Free movement of labour in enlarged EU and impact on Swedish labour market

AUTHOR:
Alen Duranic

SUPERVISOR:
Bengt Jacobsson
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Abstract

The goal of this diploma thesis is to expound the term “labour mobility” within an enlarged European Union, and its consequences on Swedish economy. Fears of a massive wave of working migration proved unfounded at the time of past EU enlargements and thus are not likely to come true during the forthcoming enlargement.

The analysis of the experience stemming from the southern enlargement can be helpful in an attempt to evaluate gains and losses of the CEE countries integration with the EU. The southern enlargement is being often regarded as an example or even basis for the EU eastern enlargement. This approach is not a random one. The analysis of the EU southern enlargement based on the case of Greece, Spain and Portugal reflects the likeness of the current accession conditions: both the southern candidates and the CEE countries aspiring to join in the 2004 are traditionally net emigration countries with considerable lower level of economic development than those of the EU average.

Great differences in income, standard of living and employment opportunities between CEE and EU countries might contribute to a mass-immigration from east to west and might accelerate the current employment crisis in the present EU states. Notably, OECD studies show that migrants form the CEECs tend to be educated, skilled and vital workers. The brain drain problem may be a serious negative side effect for CEECs.

What Sweden, as a current EU member, and Swedish enterprise has to puts a stress on, is an importance to create a growing and flexible labour market. A more flexible labour market in general must be promoted, including making it easier for companies to find people with the right skills.

Swedish labour market, in spite of how inelastic it may be, has a strong demand for low-qualified labour under any level of unemployment. Even if the CEECs migration potential had been fully used, it would never be able to satisfy this demand. Neither disparity in GDP per capita, unemployment, nor other economic differences between the CEE countries and the EU may create grounds for the implementation of the transitional periods. This causality has been many times proved theoretically, empirically and during the previous EU enlargements.

The introduction of the transitional periods may prolong the process of leveling life-levels, technological and economic growth, infrastructure, cultural and social standards within the enlarged EU. It also means sending the political signal to the accession countries, which would be turned into second-class members, deprived of one of the most vital freedoms of the Single Market.
Acknowledgements

During the work with this master’s thesis I have received guidance, suggestions and ideas form several individuals. Without these individuals, this thesis would have been impossible to construct and finish. I would like to thank the respondents who have participated in my study for their time and effort. I am really grateful for the assistance from my supervisor Bengt Jacobsson.

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Alen Duranic
1 INTRODUCTION
This chapter describes the reasons behind the thesis and the information that formed the choice of topic. The earlier studies performed within the area, as well as the definitions that are necessary to explain the scope of the thesis, are described. The problem statement and the research questions are also presented along with the purpose.

1.1 Background
The closer the Central and Eastern European countries (CEECs) get towards EU accession, the hotter the issue of East-West migration becomes. The political discussion and the academic debate have gained both momentum and roughness. Economists and econometricians argue about the size and speed of potential East-West migration flows. There are dozens of approaches to guesstimating the East-West migration potential and not surprisingly the results seem to differ according to the methods used or the assumptions made.

Eight Central and Eastern European Countries (CEEC) – Poland, the Czech Republic, Hungary, Slovakia, Slovenia, Estonia, Lithuania and Latvia – plus Malta and Cyprus will become full members of the European Union on May 1st. The EU will then span 25 countries, comprise 455 million inhabitants (7.3% of the world’s population) and generate 28% of world GDP. ¹

But how will EU membership affect the new member countries? Will their new status usher in a period of economic boom similar to the one experienced by Spain and Portugal when they joined? The answers to these questions depend to a large extent on what the rest of the EU expects from enlargement.

Perhaps the most controversial change signified by the enlargement of the European Union is the free entry of labour from the candidate countries to the labour markets of the EU. That low-paid labour in the candidate countries will be freely able to move to Sweden and the other affluent countries of the EU could, under certain conditions, have considerable impact on wages and employment in the country of immigration. At the same time, it makes possible a more efficient resource utilisation of the total human capital or labour supply of an enlarged EU. In the contrast to the other three freedoms implicit in membership – free trade, free movement of capital, and free movement of service – there is considerably greater uncertainty about the welfare effects for the individual countries and groups of people of allowing free movement of labour.

Eastern enlargement will change the character of the European Union (EU). While the EU was a club of rich economies at least from global perspectives throughout the post-war period, it will face a distinct gap in per capita income levels among its members after accession of the ten candidate countries from Central and Eastern Europe (CEE). In particular, a deterioration of living standards of the unskilled associated with job displacement and wage losses triggered by the accession of low-income countries is feared.

¹ Boeri, T. & Brücker, H., The Impact of Eastern Enlargement on Employment and Labour Markets in the EU Member States
However, it remains more than crucial how the country-specific intercept is defined and applied to the CEECs, which have no historical experience of free migration at all (first, because there was no right to emigrate (legally) for decades, and second because there was no right to immigrate (legally) into the EU in the last ten years!

The analysis focuses on the main channel, along which enlargement may affect labour markets in the Sweden, namely migration of labour.

1.2 Problem statement

1.2.1 Background to problem statement

For both present and future member states, the economic opportunities and risks of enlargement need to be managed, and the success of enlargement will depend on how well this is done. The extent to which countries, firms and people gain or lose will depend on their own decisions, not the simple fact of EU enlargement. Despite the importance of EU policies, the member countries’ economic success has been and will continue to be still very much in their own hands.

In simple economic terms, the coming enlargement of the EU is the integration of a group of countries forming a large wealthy economy of 375 million people with a group of countries of 75 million people that are much less wealthy. Both theory and past experience can guide our assessment of the likely economic consequences.

In relative terms, the increase in population (20%) and area (23%) resulting from the enlargement of 2004 is not greater than previous enlargements. The enlargement in 1973 to include Britain, Denmark and Ireland was proportionately larger in terms of population. The enlargement in 1995 to include Austria, Sweden and Finland was proportionately larger in terms of land area.

This enlargement is very different from previous enlargements, however, in terms of the economic differences: the future members have an average GDP per capita of approximately 40% of the existing members (at purchasing power parity). The most comparable event was the accession of Spain and Portugal in 1986, which increased the EU’s population by 16%: they had an average per capita GDP of about 70% of the existing EU.

Another difference between this enlargement and previous ones is that most of the new members are completing the transition from planned economies to a market-based system, and have been undergoing difficult economic reforms independently of their efforts to join the EU.

In present and future member states, economic conditions vary considerably: it is outside the scope of this chapter to examine individual countries, although it mentions the impact in particular cases where relevant. Necessarily, it focuses on the effect of bringing in the countries of Central and Eastern Europe; Cyprus and Malta are much smaller, having gross domestic products of 10 and 4 billion euro respectively, and have not undergone a transition from a planned economy. Because of their modest size, they do not much affect the overall economic analysis. Among the present member states, enlargement will have a larger
economic impact on those which share a border with new members, in particular Germany and Austria, but to some extent, even Sweden.  

1.2.2 Problem definition
The thesis’s problem statement is:

- Will EU east enlargement give a rise to an evident east-west migration, and how the free movement of workers in the context of enlargement is going to affect Sweden and Swedish economy?

Alternatively:

- How Sweden, as a current member of EU, and Swedish economy will adapt to a new enlarged labour market caused by east-west migration?
- Does free movement mean that the labour market situation and working conditions will change for the worse for the native population?
- What are the possible effects of East-West migration?
- What are the possible effects of introduction of transitional period in Sweden?

The problematic that comes up is from which point of view Sweden will see the new east-west migration.

1.3 Purpose and Questions
The thesis’s overall purpose is to describe and explain:

- The aim of this thesis is to understand labour mobility within an enlarged European Union, and its consequences on Swedish economy, seen from perspectives of interviewed institutions (actors). The focus will be on the migrations of CEECs workers to current European Unions members, mainly Sweden.

To fulfill the purpose of this thesis, I will answer the following questions:

- What are the possible effects in Sweden of opening borders to labour from the candidate countries?
- Will the removal of trade barriers foster imports of cheap labour from the candidate countries?
- Can the West cope with labour migration?

1.4 Perspective of the thesis
The thesis could be viewed in several different ways; each viewpoint would result in a unique thesis. It is therefore important to explain the choice of perspectives that I have made in the thesis.

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2 Boeri, T. Who’s Afraid of the Big Enlargement? Economic and Social Implications of the European Union’s Prospective Eastern Expansion
The thesis is build upon three main sources in order to answer the purpose of the thesis. Those three sources are:

- trade or economics theory
- interviews
- experiences from previous researches

1.5 **Summary of this chapter and introduction to next chapter**

In this chapter, I have given a short background of the topic as well as the problem field of this master thesis. I have also described the purpose of the thesis, the main question and the questions linked to illustrate the main question, together with a description of how the thesis is disposed.

In next chapter, Methodology, I will describe the scientific approach and choices of research methods needed to illuminate the main topic. The chapter also discusses the validity and reliability of the thesis. This chapter intends to illustrate the course of actions, to provide the reader with all interesting information on how the data necessary for this thesis was gathered.
2 METHODOLOGY

In this chapter the methodology and the choice of research methods, that have been used, are explained. I want to give a reader a good and detailed overview of my choice of topic, pre-understanding, research methods I have used, data collection and finally present a criteria for judging the quality of research designs – validity and reliability.

2.1 Choice of topic

The topic for this thesis emerged mostly from my background and interests. I have studied economics at Södertörns Högskola in Stockholm during the past four years. During my education period, I was exchange student in Prague and Amsterdam. During my second exchange period in Amsterdam, the questions about European Union started to interest me more and more. When I met Mr. Peter Nijkamp, professor of European Integration and Network Development at Vrije University in Amsterdam, I realized the future importance and relevance of the topic. Furthermore I am interested in working abroad and therefore feel it to be a good start to write a master thesis in English, which is of interests to multinational companies and my future.

Another aspect, which is of interest to me and has influenced the choice of topic, is the expansion of the EU. Since many Central and Eastern European Countries (CEEC) are going to join the EU in the near future, there will be a gradual geographical shift to the EU towards the east. CEEC will also have a large influence on the economic development in the EU. All those mentioned aspects have been conducive to the choice of topic. Thus I chose the topic “Free movement of workers within the EU and impact on Swedish labour market.

2.2 Research methods

The selection between the quantitative and qualitative research methods must be based on the purpose of the research. However, one method does not exclude the other one. The qualitative research is based on creating a deeper understanding of the problem in question. The interviews of the qualitative nature are often open for the respondents own opinions and reflections and allow a high degree of interaction and closeness. In contrast to that, the qualitative research is more of controlling nature. The interviews of this matter are characterized as highly structured and there is a distance between the researcher and the respondent.

One of the most important decisions of this thesis is the way in which the data was collected. The choice of data collection methods was affected by a number of factors and these factors are described in the paragraphs that follow.

In research like this about a relatively new area of measuring effects for Swedish labour market caused by enlarged EU and free movement of labour within the union, I have decided to use, first of all, qualitative research method, but even quantitative research methods are used. Good research tends to use both methods.  

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3 Denscombe, M. Forskningens grundregler - Samhällsforskarens handbok i tio punkter
One reason that I have chosen to use qualitative research method as a primary research method is that my input consists of interviews and observation that I have interpreted to be able to answer the purpose of my thesis. It this thesis some quantitative data has been collected, but it has not directly been used to answer my purpose, then only to support the qualitative data.

On the one hand, the qualitative research method is necessary to understand how the situation was (is) on the Swedish labour market. On the other hand, the quantitative research method is used during collection of statistic data about the mentioned market, and has more function to support the qualitative research method.

2.2.1 Qualitative research methods

Qualitative research methods are less structured and more intense than standardized questionnaire-based interviews. There is a longer and more flexible relationship with the respondent, so the resulting data has more depth and greater richness of context. This also means a greater potential for new insights and new perspectives. There is closeness between the researcher and the researched object. The closeness makes it possible to get a deeper understanding of the object that is studied. 4

2.2.1.1 Interviews

Qualitative research methods were used during the interviews with respondents. This thesis uses five interviews in order to gain deeper understanding of the subject. The interviews were conducted face to face, or via mail, when it was impossible to get in touch with some respondents, in order to explore the subject matter in detail.

I have been taking notes during all interviews. The material form the interviews is the basis for the empirical study and the analysis. For all respondents, I began to describe my purpose and which questions I wanted to get answer on.

2.2.2 Quantitative research methods

Quantitative research method consists of detailed description of situations, incidents, people, teamwork and observed behavior. It is usually formalized, structured and involve figures and statistics, the so-called “hard data”. Statistic data has a central role for interpretation of the quantitative information. The quantitative research method divides the world into different parts classes), and search for the answers on the questions “how many” and “how much”. Because the fact that the quantitative research methods are numerical, the phenomenon one makes researches into are measurable. The characteristic of quantitative research methods is that the numerical relation between one or more measurable objects is researched.

As I mentioned above, the quantitative research method in this thesis is used during collection of statistic data about the labour market in Sweden, and has more function to support the qualitative research method, then to be a primary research method.

2.3 Data collection

This thesis is based on both the primary and secondary data. The secondary data consisting literature and reports is used to give a complete background and to create a general knowledge in the area before the primary data have and can be applied. The primary data is derived from the performed interviews.

2.3.1 Collection of primary data

In order to get a deeper understanding of the subject, I decided to base the collection of empirical data on interviews, mainly face-to-face, but also by e-mail. My opinion is that this approach will give a more correct result than for example a sent out questionnaire. An interviews also makes it possible for me to ask follow-up questions as they come up during the session, something that would have been much more difficult if I have chosen another form of empirical data collection.

This thesis is built upon the interviews performed. The information gathered during these interviews is then used to compare effects on the Swedish labour market when Sweden joined EU in 1995, and possible effects on the Swedish labour market after EU enlargement to the east. I felt that it was of high importance, not only to gain knowledge about the situation in 1995 and later, but also to let the companies’ representatives describe the complex of problems and process they have gone through in their own words. I believe that this would improve the quality of the study, through giving me first hand information about the interaction between different parts of the system and the whole system and its environment.

The study was concluded with a number of the interviews by e-mail. I took into account that respondents did not have time and will to enter on keyboard all too long answers. Because of this, the information gathered through interviews performed by e-mail were used as a guideline and help to the information gathered through interviews performed face-to-face.

2.3.2 Collection of secondary data

Secondary data concerning the scientific part of the study has been collected at the libraries. Through searching databases, I have obtained material in form of journals and articles. The involved companies have given secondary data to me concerning company background, surveys, organizational structure and policies.

2.4 Validity and Reliability

The term validity implies how well the measuring instruments in the study fill the demand to measure what it means to measure. Researcher’s poor memory can affect the validity of the study.

To avoid this problem as much as possible, I have been taking notes during the interviews. Directly after the interviews I have compiled a data from interviews and transformed it into precious information. I have also presented my results for the respondents too see if I have interpreted their answers correctly. Furthermore, the validity of the result has been discussed with my tutor with valuable feedback.
Reliability is a measure of how well the study actually measures what it is supposed to measure, i.e. the absence of random errors (Nationalencyklopedin, 1994).

