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**Implications of EU Enlargement for India-EU Labour Mobility
Competition, Challenges and Opportunities**

Puja Guha
*Indian Statistical Institute
Bangalore*
puja@isibang.ac.in

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Abstract

1st May, 2004 marked the fifth and the largest European Union enlargement, with accessions given to 10 countries, out of which eight were Eastern European. Following this, another round of enlargement took place in 2007, which provided Bulgaria and Romania the EU member status. Introduction of these new States to the EU opened up a whole new debate about labour migration and policies. While the older EU countries (EU-15) consider these New Member States (NMS) as a pool of cheap resources, with the advantage of proximity, it has created skepticism among the Indian migrants, one of the largest migrant groups from the Asian Continent to the EU, about competition and displacement by these newer migrants. This paper tries to address this issue, whether the eastern enlargement of EU will pose competition and threat to the Indian migrants to the EU or would it provide the Indian migrants newer opportunities both in the older EU countries as well as in the NMS.

The paper examines the changes in the trend and the pattern of migration from India and from the NMS pre- and post-enlargement. It observes these changes at a sectoral level and also the changes in the profile of the migrants and tries to understand whether these newly added members are posing threat to the Indian migrants in the EU. The data suggests that the migrants from the NMS are gradually increasing in number in the traditional EU destinations, thus posing competition to the Indian migrants, but, a deeper analysis shows that there are other potential sectors within the older EU countries which can be explored by the Indian migrants. Moreover, with changes in the labour market conditions in the NMS, they are gradually becoming attractive to the Indian migrants. The need is thus to have certain Government policy initiatives for the Indian migrants to explore these potential sectors.

Keywords: Eastern European Enlargement, CEEC, Labour Migration, India.

1 Introduction

1st May, 2004 marked the fifth and the largest European Union enlargement, with accessions given to 10 countries, of which eight were Eastern European. Following this, another round of enlargement took place in 2007, which provided Bulgaria and Romania the EU member status. Introduction of the Eastern European countries to the existing EU-15 member States not only added to the cultural and social diversities of the EU member states, but also called for policies to manage the large economic gap in terms of wages, trade etc. that existed between the old and the new member states.

The most important phenomenon which followed the accession process and has been an important point of discussion within the EU region is the migration of labour from these New Member States (NMS) to the older EU-15 countries. After the 2004 round of accession, citizens from the 8 NMS from Eastern Europe residing in the EU-15 countries increased from about 900,000 persons before EU enlargement to about 1.9 million in 2007. This corresponds to an annual net increase of 250,000 persons per annum in the first four years since EU enlargement¹. During the same period, the number of foreign residents from Bulgaria and Romania in the EU increased from about 700,000 persons to almost 1.9 million, although these countries joined the EU only in 2007². While certain transitional restrictions were imposed by few of the countries, Ireland, Sweden and the UK allowed for free movement of labour from the newly accessed countries. This changed the favourable destination countries. Austria and Germany, who received about 60 percent of the immigration flows to EU before the enlargement, were replaced by Ireland and UK. Migrants from Bulgaria and Romania preferred Spain and Italy as their favoured destinations.

While EU enlargement has called for several policies to maintain peace, stability and economic prosperity within Europe, it also has had important implications on the international relations between EU and the labour rich developing countries. On these lines, this paper would make an attempt to understand the implications of EU enlargement on the Indian labour migration to the EU.

For Indian labour, the prominent destinations of migration in the EU have been the United Kingdom, Germany, Italy and Spain. With UK, Spain and Italy opening up to newer countries, India is bound to face the competition from the New Member States (NMS). With smoother intra-EU labour mobility of

¹*Labour mobility within the EU in the context of enlargement and the functioning of the transitional arrangements*, study carried out on behalf of the Employment, Social Affairs and Equal Opportunities Directorate General of the European Commission, 2009

² Same as footnote 1

young and relatively cheap labour from the NMS from the CEE region, India may face stiff competition on two accounts, semi-skilled temporary movements in the low-skilled sectors such as farming etc. and the skilled migration specifically in the IT and technology sector. With easy access to cheap English speaking labour, it is apprehended that EU enlargement could have an adverse impact on the business process outsourcing (BPO) operations from India. The offshoring business remains predominantly English-speaking. After the United States, United Kingdom remains the largest market for Indian companies. With the addition of ten new countries mainly from East Europe, geographical proximity to Western Europe, relatively lower wages, and the greater potential for labour mobility within the EU is likely to put more pressure on Indian firms for IT Enabled Services (ITES) and BPOs compelling them to remain even more competitive through value addition.

The objective of the paper is to understand the effects of post-enlargement migration flows within the EU region on the labour mobility between Indian and the EU. While on one hand accession of these States within the EU poses competition to the Indian migrant labour in the EU, on the other hand it has opened up newer avenues of mobility between India and EU. The paper simultaneously looks at both, the competition faced by the Indian migrant labour from these new States and also the newer opportunities in terms of new destinations that have opened up for Indian labours.

The data suggests that the migrants from the NMS are gradually increasing in number in the so-called traditional destinations of Indian migrants in the EU, thus posing competition to the latter, but, a deeper analysis shows that there are other potential sectors within the older EU countries remain to be explored by the latter. Moreover, with the changing labour market conditions in the NMS, like increase in job vacancies, higher wages, etc., many of these newly accessed States are becoming attractive to the Indian migrants.

Given that the process of enlargement culminated only recently, the data on labour migration and other labour market parameters are still quite scarce and whatever is available is at a very preliminary stage. Thus, the paper refrains from adopting any analytical technique in assessing the impact of EU enlargement on India-EU mobility. Rather, the paper looks at the trends of migration pre-and post-accession, and also few key labour market parameters. It then tries to identify the changes in the patterns of migration as well as changes in the profile of the migrants, pre and post enlargement and makes an attempt to explain the consequences of EU enlargement on India-EU migration.

The paper is organised in seven sections. The next section explains the recent trends in the internal mobility within EU, from the NMS, pre and post enlargement. Section 3 examines the changes in the trend of Indian migration to the EU, pre and post enlargement and identifies the preferred EU destinations for Indian migrants. Section 4 examines the type and pattern of Indian migration to the 'older' EU-15 countries and compares it with the recent migration from NMS. The comparison is, based on the migrant profiles like the education and skill levels, the prominent sectors for the migrants like the occupation sector and the labour market conditions in the destination countries. Section 5 highlights the newer opportunities for Indian migrants – both in the older EU-15 countries and the NMS as the new destinations of migration. Section 6 presents two case studies on Poland and Romania respectively, the two major competitor to Indian Migrants in the EU. The case studies present an in-depth analysis of the threats as well as the opportunities that Polish and Romanian workers pose to the Indian migrants. Section 7 lays out certain policy recommendations and concludes the paper.

