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***Free Movement of Workers  
Two Years After the Enlargement:  
Myths and Reality***

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## **FREE MOVEMENT OF WORKERS TWO YEARS AFTER THE ENLARGEMENT: MYTHS AND REALITY**

### **INTRODUCTION**

For years experts analysing international migration relied upon the ‘pull-push’ concept established by Lee<sup>1</sup>. Today, however, it is the state and its policies that are key-elements in explaining contemporary migration on a global scale. From the point of view of individuals incentives to migration – factors which incline a person to go abroad, to seek new employment and new experiences – did not change, and still might have economic, financial or emotional explanations. The most obvious factor one can think of in the context of free movement of workers is the better remuneration<sup>2</sup>.

The high level of unemployment in the country, or in the given region; the wage differential between the home and host countries; or the lack of career perspectives are easy-to-understand reasons of migration. However, when it comes to highly educated workers, other factors such as better working conditions, or higher social appreciation might also come into play<sup>3</sup>.

As far as migration of highly educated people from EU8 is concerned one should also consider a sudden ‘surplus’ of people with tertiary education that can not be absorb by their native labour markets.

Over the last 15 years, the number of students in tertiary education has increased significantly in the CEE region. Today, the share of students is in fact lower in the EU-15 than in the new member states.

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<sup>1</sup> Lee, E.S., A Theory of Migration, *Demography*, no. 3: 5-18.

<sup>2</sup> Traser, J. ‘Intra – Community labour migration: the Irish and Swedish experience of opening the labour market to new Member State nationals’, paper presented to FES conference, Hamburg, February, 2006.

<sup>3</sup> As Traser (ibidem) observed: ‘*This is the case of some and Hungarian doctors who had decided to take up employment in the United Kingdom or Sweden not only for reasons of better pay, but mainly because they felt that their work was much respected there and the better work environment motivated them to move*’. The same case pertains also to some

Over the last 15 years thousands of marketing specialists or management specialists have graduated from private business universities/schools that mushroomed during the system transformation. These schools 'produced' on a massive scale people with tertiary diploma. In the mid-90 graduates of marketing faculties or commercial specialists filled the structural and regional markets demand for their qualifications. Nowadays there is no job for them.

This is one of the reasons why unemployment rate among university graduates exceeds 30 per cent and, this is also the reason why so many Poles with universities diplomas take jobs abroad below their qualifications or rather below their education level.

Besides the economic expectations, one can pursue professional goals too when moving abroad. Gaining experience in an international environment mainly attracts young people.

In the academic year 2004/2005 8,390 Polish students left for studying abroad within the scheme of Erasmus exchange program. This number was by 25 per cent higher in comparison to the 2003/2004 academic year. According to the UK Higher Education Statistics Agency 2,200 Poles enrolled in various universities in 2004/2005 in comparison to merely 965 in 2003/2004. In the first year of the enlargement Poles constituted a second largest group of students after Chinese in Germany.<sup>4</sup>

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The application of transitional measures on the free movement of workers in the context of the Eastern enlargement of the European Union has led to the maintaining of different national regimes and resulted in the "fragmentation" of the internal market of the European Union. While the flow of goods and capitals is not subject to restrictions, labour mobility is limited.<sup>5</sup>

Majority of EU-15 governments seemed also to forget that due to the strictly limited duration of the transition periods, the dangers of different kind of abuses are

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Polish doctors who decided to migrate to the UK, Ireland or Sweden after opening of labour markets by these countries on 1May 2004.

<sup>4</sup> Biuletyn Migracyjny nr 6 [www.csm.org.pl](http://www.csm.org.pl)

<sup>5</sup> Traser, J. 'Intra – Community labour migration: the Irish and Swedish experience of opening the labour market to new Member State nationals', paper presented to FES conference, Hamburg, February, 2006.

less possible than they would otherwise be. It has been confirmed by the Accession Monitoring Reports, regularly issued by the Home Office of the United Kingdom<sup>6</sup>.

On 1 May 2004 only the UK, Ireland and Sweden decided to open their labour markets for workers from EU-8. Certainly, better performing economies with a low level of unemployment and an intensive GDP growth generate a better environment to absorb migrant workers than countries where the level of unemployment of their own nationals is already considerable.

Two years after the enlargement four other countries i.e. Spain, Portugal, Greece and Finland decided to open their labour markets without any limits or restrictions as well. Furthermore the government of the Netherlands announced the readiness to open its labour market for EU-8 on 1 January 2007, the governments of France, Belgium and Italy decided either to enlarge quotas for workers from EU-8 or to introduce facilities for workers with specific qualifications.

As with immigration from third countries, the old member states will typically be more readily persuaded to open their labour markets for high-skilled than for low skilled workers from new member states<sup>7</sup>.

Such approach will bring only benefits for EU-15 economies however, for the economies and societies of EU-8 it could have both positive and negative aspects. This thesis will be elaborated in further parts of this paper.