This could be measured by conduction the study again in order to see if the same results were to be obtained. Because of the lack of time, I have not had a possibility to conduct the study more than once. Therefore it is difficult to draw any conclusions on the reliability of this study. (If the time will allow me, I will let some respondents read through my thesis and hear their suggestion about the interpretation of some conceptions and ideas).

### 2.5 Summary of this chapter and introduction to next chapter

In this chapter, I have also presented the methodology used throughout the thesis, the way that the information for the thesis was obtained, and discussed the choices of research methods and validity and reliability of the thesis. This chapter intends to illustrate the course of actions, to provide the reader with all interesting information on how the data necessary for this thesis was gathered. This chapter is done in order to ease the reader’s possibility to form his / her own opinion about the reliability of the thesis.

Chapter three, Theoretical framework, forms the base for my views and interpretation of the empirical data obtained. In the first part of the chapter, I have presented current situation on Swedish labour market, connected with migration and barriers for labour mobility. I have ended the chapter with theories about transitional period, and Swedish’s attitude to transitional period.
3 THEORETICAL FRAMEWORK AND PREVIOUS RESEARCH

In this chapter I present the theoretical framework used throughout this thesis. I will describe the theories that have been used in order to form a basic for my empirical study and the analysis of the empirical data.

3.1 Current situation on Swedish labour market

During the period 1963–1990, employment increased by almost 900,000. It should be noted however that the entire net increase in employment occurred in the public sector. Private sector employment was actually somewhat lower in 1990 than in 1963.

In the early 1990s, employment fell dramatically. Over the four years between 1990 and 1994, employment declined by as much as 12 per cent. This rapid rate of job loss was due to both the severe impact of the international recession in Sweden and a widespread structural rationalization of all sectors of the economy.

It is only during the past three years that any significant growth of employment has taken place. As a result of this recent stronger rate of economic growth, the level of employment has increased by 240,000 since 1997. However a further increase in employment of approximately 300,000 would be required to reach the level prevailing in the early 1990s.  

Table 1

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Key employment indicators Sweden

5 Confederation of Swedish Enterprise, *The Fact about Swedish Economy*

*http://europa.eu.int/comm/employment_social/employment_analysis/eie/eie2004_stat_annex_en.pdf* (see Appendix for further information)
Unemployment in Sweden rose to the highest level in nearly five years as the rate rose to 5.9 percent.
It marked a turnaround from December when the jobless rate fell to 5.1 percent (www.scb.se). In January 2003, the unemployment rate in the country of 9 million was 5.1 percent. However, compared with a year earlier, there were 36,000 more people unemployed because of fewer due to fewer jobs in industry and business and financial services.

The number of unemployed in October was 226 000 (±15 000) or 5.1 (±0.3) per cent of the labour force, which is 66 000 more than in October 2002. The unemployment in the age of 16-24 was nearly three times the unemployment among the rest of the population. The increase in the number of unemployed can partly be explained by a decrease in the number of persons in labour market programmes implemented in response to economic difficulties.  

The LO (Landsorganisationen) report states and agrees with others involved in the public debate that in 10 years Sweden will experience an increasing problem in financing the welfare system and the fast growing number of pensioners. The economy will require a larger number of working hours and more workers than are currently in employment. Sweden thus needs increased immigration of workers and this should be more regulated than today, the report states. The social partners should play an active role in cooperation with the state authorities, such as the National Labour Market Board (Arbetsmarknadsstyrelsen, AMS). AMS might also establish job centres in countries outside the EU, according to LO.  

### 3.2 Labour mobility in the European Union

The initial idea behind the establishment of the freedom of movement of labour in the 1960s was to create a legal framework for migrants from southern Europe (especially Italy), who were desperately needed on the labour markets in central Europe (especially Germany). Due to changed labour market situations and the fear of a migratory wave from southern European to northern European countries, the free movement of labour was restricted when Greece (1981), Portugal (1986) and Spain (1986) joined the European Union. It took Greek workers six years before they were allowed to choose their place of work freely and without restriction within the EU. Their Spanish and Portuguese counterparts had been expected to wait seven years, but as no strong flow of migration took place, the freedom of movement of labour was granted one year earlier. Over the years the right of EU nationals to choose their place of work and abode wherever they wish within the EU member states became one of the main principles of the European Union and has now the status of a basic right. It is confirmed in many international contracts and agreements.

However, despite the high ideological value attributed to this principle, rather few citizens make use of it in practice. A labour market analysis by the European Commission (2001a) indicates that geographic mobility is strong only among young and highly skilled employees and workers. This is a reversal of the trend in the 1960s and 1970s when primarily low-skilled people with only a basic education moved from southern to central Europe in order to find work. The number of students studying abroad in the framework of the Erasmus exchange program, for example, was steadily rising by about 10 percent throughout the 1990s and

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7 www.scb.se  
8 European Industrial Relations Observatory on-line, Social partners call for regulated labour immigration  
9 Graham, T.: The Single European Market and Labour Mobility
amounted to 181,000 by 2000, evidence that mobility can be promoted with the help of the appropriate initiatives. On the other hand, it should also be mentioned that participants on the Erasmus program represent less than 2 per cent of the 12 million students in Europe. With regard to EU citizens as a whole, the situation is even worse: in 2000 only 225,000 people, or 0.1 per cent of the EU population, changed their residence between two countries and at 600,000 the number of people working in a country different from their country of residence was also relatively low. The tendency of the employed population to move from one region in their country of residence to another stood at 1.4 percent. On the other hand, work-related daily or weekly commuting between different regions was rather high (4.9 percent).

According to a study made by Planas (1998), the total number of permanent migrant workers in the EU is approximately 2.5 million, which represents about 1 percent of the total EU labour force. Therefore Planas hits the spot when he states:

- “In spite of a legal and political environment which encourages the free movement of persons and in spite of the Commission programs to promote mobility and eliminate any obstacles in its way, there is still little transnational mobility among EU countries - less than in the past - and it is highly concentrated on special groups”.

As far as the number and distribution of non-EU migrants in general is concerned, there were about 12 million foreigners living within the EU in 1995. In addition 5.6 million EU nationals (primarily Italians, Greeks, Irish and Spaniards) lived in other member states. 40 percent of the foreigners had their residence in Germany, 20 per cent in France and 10 per cent in the United Kingdom. With the exception of Luxembourg (about 33 percent) the share of foreigners was highest in Belgium, Germany and Austria with about 9 percent. The EU average stood at 4.8 percent.

3.3 Theory about the economic effects of enlargement

Enlargement to EU-25 will add 75 million consumers to the EU’s single market. This should lead to intensified trade in goods and services, economies of scale, increased competition and more flows of investment, thus resulting in more economic growth, in both current and new member states. In this respect, enlargement resembles the process of completion of the single market which the EU experienced in the 1990s. In addition, the new member states can expect relatively high growth rates, on account of the “catch-up” possibilities associated with lower per capita incomes.

The analysis of the prospects for future growth depends to a large extent on trade, investment and migration, and these three factors are considered in the following paragraphs.

3.5.1 Trade

Extensive economic integration between the current and new member states has already occurred as part of the pre-accession process (see Table 1X for the growth in trade in recent years).

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10 Planas, J. Mobility and migration of labour in the European Union and their specific implications for young people
11 Graham, T. The Single European Market and Labour Mobility
Table 2
Billion Euro

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<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
<th>Balance</th>
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<td>44.4</td>
<td>53.2</td>
<td>+ 8.8</td>
</tr>
<tr>
<td>1996</td>
<td>47.2</td>
<td>63.8</td>
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<td>1997</td>
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</tr>
<tr>
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<td>810.1</td>
<td>1014.8</td>
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</tbody>
</table>

Ten countries of CEE, including Bulgaria and Romania

Since trade in goods with the EU was largely liberalised in the course of the 1990s, EU membership means moving into a customs union from a pre-existing free-trade area. It will therefore lead to only a small immediate impact on trade in goods with the new members, and further gains will come only in the medium and long run, as the result of increased investment, and further specialisation of production.

Nevertheless there remain areas where trade has yet to be fully liberalised, such as the automobile sector, and there is limited trade in services, including financial services. Trade in agriculture is also not fully liberalised, although agri-food trade has increased substantially in the pre-accession period. Commentators remark that enlargement may increase the amount that the new members, particularly in Central and Eastern Europe, trade with each other.

Estimates of the impact of enlargement for the present EU tend to be limited, given its much larger economic size. One estimate is that the current EU members would gain a total of about 10 billion euros over the long run, increasing their GDP by a one-time gain of 0.2%, which could lead to the creation of an estimated 300,000 jobs (on the assumption of a constant labour-output ratio). This economic gain would be distributed unequally across existing member states, with Germany accounting for around one-third.

For the new member states, the consensus of economists is that the gains are likely to be proportionately much larger, reflecting the fact that 70% of their exports go to the present EU (only 4% of EU exports currently go to the new member states) and that their economies are far smaller. A recent paper summarises the economic literature thus: “trade-induced simulations typically show that the applicants as a group gain anywhere from 1½% to 8% or even 10% of GDP in the short to medium run”.

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12 www.europa.eu.int
13 Pelkmans, J. Economic Implications of Enlargement
3.5.2 Investment

Given that there is already substantially free trade, and that labour mobility may be limited for some years after enlargement, it is investment, which holds the key to future economic growth in the new member states.

Foreign Direct Investment (FDI) has already been encouraged in the new members by the prospect of EU membership. It is difficult to estimate the degree to which it will rise in future. After past accessions, considerable jumps in FDI inflows were experienced, notably by Portugal and Spain; but this has not occurred in all cases, and the increase in FDI depends on sound adjustment policies and good governance at the national level. Some commentators suggest that given the already high level of FDI, the ending of special fiscal incentives, and the completion of the process of privatisation, no further rise is likely after accession. On the other hand, it is argued that actual EU membership will result in significant additional flows, assuming the local climate is encouraging. The increased legal certainty associated with EU membership, and the end of the ‘safeguard clauses’ in their present agreements with the EU, which could have limited their exports, will be favourable factors. Commentators in business circles consider that many companies have new investment projects awaiting the conclusion of EU enlargement, which suggests that a surge in investment is likely. It may be noted that NAFTA led to a considerable increase in investment in production in Mexico. In the case of EU membership, the effect of the ‘lock-in’ to market access, common regulation and economic guidance should be even stronger.

Thus it is possible that the dynamic effect – a virtuous circle of growth and investment – may lead to further rapid economic growth in the new member states after accession. Experience of previous enlargements shows that this dynamism, however, is not automatic; it will depend on the adoption of sound pro-growth policies by the new member states, and by the EU as a whole.

Even in the most positive of scenarios, the economic convergence of the new member states with the present members will be a long-term process – a matter of decades. The costs and benefits will not necessarily occur in the same time period; costs associated with increased competition and adjustment may come sooner, in the early years of membership. However, the long-term benefits can be very large, if appropriate policies are followed. The growth rates that the future member states have recently recorded are higher than those of existing EU members.14

3.5.3 Migration and the labour market in EU

Since migration of workers leads to economic gains in the receiving countries, this can be one of the major benefits of EU enlargement.

Most citizens of the future member states can already travel freely (without visas) within the EU. Over 850,000 are resident in the EU, representing 0.2% of its population. Migration (often of seasonal labour) is concentrated in the neighbouring countries and regions; two-thirds of these migrants reside in Germany, and around 14% in Austria.

14 ibid
There is public concern in the EU about the possibility of large-scale migration of workers from the new member states after enlargement as a result of the large income differential. However, such fears of large-scale immigration are not likely to be borne out in fact.

The experience of previous accessions of low-income countries is instructive. Net migration flows from Spain and Portugal after accession to the EU were close to zero during the second half of the 1980s. During this period, there were restrictions on migration for a transitional period of seven years. Yet even when restrictions were lifted, coinciding with the recession of the early 1990s, there was barely a rise in migration flows from either country.

A similar transitional arrangement has been agreed for the next enlargement: the present member states will have the right to restrict the inflow of labour from Central and Eastern Europe for a period of up to seven years. Three of the present member states have indicated their intention not to restrict the entry of workers from the new member states after enlargement. Since receiving countries gain economic advantages from immigration, which fills labour shortages in skilled and unskilled occupations, they will benefit from this decision. The other member states should also consider permitting free movement of labour from Central and Eastern Europe as soon as they can do so, without waiting for the end of the transitional period.

Expert calculations of likely migration tend to be modest. The European Integration Consortium’s estimate of the numbers who would move to the current EU after the introduction of free movement of labour – without taking account of the transition period of seven years – is 335,000 (0.1% of the current EU population) rising slowly over the following 30 years to reach a peak of 1.1% of the population.  

EU countries and regions closest to the new member states are likely to be more affected than others. A recent report from the Centre for Economic Policy Research suggests that cumulative net migration or long-run migration stocks from the new member states (attained 15-20 years after free movement of labour has been introduced) will amount to 2-3% of the population in Germany. Border regions will also experience considerable short-term (even commuter) migration for work.

These estimates need to be put into the context of Europe’s ageing society, where generational replacement is not taking place. The fertility rate is low, life expectancy has increased, and dependency ratios (the ratio of older people to the population of working age) will rise in the coming years. For the present EU members, an increase in migration can therefore compensate – but only partially – for the growth of dependency due to ageing.

Finally it should be remarked that if economic policy encourages high employment and economic growth in the new member states, optimism among workers about their future prospects will tend to keep them at home. In aggregate, therefore, total migration from the new member states is likely to be limited. What may be the other effects on the labour

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16 Boeri T. & Brücker, H. The Impact of Eastern Enlargement on Employment and Labour Markets in the EU Member States

17 Boeri, T. Who’s Afraid of the Big Enlargement? Economic and Social Implications of the European Union’s Prospective Eastern Expansion
markets of the present member states? This depends in part on the mix of workers who migrate, and which sectors of the labour market they participate in.

Skilled migrants from the future member states are already filling labour market shortages in vital services and jobs. Their formal education levels are relatively high, but they often suffer skill wastage in migration, and so they tend to work in the same sectors as other foreign workers, such as construction, cleaning services and manufacturing. In the enlarged EU an increase in the supply of low-skill labour – including informal employment – could have an impact on the wages and employment of low-skilled labour within the existing member states, particularly in regions close to the new member states.

There may also be effects on the demand for low-skilled labour as a result of changes in industrial location. In NAFTA, American firms have taken advantage of the economic differential to move labour-intensive production to Mexico, shedding workers with low education levels. If the economic integration of the new member states has a similar effect, some labour-intensive industrial activities may shift to countries and regions bordering on the new member states, with consequent effects on demand for labour.