2 EU Enlargement and Internal Mobility: Pre and Post Enlargement

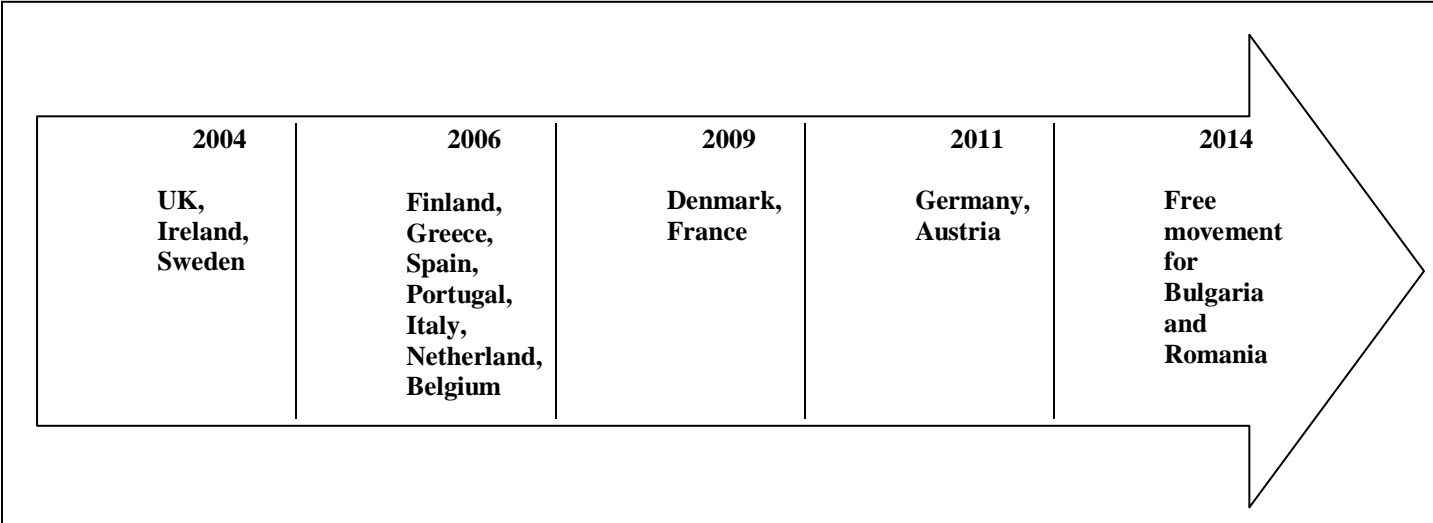
The EU accession of 2004 and 2007 has been a milestone on EU's policy regime. Bringing the ten³ (EU8+2) underdeveloped former communist countries together with the First World developed nations in such a way that there is free movement of goods, services and labour across the countries, in no way has been done by any international consortium. The large diversity in the social, economic and political backgrounds of these countries created conducive factors for labour to move from the lesser developed regions to the more developed regions. As the dual sector rural-urban migration model of Lewis (1954) suggests, higher wages and better welfare benefits in the labour-scarce developed countries provided enough incentives for EU10 labourers to migrate to these countries. Though Western Europe had historically experienced migration from the Easter part, it was apprehended that with the borders opening up there would a sudden surge in the immigrants to the west, which may have unfavourable consequences on the socio-economic status of the receiving countries. The sudden surge in immigration was first pointed out in the study by Boeri and Brücker (2001) where they suggested that EU-8 citizens residing in EU-15 may increase from 0.85 million to 3.9 million and that there will be an influx of 335,000 migrants each year from the eastern to the western countries. Though these estimates were based on certain assumptions regarding absence of any mobility restrictions and a particular speed of

³ 8 Eastern European countries were accessed in 2004. Bulgaria and Romania were included in 2007 accession.

convergence, nevertheless it raised enough debate about free movement of labour between the borders of the ‘old’ EU and the ‘new’EU.

Given such apprehensions certain mobility restrictions were adopted by few of the EU-15 countries, in order to manage the immigration flows. The timeline of abolition of restrictions by the older EU-15 countries can be summarised as follows:

Figure 1: Phases of Abolition of Labour Mobility Restrictions by EU-15 Countries



While most of the countries adopted restrictions, UK, Sweden and Ireland allowed for free movement of labour from the newly accessed countries. Austria and Germany were the last to open up for a free movement of labour. While all the EU-8 countries of 2004 accession have been granted free movement in all the older EU countries, for Bulgaria and Romania it yet to be realised in 2014.

It is difficult to provide a comprehensive account of post-enlargement migration flows given the general scarcity of data. Nevertheless, the trend and the pattern of mobility can be traced from the available datasets.

Table 1: Change in the Inflow of Migrants from NMS in Selected EU-15 Countries Pre and Post-Enlargement (1995-2009) (in thousands)

	Austria	Belgium	Denmark	Finland	France	Germany	Italy	NL	Spain	United Kingdom
Bulgaria	0.03	2.69	0.09	0.11	0.34	15.23	-3.07	4.43	7.05	-0.40
Czech Republic	-0.01	0.53	0.06	0.02	-0.06	-2.01	1.17	0.25	0.80	5.62
Estonia	0.03	0.13	0.02	1.68	0.00	-0.13	0.00	0.07	0.14	0.00
Hungary	1.90	0.82	0.10	0.07	-0.06	5.83	1.44	0.65	1.01	-1.59
Latvia	0.05	0.21	0.08	0.05	0.00	1.04	0.00	0.18	0.35	-0.32
Lithuania	0.13	0.32	0.35	0.05	0.01	2.27	1.07	0.30	1.40	-0.13
Poland	1.18	5.69	1.89	0.25	-0.02	55.18	4.32	7.30	7.94	49.31
Romania	5.97	5.02	0.32	0.12	1.64	28.30	152.82	1.69	58.20	9.61
Slovakia	1.83	0.57	0.06	0.03	-0.02	1.23	1.90	0.45	0.77	13.30
Slovenia	0.08	0.17	0.02	0.01	-0.02	-0.66	0.89	0.16	0.15	0.00
Total Change in Inflow from NMS	11.20	16.15	2.98	2.39	1.80	106.26	160.54	15.48	77.80	75.39

Source: Author's calculation from Eurostat database on 'Immigration by Citizenship' and OECD Stat Data on International Migration. Change in flow is the difference between the Average inflow of immigrants per year, pre- (1995-2003) and post- (2004-2009) enlargement. For Romania and Bulgaria pre enlargement period is 1995-2006 and post enlargement period is 2007-2009.

Note: Prior to 2004, Poles could migrate temporarily to the European countries, with a stipulated period of stay of 3 months. But many Polish migrants overstayed their stipulated period of legal stay and did not register with the official authorities. Thus an increase in the number of Polish migrants beyond 2004 could be the existing 'invisible' migrants already residing in the host country. The official statistics does not capture such illegal or invisible migrants.

Table 1 gives the change in the annual migration inflow pre- and post-enlargement. The tables suggests that the pre-enlargement migration destinations like Austria, France and Denmark, have been replaced by Italy, Spain, United Kindom (UK) and Germany as the new preferred destination. For example, for migrants from Czech Republic the preferred migration destination has changed from Austria, France and Germany to UK. Similarly for immigrants from Hungary, Germany has replaced France as the migartion destination. Such change in the migration destination can be attributed to the restrictionson mobility imposed by these countries during the initial phase of accession. While UK had opened its labour market right from the begining, Italy and Spain followed in the consecutive years. However, inspite of the mobility restrictions Germany remained one of the preferred destinations both pre and post enlargement. The mobility restrictions adopted provided certain shielding to some sections of the domestic workers.

But at the same time, Austria and Germany are reported to have growing numbers of NMS citizens who have registered as self employed service providers (Tamas & Münz, 2007).

As for the migrant sending nations, Poland and Romania lead the way with the maximum increase in the inflow of immigrants to the EU-15 countries, Pre and Post enlargement. They are closely followed by Bulgaria and Slovakia.