## **CONSEQUENCES OF OPENING OF LABOUR MARKETS FOR THE UK, IRELAND AND SWEDEN<sup>8</sup>**

- Workers' mobility from the EU Member States of CEE to EU15 has had mostly positive effects and has been in most countries quantitatively less important than predicted. The flood did not occur. Both absolute and relative numbers are low. For example during the first two years after the enlargement about 200,000 Poles decided to take up jobs in the UK, around 76,000 in Ireland and 8,000 in Sweden.

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<sup>6</sup> [http://www.ind.homeoffice.gov.uk/ind/en/home/about us/accession monitoring.html%20](http://www.ind.homeoffice.gov.uk/ind/en/home/about%20us/accession%20monitoring.html)

<sup>7</sup> Weizacker, von J., Welcom to Europe, Bruegel Policy Brief, no 3, 2006.

<sup>8</sup> Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – Report on the functioning of the Transitional Arrangements set out in the 2003 Accession Treaty (Period 1 May 2004 – 30 April 2006)

- The numbers may actually be lower since enlargement may have contributed to bringing to the surface part of the underground economy constituted by previously undeclared workers from associated countries. British estimates suggest that 40% of Poles who registered after 1 May 2004 into the Workers Registration Scheme worked in the UK before the enlargement illegally.
- There has not been evidence of EU8 nationals' attempts to settle. Majority of workers perform shuttle or pendulous type of migration; e.g. weekly there are almost 300 flights undertaken by Poles between various Polish and UK cities<sup>9</sup>.
- There has not been evidence so far of an increase in welfare expenditures following enlargement.
- EU8 nationals pay taxes and contribute to the growth of receiving countries economies.
- As far as sectoral and skill composition of the EU8 workforce is concerned EU8 workers do not substitute local workforce, they contribute to national economies in a complementary way. EU8 workers are represented mainly by medium qualified people what means: upper-secondary education and specialised vocational training. This is the level of qualifications which is typically under-represented in several EU15 Member States.

### **CONSEQUENCES FOR COUNTRIES MAINTAINING TRANSITIONAL PERIODS<sup>10</sup>**

- Restrictions on legal work led to a growth of undocumented work, bogus 'self-employment' work, and fictitious service provision and sub-contracting (e.g. Germany).

### **EU-8 MIGRANTS' PROFILES**

"Typical" migrant worker portrayal can be sketched in a best way on the basis of the complex and detailed analysis of the Accession Monitoring Reports, regularly issued

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<sup>9</sup> Inexpensive air lines initiated their activities in Poland right after the EU enlargement. However, the biggest numbers of cheap flights are directed to the countries which opened their labour markets for Poles, i.e. the UK, Ireland and Sweden. This is particularly true in case of the UK. Therefore a big increase in the number of border crossings by air registered in 2004 and 2005 may be in fact an indicator of a growing short-term or long-term labour migration by Poles.

<sup>10</sup> Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – Report on the functioning of the Transitional Arrangements set out in the 2003 Accession Treaty (Period 1 May 2004 – 30 April 2006).

by the Home Office of the United Kingdom. However, the patterns seem to be the same in Sweden and Ireland as well<sup>11</sup>.

Basic conclusions on EU-8 migrant workers are the following<sup>12</sup>:

*'Young, childless, working on an assembly line, a cook, an agriculture worker or a waiter...'*

- Polish and Lithuanian workers seem to be the most mobile in the EU-25;
- Majority of the migrant workers is aged between 25-34;
- Male workers prevail over female workers;
- Both highly educated and semi-skilled migrants are now present on the Irish, British, Swedish labour markets, however they are not all employed in occupations that fully reflect their education levels;
- EU-8 migrant workers are present in majority in the construction or catering sectors, in agriculture or in tourist services;
- EU-8 migrant workers mainly took up temporary employments;
- Immediately after the enlargement the majority of EU-8 workers targeted big cities, more specifically London. However, there has recently been observed a drop in job registrations in London (from 25 per cent to 11) and an increase in Midlands. EU-8 workers, and Poles among them take the opportunity of the elasticity of British labour market.

## **CONSEQUENCES OF OPENING OF LABOUR MARKETS FOR NEW MEMBER STATES-POLISH CASE**

- A lot of people found legal jobs abroad;
- Remittances by Poles increased by 60 percent (comparison of first two quarters of 2004 with first two quarters of 2005)<sup>13</sup>;

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<sup>11</sup> See more 'Biuletyn Migracyjny' no 6, [www.csm.org](http://www.csm.org).

<sup>12</sup> Based on the conclusions of the Accession Monitoring Reports (UK) and Commission Report on the functioning of Transitional Agreements (*cf. supra*)

<sup>13</sup> However, Polish migrants workers do not have an easy access to the formal financial systems in receiving countries and transaction costs seem to be still too high for them.