Although these factors will put pressure on low-skill skilled workers – a vulnerable section of society – in the present member states, the effect should not be exaggerated. Some future member states are moving into high-tech production, and some migrant labour will be highly skilled. Present and future member states need to ensure that they have labour market policies to help the low-skilled find opportunities to work and that their employment policies contribute to efficient social and economic policy, and thus towards making a success of enlargement.

There are also concerns about ‘social dumping’ – that the new member states, with lower wage levels and lower social standards, will put unfair pressure on the living standards of the present member states. These concerns, at one level, reflect the fact that the current member states need to adopt policies that will encourage economic growth and employment in an increasingly competitive world (not just or even primarily because of the enlargement of the EU). However, the more dramatic fears are overstated. Part of joining the EU is the adoption of a process of social dialogue and measures of social regulation. On the other hand, higher labour productivity can compensate employers for higher wage levels. As income levels in the new member states rise, these differences will be reduced (and the new members will provide larger markets for the products of the present EU). It is difficult to predict how rapidly wages will rise in the new member states, but plainly policy at both the EU and national level should encourage growth in the new member states. 18

**Sweden and enlargement**

I introduce this chapter with some statistic data about Swedes attitudes toward EU enlargement. Data is taken from National Standard Reports for the Member States made by Directorate-General Press and Communication from Brussels. Investigation includes all current member states, was done during October-November 2002, and released in March 2003.

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18 ibid
Are Swedes for or against enlargement?
The majority of Swedes tell us that they have a positive attitude towards enlargement. Almost two thirds of them say that they are for enlargement, compared to approximately half of EU citizens. Almost one third of the EU citizens say that they are against EU-enlargement, compared to almost a quarter of Swedes.

Which countries would Swedes be in favour of becoming members of the EU?
Swedes are more positive than the EU citizens on average towards all countries listed in the poll, although they are more positively inclined towards the accession of the Norway, Iceland, Switzerland and the Baltic States than the joining of countries in Central and Eastern Europe or in the Balkans. Over one third of Swedes accept the accession of all countries that wishes to join the EU, compared to one fifth of EU citizens on average. Almost one fifth of Swedes and EU citizens alike think that the EU should not be enlarged. Compared to earlier Eurobarometers, the number of people in Sweden that think that the EU should not be enlarged at all has decreased dramatically during the last year. After reaching a level of 33% in the spring of 2002, it is now down to 17%, the same level as was found in Eurobarometer conducted in 2001.

What do Swedes know about enlargement?
One quarter of the Swedes feel that they are well informed about enlargement, compared to the EU average of one fifth. Almost one quarter of Swedes think that that they are not at all well informed about enlargement, compared to one fifth of EU citizens. Even if in reality there are no major differences, it seems as though Swedes feel better informed than the average EU citizen. The number of Swedes that feel that they are well informed has steadily increased in the Eurobarometers.

What are the advantages and disadvantages of enlargement according to Swedes?
By allowing more states to become members of the EU, Swedes feel that peace and security will be guaranteed in Europe. Further, Europe will be culturally richer and the EU will become more important in the world. Perceived negative aspects are that enlargement will cost more for existing member countries, that Sweden will become less important in Europe after enlargement and that Sweden will receive less financial aid from the EU. Swedes do not think that the EU should help future member countries financially, before they join. Concerning the future governance of the EU, a majority of Swedes think that it will be much more difficult to make decisions at European level when there are more countries and, as a consequence, that the EU must reform the way its institutions work before welcoming new members. The Swedish views on these issues have not changed dramatically from the previous Eurobarometer. 19

3.4 International mobility of Swedes and EC labour
It should be noted that naturalized persons (persons who have acquired Swedish citizenship) are also included in the data on emigration of Swedish citizens. There is a lack of specific, comparative data, but in general it is assumed that one fifth of emigration of Swedish citizens from Sweden consists of naturalized persons. There are of course large differences, however, in the level of emigration among the various groups of naturalized. A part of these persons emigrate from Sweden as they decide to settle, temporarily or permanently, in their country of origin.

It is easier to look at the differences in emigration between persons born abroad and persons born in Sweden. This data is available and can be seen below in diagrams 5 and 6. During the 1990s, emigration was on average 15,700 per year among persons born in Sweden. Figures on emigration among foreign-born were slightly lower at 15,000 per year. Emigration between the two groups shows different trends over the decade. Emigration of foreign-born was considerably larger in the early 1990s as many of the migrants returned after having been temporarily displaced due to the conflict in former Yugoslavia.

Diagram 1

Net Migration, Emigration and Immigration 1990-2000 foreign-born persons

It is also interesting to note that emigration of persons born in Sweden doubled from 1990 to 1999. General reasons for this increased emigration can be sought in the high unemployment rates prevailing for a great deal of the 1990s. Other explanations are that increased possibilities to study abroad also contributed to the international labour market now being open to Swedish young people. The increased globalization of the economy has also resulted in an increasing number of Swedes being able to spend parts of their professional career abroad at a subsidiary office or at the company’s head office. The EEA Agreement of 1994 also made it easier for Swedes to work and live in other EU countries.

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20 www.migrationsverket.se
A look at the change as regards the countries of emigration shows that emigration to other Nordic countries has been fairly constant. The variation is, however, great when one examines individual countries. During the decade emigration to Finland from Sweden has fallen from 6,400 people in 1990 to 3,500 in 1998. At the same time emigration to Norway has increased from 5,000 people in 1990 to 7,800 in 1998. This emigration to a geographically, linguistically and culturally close neighboring country is to a great extent a reflection of the fluctuations in the economic cycle. Swedes are today Norway’s largest immigration group. Emigration to the United States and the United Kingdom has also increased markedly and this tendency indicates that the labour market for Swedes is becoming globalised.

Emigration of citizens from the rest of Europe (including Bosnia-Herzegovina, the Federal Republic of Yugoslavia and Poland) has more than doubled from 430 people in 1990 to 1,100 in 1999. Emigration of citizens from Africa and Asia has increased correspondingly from 860 (170 and 690 respectively) in 1990 to 2,240 (540 and 1,700) in 1999. The actual number of people who migrate is, however, obviously still very low. 20

3.5 Motives for migration

The introduction of the right to freedom of movement for workers is a step toward the abolition of legal impediments to migration. Does such action stimulate international migration?

Generally, migration flows arise from economic, political, and demographic differences between the origin and destination countries. These inequalities, known as the root causes, are necessary for the emergence and continuation of migratory movements.

20 Ministry of Foreign Affairs, Department of Migration and Asylum Policy, *Sweden in 2000 – A Country of Migration*
The right of freedom of movement for workers relates to migration for employment purposes. Two hypotheses summarize the motive underlying these kinds of migratory movements. The first (the employment vacancy hypothesis) perceives the unemployment levels in the sending countries as the main incentive toward emigration, while the second hypothesis (the income differentials hypothesis) concentrates on the differences in income levels between the sending and the receiving areas. Analyzing these two push factors in the migration process to determine their role in present migration flows is important for examining current and estimating future East-West migratory movements.

In general terms CEE labour markets are affected by the painful transition from a centralized economy to a market economy. This process has devastated traditional industries, thereby giving rise to massive unemployment and declining employment rates on the one hand and the need for new kinds of employment on the other. Most CEE countries (except for the Czech Republic) face high long-term unemployment and a low turnover in unemployment.

Here, labour market factors, such as unemployment in one country and demand for workers in another or wage differences between the two countries, stimulate migration. The second factor fuelling international migration is the political situation and political stability in particular, the protection of human rights, and the treatment of minorities. The third factor involves cultural definitions, for example general approval or disapproval of emigration or immigration.

### 3.6 East-West migration

Table 3 illustrates the assumption of a gross East-West migration potential of about 3 million people and a net migration potential of about 1.5 million people for all 10 CEEC candidate countries together (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia). If we exclude the two least developed CEECs (i.e. Romania and Bulgaria), that do not belong to the first wave of EU eastward enlargement, the East-West migration potential for the remaining CEEC-8 might not reach more than 2 to 2.5 million people gross and around 1 million people net.

Looked at from the opposite side, this is about 0.8% of the total EU population (gross) or 0.4% of the total EU population (net, including return migration). Therefore, fears of “mass migration” seem highly exaggerated. Furthermore, against the background of the decline in the EU population and the ageing of society the expected East-West migration potential does not look dramatic at all.

<table>
<thead>
<tr>
<th>In Million</th>
<th>CEEC-10</th>
<th>CEEC-8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross emigration</td>
<td>3</td>
<td>2.2</td>
</tr>
<tr>
<td>Net migration (including return migration)</td>
<td>1.5</td>
<td>1</td>
</tr>
</tbody>
</table>

CEE-8 is: Slovenia, the Czech and Slovak Republic, Hungary, Poland, Estonia, Lithuania and Latvia
CEE-10 is: CEE-8 plus Romania and Bulgaria

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21 Boeri, T. & Brücker, H. The Impact of Eastern Enlargement on Employment and Labour Markets in the EU Member States
22 Straubhaar, T. East-West Migration: Will It Be a Problem?
23 ibid
The emigration potential of Central and Eastern Europe

The main difficulty in estimating the migration potential of a sending country without exaggerating or underestimating the dimensions of expected flows lies in choosing data that substantiate estimates. Official migration statistics may underestimate the size of migratory movements once free movement of workers has been established, because they are usually based on definitions other than free movement.

Nor do the unemployment figures of the sending countries offer a valid instrument for estimating the migration potential. Historical case studies show that migration from Italy to the Federal Republic of Germany was determined more by German labour demand and unemployment figures than by the labour market situation in Italy. Furthermore, the estimates of about 1.5 to 1.6 million potential Spanish and Portuguese emigrants based on unemployment figures did not translate into commensurate migration flows after the accession of these countries to the EC and the end of the transition period for the free movement of workers. Even though both countries remain areas of high unemployment in the EU, no massive migration has occurred.

Nor does unemployment seem to be the most important reason for East-West emigration, although considerable differences exist between countries due to discrepancies in economic growth and development. In the Slovak Republic, for instance, the unemployed are the largest group of potential migrants, whereas their share is significantly less in Poland, the Czech Republic, and Hungary. Both the level of education and the nature of former employment of the Central and East European migrants indicate perfectly that international migration is selective. The economically successful receive preference in the receiving countries, and those considering the option and actually migrating are usually not the poorest in their countries. Indeed, most migrants belong to middle income groups. Persons with lower incomes may wish to migrate but often lack financial means to cover the cost. Given that unemployment is not a major reason for emigration, and that most emigrants were employed prior to leaving their country, the unemployment figures of the sending countries alone do not offer sufficient information to estimate the migration potential of Central and Eastern Europe.

Although the overall number of people wishing to migrate is very high, this ambition often remains unrealized. People tend to underestimate the preparation for the actual migration and the high material and psychological costs involved. Moreover, restrictive migration policies tend to curtail possible migratory movements. To obtain a more accurate estimate of the number of potential migrants, H. Fassmann considered both the wish to migrate and the actual steps taken by the future migrants in this direction. Next, they identified three different categories within the group of people wishing to migrate.

Fassmann H., The Emigration Potential of Central Europe. Survey Results

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24 Fassmann H., The Emigration Potential of Central Europe. Survey Results
Table 4

<table>
<thead>
<tr>
<th></th>
<th>General Migration potential total</th>
<th>Percentage*</th>
<th>Probable Migration potential total</th>
<th>Percentage*</th>
<th>Actual Migration potential total</th>
<th>Percentage*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Rep.</td>
<td>1.673.176</td>
<td>20.1 %</td>
<td>968.769</td>
<td>11.6 %</td>
<td>172.337</td>
<td>2.07 %</td>
</tr>
<tr>
<td>Slovak Rep.</td>
<td>1.251.456</td>
<td>30.3 %</td>
<td>729.599</td>
<td>17.7 %</td>
<td>85.099</td>
<td>2.06 %</td>
</tr>
<tr>
<td>Poland</td>
<td>4.923.244</td>
<td>16.6 %</td>
<td>1.634.517</td>
<td>5.5 %</td>
<td>393.859</td>
<td>1.33 %</td>
</tr>
<tr>
<td>Hungary</td>
<td>1.717.039</td>
<td>20.5 %</td>
<td>731.459</td>
<td>8.7 %</td>
<td>60.096</td>
<td>0.72 %</td>
</tr>
<tr>
<td>Total</td>
<td>9.564.915</td>
<td></td>
<td>4.064.398</td>
<td></td>
<td>711.391</td>
<td></td>
</tr>
</tbody>
</table>

General, probable and actual migration potential in Hungary, Poland, Czech and Slovak Republics
* Percentage of total population over age 14

The first category (the general migration potential) consists of people who state their desire to migrate but take no further steps. The authors estimate this group at about 10 million people. The second group (approximately four million people) comprises those sharing a probable potential to migrate (i.e. those who have obtained information about the destination country). Finally "the actual migration potential" includes people who have applied for a residence or work permit and have begun to seek employment and accommodations (see Table 4).

In the present situation, in which restrictive migration policies curtail migration flows, Fassmann estimates the true potential at about 700,000, which is the number of persons who have applied for permission to immigrate. Yet, the introduction of freedom of movement for workers will eliminate this obstacle. Under these circumstances, the emigration potential is probably between the numbers in groups 2 and 3 (i.e. above the figure of 700,000 persons). The most important question from the perspective of the introduction of free movement is whether all these people will realize their aim and actually immigrate to Western Europe.

### 3.8 Preferred destination countries among Central and East European migrants

Germany remains the most important destination country for Central Europeans and this is reflected in the data on emigration flows (see tables), yet Poles, Czechs, Slovaks and Hungarians see an important difference between working abroad and emigrating for settlement. For working abroad, Germany was seen as the best destination country with 36 per cent of Poles, 38 per cent of Czechs, 25 per cent of Hungarians and 17 per cent of Slovaks expressing an interest in working there. However, as a place to live permanently, Germany was far less popular and the numbers dropped to 5 per cent for Poles, 6 per cent for Czechs, less than 1 per cent for Slovaks and 2 per cent for Hungarians. For permanent migration, it is the New World - the USA, Canada, Australia and New Zealand, which are seen as the most attractive countries, reflecting historical patterns of migration, which were discussed above. Thus, for example, in 1998 20 per cent of Poles, 14 per cent of Czechs, 7 per cent of Hungarians and 7 per cent of Slovaks showed an interest in immigrating to the USA.

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25 ibid
26 ibid
Although not many people wanted to emigrate permanently, what we do see is large numbers of people who would want to work abroad temporarily. Figure XXX shows numbers of persons expressing an interest in going abroad for a few weeks, a few months, a few years or the rest of their lives. It is clear that the shorter the period of time, the more people were interested in going abroad and the most popular period was just for a few weeks. Around one half of people in Poland, Czech Republic and Hungary would like to go abroad for a few weeks. The numbers of people wanting to emigrate permanently were very small. Even for those wishing to adopt the classical guest worker role of going abroad for a few years to work, the numbers were low.  