For the case of Polish Workers, the preferred migration destinations are UK, Ireland and Germany. UK and Ireland have become increasingly important destinations (The number of migrants to UK and Ireland was up by 221% and 150% respectively in the second quarter of 2005), Germany's share of seasonal workers from Poland has been gradually decreasing (from 35% in 2000 to 25% in 2005) (WB, 2006). In UK over the three consecutive years after accession, Polish workers outnumbered the other nationalities, including Indian which was the largest immigrant group in UK (Kaczmarczyk & Okólski, 2007)

While pre-enlargement Polish migrants have mostly been temporary migrants, post-enlargement most of the Polish migration has been permanent in nature. They are relatively well educated, though post-enlargement migration witnessed a rise in the lower-education migration (Kaczmarczyk, 2005). Polish immigrants are concentrated predominantly in the secondary "typical" migrant sectors of the receiving economies such as construction, agriculture, cleaning, restaurants, and hotels (Kaczmarczyk and Łukowski, 2004).

After the experiencing the unprecedented influx of migrants from the newly accessed States, during the second round of enlargement, including Bulgaria and Romania in the list of EU countries, the older EU countries were more concerned about the extent of migration. Only Sweden and Finland had opened their labour markets fully to the new member states. The UK, which had opened its market during the 2004 accession, had strong restrictions for migrants entering from Romania and Bulgaria, fearing displacement of domestic workers from local services like health, education and housing (FT, 2007). However, the restrictions had not stopped the Romanians and the Bulgarians to enter Spain. This is primarily due to the two-year labour exchange contract, under which the employers in Spain contract workers to fill in job vacancies which no resident wants. Most of such works are found in the agricultural

sector. In 2007, 506,000 Romanians registered under this scheme and were set to replace the Moroccans, the biggest foreign community in Spain (FT, 2007).

In Italy, since the freedom-to-travel rights were implemented on 1st Jan, 2007, many of the Romanian migrants travelled to Italy. Romanians have visa-free access to Italy and other EU countries, but cannot work there unless they secure work permits. Most of these migrants being Romas (Gypsies), they have been associated with criminal activities and a threat to public safety. Though the country needs foreign labour, the sudden influx of immigrants have added to the pressure of managing the flow, and especially the illegal migration.

3 Nature of India-EU Mobility: Pre and Post Enlargement

While the EU authorities have been debating about the socio-economic impact of internal mobility, the traditional labour sending countries to the EU have been facing apprehensions about stiff competition and displacement of the labour from these countries. India has been the top migrant sending country in the World with an estimated 11.4 million migrants residing abroad⁴. The group of migrants consist of both high-skilled and low-skilled migrants.

Though India is not the largest migrant sending nation to EU, but the proportion of Indian migrants of the total migrants in EU-15 is significant. Based on the Eurostat data, the total migrants received by EU-15 countries is 253,182,590, out of which 5,71,706 were from India, which is around 0.22%. Of all the migrants from Asia to the EU-15, which was around 3,266,396, Indian migrants were about 17%. Thus not only are the India Migrants a fast growing group in the EU, they are also quite significant in number when we consider Asian migrants to the EU. The spread of Indian migrants in the different countries of EU-15 group is given in Table 2.

From the table it can be observed that Germany, Spain, Italy and UK have traditionally been the preferred destinations of Indian migrants travelling to the EU. The largest immigration destination in EU is the UK, where immigration flows have increased by more than 900% in the last decade. While migration flows to Germany have been quite stable over the last decade, flows to Italy have been quite abrupt, with certain years having lesser inflows than other years, with an exception of 2007 where there was a sudden jump, when the migration flows were more than twice than that of the previous year. Spain is a

⁴ Migration and Remittances Fact book, 2011, 2nd ed, World Bank Publication

relatively newer destinations which has had a surge in Indian migrants in 2003, which has continued ever since.

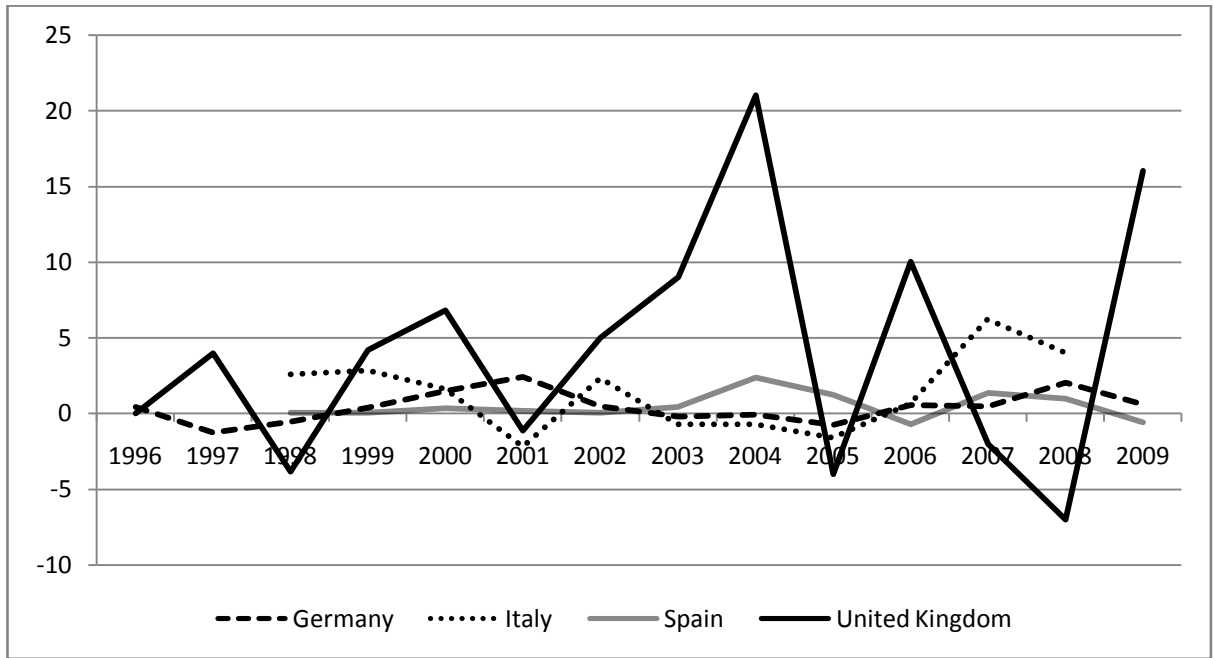
Table 2: Inflow of Population with Indian Citizenship in the EU-15 Countries (in thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	663	828	1,271	836	1,405	1,428	1,187	1,255	707	912	946	990
Belgium	-	561	662	852	959	1101	1213	1339	1516	1640	2058	1787
Germany	4,715	5,077	6544	8,949	9,433	9,227	9,125	8,364	9,500	9,880	11,403	12009
Denmark	299	334	368	384	343	529	613	710	798	1,456	1,065	828
Spain	240	289	648	835	887	2,640	3,709	4,929	4,212	5,569	6,556	5,956
France	912	1041	1004	1142	1261	1221	1155	1104	1235	1375	1499	1458
Finland	92	112	158	186	188	195	315	381	504	534	623	612
Ireland	-	-	-	-	-	-	-	-	-	-	2,170	1,078
Italy	2586	5417	7011	4820	7155		5735	4152	4774	10973	14975	-
Netherlands	882	726	661	684	614	638	564	1,217	2,011	2,526	3,454	3,069
Sweden	309	322	369	428	556	752	834	1,077	1,024	1,146	1,548	1,795
United Kingdom	6,172	10,346	17,150	16,001	20,956	31,257	48,367	46,621	56,850	55000	48000	64000

Source: Eurostat database on 'Immigration by citizenship [migr_imm1ctz]' and OECD.Stat data on International Migration

Figure 2 gives the annual change in the inflow of immigration on a year to year basis, starting from 1996 to 2003 for the four major EU destination of Indian migration. Over the last decade and a half, while the migration flows from Germany has been relatively stable, annual immigration to UK, Spain and Italy has witnessed several ups and downs.