Tab.1 Remittances by Poles (in million USD)

Period	Balance	To Poland	From Poland
I quarter 2004	695	845	151
II quarter 2004	839	996	157
III quarter 2004	1 158	1 333	175
IV quarter 2004	1 157	1 356	199
I quarter 2005	1 158	1 361	203
II quarter 2005	1 343	1579	236
III quarter 2005	1 739	1964	225

Source: Polish National Bank

- Decrease of unemployment rates occurred. In Poland unemployment rate dropped by three percentage points (from 20 per cent at the beginning of 2004 to 17 per cent in January 2006). However, in this biggest country of CEE region, there is still three million army of unemployed people.
- Surprisingly enough shortages of skilled workers has occurred. At the beginning of 2006 20 per cent of firms in construction claimed shortages in comparison to four per cent before the enlargement. In motor industry 21 per cent in comparison to seven per cent before the enlargement. In hi-fi equipment industry the proportion is 23 to two per cent, in furniture industry 25 to 11 per cent, in timber industry 34 to 20 per cent. In paper production industry 24 per cent of firms claimed shortages at the beginning of 2006 in comparison to nine per cent before the enlargement<sup>14</sup>.
- At the beginning of 2006 it turns out that there is not enough welders, iron-workers, bricklayers, upholsterers, drivers and crane-operators in Poland. The alarmist titles of Polish dailies state: 'EU please give us back our plumber'<sup>15</sup>
- Due to the wages differences (bigger in the EU15 on average more than ten times) workers of the above mentioned professions prefer to work abroad.
- Due to the high costs of work Polish employers prefer to take advantage of unemployed people and do not register them.

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Therefore it is believed that the amounts showed in tab.1 constitute only a marginal part of remittances sent to Poland.

<sup>14</sup> Rzeczpospolita, no 152 (7141), 1 July 2005.

<sup>15</sup> Rzeczpospolita, no 152 (7141), 1 July 2005.

- Furthermore, majority of unemployed people can not take additional vocational courses due to the lack of technical and vocational schools. A reform of education system hold at the beginning of the 1990s closed majority of this type of schools. Additionally, due to this reform teachers changed their qualifications as well.
- Therefore Polish government consider to open its labour market for Ukrainians and most probably for Romanians and Bulgarians. Even up to 200,000 Ukrainians would be able to legally perform seasonal work in Poland. So far they work mainly illegally.
- Traits of possible brain drain are monitored closely. Ministry of Health watches carefully statistics concerning outflow of doctors. During the first two years after the enlargement 1,000 Polish doctors (less than one per cent of total population of physicians) decided to migrate.
- A demand for highly qualified people will probably occur in the nearest future as well.

## CONCLUSIONS

The Commission recalls that the freedom of movement of workers is one of the basic freedoms under the EC Treaty. Despite fears expressed on the occasion of the successive enlargement free movement of workers has not led to disruption of national labour markets<sup>16</sup>.

So far statistics of countries that absorbed the highest numbers of EU-8 workers are deficient. The British WRS<sup>17</sup> provides figures on the number of jobs filled by migrants and not the number of migrants who have taken up these occupations. The system does not keep record of those who leave the British labour market either. The Irish PPS<sup>18</sup> system was not put in place to monitor the labour force, but the presence/economic activity of migrants in Ireland such as welfare and access to

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<sup>16</sup> Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – Report on the functioning of the Transitional Arrangements set out in the 2003 Accession Treaty (Period 1 May 2004 – 30 April 2006).

<sup>17</sup> Workers Registration Scheme

<sup>18</sup> Personal Public Service Numbers



health and other public services. Figures based on this system do not take into account the departures either<sup>19</sup>.

Providing reliable data would be crucial in order to address a positive message to EU-15 citizens (as also recommended by the Commission) and to relieve social tensions in the host countries.

As far as Poland is concerned: at the moment the emigration of some professional groups is helping to resolve tensions over wages in some sectors of the economy<sup>20</sup>.

The reduced supply of low-skilled workers may help to alleviate poverty as well.

However, if we assume that further transformation in Poland brings its economy to the standards of EU-15, we should expect that there will be soon an increase in the demand for: computer specialists, business services personnel, teachers, construction workers, miners, industry workers and craftsmen, health care staff, etc. Government analyses conducted few years ago confirm this statement<sup>21</sup>.

Furthermore all demographic scenarios lead inescapably to falling population numbers caused by a drop in the number of births and change in the pattern of starting a family in Poland. An acceleration of population aging process has been observed since 2005<sup>22</sup>.

All of the above creates a real challenge for the Polish migration policy. Attempts to attract legal workers such as Ukrainians, Romanians or Bulgarians may fail since salaries' levels in Poland can not compete with those offered in the EU-15 so far.

Therefore an attempt recently undertaken by Polish government to attract ethnic Poles from the former Soviet Union countries seem to be a short-term solution to alleviate labour shortages.

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<sup>19</sup> Traser, J. 'Intra – Community labour migration: the Irish and Swedish experience of opening the labour market to new Member State nationals', paper presented to FES conference, Hamburg, February, 2006.

<sup>20</sup> Iglicka, K. , Priorities and Developmental Directions of Polish Migration Policy, Analyses& Opinions no 13, IPA.

<sup>21</sup> *National Development Plan 2007-2013*, 2004.

<sup>22</sup> The Common Challenge – Members and Candidates Facing the EU Future Migration Policy, Batory Foundation, IPA,ISS UW, Policy Paper no 5, 2001.

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