Types of migration potential by duration, 2000

Cross-border migration is stimulated on the one hand by the economic and labour market situation in several EU member states along the CEE frontier. As shown above, short-term and seasonal employment in construction, agriculture, and tourism is available in these member states, and West European employers prefer to recruit CEE citizens. Moreover, the geographic situation favours cross-border migration, as large cities in some of the EU's frontier states are quite close to the Eastern frontier. Improvements in infrastructure, particularly the routes to the large cities and industrial areas in the Federal Republic of Germany and Austria, allow cross-border migration for persons who live further away from the border or seek employment deeper within the country. Although wages in the most advanced CEE countries are not much lower than in the EU poorest countries, the discrepancy is greatest along the Union's Eastern frontier; where the Union's wealthiest countries are located. Potential migrants therefore stand to gain the most from moving to these countries. Cross-border migrants can profit from the high wages in the EU while enjoying the lower cost of living at home (although this practice might fuel price inflation in the border towns). Finally, a previous section of this study on the choice of destination countries shows that

28 Wallace, C. Patterns of Migration in Central Europe
frontier countries such as the Federal Republic of Germany and Austria are the preferred destinations. Past migration flows, migrant networks, administrative policies, and cultural and language factors all point to these countries. Thus, the frontier countries will remain favored destinations among CEE emigrant workers.  

3.9 Migration in Sweden

3.9.1 The migration of the 1990s

The most recent decade of Sweden’s migration history shows some changes and new tendencies in the migration patterns. Immigration to Sweden of foreign citizens was on average about 53,000 people a year in the 1990s. The average figure is not, however, an entirely accurate indication, due to one exceptional year, 1994, when 83,600 people were registered as immigrants after having waited for a residence permit for some two years. In 1992 a very large number of refugees had come from the war in Bosnia-Herzegovina and from the unrest in the Kosovo province. If 1994 is not counted the average falls to just below 50,000 immigrants per year.

A considerable proportion of total immigration in the 1990s has been Nordic citizens (including Swedish citizens), as there had also been a large emigration of Nordic citizens during the 1990s. On average 17,000 people per year, or 29 per cent of total immigration was made up of citizens of Sweden or other Nordic countries. For a few years at the beginning of the period (1991-1993), however, the average was somewhat lower – 13,000 people per year.

The number of EU citizens (excluding citizens of Sweden, Denmark and Finland) who immigrated to Sweden between 1995 and 1999 was about 3,700 per year. This was a higher figure than in the first half of the decade, when the average was 2,400 people per year, equivalent to an increase of 54 per cent. The change reflects the fact that due to its membership of the EU in 1995, Sweden became a part of the EU’s internal market with free movement of people (already in 1994 this freedom of movement was applicable through the EEA agreement).

The immigration of citizens from the rest of Europe can be divided into three periods in the 1990s. In the years 1990 to 1992 an average of 6,200 people per year immigrated from the rest of Europe. In the following three years, 1993-1995, the conflicts in former Yugoslavia led to a particularly extensive average immigration of 28,000 per year. In the following four-year period immigration from the rest of Europe was again down to 6,600 people per year.

The immigration of citizens from countries in Africa and Asia in the 1990s has been on average 15,500 people (3,500 and 12,000 per year respectively). Immigration from Africa has fallen from about 4,600 per year in the first half of the decade to an average of 2,400 in its second half. The Asian immigration has also fallen in the 1990s, from an average of 13,800 per year in the first five years to about 10,500 per year in the latter five years. Finally, it can be noted that immigration from the United States and North America doubled in the 1990s.

Fischer, A. Temporary Labour Migration from Central and East Europe: The Case of Germany

Ministry of Foreign Affairs, Department of Migration and Asylum Policy, Sweden in 2000 – A Country of Migration
As noted in the previous section, immigration to Sweden dominated in the 1990s by foreign citizens who had received residence permits because they needed protection. Another dominant category was family reunification. During the period 1990 to 1999 about 245,000 asylum seekers came to Sweden. 159,500 of the asylum seekers (65 per cent) were granted a residence permit because they were recognized as people in need of protection or for humanitarian reasons. Former Yugoslavia and Iraq were the main areas of conflict from where a considerable number of refugees have come to Sweden.

3.9.2 Migration in 2000

In 2000, 58,700 people immigrated to Sweden, which was somewhat more than the average level of immigration during the 1990s. As in earlier years, most of the immigration, or 42 per cent, in 2000 consisted of citizens of Sweden (16,000) or other Nordic countries (8,800). The next largest group or 35 per cent came from countries outside Europe (20,500). The remaining 23 per cent of immigrants came from non-Nordic European countries (13,400), mainly from countries in Southwest Europe and the western Balkans.

During the same year 34,100 people emigrated. Emigration of Swedish citizens (21,500) constituted a relatively large proportion (63 per cent) of total emigration. As this emigration was larger than the immigration of Swedish citizens, there was a net outflow of Swedish citizens from Sweden. Emigration of other Nordic citizens (5,700) was in principle an equally large proportion of total emigration as of total immigration. An important part of this Nordic

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31 ibid
32 ibid
migration usually varies according to the economic situation and the situation in the labour market in the various Nordic countries.

Diagram 5

Figure 2.11 Immigration and Emigration in 2000: the 10 Largest Nationalities

Source: Statistics Sweden

Migration in Sweden in 2000

Net migration in 2000 was 24,600 people, which was an increase of about 10,400 compared with the previous year. This represents a substantial increase by about 74 per cent. By comparison, in the middle of the 1990s net migration was 12,000 people (in 1995). In the two following years net migration was very limited – about 6,000 per year. Despite a falling birthrate immigration prevented a reduction in the population as a whole.

It can be noted that 9,000 residence permits were granted in 2000 to those in need of protection and on humanitarian grounds (refugee status according to the Geneva Convention, others in need of protection and humanitarian reasons). For family members of these people, another 3,500 permits for family reunification were granted. Somewhat more than half of all permits were granted to women. As a comparison, in 1995 about 5,600 residence permits were granted for those in need of protection and on humanitarian grounds. For family members of these, 8,000 permits for family reunification were granted. This indicates that the relative number of these family reunification cases has dropped, partly due to the 1997 changes in legislation.

Not everyone who moves to Sweden needs a permit. About 24,400 citizens of Sweden and other Nordic countries moved to Sweden in 2000. While these people are registered as immigrants by Statistics Sweden, they are not registered by the Migration Board, which normally records the number of work and residence permits granted. Citizens of an EU member state or a signatory state to the EEA agreement also have access to the labour
markets in all the member states. Citizens of these countries have the right to move within the area to take up employment, start their own business, study etc.

Migration within the EU is still relatively minor. On average less than 2 per cent of the labour force in the EU lives and works in another EU country. 2,700 workers from the EU/EEA came to Sweden in 2000. Altogether 7,400 people were granted residence permits to live and work in Sweden within the framework of the EEA agreement. This represents an increase since 1994 when Sweden acceded to the agreement. The three largest citizen groups were from Germany, the United Kingdom and France (the first two countries being important trading partners to Sweden). 34

### 3.10 Barriers for labour mobility

First of all, the barrier, which is important to mention, is the physical distance. There are however other barriers apart from above mentioned. These barriers represent a mental and social distance between two countries, and act as obstructions to the creation of one common labour market. The barriers can be categorized as follows:

- **Different political systems** have among other things evolved differences in taxes, social insurance and labour legislation. For a trans-national commuter, it is a tough job to gather all the relevant information, which is important for daily life.
- **Language** has been for a long time the biggest barrier in creation of the common labour market, but this barrier has been shunted with the fact that a big part of workers that are coming to Sweden through the rights which EU community offers, are well educated and speaks English or some other language, which is suitable for the situation.
- **Culture** is a barrier that helps us to form our values, references and prejudices. It is within our cultural framework that we form it. In the past, the immigrants were associated with something bad for the home country, among the people, but today, we love to hate each other in more peaceful ways.

If the full development potential of the common European labour market is to be realized, these barriers have to be identified and a determined effort has to be made to tackle them. This work is already in progress. The labour market administration in Sweden has barked on several projects of co-operation with the expressed aim to contribute to the integration process. 35

### 3.11 Trade theory: Effect on wages and employment in Sweden

There are three main channels by which Eastern Enlargement can affect wages and employment in the present Member States of the EU and in the candidate countries:

- Trade in goods and services,
- Migration of labour, and

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34 Ministry of Foreign Affairs, Department of Migration and Asylum Policy, *Sweden in 2000 – A Country of Migration*
35 Kaiser, K. & Bruner, M. *East-Central Europe and the EU: Problems of Integration*
The movement of capital.

In this study, the stress will be put on migration of labour. Other two channels, trade in goods and services, and the movement of capital will not be in focus, but only mentioned to clarify and explain above-mentioned channel, migration of labour.

Per capita incomes and the state of technology differ considerably between the present EU Members and the CEECs. Moreover, the gap in per capita incomes is expected to last for a long period of time. The standard models of trade theory predict that gains from trade, migration and capital movements between countries that differ largely in their factor endowments will be especially high. More specifically, trade theory predicts that the integration of relatively labour-abundant countries will affect a decline in wages relative to the price for capital in relatively capital-abundant countries. Eventually, factor prices will equalize across countries. However, these results are built on a set of restrictive assumptions, such that factor price equalization is a limiting theoretical case and not an empirically relevant proposition. What does it mean?

It means that trade theory is based on a set of restrictive assumptions. It presumes that all countries have access to the same technologies, that factor mobility across sectors is perfect, that factor markets are clearing and that countries are not completely specialised, i.e. both countries produce labour intensive as well as capital intensive goods. If we relax these assumptions, some propositions of the HOS-model are mitigated or even reversed. Thus we can perceive factor price equalisation as a “theoretical curiosum” rather than an “inescapable destiny”.

To simplify explanation of the trade theory, I will use an example.

Suppose there are two countries, Home and Foreign, and two goods, X and Y. In each of these cases, it is likely that the equilibrium will look different between the two countries. In particular, it is likely that the relative price of good X will be higher in one country than in the other.

When the two countries open up to trade, the following will happen:

- Arbitrageurs will buy good X where it is relatively cheaper (let's say at Home) and sell it where it is relatively dearer (in Foreign). Thus, good X will flow from Home to Foreign. In exchange good Y will flow from Foreign to Home.
- As the demand for X goes up at Home, and that for Y goes up in Foreign, the relative price of X will rise at Home and Fall in Foreign.
- In equilibrium, there will be no further incentive for arbitrage when the relative price of good X is equal in both countries. But by now there has been an export of X from Home to Foreign and import of Y to Home from Foreign.
- Once trade has reached equilibrium, the OC of good X will be equal in both countries.

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3.12 The impact of trade and factor mobility on wages: predictions from conventional trade theory

In the basic Heckscher-Ohlin-Samuelson (HOS) model with two goods, two factors of production and two countries, each country will export the good whose production relies intensively on its factor of abundance.

If we suppose that the EU is abundant in capital and the CEECs are abundant in labour, then the removal of barriers to trade will effect in the EU:

- a fall in the price of the labour-intensive good relative to the price of the capital-intensive good,
- an increase in the production of the capital-intensive good and a decrease in the production of the labour-intensive good,
- a decline in wages relative to the price of capital, which will continue until factor prices in both countries have equalised,
- a movement of labour from the labour-intensive sector to the capital-intensive sector, and a rise in labour intensity in both sectors, since the price for labour has fallen,
- a constant total employment of labour, since the effects of declining production of the labour intensive good and the increasing ratio of labour to capital in both sectors cancel one another out completely.

Trade and factor mobility are substitutes in the HOS-model: the movement of capital into the labour abundant country and the migration of labour into the capital abundant country will raise the price for capital and reduce wages in the capital abundant country until factor prices have equalised, and thus undermine the basis for trade in labour intensive and capital intensive commodities. Notice that in open economies, the movement of capital and the migration of labour have no further impact on relative wages when factor price equalization has already been achieved.  

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37 Bhagwati, J. & Dehija, V. Freer Trade and Wages of the Unskilled - Is Marx Striking Again?
Transitional period

3.13 How does transitional arrangement operate?

The transitional arrangement for the free movement of workers, as agreed between current and future Member States basically means that the present system, whereby people from the future Member States need to get a work permit to work in the EU, continues to operate for some years after accession. It applies to anybody who wants to sign an employment contract with an employer in one of the current Member States. This is the normal system that applies internationally and the idea is to move gradually towards the EU system, where people can freely get a job anywhere in the EU. That is quite a radical change, and it has usually been done gradually, between the original Member States and when new Member States joined. In particular, when Spain and Portugal joined, there was a phasing-in period of 7 to 10 years, which was subsequently shortened.

This somewhat restrictive situation can only improve because Member States have promised to try to increase the rights of access to the labour market and they will not be allowed to take away any rights already granted. Moreover, there will a “preference rule”, meaning that when a job is offered to a foreigner, citizens of future member states must get priority over people from non-EU countries.

In the two Member States that have traditionally welcomed most of the people from the candidate countries on their labour market, Germany and Austria, the same gradual system may also apply to some very specific cases when companies from the future Member States want to send workers to do a job for them, e.g. to construct a building. Although this is called a provision of services, it can involve a significant number of workers who would work in Germany and Austria and it is thus very similar to getting a job there. A list of the areas covered by this very specific restriction, which takes the form of a safeguard, will be included in the Accession Treaty.

Freedom of movement of EU citizens is more than just access to the labour market, and most of this freedom will in fact not be covered by the transitional arrangement. People from the candidate countries already have the right to set up a business (through a company, or as a self-employed person) in an EU Member State. This will of course continue after accession, and moreover people will benefit from the recognition of their professional qualifications, making it much easier in practice to set up a business. From day one people will be free to travel, or to go and live in another Member State, e.g. as a student or a pensioner, or as a family member of someone who is working there. People will also be completely free to deliver services across the border as a self-employed person or as a company (with, as already mentioned, some limited exceptions in Austria and Germany, but only if you want to bring with you some of your employees). Individuals from the future Member States who work in the current Member States during the transitional period, or who are already there at the time of accession, will be covered by Community rules on equal treatment in working conditions, tax and social advantages, as well as the rules on the co-ordination of social security systems. The transition arrangement as agreed is a very flexible tool, but this very flexibility has advantages as well as disadvantages.

Will nationals of new Member States already working in a current Member State be affected?
A national of a new Member State legally working in a current Member State on 1 May 2004 and having a work permit or authorisation from 12 months or longer will continue to have access to the labour market of that Member State. He or she will not have automatic access to the labour markets of the other current Member States. A national of a new Member State who moves to a current Member State and gains legal permission to work there for 12 months or longer, will have the same rights. But should he or she voluntarily leave that Member State, the right of access will be lost until the end of the transitional period.