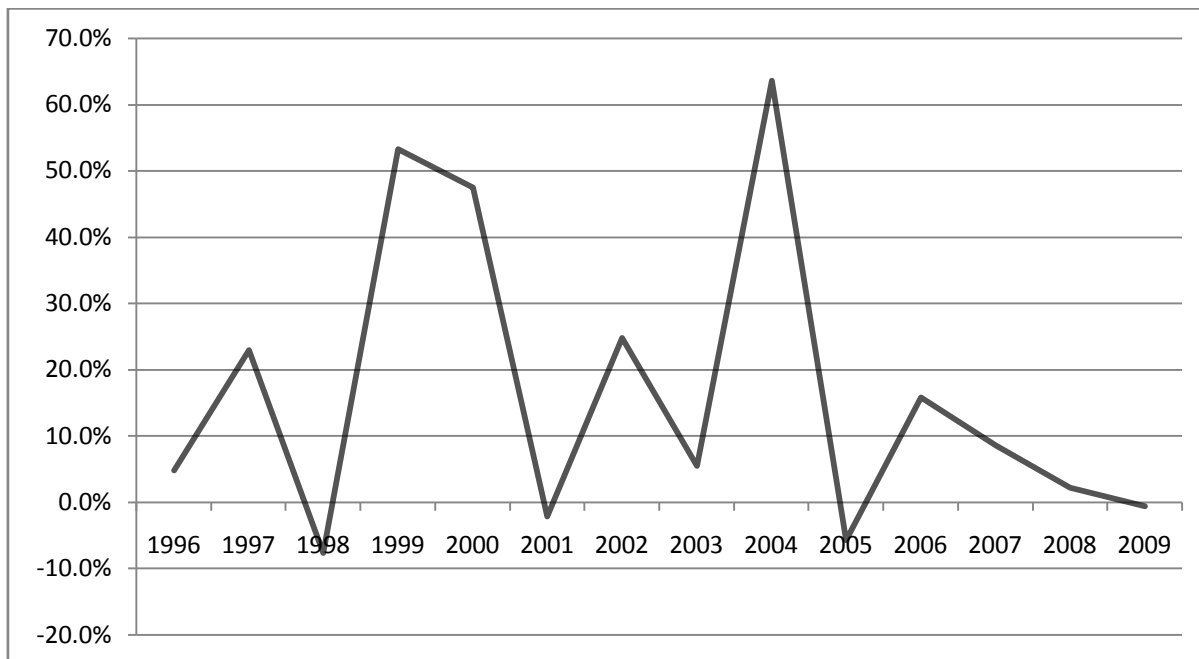
Figure 2: Change in the Immigration Inflow of Indian Migrants to Selected EU-15 countries, (1996 - 2009)



While there is a drop in the inflow in UK and Italy in 2001, we are more interested in examining the trend after 2004. In 2005, immigration flow to UK drops by a significant level. Same can be observed for flows to Italy. While both the flows rise in 2006 and 2007, there is yet another significant fall in the subsequent year in the flows to UK, Italy as well as Spain. Given the dearth of data it is difficult to empirically establish a direct relationship between the EU enlargement and changes in the inflows of Indian migrants to EU, however, an interesting point to note here is that the years which witnessed a significant decline in the migrant inflow from India are the years following the 2004 and 2007 EU enlargements, respectively.

A similar picture is observed when we examine Figure 3. It gives the year-on-year growth in the inflow of immigrants from India combined for all the EU-15 countries. It witnesses two sharp decline in the period after 2004, one in 2005 and the second one in 2008. Another point to note here is that after 2005, even though the rate of inflow has increased to some extent, it continues to remain at a much lower level as compared to the years prior to 2004.

Figure 3: Year-on-Year Growth in the Inflows of India Migrants to EU-15 Countries (%)



Again, limited by our restricted knowledge of the data on migration patterns post-enlargement, we cannot conclusively say whether Eastern EU enlargement has caused the decline in the Indian immigration to EU, but, we can identify the potential competitors that India might be facing in the event of enlargement. UK being the most preferred destinations for Indian migrants to EU, they may face stiff competition from the countries like Poland, Slovakia and Baltic States. Similarly, for Italy and Spain, Indian migrants might have to compete with Romanian and Bulgarian migrants. The extent of competition however depends on various things – the type of migrants based on the education and skill level. The sectors in which migrants are absorbed, and the labour employment market in the destination countries. The next section gives a comparative analysis of migrants from NMS vis-à-vis India, based on their skill level, occupation sector as well as the labour market conditions in the destination countries.

4 Indian Migration to the ‘Older’ EU – Competition and Challenges

Indian migration to the EU, especially to the UK can be traced back to several decades. Over the period of time the nature and the type of migrants have significantly changed. Table 3 gives an interesting picture of the changing pattern of Indian migration to the UK in the recent years. The table gives the top-ten migrant sending countries to UK. While in the early part of this century India occupied the first rank in terms of number of Indians migrating to the UK, in the subsequent years India has been pushed to a

lower level. The interesting part is, however, that the push has come from the newly accessed Eastern European countries. While in 2002-03 Poland did not feature on the list, in 2003-04 it not only was one of the top-ten countries, but in 2004-05 it replaced India by a huge margin as the top migrant sending nation to the UK!

Not just Poland, but several other Eastern European countries like Lithuania, Slovakia and Latvia have started to emerge among the top-migrant sending countries to UK, gradually posing competition to the Indian migrants.

Table 3: Top Ten Migrant Sending Countries, Based on the National Insurance Number in United Kingdom, 2002-2007 (in thousands)

2002-03		2003-04		2004-05		2005-06		2006-07	
India	25	India	31.3	Poland	62.6	Poland	171.4	Poland	222.8
Australia	18.9	SA	18.4	India	32.7	India	46	India	49.3
SA	18.6	Australia	17.1	Pakistan	20.3	Lithuania	30.5	Slovakia	28.8
Pakistan	16.8	Pakistan	16.8	SA	19.3	Slovakia	26.4	Pakistan	25.3
France	13.8	Portugal	14	Australia	16.6	SA	24	Australia	24.4
Philippines	11.8	China	13.3	Lithuania	15.6	Australia	23.8	Lithuania	24.1
Spain	11.7	France	13.1	France	13.3	Pakistan	22.3	France	20.2
Zimbabwe	10.3	Spain	11.9	China	12.6	France	17.2	SA	16.9
Iraq	10.1	Poland	11.2	Portugal	12.2	Latvia	14.2	Germany	15.2
Portugal	9.8	Philippines	10.7	Slovakia	10.5	Germany	13.3	China	13.2

Source: Extracted from Kaczmarczyk & Okólski, 2007

Note: The sudden spike in Poland's figures for 2004 and 2005 can be attributed to the existing Poles finally legally registering themselves in the UK following Poland becoming an EU member state. Hence these are not all new migrants, but mostly represent Poles already living and working in the UK as 'invisibles'.

While in UK it appears that the newly accessed Eastern European countries are gaining importance in terms of immigration, we cannot really say that these migrants are replacing the Indian migrants. Here it would be interesting to explore the profiles and the sectors of employments of the migrants from India with that from the NMS. We restrict ourselves to a selected few EU countries, which have traditionally been the major destinations for Indian migrants. These countries being UK, Italy and Spain. From the NMS we choose Poland, Bulgaria and Romania as they too share the three EU countries as their preferred migration destinations.

