja mellan irländska medborgare och medborgare från anslutningsländerna med avseende på tillväxttakten i inkomster, är det intressant att notera att takten har avtagit efter utvidgningen i åtta av de tio sektor för vilka data är tillgängliga. Detta är, som noterades ovan, i linje med vad ekonomisk teori förutspår. Det är samtidigt viktigt att påpeka att den avtagande tillväxttakten i inkomster ryms väl i historiska erfarenheter av utvidgningar och kan möjligen också förklaras av faktorer som inte är relaterade till en ökad invandring.

I den irländska kontexten har det också förekommit en oro för att inhemsk arbetskraft har trängts undan av invandrad arbetskraft, genom att den senare gruppen har betalats lägre löner än de kollektivt överenskomna lönerna. Detta motsägs dock av att den förväntade minskningen av antalet vakanser och ökningen i arbetslösheten har lyst med sin frånvaro. I maj 2004 rapporterade 10.6 av alla företag vakanser, en siffra som i stort sett var oförändrad i maj 2005. I februari 2006 rapporterade 16.7 procent av företagen vakanser. Det finns heller inga bevis för undanträngning att finna i tillgängliga arbetslöshetsdata. Däremot kan undanträngning bli ett problem om inga åtgärder vidtas, som till exempel att stärka kollektivavtalen och erbjuda information om arbetares rättigheter i Irland.

Slutsatser

Utvidgningen av den Europeiska unionen 1 maj 2004 ledde till ökad immigration från EU10 till Irland och Sverige. Två år är en mycket kort period för att undersöka vilka effekter detta har haft på arbetsmarknaderna i de två länderna och dataproblem gör att perioden i många fall är ännu kortare. Vi anser dock att den information som finns i denna rapport ger ett värdefullt bidrag till kunskapen om vad som händer när hindren mot fri arbetskraftsrörlighet tas bort.

I Sverige var migrationsflödena lägre än förväntat, medan de var mycket högre än förväntat i Irland. Irlands ekonomi var mycket stark vid tidpunkten för utvidgningen, med låg arbetslöshet och hög sysselsättningsstillväxt. Detta har gjort landet attraktivt för arbetare från de nya medlemsstaterna. Arbetskraftsdeltagandet bland nyanlända medborgare från EU10 har varit 90 procent, att jämföras med 62 procent för irländska medborgare. Det finns det stora inflödet till trots inga bevis för störningar på den irländska arbetsmarknaden. I inget av länderna finns heller några tecken på ”social turism”.

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