Finally, it needs to be pointed out that the transitional arrangement does not apply to Cyprus and Malta. Thus, there will be complete free movement between current Member States and these countries and indeed between the other future Member States and Cyprus and Malta. Malta however has the right to impose a safeguard if it fears large movements of workers into Malta – this is very understandable given the scale of the Maltese labour market. 38

3.14 Sweden and transitional period

Introducing transitional arrangements for workers from the new EU Member States has so far not been regarded as a desirable option by the government. There have, however, been some concerns about the effects of increased labour immigration on Swedish social security institutions. A working committee of representatives from the various ministries has stated that enlargement will lead to increased labour immigration to Sweden, although it is unlikely to be dramatic. However, the committee does not draw any conclusions with regard to transitional arrangements. Neither the largest opposition party, the Conservative Party (Moderaterna), nor the Socialist Left Party (Vänsterpartiet), currently see a need to introduce such transitional arrangements. It is, however, reasonable to assume that the decisions made in Denmark and Sweden regarding such arrangements will have a bearing on the decisions made by the Swedish authorities.

The principle of the free movement of persons gives the individual EU citizen the same right to take or seek employment, operate a business and work as a trainee in another Member State as the citizens of that state. But this freedom is not restricted to free movement in the labour market. It also includes the right of access to a country’s social security system when employees, the self-employed and their families move to an EU Member State. The negotiations on the free movement of labour are expected to be difficult. Sweden takes the view that the candidate countries should be allowed to apply EU rules in this sphere from the date they accede to the Union. No transitional arrangements should be negotiated. But some of the present EU members are afraid that job-seekers from the new member countries will flood into their countries and adversely affect the labour market situation there. The Swedish Government believes this fear of mass immigration to be unfounded. Previous enlargements have resulted in only a minor influx of immigrants over a limited period. Also, the increased availability of labour from new member countries could help avert the labour problems anticipated in several of the present Member States when a large proportion of the workforce retires. 39

39 European Industrial Relations Observatory on-line; Union demands transitional arrangements for free movement of workers from new EU Member States
3.15 How has Swedish attitude to transitional period changed during the last six months?

Sweden has been actively promoting enlargement for several years. Idealistic reasons have often been used as an argument for why enlargement would be good for Europe. In what way will enlargement specifically affect Sweden?

"I believe that we in Sweden will primarily notice that cooperation with the countries around the Baltic Sea will become easier. Trade will increase, conditions for business will improve and we will have a much better chance to safeguard the environment. The negative consequences will primarily concern greater cross-border crime. But we have already anticipated these problems and when enlargement has actually taken place, we will have more chance to combat this type of crime". (Minister of Foreign Affairs, Laila Freivalds).

In a report presented recently, it was proposed that there should be a transitional period in which free movement of labour should be limited for the new member states. The writer of the report warned against the abuse of free movement and the resulting costs for Sweden. Do you also envisage this problem?

"I am not worried about this type of problem. There is every indication that Sweden and all other present and future EU countries will benefit from the enlargement of the Union. Free movement is a central component of the EU. You must also remember that we have, in fact, said to the future member countries that we would have an open labour market in the EU – even after enlargement". (Minister of Foreign Affairs, Laila Freivalds).

Sweden has always promoted an idea to have an open border for labour market in the EU, and to allow free movement of labour within the EU. Free movement of service, goods and labour (people) are main pillows and ideas of European Union. After some time, it has been shown that only Sweden, Ireland and Great Britain are likely to open their borders to labour from new EU members. A fair to be alone and have opened borders has, with the time, been a stronger and stronger argument for introduction of transitional period.

On 22nd of November 2003, prime of Sweden, Göran Persson, has introduced arguments for transitional period and fair for having social tourists from Eastern Europe in Sweden. After analysing results from the last election, it was clear that Liberal Party (folkpartiet) had a big success and won a big part of voices thanks to its harder politics against asylum seekers and foreigners in general. Persson’s utterance about introducing of transitional period has automatically placed the Social Democrats to the right from the Liberal Party. That was a strong hit for Liberal Party, which decided to follow their politics and support a recommendation. The Conservatives, known as a right party, has followed those previous two parties, and submitted its agreement of introduction of transitional period. In that way, two blocks has been built in Swedish parliament, one for and one against introduction of transitional period. Block against introduction of transitional period consists of the Left Party, the Centre Party, Christ Democrats and the Green party. Final decision concerning transitional period will be made 28th of April, three days before enlargement of EU to the East will be processed.

40 http://www.utrikes.regeringen.se
41 ibid
3.16 Transitional period; an example of Spain

The issue of the free movement of persons and in particular workforce was of a great importance from a Spanish point of view. Spain had been for along time known in Europe as a “net emigrant” country, which later ignited the fears of mass migration of Spaniards to the more developed EU members. Numerous Spanish workers, who already lived and worked abroad before the beginning of the accession negotiations, were pressing on the Spanish government, demanding equal social security and rights with the inhabitants of EU states. Spanish has always been a country with a great percentage of emigration. Before 1950s it was Latin America, which was drawing the Spaniards, however the 1960s changed the situation and the majority of the Spanish workers were leaving their home country for the EEC and Switzerland. Over the 20 years these countries were the destination for more than 74.41% of the Spanish whole migration flows.

Thus, both Spain and Portugal had to agree with the transitional period concerning free movement of persons (the same had taken place for Greece 5 years before). Spain had to accept two-ways transitional periods, restricting not only the free movement of Spanish residents, but free movement of EU residents to Spain as well. The argumentation of the EU Member States differed in points, but in general had the same core issue: political and economic instability in Spain and fears of mass migration of Spanish workforce into the EU.

The transitional periods were specially designed to reduce fear of mass migration and reassure the skeptics of the southern enlargement. The situation on the labour market in EU was far from perfect, so the idea was to keep away the poor workers from Spain and Portugal in order to protect the markets and give it some time to improve.

The fears appeared to be false: neither in the case of Greece, nor for Portugal and Spain. On the contrary, the net migration to Spain had increased since the implementation of the transitional period. The following table provides the dynamics of net migration to Spain from the EU Member States. We can clearly see that the number of the EU citizens in Spain has increased almost 60% for the period of mere four years:

Due to the low level of migration from Spain and absence of threats for the Single Market, the transition periods concerning free movement of persons were ended long before the expiry. The decision was made on the basis of an Article 56 of the Accession Act, which gave the EU Commission the power to end the transition period earlier. Thus, the transition period was cancelled from 1st of January 1992 (with the exception of Luxembourg) with the evaluation that the free movement of persons would not be of a reason for the worsening situation on the labour markets of the other EU Member States. 42

Just to complete the whole picture it is to be mentioned that the results achieved as the cause of accession negotiations concerning free movement of persons, though not fully satisfactory for Spain, still were abundant of various positive aspects, for instance guarantying the Spanish emigrants already resided in the EU10 Member States full social rights. There was a price to pay for the accession, but in general Spain gained more than lost.

42 Ministry of Labour and Social Affairs of Spain
3.17 Transitional periods for EU-enlargement

New member states accession to EU has intensified discussions on whether or not current EU member states should make use of the opportunity under the transitional arrangements agreed by the European Union and the new Member States from central and eastern Europe which will join the EU in 2004, enabling the existing Member States to limit movements of workers from the new Member States for a period of up to seven years after enlargement. Free movement of workers and the freedom of providing services may be restricted for the candidate countries till 2011 at the most.

Research findings done in this field indicate that a substantial number of companies will have an opportunity to bring workers from central and Eastern Europe and providing them with poorer pay and employment conditions than is normal in current EU states.

An important aspect of the EU-enlargement is the continuous liberalisation of the job- and service-sectors, which constitutes one of the four pillars of the EU’s internal market. From the point of view of the Austrian economy the combination of Austria’s economic areas with those of the candidate countries opens a large potential of chances. Nevertheless still existing differences concerning the levels of wages and prices must not be neglected as they might have a negative effect on Austrian enterprises and employees. To prevent this a transitional period of seven years for the free movement of workers as well as sensitive service branches has been negotiated. 43

Free movement of workers - basically in future all new EU-citizens have the right to pursue employment in Austria (in the whole EU) like national residents. Till the final liberalisation of the free movement of workers a three-phase-model, the so-called "2+3+2 model", has been negotiated. This basically permits the EU-member states to completely close and protects their labour market - without any restriction to specific branches - for up to seven years.

**Phase 1**: Within a transitional period of two years the national conditions in Austria remain unchanged. This means that citizens of candidate countries still require the necessary permits for employment in Austria according to the Aliens Occupation Act.

**Phase 2**: Before the end of phase 1 the old EU-member states are obliged to inform the EU-Commission whether they will keep the national measures to restrict the access to their job markets - as in phase 1 - for three further years or if they will permit free movement of workers after the end of phase 1. The Commission expects that only few Member States will continue to restrict work permits, while in other countries, people from the future Member States would be totally free to get a job. Those countries would only maintain a “safeguard”; this means that they could, in cases of unexpected disturbance on the labour market, or in some region or profession, re-introduce work permits temporarily. Such safeguards have usually been available in the past also, but were never used.

**Phase 3**: Another 3 years later the remaining Member States will be invited again to open their labour markets entirely; only if they can show serious disturbances in the labour market, or a threat of such disturbances, will they be able to say that they continue to require work permits. Member states, which can prove significant interference or menace of their job markets after these five years, are enabled to keep the restriction for two more years. But seven years after the accession at the most full freedom is effective everywhere.

43 http://www.weisslogistics.com/eng/dynframeset.htm?/eng
The freedom of service comprises the right of self-employed entrepreneurs to offer industrial, commercial and professional services in Austria without being bound to establish a head office of the firm where the service is performed. The "three-phase-model" provided for the free movement of workers is similarly valid for the freedom of service. While for the free movement of workers no differences are made with regard to branches and countries, there are some in the case of the freedom of service.  

3.18 Why transitional period?
Because they are contiguous with the applicant countries, the border regions are particularly concerned that enlargement may cause wide distortions of competition on the markets in goods, services and employment, as well as problems in connection with immigration. The union is worried that employers will take advantage of foreign labour, and thus put pressure on pay and employment conditions in member states. Particular attention must be paid to the problems of cross-border commuting and services being brought over the borders from the new member States. For the border regions therefore, transitional arrangements lasting several years with regard to the free movement of workers and services are very important. Starting from the principle of freedom of movement, appropriate transitional arrangements must be devised which are flexible and adjustable to different sectors and regions and can be monitored continuously by means of an accompanying monitoring system. To the extent that there is a general shortage of skilled labour, controlled access for workers from the applicant countries must be arranged during the pre-accession period.

The transitional arrangements set out in the accession treaty are complicated, but this is mainly because their application can be flexible. This makes it difficult to provide exact information, as each of the present Member States has to take a decision on access to its labour markets by citizens of each of the new Member States (apart from Cyprus). The Commission’s EURES system website, which provides information on job vacancies in the Member States, is a good place to start. The right to work in another Member States provides great opportunities for all European citizens. Finally, one has to keep in mind that transitional period has been put in place to ensure that migration on a massive and disruptive scale is avoided. Its role is not to prevent all movement.

3.19 Summary of this chapter and introduction to next chapter
In this chapter, theoretical framework and previous research, I have described frameworks and theories used throughout this thesis in order to form a basic for the empirical study and the analysis of the empirical data. The current situation on Swedish labour market, and theories regarding trade, investment and migration of labour has been explained. How does transitional arrangement operate, what is the Swedish attitude to transitional period, and how the attitude has been changed during the last six months are the most important topics which are discussed in this chapter.

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44 http://europa.eu.int
It has been shown that, despite widespread public anxiety concerning EU enlargement and freedom of movement, there will be a great need for immigration in many EU member states in the future. The decision to leave the home country in order to seek work abroad is influenced not only by wage differentials, but also by a number of different factors ranging from transaction costs to marital status and social involvement in the region of residence. Despite its high ideological value and status as a basic right, the freedom of movement of labour has during recent years induced only few people to migrate within the EU. While the number of students studying in other member states is steadily increasing due to the promotion of exchange programs, the rest of the working age population is reluctant to work abroad. Only young and highly skilled specialists seek their future in other EU member states.

Transitional agreement also gives the EU some extra time to promote economic growth and social improvements in the accession states. However, these changes cannot be the main argument for a restriction of the freedom of movement of labour, as major successes will most likely fail to appear in the short run. What can and has to be achieved are visible trends towards a positive development. Justified hope for a better future in a familiar social and economic environment reduces the willingness to migrate.

In next chapter, empirical research, I will present the results obtained during the interviews with respondents, which will be the basis of the next chapter, Analysis. To ease the reader’s understanding, I have classified those results will be classified in three big groups, namely, EU enlargement, free movement of labour and transitional period.
4 EMPIRICAL RESEARCH

This chapter presents the primary data that I have obtained during the interviews. The chapter is structured in the way there each big topic will be presented separately to ease the reader’s understanding of the topic.

4.1 Presentation of interviewed institutions

4.1.1 The Confederation of Swedish Enterprise (Svenskt näringsliv)

The Confederation of Swedish Enterprise (SN) represents more than 48,000 companies in Sweden with 1.5 million employees (70% of the Swedish private sector employment). These companies operate in a world that is increasingly global and interdependent and where the day-to-day life of their business is affected by rules and policies that are developed in an ever more integrated Europe.

The European Union is the most important vehicle for promoting security, prosperity for business and wealth for all people living in Europe. The EU is now actively engaged in an enlargement process, which we fully support. History has shown that the EU is not a static organization. It undergoes constant change, not least as a result of the admission of new Member States entering the Union.

The Confederation fully subscribes to the objective of promoting economic, ecological and social progress and a high level of employment and of achieving balanced and sustainable development. The appropriate level in decision-making should be identified, be it the EU, the national or the regional level. No regulations should be more far-reaching than what is needed to secure a smoothly running Union and a level playing field for all its enterprises. This will be of even greater importance when the EU is preparing itself for yet another enlargement.

Confederation’s vision is a Europe where people, goods, services and capital can move more freely, not only in the EU, but also between the EU and the rest of the world. At national level, our vision is the development of broad popular support for the value of enterprise. We want this value to be supported as widely as possible also at European level.

The Swedish business community contributed actively and successfully to Sweden’s accession to the European Union in 1995 and to making the Swedish EU Presidency in the first half of 2001 an important period for further European integration. One of the main task of the Confederation has been to give its reasoned contribution to the development of our common goals, to take an active part in European integration and to ensure that its views are heard and considered before rules and policies are established. 47

4.1.2 The Swedish Trade Union Confederation (Landsorganisationen)

The Swedish Trade Union Confederation (LO) is the central organisation for 16 affiliates, which organise workers within both the private and the public sectors. The 16 affiliates together have about 1.918.800 members of whom about 882.445 are women. The 16 affiliates

47 www.svensktnaringsliv.se
of LO have independent status, and LO is primarily an organisation for co-ordination, research and creating public opinion at central and regional levels.

Wage bargaining, labour market insurance schemes, international activities, trade union education, children’s and young people’s education, equality of the sexes and social security are some of the areas for which LO is responsible for co-ordinating. The individual affiliates have full responsibility within their industrial sectors at central, regional and local levels. They are also responsible for the administration of the unemployment insurance funds.