We examine the education profile and sector of employment of the migrants from India, Bulgaria, Poland and Romania to three EU countries Italy, Spain and the UK. The education profile of the migrants suggest the skill level of the migrants, i.e., migrants with lower levels of education would probably be categorized as low-skilled and those with higher education level would be high-skilled. Table 4 gives the distribution of migrants by education and Table 5 gives the distribution with respect to the sector of employment.

Table 4: Immigrants from NMS and India to Selected EU Countries - by Education

		Italy	Spain	UK
ISCED0/1/2	India	7,663	2,260	88,763
	Bulgaria	940	9,740	296
	Poland	3,771	4,880	2,748
	Romania	12,824	21,360	459
ISCED 3/4	India	2,874	1,100	36,570
	Bulgaria	1,918	2,760	585
	Poland	8,253	3,060	4,604
	Romania	27,275	8,260	749
ISCED 5/6	India	1,490	760	91,882
	Bulgaria	1,015	2,620	2,007
	Poland	2,902	2,220	7,829
	Romania	4,595	4,080	2,196

Source: OECDSTAT database on 'Immigration by Education'. The sources for this database are mainly census data, from the 2000 round of censuses.

Notes: The International Standard Classification of Education (ISCED; cf. UNESCO 1997) used as a baseline. Groups are aggregated as follows: Primary level: ISCED 0/1/2.

Secondary level: ISCED 3/4.

Tertiary level: ISCED 5A/5B/6.

The education-wise distribution of migrants from India and selected NMS throws up certain interesting points⁵. For Italy we observe that Indian migrants are mostly low-skilled, followed by semi-skilled and very few high-skilled. The largest group of migrants in Italy are the Romanians. They have a significant presence in all the skill categories, being especially concentrated in the low-skilled and the semi-skilled sectors. The difference in the number of Indian and Romanian migrants in the low-skilled and the semi-skilled sectors is significantly large, but the difference is quite low when compared at the high-skill level. Thus, we can say that while Romanians pose competition to the Indian migrants in the low-skilled and the semi-skilled occupations, Indian migrants do have a potential in the high-skilled sectors.

⁵ The data is based on the census data from 2000 round, and gives the historical scenario of education level of the migrants and potential scope of Indian migrants in different skill categories.

In Spain, we observe similar trend as Italy. Most of the Indian Migrants are concentrated in the low-skilled sectors, and the number gradually decreases as we go higher on the skill levels. In Spain, Indian migrants face competition from both Romania and Bulgaria. While the presence of Romanian and Bulgarian migrants in the low-skilled and the semi-skilled sector is quite large, Indian migrants do have a chance in the high-skilled sector where the concentration of the formers is relatively less.

UK is the only country where India has an advantage over the other countries. The Indian migrants to UK are mostly high-skilled, closely followed by low-skilled and finally the semi-skilled migrants. In all the three skill categories, though India has been leading the way, migrants from Poland have been on a rise, especially posing competition at the high-skill level.

Next we examine the sector of employment (Table 5). We choose 5 sectors based on the ISIC classifications – Agriculture, Manufacturing, Construction, Other Services, and Social Sector. The sector ‘Other Services’ include services rendered in hospitality sector, financial sector and the real estate sector. The ‘Social Sector’ comprises education sector and health sector.

In Italy, Indian migrants are mostly concentrated in the manufacturing and agricultural sector. In both the sectors they have strong competition from the Romanian migrants. While in the manufacturing sectors Romanian workers have surpassed the Indians, in the agriculture sector the latter are being closely followed. Another sector where Indians migrants have potential is the social sector which comprises health and educations sector.

In Spain, however, Indian migrants are distributed across all the sectors, with service sector showing some concentration. In all of the sectors the migrants from the other three countries have over-surpassed the Indians.

In UK, there is a strong concentration of migrants in the services sector, followed by the social sector and manufacturing. The competition scenario in UK is opposite to that of Spain, that is, Indian migrants lead the way in all the sectors. Nevertheless, there is an increasingly strong presence of Poland, especially in the services and the social sector, which Indians should take a note.

Table 5: Immigrants from NMS and India to Selected EU Countries - by Sector of Employment

		Italy	Spain	UK
Agriculture	India	3169	160	644
	Bulgaria	234	2960	32
	Poland	739	560	127
	Romania	2076	5380	18
Manufacturing	India	5541	460	46324
	Bulgaria	958	1560	215
	Poland	2813	1120	1858
	Romania	13860	4660	327
Construction	India	656	220	7366
	Bulgaria	379	3540	263
	Poland	1278	2760	999
	Romania	8401	9300	338
Other Services*	India	855	680	49018
	Bulgaria	660	2360	1173
	Poland	2255	1580	4948
	Romania	5097	4520	1161
Social Sector**	India	1210	200	42636
	Bulgaria	385	440	527
	Poland	2151	560	3454
	Romania	2998	780	812

Source: OECDSTAT database on 'Immigration by Sector'. The sources for this database are mainly census data, from the 2000 round of censuses.

Notes: Sectors of activity are recorded according to the International Standard Industrial Classification Rev. 3 (ISIC, cf. UN, 1989), at the division level (two-digit level, 60 sectors).

*'Other Services' combines Hospitality, Financial Services, Real Estate

**'Social Sector' combines Health and Education sectors.

To summarise, the distribution of migrants with respect to their education profile and the sector of employment suggest that while there are some categories where Indian migrants may face a competition from the NMS, there are other areas where there is a larger potential for the former to explore new opportunities. For example, traditionally Italy and Spain have been destinations for low-skilled migrants from India and there exists a gap in terms of the high-skill migration from India. Thus the sectors receiving high-skilled migrants in Italy can be a possible opportunity for India. Similarly, UK has been the market for low-skilled migrants from India in the manufacturing sector and for high-skilled migrants

specifically in the sectors of health and education. However, there are other potential sectors in the UK which can be explored, one of them being the services sector.

Table 6: Quarterly Job Vacancy Rate in the UK

Year	Total	Manufacturing	Construction	Services of the business economy	Education	Health
2009Q2	1.6	1.1	0.9	1.6	2.1	1.7
2009Q3	1.7	1.1	0.8	1.8	2.1	1.6
2009Q4	1.7	1.2	0.6	1.8	2.0	1.6
2010Q1	1.6	1.1	0.7	1.8	1.9	1.7
2010Q2	1.8	1.3	0.8	2.1	2.1	1.6
2010Q3	1.8	1.5	0.8	2.1	1.2	1.6
2010Q4	1.8	1.4	1.0	2.1	1.2	1.5
2011Q1	1.7	1.6	1.0	2.0	1.1	1.3
2011Q2	1.7	1.7	0.9	2.1	1.3	1.4
2011Q3	1.8	1.6	0.9	2.2	1.2	1.4

Source: EUROSTAT Job vacancy statistics, quarterly data - NACE Rev. 2 (jvs_q_nace2)

Table 6 gives the quarterly job vacancy rates in UK. The job vacancy rate (JVR) measures the proportion of total posts which are vacant, i.e., $JVR = \text{number of job vacancies} / (\text{number of occupied posts} + \text{number of job vacancies}) * 100$. From the above table we can say that the rate of jobs created in the services sector is higher than manufacturing and other social service sectors like education and health. Given this reconfirms the fact that the services sector in UK is a potential sector which can be explored by the Indian migrants.

5 Indian Migration to Enlarged EU – New Opportunities

With all the scepticism regarding the increase in the flow of Indian migrants to the traditional EU destinations and apprehensions of the displacement of the existing Indian migrants by the NMS migrants, there exists an opportunity for the Indian migrants which is yet to be explored fully. With EU enlarging and the NMS becoming a part of the EU, the economy of some of the newly accessed states have been witnessing higher economic growth. This has created several avenues of employment in these new emerging economies. The surge in the amount of remittances sent back by the migrants has added to the per capita income of these countries, translating itself in development in the sectors like agriculture, construction and services. These countries have never been considered as popular

destinations for Indian migrants. Table 7 gives the number of Indian migrants in these newly accessed countries, before and after enlargement.

