Labour Migration and Competitiveness in the European Union

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Abstract. The study is about the characteristics and phenomena of the labour migration that fluxes from, through, and into the East Central European region. The typical groups of migrant workers are emphasized, like the qualified employees, the commuters, the illegal workers, or the migrants according to the family’s income optimization. The brain drain is analyzed as a problem of the absence of experts in the region. The tools and possibilities of migration policy are discussed, too, to find suggestions for the state how to turn the direction of migration to the desired way. Through this topic, the countries of destination are introduced with the competitive position of the eastern migrants. The study also reflects on the problem of asymmetric flux of labour out of the region.

Keywords: migration; European Union; East Central Europe; migration policy; labour market; competitiveness; brain drain.

Characteristics and factors of the labour migration

Migration means durable change in residency that could be driven by voluntary purpose to work or forced by any kind of discrimination or persecution. In economic sense, migration can be considered to be a sort of investment into the human capital, as the workforce is employed in the most effective way (Taylor and Yúnez-Gaude 1999). The distinction between migrant and refugee is always a political and moral question. There must be distinction, too, between individual and group (ethnicity, family, etc.) migration, but it is hard to classify in practice.

The migration from the East Central European (ECE) countries is fundamentally based on economic rationality and utility. Migration starts up if the expected utility surpasses the cost. The cost–benefit analysis gets more complicated when the strategy of households comes into consideration.

The determinant factors of labour migration are wage difference, unem-
employment, employment possibilities, geographical and cultural (lingual) distance (Hárs 1998, Fassmann and Münz 1997). The willingness for migration is in direct ratio to the wage difference, but in inverse ratio to the distance. The variability and difference of jobs makes employees much more reactive. The net income possibilities must be compared in purchasing power parity. In another way, the income must be reduced with the cost of living. But this comparison includes a kind of distortion, because immigrants have higher willingness on savings than local employees. Namely, the migrant’s purpose is to achieve income surplus. Besides, there are possibilities in exchange rate variability, too. But the free movement and the effects of its factors are distorted by the regulations of both the countries of origin and of destination.

Certain neoclassical migration theories assume tight relation between flux of labour and trade, for labour is considered to be one of the output factors. The flux equalizes the wage (as price of labour) difference between the national or regional labour market. These theories also establish that the flux of goods and output factors substitute each other with negative correlation. Other theoreticians opposite to the neoclassical ones suppose positive correlation between intensity of trade and migration. This is accounted with the improvement of export competitiveness when the foreign labour supply reduces the cost of wage. Some other theoreticians base their explanation on the deepening of integration in case of Europe, which causes more intensive labour flux among the centre, the periphery, and the semiperiphery (Fassmann and Münz 1997).

The low rate of birth in more developed countries implies a pull effect on migration. The reproduction rate is $1/3$ in Germany, Austria, Italy, and Spain. In the area of the former German Democratic Republic, the number of birth halved. In ECE, the rate is below 1. Only Romania and Albania had increasing population in the 1990s, but their rate turned into decrease, too (Cseresnyés 1997).

Emigration and integration is supported and encouraged by foreign relations. In this case, the migration pressure enlarges the relation network. This way, potential migrants get better informed about the recipient country. The sense of uncertainty and risk decreases. But additionally, the illegal labour flux is related to the legal migration through the mentioned network.

Some kind of shocks — like crisis, war, market opening — could cause larger waves, but after its runoff, the flux gets back to an approximately constant equilibrium. The ones who are willing to hive off very much, will do it any way. Thus, the first drainage of labour surplus will reduce the migration willingness among the ones who have stayed. This balanced process can be named mature migration, and in this case reflux can be observed (Hárs 1998).

However, migration does not start up just because the above factors are favourable. Beside, there is a measurable time limit or average duration. This