An important task for LO is to protect the trade union movement’s interests in relation to the Riksdag, the authorities and other organisations. LO is therefore a body to which proposed legislative measures affecting society as a whole are referred for consideration. It also has representatives on the governing bodies of various governmental authorities. LO is also obviously an interested party in matters concerning the Swedish labour market or political development as a whole.

Through the LO Districts and LO Sections, LO can effectively co-ordinate trade union efforts and effectively mould public opinion at local level.

A contact with the Social Democratic Party are frequent and LO has a representative on the party’s executive committee. LO and the Social Democratic party are two independent organisations which have common goals and common viewpoints on most questions. On the other hand, LO and the Social Democrats may sometimes hold different opinions as to the best way of achieving these goals.

Within the labour movement, there are also a number of organisations and enterprises which are close to LO, such as the educational organisations ABF (Workers’ Educational Association) and Brevskolan (Correspondence School), as well as the insurance company Folksam. 48

4.1.3 The Swedish Government (Regeringskansliet)

The Swedish Government makes decisions on a collective basis and in consensus. Accordingly, all government ministers must be given a say in the decisions reached by the Government. Although the activities of the Swedish Government Offices are divided into ministerial areas, the ministries when preparing business are to be guided by the principle that decisions are made by the Government as a whole and not by the individual minister.

The duty of the Government Offices is to assist the Government in its task of governing the realm and achieving its policy objectives. The Government heads the Government Offices but also assist in supervising the other central government agencies. This is one of the unique features of the Government Offices compared to other government agencies. Under the Swedish administrative system, the agencies otherwise enjoy relative independence from the Government in a number of respects.

Political affairs cannot always be easily compartmentalized in ministries. Many issues today transcend ministerial boundaries, and the Government Offices, as an organization naturally must adjust accordingly. This development has been accentuated by Swedish membership of

48 www.lo.se
the EU. Before Sweden joined the Union, the task of determining Swedish stances in preparation for international meetings lay primarily with the Ministry for Foreign Affairs. Today, officials from all the various ministries represent Sweden in the EU and prepare business themselves.

Sweden’s presidency of the EU Council of Ministers during the first half of 2001 placed heavy demands on the Government Offices coordinating skills, and thus provided an important test of how well the Government Offices functioned as a single, cohesive agency. While it is widely felt that the Government Offices performed well in supporting the planning and implementation of the presidency, the intensive work this involved also helped the agency to develop as such. New approaches to work – not least to cooperation – were established and many officials were given a closer insight into the mechanisms of the EU.  

**EU enlargement**

### 4.2 SN’s perspective on EU enlargement

The Confederation of Swedish Enterprise strongly supports EU enlargement. It is a contribution to the maintenance of peace and stability in Europe and a historic opportunity to unite a major part of our continent. It is also a confirmation of Central and Eastern Europe’s transition from the time of communism and a command economy to democracy and a market economy.

The EU enlargement is a priority for Sweden. The intermeshing of countries and people within the EU is a guarantee of long-term democracy, peace and security in Europe. An enlargement of the EU gives us the opportunity to build a coherent entity out of a Europe divided by world war, occupation and oppression. The Confederation of Swedish Enterprise, and hopefully Sweden as a current member state, would like to see an enlargement completed as soon as possible with as few transitional arrangements as possible.

Even though Swedish companies are already well integrated with the economies of the candidate countries through trade and investment, enlargement will bring important additional benefits to Sweden’s economy and business, above all stability, which is a precondition for favourable economic development. According to the respondent from The Confederation of Swedish Enterprise, Johnny Munkhammar, EU-analyst at the Confederation of Swedish Enterprise, enlargement will also remove the remaining obstacles to trade and investment. The internal market will acquire new customers with increasing purchasing power. Increased division of labour, specialization and competition will lead to increased productivity and lower prices. Even possibilities for using economies of scale and other efficiency gains will increase. Investment climate in candidate countries will be improved when the common legal framework is implemented and the principle of non-discrimination applied.

However, both sides have unfinished homework. In order for enlargement to be a success and for the benefits of the project to be fully reaped, a number of conditions have to be fulfilled:  
- Competition and the functioning of the internal market must not be distorted by too extensive transition periods.

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49 [www.regering.se](http://www.regering.se)
Candidate countries must not only adopt EU rules and regulations (the acquis communautaire) but also implement and enforce them to the same extent as present Member States.

Johnny Munkammar thinks that companies must adjust to a fast-changing environment in order to stay competitive. The labour markets in many Member States, however, have great difficulties in adjusting to changes in the commercial situation for companies. Labour market policies are, and should be, mainly decided at national level. Therefore, in order to create a flexible labour market, most of the necessary reforms needed to improve the functioning of labour markets will have to be made in the Member States.

4.3 **LO’s perspective on EU enlargement**

The work of preparing for enlargement was commenced two years ago in the inquiry on EU enlargement and labour mobility. After Berit Rollén's inquiry (SOU 2002:116) was completed two years ago, the question has been prepared in the Government Offices, where a number of ministries have been involved. LO has now discussed the conclusions that have emerged from this process and has taken a position on the action that Sweden should take.

LO’s point of view on the objective with EU-enlargement is to build up a united Europe living in peace, and union with a high security and free mobility within it. Because of that point of view, LO strongly supports EU-enlargement. An interviewed respondent from LO, Thord Pettersson means that by supporting the reform processes in the Central and East European countries, LO and Sweden wants to create, together with other EU countries, a European structure for peace and security. The best way to reach this goal is an economically and politically united Europe characterised by democracy, welfare, justice and respect of human rights.

Thord Pettersson thinks that the preconditions for the enlargement have changed in that most of the Member States. Today, the most of the Member States have announced that they will be introducing transitional regulations. Only Ireland and Sweden have not made any final decision whether they will introduce transitional regulations or not.

The preparatory work has also shown that enlargement may entail additional problems with regard to order on the labour market and the risk of over-exploitation of the welfare system. This has to do with both the organisation of our own systems in Sweden and regulatory frameworks as well, as EU regulations, and with the fact that major economic and social differences remain between the acceding countries and other Member States of the EU.

As mentioned above, the basic idea of the EU, and the reason that the EU was started, was for peace, and therefore, seen from LO’s point of view, enlargement of the EU is a very important issue.

4.4 **Government’s perspective on EU enlargement**

The Swedish Government has been proactive on the issue of enlargement, which is of major significance for economic and political development throughout Europe. Ever since the beginning, Sweden has given strong support to the enlargement process. Enlargement makes
it possible to unite Europe after decades of division into east and west. Everyone will benefit from a Europe that has peace, stability and growth. Efforts to join the EU and support from the Union have been important for the rapid political and economic development that has already taken place in the acceding states.

The respondent from The Swedish Government, Pontus Ringborg, the secretary on the Ministry of Industry at Swedish Government, and EU-analyst thinks that larger Union also means greater opportunities to create a safer and more secure environment for EU citizens. With more members, the EU has a better chance of solving common problems and, for example, fighting international organised crime and human trafficking. Another clear example of an area in which the enlarged EU will be more efficient is the environment. Already, enlargement has led to considerable investments into cleaning up the environment in Eastern and Central Europe. Some of the acceding states have also received support for phasing out nuclear power reactors that do not achieve acceptable safety levels.

Apart from opportunities to create a safer and more secure environment, Pontus Ringborg, emphasizes the importance of social and economic development in the new member countries, but even current members. The fact that accession countries economies are potentially able to grow by six or seven per cent per year over the next twenty years, provides an advantage for Sweden by creating greater opportunities for trade and business. The Baltic Sea states that belong to the countries in our close vicinity will become members of the EU. Through enlargement, an additional 75 million inhabitants will be included in the EU internal market, which will then form a common market for over 450 million people. Increasing numbers of products from other EU countries will gradually become accessible to Swedish consumers, all of which will comply with EU standards. Swedish employers will be given the chance to recruit staff from more countries.

Pontus Ringborg finalized the topic with statement that enlargement means that Swedish points of contact with the rest of the world will be extended. The Union's borders will shift eastward and the EU will have new neighbours. This will increase opportunities for close contact and cooperation with a greater number of countries. With more members, the EU may be able to play a more important role in foreign policy, development assistance and trade.

**Free movement of labour**

4.5 **SN´s perspective on the free movement of labour**

The principle of the free movement of persons gives the individual EU citizen the same right to take or seek employment, operate a business and work as a trainee in another Member State as the citizens of that state. But this freedom is not restricted to free movement in the labour market. It also includes the right of access to a country’s social security system when employees, the self-employed and their families move to a EU Member State.

The Confederation of Swedish Enterprise believes that proposal for not limiting the entry of workers from the new Member States, but merely having provisions that enable the authorities to monitor and control their pay and conditions, would be the best solution for Sweden, because in this way, a regulations is not contrary to Swedish policy according a question about enlargement, but on other hand, it is a “tool” to control situation and ensure stability on the market. According to SN, one of the vital parameters is to seek the inclusion
of provisions on the hiring and outsourcing of labour in all collective agreements, and to explore mechanisms for the extension of collective agreements, in order to provide foreign workers posted to Sweden with the same pay and employment conditions as Swedish employees.

It is considered that Sweden needs time to review its welfare systems to allow them to become more robust and adapted to the realities of globalisation. In addition to this, it goes without saying that the ambition is that EU enlargement should result in economic development in the acceding countries so that the differences will gradually be reduced.

Sweden takes the view that the candidate countries should be allowed to apply EU rules from the date they accede to the Union. According The Confederation of Swedish Enterprise, no transitional arrangements should be negotiated. But some of the present EU members are afraid that job seekers from the new member countries will flood into their countries and adversely affect the labour market situation there. Above-mentioned institution believes this fear of mass immigration to be unfounded. Even the fact that previous enlargements have resulted in only a minor influx of immigrants over a limited period supports the theory that The Confederation of Swedish Enterprise prolongs. The institution’s standpoint is that increased availability of labour from new member countries could help avert the labour problems anticipated in several of the present Member States when a large proportion of the workforce retires. This problem is especially of immediate interest in Sweden. Because of those reasons, free movement of labour from new member states would be seen as an opportunity, and not as a threat.

The countries of the European Union are engaged in a process of economic and monetary integration and confronted with the prospect of the Union’s enlargement to central and eastern European countries. In this context, the question of labour mobility and, more generally, that of labour market integration is taking on special importance. Some fear that, on the one hand, enlargement may lead to a large-scale migratory movement from the East to the West and that, on the other, the internal labour market may be closed to migrant workers from outside the Union.

The Confederation of Swedish Enterprise deals with this very question. The respondent from the institution recalls that free movement of labour had been perceived by the architects of the Treaty of Rome as a fundamental right within the Common Market. Yet the complexity of regulations and the difficulty of applying them, together with the evolution of needs and demand for skills, make labour mobility look more like wishful thinking than a practical reality. He emphasizes that right to free mobility in the union has not been used to the full, but not even to a satisfied level. Hopefully, the new enlargement will liven up the situation on the labour market and start a new trend of more frequent movement of labour.

According to Johnny Munkhammar, there are areas in which further work needs to be done by means of EU legislation. Promoting freedom of movement of individuals within the internal market is the principal one, and here action is needed in a number of areas:

- Transparency of qualifications and recognition of diplomas must be improved.
- Cross-border transferability of pension rights and social benefits must be secured.
- Freedom of movement from the first day of accession should be the main rule for workers from the candidate countries.
• Immigration by third-country nationals should be encouraged and be made easier by treating them as migrants from Member States.

4.6 LO’s perspective on the free movement of labour

SN’s proposal to not limit the entry of workers from the new Member States, but merely have provisions that enable the authorities to monitor and control their pay and conditions have not received support as a whole from LO in Sweden. LO has on previous occasions expressed reluctance over such arrangements because it does not want discrimination between workers from current and new EU Member States.

Thord Pettersson from LO clearly supports labour immigration provided that it is regulated and that the immigrant workers have the same pay and employment conditions as workers already established on the Swedish labour market. LO states that a more permissive situation for immigrant workers on the labour market needs strong labour legislation and protection for all workers’ rights. For example, residence permits should not end at the same time as the employment stops, and the worker in question must be given due time to look for another job. LO has never been against labour immigration to Sweden. Federation of trade unions task is not to shut of someone from the labour market. Our task is to consolidate labour position, protect labour and raise the value of being employed.

The LO’s state in the question about demand for the import of foreign labour to Sweden is that in 10 years, Sweden will experience an increasing problem in financing the welfare system and the fast growing number of pensioners. The economy will require a larger number of working hours and more workers than are currently in employment.

On account of this statement, LO in Sweden is concerned on the question how to solve the problem. According to Thord Pettersson, a possible solution to the problem is free immigration of labour from abroad. Sweden thus needs increased immigration of workers and this should be more regulated than today. The social partners should play an active role in cooperation with the state authorities, such as the National Labour Market Board (Arbetsmarknadsstyrelsen, AMS). AMS might also establish job centres in new member countries, but even outside the EU, in order to recruit labour that is demanded in Sweden.

It is not question weather foreign labour will come to Sweden or not, but how it will come. There is every reason to accept labour migration to Sweden from new member states. The Swedish Trade Union Confederation (LO) supports the idea of free movement of labour from new member states, but does not support the idea that labour from new member states work for lower wages that Swedes. LO is against any kind of discrimination. Irrespective of where somebody is born, how someone looks like, everyone who lives and works in Sweden will work for a “Swedish” salary, working environment and rules of working hours. The most important for LO is to have uniform rules in the Swedish labour market so that the same rights and duties apply to everybody working in Sweden.
4.7 Government’s perspective on the free movement of labour

The Swedish Government’s essential opinion is that labour from CEECs will have the same rights to free movement as citizens from current EU members, and all people who live and work in Sweden will have same rights.

According to Pontus Ringborg, the Government will decide to implement a number of measures aimed, in the long term, at paving the way for the free movement of labour throughout the Union. Among other things, a more in-depth inquiry into the welfare system will be conducted. In addition, amendments to the legislation are under preparation with regard to unemployed people's access to social benefits. He believes that it is of high priority that Government makes a decision on the introduction of temporary regulations so that we can maintain order on the labour market and prevent the misuse and over-exploitation of the welfare system.

What kind of decisions it is question about?

First of all, Government needs to make decision about work permits. Those will be required for entry into and employment in Sweden. To be granted a work permit, full-time employment on a normal Swedish salary/collective agreement pay rate will be required, i.e., a salary on which it is possible to support oneself in Sweden. A review of the control and use of the F-tax card will be undertaken. In addition, measures will be taken to guarantee terms of employment, so that workers from the acceding countries will not be discriminated or exploited.

During the enlargement negotiations, the Swedish Government expressed its intention for free movement of employees from the acceding states to apply from the date of accession. The Swedish government is debating now whether to maintain a work permit requirement for immigrants from the 10 east European countries set to join the European Union on May 1.