Table 7: Inflow of Population with Indian Citizenship in the New Member States

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bulgaria										0	0	
Estonia	3	0	-	-	-	-	5	5	12	10	16	14
Hungary	70	44	47	57	57	92	156	143	229	101	300	218
Lithuania	1	8	1	16	19	10	6	29	20	26	18	17
Latvia	8	17	8	7	21	6	4	1	12	3	4	7
Malta	0	0	0	0	-	-	-	-	-	84	-	-
Poland	-	-	-	-	-	-	-	-	25	9	238	-
Slovenia	11	1	3	8	14	21	13	29	24	32	14	32

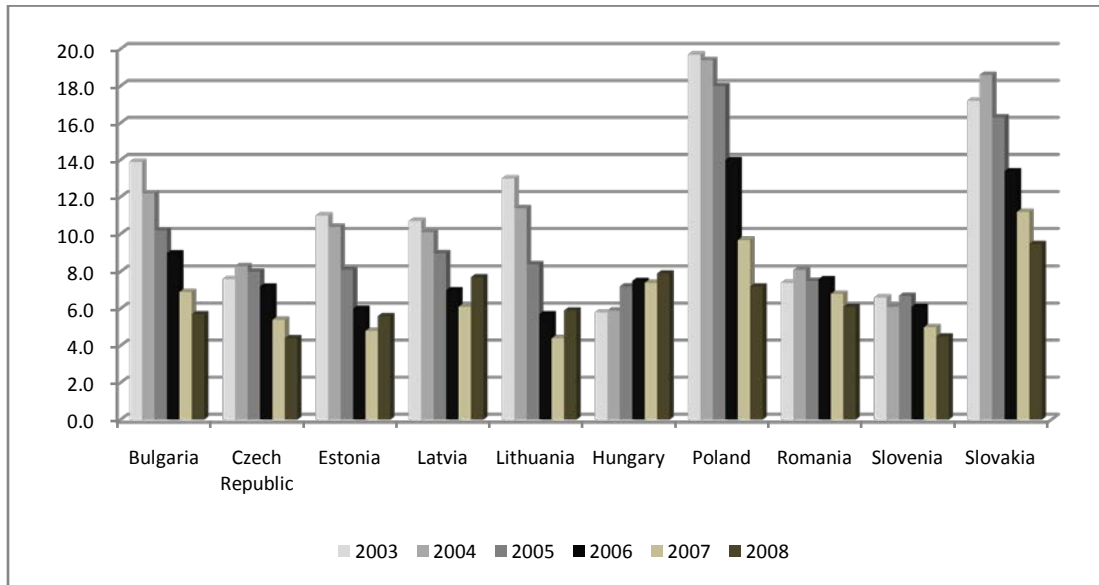
Source: Eurostat database on 'Immigration by sex, age group and citizenship [migr_imm1ctz]' and OECD.Stat data on International Migration

While most of the countries have received very few or no migration from Indian continent, there appears to be a slight change in the scenario. For example, Poland, which had very nominal migration in the in the last decade, has witnessed a considerable increase in the number of migrants, especially in 2008. Similarly, the unusual destinations like Estonia, Lithuania and Slovenia have witnessed an increase in the flow of migrants from India.

5.1 Improvement in the Labour Market Conditions

The improvements in the labour market conditions in these countries are evident from the change in the labour market parameters, as depicted in the figures below.

Figure 4: Unemployment Rates in the NMS (15-64 years)

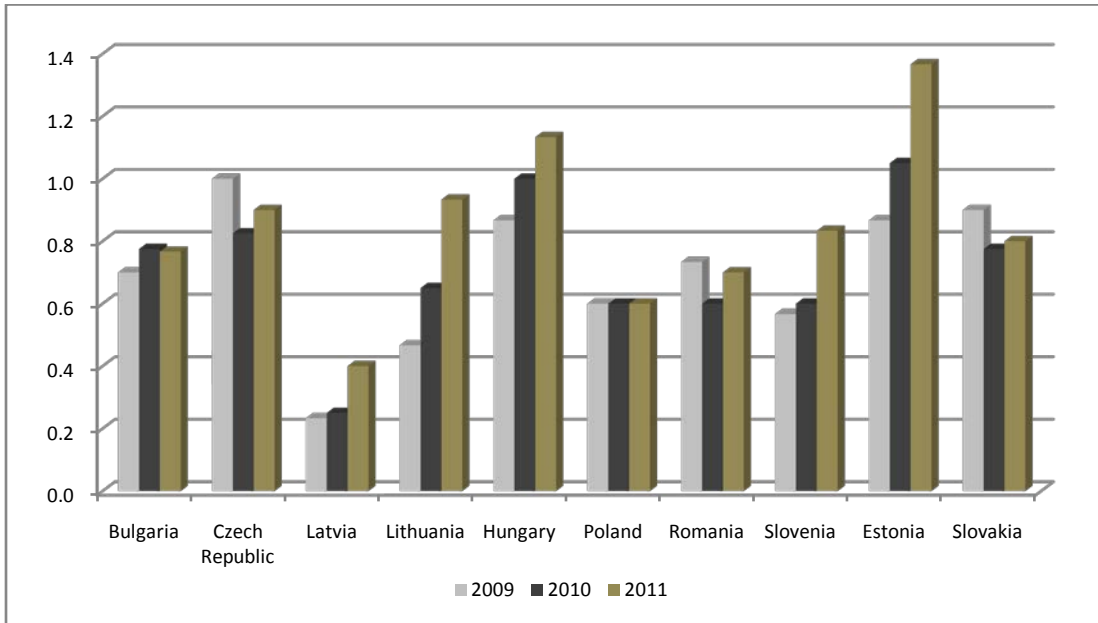


Source: EUROSTAT Database - Unemployment rates by sex, age groups and nationality (%) [lfsa_urgan]

Figure 4 shows the unemployment rate in each of the NMS during the pre and the post-accession periods. For most of the countries we see a dramatic fall in the unemployment rate, post the accession period. For countries like Poland, Bulgaria Lithuania and Slovakia unemployment rates fell by more than 63%, 58%, 54%, 44% respectively during the first four years of accession.

Fall in unemployment was coupled with an increase in the job vacancy rates in all these countries. Figure 5 gives the job vacancy rate (as calculated earlier) for the NMS for the last three years. The figure indicates that the jobs vacancies in these countries have increased significantly. This could be due to two reasons, with the economy growing more jobs are created that could be filled. And, secondly, due to huge out-migration there is not enough labour to fill up the vacant posts.

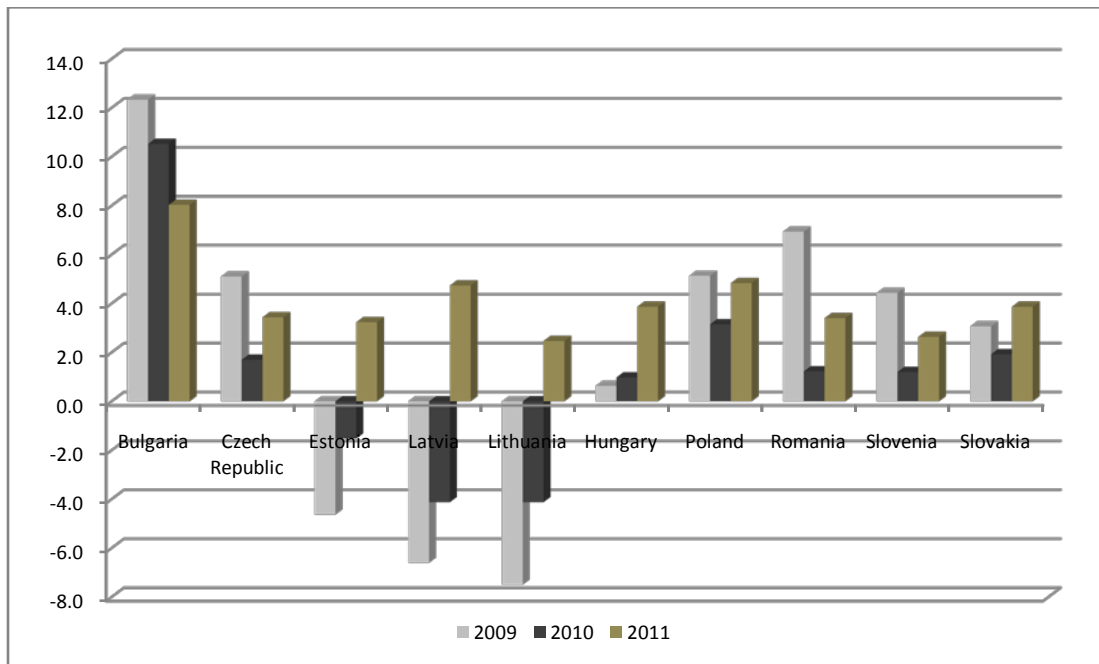
Figure 5: Job Vacancy Rates in the NMS (2009-2011)



Source: EUROSTAT Database - Job vacancy rates (%), quarterly data - NACE Rev. 2 [jvs_q_nace2]

Note: The job vacancy rate (JVR) measures the proportion of total posts which are vacant, i.e., $JVR = \frac{\text{number of job vacancies}}{\text{number of occupied posts} + \text{number of job vacancies}} * 100$.

Figure 6: Labour Cost Index - Wages and Salaries in NMS (2009-2011)



Source: EUROSTAT Database - Labour cost index, nominal value - Quarterly data (Nace R2) [lc_lci_r2_q]

These vacant posts, indicating excess demand for labour have also increased the labour cost in terms of wages and salaries. Figure 6 gives the labour cost index, in terms of wages and salaries of industrial, agricultural and services sector combined, for the last three years. The change in the minimum wages is the most drastic. While for few of the countries it has remained more or less stable like Poland, Bulgaria and Slovakia, for countries like Estonia, Latvia and Lithuania there is a dramatic increase in the level of minimum wages.

5.2 Labour Vacuum in the NMS

While there appears to be an improvement in the labour market conditions in the NMS, the countries are facing yet another problem which, as many economists feel, could be a hindrance to their growth. With more and more workers opting to work outside their countries to other European countries, these countries are facing a dearth in the overall supply of labour.

For example in the case of Poland, majority of workers migrating to other EU countries are in the prime age group and mostly well educated. The enlargement has also strengthened the mobility of people even from remote areas who otherwise would not have had access to migration (Kaczmarczyk & Okólski, 2007). Thus there is a flight of human capital from the sectors of development, creating a labour vacuum.

Similarly, in the case of Romania and Bulgaria, the relatively new entrants to the EU group, there have been a flight of labour from the relatively low-skilled sectors where working abroad is usually is an easy option (FTA, 2007). This has created pressure on the wages in the non-skilled sectors like hospitality services and construction. Labour vacuum in these core areas is becoming a problem for growth for these countries.

Shortage of labour has consequently become one of the main concerns for trade and industry in these countries. The vicious cycle of out-migration, excess demand coupled with shortage in labour supply and wage pressure may very well drive the economic growth of these countries in a downward spiral. To break out of this vicious cycle and to address the problem of labour vacuum, these countries are opening their doors to the third world nations. While there exists opportunities in these countries which are yet to be explored and an improved labour market, a concerted effort has to be made by the respective

Governments of these countries and the Third World nations to improve the ties and make the opportunities available.

6 Case Studies

6.1 Polish Migration to the EU – Threat or Opportunity?

Poland and the other Baltic countries have undergone an immense change since their days of Communism to the period of EU accession. Prior to EU accession, and just out of the shadow of Communism, Poland's labour market was categorized by slow employment, low internal mobility and high unemployment (Dolvik, 2008). There existed the problem of disguised unemployment, where there was a large population of redundant labourers, especially in the agriculture sector, which kept the wages down and economic growth to the minimum. The market-led policies of a capitalist economy were not sufficient to take the country out of the low-growth track, till the problem of surplus labour was addressed.

EU accession came as a boon to such a weakening economy. The accession not only created avenues for the surplus labour, causing the unemployment to fall from an astonishing 20% in 2002 to 7% by 2008, it also created wealth in the form of international remittances. The migration from Poland happened at two levels – at a low skill level which caused the redundant labour to be utilised and subsequently high skill migration, which enabled well qualified professionals to seek a career outside the country. While the removal of redundancy and increased per capita income improved the conditions of the domestic labour market, the country started to face yet another problem. Contrary to the problem of surplus labour, the country was now facing the problem of labour shortage.

Labour mobility is also coupled with the problem of lower participation rates. The younger active population (15-24 years) in Poland spend a long time in education and thus enter the labour market at a later stage, while the older generation (55-65 years) are out of the labour market due to early retirement benefits. Thus the problem is to find labour with appropriate skills. Enterprise survey data done by the World Bank reveal that the problem of skill shortage in Poland has moved from 13th position to 1st position in the ranking of obstacles to growth of a firm. The most affected is the construction sector (34% of enterprises), followed by manufacturing (15%) and trade (7%) (WB, 2007). Poland has also

been facing an acute shortage in the high-skilled professional sectors like that of Medicine and Education.

While Polish migrants are posing stiff competition to the Indian migrants in countries like UK and Germany, the flight of these labourers have created new opportunities for the Indian migrants in the country. While earlier Poland was never a preferred destination of migration, things have been changing. With efforts from the Government of both the countries, there is a greater movement of skilled and unskilled labour to Poland from India. The Ministry of Overseas Indian Affairs is soon to sign a Memorandum of Understanding which will forge bilateral partnerships to expand the overseas employment market for Indian workers and streamline the migration of labour from India to Poland, mainly for the skilled professionals and also workers in the sectors of construction, agriculture and services in that country⁶. The labour regulations for hiring foreign labourers are also being softened to accommodate these newer migrants (HT, 2007).

Another area where Poland is witnessing large immigration from India is the area of education. The advanced quality of education, especially of that of the technical subjects, motivates several Indian students to take up courses in Poland. Such immigrations are also encouraged by the both the Governments by making the visa rules for Indian students in Poland simpler (ET, 2007, December 27).

6.2 Romanian Vs Indian Workers in Spain and Italy

Bulgarians and Romanians have had visa-free access to the UK even before the EU accession. While the EU accession gave them free mobility across borders, they do not enjoy the same rights to work as the earlier EU-8 Eastern European countries such as Poland and Latvia. But often employers overlook the fact and employ them in the same way as any of the EU-8 countries. Majority of Romanians in Italy are legal and work in construction, day-care and night-shift works.