As situation is now, Swedish Government foresees large problems if we don't protect ourselves, especially considering the social commitment that we have in Sweden. Swedish Government is aware of the fact that it is in stark contrast to guarantees Prime minister, Göran Persson, made to several of the east European states before they agreed to enter the EU that their citizens would have the same access to the Swedish labour market as those from the 15 existing EU members. What Swedish Government is afraid of, is the fact that immigrants from the new EU countries could take advantage of Sweden's generous welfare system. Pontus Ringborg means that even the fact that all EU countries except Ireland, are considering introducing strict immigration restrictions on the new members had also confirm the government’s resolution. Given the design of current regulations, the free movement of labour allows people access to the entire Swedish welfare system, irrespective of whether or not they intend to seek employment by which to support themselves. In addition, EU regulations mean that family members not resident in Sweden are also entitled to social benefits.

Transitional period

4.8 SN’s perspective on transitional period in Sweden

One of the most important issues that have been discussed in the accession negotiations is freedom of movement of workers. In the view of the Confederation of Swedish Enterprise,
transition periods in this area are not only unnecessary, but also harmful. The basic rule in the
enlargement process is that the acquis communautaire (the EU as it is) is to be fully applied
by new and old Member States from the first day of membership. This also applies to the
freedom of movement of workers, which is one of the four freedoms of the internal market.

All exceptions from the basic rule of direct and full application of the acquis communautaire
must be based on well-founded reasons. Unfounded fears must not lead to unjustified and
wrongful policies. The Confederation of Swedish Enterprise therefore regrets the agreements
that have been reached about transition periods for up to seven years for workers from new
Member States seeking employment. Present Member States should declare, as many have
already done, that their intention is not to apply these restrictions.

According to Johnny Munkhammar, transition rules are just as wrong now as earlier. SN
expresses reluctance over such arrangements because it does not want discrimination between
workers from current and new EU Member States. We should welcome everyone who wants
to work in Sweden and contribute to our wealth. This trend automatically opens a great
number of opportunities for Swedes to establish enterprises abroad and benefit in that way.

SN believes that the argument about “Social tourism” introduced by Swedish Prime minister,
Göran Persson, is absolutely not an argument for introduction of transitional period. Swedish
labour market is not going to work in more proper way only if during some period block out
workers from some EU-countries. We have to understand that we live in an open world and
environment. Those changes in legislation, which has been genuine during the last period,
should have been that without EU-enlargement. Far from it, SN’s statement is that free
movement of people within EU will partly solve problems that already exist on the Swedish
labour market. With increased legal opportunities to find a work, the interest in working on
the black and grey market will decrease.

4.9 LO’s perspective on transitional period in Sweden

Thord Pettersson discarded the argument that LO wants to avoid transition rules for free
mobility, but he is afraid that those are necessary in order to prevent wage dumping in the EU
member states. LO hopes that free mobility of persons within EU will not lead to wage
dumping and illegal immigration of workers. The fact that supports this theory is if a citizen
of a EU member state comes to Sweden to apply for a job in accordance with the EU rules for
free mobility, he/she shall also be covered by the collective agreements and labour legislation,
which Swedish citizens benefit from. In this way, it will not be possible to dump wages. The
enlargement must be facilitated both practically and politically. Free mobility shall equally
apply to all citizens. Theoretically, LO is against any transition rules. Everybody shall have
the same rights and obligations. EU must not be divided into an A and B team. Our primary
goal is that all people who come to live and work in Sweden will have the same life and
working conditions, no matter if he/she is Pole or Swedes or the British. In order to fulfil
those goals, some rules on the Swedish labour market have to be changed.

The EU candidate countries must have the possibility to benefit from the four freedoms when
becoming members. The Government wants to introduce transition rules in order to avoid
misuse of the social security system, but they are not the solution to labour market problems.
The candidate countries will not, with justice, conceive themselves as first-rate members if
special transition rules are called for - in which exemption is made for the right to free mobility for the work force. For obvious reasons, this does also decrease the citizens' interest in the EU membership.

**4.10 Government's perspective on transitional period in Sweden**

Sweden's position has always been to safeguard the fundamental EU principles concerning freedom of movement and to liberalise our national regime from the very beginning. In the unlikely event of this leading to the risk of serious problems, the Government has reserved the right to take appropriate action.

The Government’s ambition is that the transition period should be as short as possible. Within two years, the Government will report back to the Parliament (Riksdag) on this issue. This is why the communication also contains a programme of action to prepare for completely free movement.

Swedish government has until now rejected a thoughts about transitional period for citizens from CEECs. In those days, Swedish premier, Göran Persson (Social democrats), has made a statement that it exists a risk for a wave of “social tourism”, which possibly could affects Sweden in the way that workers from new member countries are going to abuse the Swedish security system. Because of this, Swedish government is contemplating to introduce rules that are designed to stop such an abuse. It has been discussed that only full-time workers will have right to benefits from security system, and residence permit will be appropriated for only one year at a time, during the first period after enlargement.

The Socialist Left Party rejects those signals from premier, and has an opinion that the situation about abusing Swedish security system after EU enlargement is exaggerated and seriously wrong. There is absolutely no reason to suspect that citizens from new CEECs would tend to abuse the system to a larger extent than Swedish or other EU citizens. It can come up an initiative to change a legislation relating to this question. Purpose of those changes are to improve the rules on Swedish labour market, which means that labour from abroad can not be used to work for lower wages and with worse conditions. To change legislation is better and more functional action, than introduction of transitional period, which is a clean discrimination of labour from new members.

Pontus Ringborg means that workers from all over the new EU are entitled to come to work here. Like LO thinks, even Swedish Government’s main purpose with transitional period is that people who comes to Sweden for living and working will not be discriminated. Because of this reason, Sweden will make demand on people who are coming to Sweden. The most important claims that are worth to mention are that the job should be a proper one with pay meeting the terms of a Swedish collective agreement. There must be a formal job offer. Housing should have been arranged prior to entry. If there is any doubt about the seriousness of an employer, it will be possible to control the payment of taxes and social contributions. These are rules that will enable us to prevent people from the new Member States from being exploited on the labour market.
4.11 **EU enlargement and labour mobility as an opportunity**

One of the interviewed respondents announced that institution which he is representing looks upon labour immigration as an important way of increasing tax income and meeting a growing demand for more workers in Sweden. Short-term employment and residence (e.g. seasonal work) could increase after the introduction of free movement and EU-enlargement. There is a demand for temporary foreign workers in the Sweden and whole EU. Swedish economies need more flexible labour to cope with seasonal demand. Such vacancies, for which Swedish citizens are difficult to recruit, correspond roughly with the profile and motives of many CEE emigrants. According to him, it is important to emphasize that East-West migration is very circular. Many CEE citizens stay in Western Europe only briefly, to supplement in the family budget, earn money for university tuition, or purchase expensive consumer goods - and intend to migrate again in the future. Temporary employment therefore seems to suit both ends of the migratory chain perfectly. CEE citizens improve their incomes, and Swedish economies obtain sufficient labour to do work for which is difficult to recruit domestic labour.

It is known already today that Swedish labour market indicates a great need of migrants in the future. The average age in the EU will increase with the time, while the age group 0 to 25 years is going to decline, the number of retired people will grow significantly. These changes will affect the labour markets in Sweden. Given the intensity of the demographic trends, particularly after 2005, Sweden could find itself in a situation of contracting and rapidly ageing labour force.

In order to prevent a collapse of its social security systems and to maintain positive growth rates, Sweden needs higher activity rates as well as more labour migration. In this context it is important for politicians and the media to prepare the public for social and cultural changes that will accompany this development. There may be many different cultures living and working side by side in one European region. To introduce transitional period and not allow persons who wants to work, is the same as to swim thirsty in the water.

4.12 **EU enlargement and labour mobility as a threat**

The perception that EU enlargement and the freedom of movement of labour poses a threat to current EU member states is probably most widespread in Austria and Germany, but, to some extent, even in Sweden as well. Although countries like Spain or Ireland are afraid of losing financial support as a result of the accession, Sweden has more concrete fears, like being overrun by CEEC migrants.

Some authorities opinion is that EU enlargement is too expensive and it will cost the current EU member states the ‘astronomical’ sum of 80 billion euro (**Neue Kronen Zeitung**, 2000). All interviewed respondents assert that the criticisms of the price that has to be paid for EU enlargement must be contrasted with the fact that it is impossible to express, in financial terms, the gains accruing from accession. Of course there are calculations of future trade and markets, but superior and more important ‘goods’ like peace, stability or security are priceless, especially in present when the word terrorist is one of the most common words in the media.
Respondents from SN and LO emphasize the possibility that public anxiety about EU enlargement can be partly traced back to negative experiences with illicit work and wage dumping by foreign companies. Existing, but certainly not systematic, contravention and misuse of social security systems also influence public opinion.

Another important point that the respondent from LO emphasizes is that for nearly the whole of the twentieth century ‘the East’ has been described as an enemy “the West”. Hence East Europeans were labeled with negative attributes. The old ideological borders, and the idea of the East as undesirable and evil, still dominate the perceptions of many people. At the same time foreigners and everything foreign is often met with suspicion, which reflects social prejudices towards many migrants and members of minorities. It exists the fear of conservatives that migrants will not integrate themselves into society, but will either maintain their own culture or even exert a negative influence on the culture of their new country of residence.

The respondent from SN does not think that it is a serious problem. First of all, workers from acceding countries will come to Sweden for the purpose of working here. The most of them are going to return to their native countries when their contracts have expired. Those who decide to stay and live in Sweden are often those people who got married with a Swedish partner. Automatically, it means that those persons have already adapted to Swedish way of living and mentality, otherwise they would not decide to stay and live here in Sweden.

4.13 Summary of this chapter and introduction to next chapter

In this chapter, Empirical research, I have presented results and data obtained during the interviews with respondents. Those results will be used as a basis for analysis and conclusions. For easily understanding of the chapter, I have classified data obtained through interviews in three main groups, namely, EU enlargement; free movement of labour and transitional period.

In next chapter, Analyses, the data gathered in this chapter is analysed and applied into the context of migration from East to West, and impact of migration on Swedish labour market.
5 ANALYSIS

In this chapter, I present the analysis of the collected data. Important thing that has to be emphasized is that I analyze interviewed actor’s ideas and conceptions, together with standpoints on the topic. The aim of the analysis is to answer the research questions and fulfill the purpose of the thesis. The analysis is structured in accordance with the different parts that have been dealt in theoretical framework, and empirical research.

5.1 East-West migration

As I have mentioned before in the work, previous introductions of free movement have shown that migration flows under this EU provision are regulated more by trends on the demand than on the supply side of the labour market. The introduction of free movement for applying CEECs will therefore enable massive East-West migration only if sufficient employment opportunities are available for CEE citizens in West European member states.

Some sectors of the labour market (e.g. agriculture, construction, and the service sectors) need short-term, and often, unskilled labour. Short-term employment and residence (e.g. seasonal work) could increase after the introduction of free movement. There is a demand for temporary foreign workers in Sweden and the EU. West European economies need more flexible labour to cope with seasonal demand. Such vacancies, for which West European citizens are difficult to recruit, correspond roughly with the profile and motives of many CEE emigrants. East-West migration is very circular. Many CEE citizens stay in Western Europe only briefly – to supplement in the family budget, earn money for university tuition, or purchase expensive consumer goods - and intend to migrate again in the future. Temporary employment therefore seems to suit both ends of the migratory chain perfectly: CEE citizens improve their incomes, and West European economies obtain sufficient labour to do work for which no West European citizens are available under the social and employment conditions offered.

Despite the fact that the labour markets are far from being balanced, there is growing reluctance on the part of EU nationals to work in other member states. One reason for this may be that the theory underestimates the ‘value of immobility’ for individuals as well as the risks and obstacles of migration. Another reason is the increasing convergence with regard to incomes and wages within the EU, which reduces people’s willingness to move to other member states. In addition the choice to migrate is based on the individual assessment of the transaction costs, which does not exclusively follow economic logic but also personal interests, as described above.

5.2 Will migrants from the East swamp Swedish and EU labour markets?

The question that is of high relevance for Sweden when we are talking about EU-enlargement is if migrants from the East will swamp Swedish labour market. This trend is difficult to quantify. In many cases short-term or seasonal employment in the construction, agriculture, and service sectors of EU and Swedish labour markets is covert, because regular employment of CEE citizens is precluded by the immigration restrictions in many West European countries. Following the future accession of CEE states, the abolition of immigration
restrictions will enable more widespread regular short-term employment of CEE workers. Since the introduction of free movement means that CEE citizens have to be employed under the same conditions as domestic workers and will make these "cheap" workers more expensive. Especially in Sweden, where the collective agreement and federations of trade union play an important part on labour market, it is going to be really difficult, but not impossible, for Swedish employer to exploit CEE workers and force them to work for a lower salary than salary which home labour will work for. The course of events will depend on the legal employment conditions offered in the Swedish, and West European labour markets. Since seasonal work is dominated by flexible employment contracts, and in some EU countries (e.g. the Federal Republic of Germany) no social benefit payments are required for employment lasting less than 50 days (E. Hönekopp, 1996: 102), West European employers might continue to benefit from short-term East-West labour immigration under the terms of free movement.

The introduction of free movement for workers following the enlargement of the EU to the East may entail an intensification of migration processes. This change will certainly not be as significant as certain German, Austrian and Swedish authors fear. Changes in Poland’s demographic structure will help to limit emigration from Poland, as a number of people in the youngest age groups – those most inclined to emigrate – declines. The fact that the overwhelming majority of the unemployed in Poland are people with very low professional qualifications means that their chances of finding permanent employment in the EU, and hence also their willingness to leave the country, are very small. Particular attention should also be paid to Poland’s persistently high economic growth figures and the very encouraging forecasts in this area. These factors are leading to a steady increase in Poles’ standard of living, which significantly limits their inclination to seek employment abroad.

The history of the European Union itself suggests that migration will not intensify. The dire prophesies of some French and German authors that one of the negative consequences of the creation of EEC would be a ‘flood’ of Italian immigrants never came true. The fears of massive influx of Portuguese and Spanish workers following the accession of Spain and Portugal also turned out to be unfounded. Moreover it should be noted that the long transition period imposed on these two countries in 1986 was not at all necessary. The fears of the ‘old’ Member States were never realized. It even turned out, with the benefit of hindsight, that the influx of workers from the ‘old’ Member States to the Iberian Peninsula outweighed the movement in the other direction.

5.3 Where do fears of massive labour migration come from?
It should be analysed where all fears of massive flows of cheap labour force from the East, that are, according to many scientists and politicians, going to follow the eastern enlargement, come from. These fears do not have any rational grounds neither in dynamics nor in the level of unemployment in EU Member States. The two mentioned factors are different within the EU itself though cannot be looked at as the reason of labour flows on the EU labour market, neither they provide any correlation with the intensity of labour flows from abroad.