After the accession far more Romanians moved to Italy that was estimated earlier. Most of them were the 'Romas' or the gypsies, who have been usually associated with a negative image. Most often these migrants have been accused of committing criminal activities, which was heightened by several incidences of murder and robbery of Italian citizens by Romanian Roma migrants. These created a stir in

⁶ Bilateral Co-operation For Protection and Welfare of Emigrants, Ministry of Overseas Indian Affairs (<http://moia.gov.in>)

Italy, and triggered the question of sustainability of the free movement of people across the border (FT, 2007, November 7). Of all the emigrants denied entry in the country or deported from the country, Romanians are the largest. Several talks have since been going on between the Governments of both the countries to calm the stir.

Many Italians confuse the Romanian Roma with the entire Romanian population, which has also stigmatised the non-Roma Romanian population, thus causing the Romanians lose the trust of the Italians. Indians, on the other hand, have long been migrating to Italy. Mostly from the Indian State of Punjab, these migrants work in the agricultural and dairy sectors. As most of these migrants have a farming background help many the migrants to pick up work faster (NYT, 2011, September 7). Settled for several generations in different provinces of the country, Indian migrants are considered to be more efficient in work and trustworthy. These characteristics have given the Indian an edge over the newer migrants from the NMS.

Though settled for several generations, the working conditions of the farm and dairy migrants have hardly changed. Often the farmers live in pitiable conditions, often provided free of cost by the employers, have long working hours and struggle against exploitation and racism (Thapan, 2011). They are hired for jobs that the young Italians deny working (ChinaDaily, 2011, November 13). Thus apart from the threat from the Romanian migrants, Indian migrants face a serious issue of regulatory policies in Italy regarding employment in Italian farms.

Thus, while Italy has been the market for the low-skilled workers, there exists an opportunity for the high-skilled workers, particularly from the ITES sector. Though a large market, the Italian market had remained unreachable by the Indian IT sector due to certain entry restrictions. But with the recent EU crisis, the possibility of Indian outsourcing firms of getting a strong hold on the Italian market has increased.

7 Conclusion

With the Eastern EU Enlargement, while the EU countries have been debating about the sustainability of economic coexistence of immensely diverse economies, there is yet another apprehension emerging in the Third World Nations, regarding their labour relations with the EU. Given the proximity of these newly accessed states in terms of geographic distance as well as socio-cultural similarities, there is a

rising fear in the traditional labour sending countries of losing out on immigration to these NMS. India being one of the important labour sending countries to the EU has similar apprehensions.

While the data suggests that there is indeed a surge in immigration from the NMS to the traditional EU-15 countries, but whether they are posing any threats of replacement to the existing migrants is not very clear. The distribution of migrants with respect to their skill profile and the sector of employment suggest that while there are some categories where Indian migrants may face a competition from the NMS, there are other areas where there is a larger potential for the former to explore new opportunities. For example, the data described in the paper shows that while these migrants pose competition to the Indian labourers in Italy and Spain in the low-skilled sectors, the competition is much less in the high-skilled sectors. Similarly, a sectoral analysis shows that while Romanians are posing competition to the Indian labourers in the agriculture and manufacturing sector, the health and education sectors have Indians as the dominant group. In the UK, Indians have dominance in all the sectors and across all the skill levels, though they need to look out for the fast emerging group of Polish Workers.

The case studies on Polish and Romanian workers further suggest that it is not only the skill but also the reputation of the migrants which matter to the employer. Indian migrants through the several generations of migrations have created a specific repute of themselves, which give them an edge over these newer migrants.

The paper also highlights the opportunities for the India migrants in the event of EU enlargement. Historically, Indians have preferred to migrant to certain EU destinations and to specific sectors of employment. With the new generations of migrants flowing in to these sectors of employment, Indian labourers with their years of experience and knowledge of the labour market, have the opportunity to explore the other sectors of the economy and rise up the value chain. For example, with EU loosening its out-sourcing norms, the ITES sector in countries like Italy could be the next major destination for the India IT sector. Another area of potential opportunities is the newly accessed states themselves. Just out of the shadow of Communism, these emerging sectors have revamped their labour market restrictions, allowing for foreign players to step in. These could be the next important destinations for Indian IT and manufacturing sectors.

While newer opportunities are evolving in these countries, the concerted effort of the foreign ministries of these countries as well as Indian Government to improve the ties between Indian and these countries cannot be negated. There have been efforts by the Indian Ministry of Overseas Indian Affairs and the Polish Ministry of Labour and Social Affairs to increase the movement of Indian labourers, both skilled and unskilled to Poland. Similar ties are created with other EU destinations as well.

In all these policy initiatives an important aspect which usually takes a back seat is the safety and security of the rights of the migrants. Be it the migration to the older EU destinations or to the NMS, the policies to protect the rights of the existing and new migrants have to be strengthened bilaterally. For example, the India migrants to Italian farm and dairy sectors often lead a tough life and have strenuous working and living conditions. Ensuring migrants rights not only improves the working conditions of the workers, but also reduces the extent of illegal migration. Such protection of rights are more important in case of the NMS where labour laws are still in their preliminary stages.

Another policy recommendation that is important, specifically in the event of EU enlargement, is that the policy initiatives should not only facilitate greater mobility within the countries, but also mobility across the sectors in the destination countries. Indian migrants have much longer history of employment in the older EU countries. Thus given their experience and knowledge of the region it would be easier for them to rise up the economic ladder with appropriate policy frameworks.

To summarize, while the surge in immigrants to the older EU destinations may appear as threat to the Indian migrants to the the same destinations, there is no strong evidence of replacement of the Indian workers by the NMS labourers. The competition exists in few sectors and at few levels, and thus cannot be termed as a 'threat'. Moreover, this competition has created new avenues for the Indian migrants and with appropriate policy frameworks, these opportunities can be explored by the Indian migrants to the maximum.

8 Limitations of the Study

The paper gives an empirical illustration of the pre and post enlargement mobility patterns within EU. Given the fact that accounting macroeconomic data has long been a problem for the developing countries, and the NMS are no exceptions, the biggest limitation of the study is the availability of adequate data, specifically for the NMS. For most of the Baltic States as well as for Bulgaria and

Romania, initiatives have been taken only recently to streamline the macroeconomic data and make them comparable with other EU states.

Another issue with data is the reliability of the official statistics. For example, the sudden influx of the migrants in EU-15 post enlargement may not be new migrants, rather the already existing 'invisible' migrants who registered with the authorities of the host country after enlargement. While some of the errors of working with official statistics are indispensable, adequate care has been taken to understand the definition of the data and the methodology of collecting them. This is important when we want to compare similar variables across different countries. Also, the paper not only looks at the mobility of labour between two regions, but also different aspects of mobility, like the sector-wise mobility, changing education profiles and nature of employment of the mobile labour, etc. , as well as the changing labour market conditions of the countries. Thus the paper adopts a rigorous methodology by bringing several parameters in the same frame and analysing them together.

The third and an important militation of the paper is the absence of a discussion on the effects of financial crisis of 2008-09 on the mobility patterns within EU. This arises due to the time frame adopted in the study, which is restricted to 2009. While this is largely driven by the availability of data, it is also driven by the fact that the study wanted to capture the immediate impact of opening up of the labour market to the NMS. Incorporating the impact of EU crisis on labour mobility, i.e., looking at pre and post-crisis labour movement would require a different set of variables and tools which are beyond the scope of this paper.

Thus, this paper can be, at best be seen as a preliminary investigation on the issues of labour mobility to EU from NMS vis-a-vis India, and its impact on development in the NMS, where there is a scarcity of both adequate data as well as literature. The research on the effects of EU enlargement on the economies of the NMS is still at a very nascent stage. This study looks at it from an Indian perspective. The paper thus tries to use the available data to highlight certain points and hopes to add to the existing policy framework.

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