The reason should be looked for elsewhere: the society in many EU Member States cannot absorb the differences (mainly cultural and historic backgrounds) represented by immigrants as it did in the 1960s.
The recent experience has been marked by the huge recruitment of labour force by many Western European countries. Sweden had been importing workers from Southern Europe, Turkey, Africa and East Asia up to the 1970’s. The arrival of the millionth immigrant was celebrated as a national holiday, however when the number of foreign workers reached some relatively high level, various tensions (including extremists’ attacks and verbal abuses) started to arise. Apart from that hundreds of thousands of foreigners found themselves in Sweden on humanitarian reasons (asylum seekers, those suffering from various conflicts and catastrophes etc.) during the 1980s and 1990s. All these have brought about certain internal destabilization of the societies and on various occasions xenophobic attitude to the foreigners. The same situation could be observed in Germany, Austria, France, Benelux countries and all around the present EU. There was a clear signal to the politicians in EU: the electorare was not indifferent to the problem of migration and emigrants anymore, it desired some radical measures to be introduced.

All this is valid for the free movement of workers from the CEE countries: these people are regarded as the potential threat, though the reasons to do so are rather emotional than those supported by facts. Thus it is a very intense tension and pressure on the politicians to introduce the transition periods. To my mind, economic arguments cannot be the proof of the views of the public opinion within the EU Member States that free movement of labour, if allowed, would overflow the EU labour market and bring about various problems and tensions.

5.4 Can the West cope with labour migration from the East?

Labour migration from the East equals to some 0,1% of the population (which is 1/3 of the immigration rate into the USA) should be quite manageable. But it is essential that the numbers are controlled. They could cause genuine unemployment if they are allowed to surge, especially at times of economic recession. And, if that happens, they will be a major source of social tensions. But controlled admission to the West of well-educated fellow Europeans should not become a source of tensions. It can only be achieved in a non-racist way by an immigration policy based on skill, and it needs to be accompanied by strong measures to control illegal immigration. But imposing unbreakable restrictions and banning the citizens of CEE countries to move into the EU in a search for job is shameful.

Due to the soon-to-be accession of the Central and Eastern European countries into the European Union, many current EU Member States, among them Sweden, but, particularly Germany and Austria, have expressed the fear that if workers in these countries are granted freedom of movement, a wave of immigration would be expected which could place excessive demands on the labour market.

Economically motivated migration depends to a large extent on differences in the level of prosperity between countries. As Europe has become more integrated such differences have become less marked. However, there are still considerable differences between the Central and Eastern European countries and the EU. These factors might encourage a decision to migrate; if someone has to look for a new job in any case, he or she might likely to consider a job abroad as well.
Although the overall impact of enlargement on the EU15 labour market should be limited, recent researches suggest that in some Member States or regions there will be sizeable increases in migration. Surveys show the marked preference for temporary stays abroad rather than for permanent migration. Some Member States are likely to be more affected than others, mostly on account of geographical proximity to candidate countries. In particular, against a background of generally increased economic opportunity, border-related labour movements such as commuting and the cross-border provision of services may grow significantly in both directions. As well as geographic differences, sectored differences may be worth mentioning. It is however difficult to assess with any certainty such potential sectored differences. Many sectors in both the EU and in candidate countries will benefit from increased cross-border labour movements. Sectors where the supply of certain specialist staff (such as the IT sector) on the national market cannot meet the demand may experience particular benefits. Industries with a high labour-intensity and low technology content could potentially be more exposed to competition, in particular in border regions, but the effects on labour movements are very difficult to predict.

5.5 Political reasons for transitional migration restrictions

The real reason for the introduction of transitional migration restrictions is rarely mentioned in public: to ensure support for EU enlargement and to avoid right-wing parties gaining votes as a result of increasing fears about unlimited migration flows from the east. In this respect transitional agreements are a good instrument. Firstly they give the accession states a clear prospect of when they will gain the freedom of movement of labour. Secondly they allow individual member states to impose restrictions on labour migration (e.g. in the case of Austria and Germany) or to open their labour markets earlier than the rest of the EU if they perceive no danger for their labour markets (e.g. in the case of Ireland or Portugal). In this way political double standards can even be maintained, as for example the German government can on the one hand issue as many work permits as necessary to satisfy the demands of the labour markets and, on the other hand, still claim that the migration flows are under control, which will be essential for the national elections in 2002. Bearing in mind the unemployment figures in Germany, unrestricted access of CEEC nationals to the EU labour markets would have been difficult to explain to the public - despite all scientific studies. On the other hand, a total restriction would have led to political difficulties with the candidate countries, higher rates of illicit employment and a further decrease in the workforce in many member states.

5.6 Assessment of transitional agreements as a political option

The real reason for the introduction of transitional migration restrictions is rarely mentioned in public:

- To ensure support for EU enlargement and to avoid right-wing parties gaining votes as a result of increasing fears about unlimited migration flows from the east (the case of Austria and France when ultra-nationalists came to the power).

In this respect transitional agreements are a good instrument. Firstly they give the accession states a clear prospect of when they will gain the freedom of movement of labour. Secondly they allow individual member states to impose restrictions on labour migration (e.g. in the case of Austria and Germany) or to open their labour markets earlier than the rest of the EU if
they perceive no danger for their labour markets (e.g. in the case of Ireland or Sweden). In this way political double standards can even be maintained. Countries that introduce transitional period can on the one hand issue as many work permits as necessary to satisfy the demands of the labour markets and, on the other hand, still claim that the migration flows are under control. Bearing in mind the unemployment figures in many EU states, unrestricted access of CEEC nationals to the EU labour markets would have been difficult to explain to the public - despite all scientific studies. On the other hand, a total restriction would have led to political difficulties with the candidate countries, higher rates of illicit employment and a further decrease in the workforce in many member states.

Transitional agreement also gives the EU some extra time to promote economic growth and social improvements in the accession states. What can and has to be achieved are visible trends towards a positive development. Justified hope for a better future in a familiar social and economic environment reduces the willingness to migrate.

Last but not least, the transition period, should be used by politicians, the media, social actors and education institutions to prepare the public in the current EU member states – especially in Germany and Austria – for higher immigration and multiculturalism. This is more important than ever after the terrorist attacks on the United States of America and the increasing suspiciousness towards everything foreign and unknown. With regard to public opinion one advantage of transitional agreements could be that in many EU countries the labour force is set to decline from 2010 onwards, which would coincide with the expiry of the mobility restrictions. A more relaxed or even improved labour market situation could help to increase the acceptance of labour migrants within the European member states.

According to the previous experiences of the EU with the introduction of free movement, in the transition period between the Portuguese accession and the free movement of workers, Portuguese workers simply moved within the EU under the arrangements for contract workers. Likewise, citizens of several CEECs already have the right to move as self-employed persons in the EU under the present association regime. In other words, EU employers have adopted new kinds of employment relations, which the Central and East European citizens see as one of the few ways to move into the EU area legally. Therefore, East-West migration regulated by these legal arrangements will become or is already becoming a significant trend.

Those simple examples are just to clarify that introduction of transitional period in Sweden will not have bigger effects. Conditions which transitional period provides can be evaded in different ways, and main goal of having transitional period will not be achieved, namely to protect and support labour from acceding countries.

5.7 Labour market and effects of immigration in Sweden

Qualms are often expressed that immigration will lead to lower wages and higher unemployment for the native population. These concerns are especially evident in many European countries, where unemployment rates are higher and the proportion of long-term unemployment is greater than in any CEE countries. In theory, the labour market impact of immigration depends on how is the skills of immigrants compare with native-born citizens in the host country. One should expect that the wage and income of the migrating factor - traditionally thought to be unskilled labour - and of others with which it competes will rise in
the source country and fall in the destination country. The distributional impacts are more complex when other factors of production are included in the analysis, such as between skilled labour and capital.

To talk about Sweden and effects of current immigration on employment and wages for immigrants and native-born Swedes is a difficult issue, because there is no quality of data that can be used. The reason for this is that Sweden has not so many immigrants that are here for working and living. The majority of immigrants that live in Sweden are refuges and people that are living here because of humanitarian reasons.

It is even difficult to analyze possible consequences or effects of immigration from CEE countries, because we do not know with precision the size and nature of these effects, since, apart from differences in skill, they also depend on the level of immigrants, their timing, their settlement patterns, as well as the characteristics of migrants, such as sex, age, country of origin and legal status. Moreover, the effects are likely to vary over time as immigrants acquire new skills and experience in the local labour market. Nonetheless, many studies suggest that there is no obvious relationship between immigration and unemployment.

In the case of Sweden, there is a clear situation that in some sectors, the needs of international labour is acute. Many studies have shown that international migration has contributed towards human capital formation by influencing natives’ accumulation of knowledge. Therefore immigrants have not only been an important source of labour supply but also significant contributors in introducing innovative and dynamic new elements in the field of science and medicine. However, some sectors are adversely affected by immigration than others and therefore in recent years the effects of migration on the employment of natives have become a serious and contentious subject of debate in Sweden. These effects vary, not only by sector and occupation, but also by country and type of migration. For instance, it has been argued that immigration in sectors that employ relatively low skilled workers causes negative wage and employment effects. The reason for that argument is the fact that Sweden has received a lot of immigrants because of humanitarian reasons, which usually are low skilled and non-educated workers. A lot of empirical studies have shown that these effects are very small.

The main result of the empirical analysis is that there is no strong evidence of large adverse effects of immigration on employment or wages of existing workers. In this respect, my findings are consistent with empirical results from international research. There is some weak evidence of negative effects on employment but these are small and for most groups of the population it is impossible to reject the absence of any effect with the data used here.

I have drawn attention to many weaknesses in the available data and conceptual problems in the empirical analysis all of which should urge caution before drawing strong conclusions. Nonetheless it seems to be fair to conclude that on current evidence fear of large and negative employment and wage effects on the resident population are not easily justifiable. The perception that immigrants take away jobs from the existing population, thus contributing to large increases in unemployment, or that immigrants depress wages of existing workers, do not find confirmation in the analysis of data laid out in this report.

In the debate concerning the possible effects on the Swedish labour markets of the enlargement of the EU it is important to keep in mind the larger perspective. The enlargement
is first of all a magnificent political project, which is aimed at ensuring peace in Europe and at developing democracy and human rights.

In the light of the present and future shortages of labour on the Swedish labour markets, the unfilled demand is mainly for persons with an educational background as engineers, doctors, nurses and teachers. Although there are indications that a large proportion of those wishing to emigrate have some form of further education, the specific areas just mentioned are difficult to enter as foreigners due to requirements for authorization of well-developed language skills. Unless a special effort is made, there is a risk that immigration will be dominated by unskilled labour, which is easier to integrate on the labour market. On the other hand, a situation where migration is dominated by educated labour, there would be a risk of criticism for “brain-drain” from the new Member States.

Another cause for conflict will be the effects of migration on unemployment and wages on Swedish labour market. If immigration has a high content of unskilled labour, which is already the group hit hardest by unemployment in Sweden, there is a potential for conflict between the immigrants and the Swedish workers and their organisations. There will be several aspects of such a conflict:

• Immigrated labour can crowd out Swedish workers from specific jobs, for instance within construction or farming. This risk has hitherto been limited by the fact that immigrants from Eastern Europe mostly have been offered seasonal occupation, where it was impossible to find local labour (for instance as fruit pickers), but this situation will chance in the case of more widespread and unrestricted immigration.
• Furthermore, the immigrants will be conceived as undercutting wages if they accept jobs that are paid less than normal wages as defined by the collective agreements or informal norms on the local labour market. This risk is amplified by the fact that wage earners from Eastern Europe have none or little experience with trade unions, industrial relations and collective agreements.
• To the extent that the immigrant labour only stays for a shorter period of time or commutes between the home country and the EU countries, such problems will be reinforced by the lack of social integration and weak language skills.
• If the migrant labour gains rights to social welfare provisions further political conflicts may arise.

These issues can be summarized as a negative scenario, where immigration from the new Member States is dominated by unskilled labour, which take up low-wage jobs on the Swedish labour markets. Due to their weak attachment to the host country, they will be conceived as strangers, as undercutting wages and as a threat to the Swedish model of the welfare state.

There is therefore a need to elaborate strategies to offset such problematic and turn the situation into a positive scenario, where the opening of the labour markets around the Baltic Sea contributes to economic growth and social and political stability both for the EU countries and the new Member States. At the same time one must again emphasize that the strength of the forces influencing migration between the EU countries and the new Member States to a large degree will depend on the economic development in Eastern Europe, including the positive effects from enlargement, the contribution from the structural funds and the expected increase in investments in the new Member States.
5.8 **Effects in Sweden of opening the Borders to Labour from the Candidate Countries**

Trade between the EU and the candidate countries increased in the 1990s. When these join the Union, a further liberalization of trade can be expected. However, trade exchange with the applicants is at present fairly modest in most EU states, including Sweden. The anticipated increase in trade, therefore, will start from a comparatively low level. Even if trade and investment increase as a result of enlargement, this will have relatively little effect on Sweden, and even EU as the whole, at least in the short term. But for the candidate countries themselves, a greater volume of trade and investment will have a considerable impact almost immediately. Welfare throughout the enlarged EU is likely to increase as the market grows and new members emerge as trading partners, even if the effects will not be particularly noticeable for the present members.

A larger EU will also mean economic gains in the environmental field as the candidate countries will be obliged to adapt to the EU more stringent environment protection rules. But enlargement will also have some less beneficial effects in this field, such as an increased strain on the environment as a likely result of economic growth.

For Sweden, the long-term welfare gains due to enlargement will be relatively small, the interviewed respondents predict. But as Sweden is located close to a number of the candidate countries, the economic gains may be greater than the average for the EU.

Favorable economic development is also expected to make Sweden and whole Europe a more stable and secure place to live in. There is every sign that a high material standard of living is an important basis for a stable democracy.

By and large, an influx of immigrant labour could be said to benefit a country’s public finances. Those who move to another country to find work are usually young and single. They belong to a category that tends to pay taxes and take scant advantage of the new country’s social insurance system. This is the way that Sweden has to think, because our life is in a global and enlarged union. To think in the way that people from CEE countries will come to use our social insurance system, instead of working here, is completely contradictory to reality.

Achieving more and better jobs depends not least on more flexible labour markets, better productivity and improved conditions for entrepreneurship. Companies have to adapt their work continuously in order to meet new demands. Regulations, however, tend to remain rigid and do not support enterprise as well as they should. Member states, in particular, should improve this situation.

What Sweden, as a current EU member, and Swedish enterprise has to puts a stress on, is an importance to create a growing and flexible labour market. According to the article written by Confederation of Swedish enterprise in March 2003, Speed up the Lisbon process 50, a primer way to achieve it, is to encourage free movement of labour between Sweden and the new

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50 www.svenskttnaringsliv.se
member states, not least through cross-border transferability of pension rights and social benefits. This should also be the case for workers from EU candidate countries from the first day of their accession, as well as for third-country nationals. A more flexible labour market in general must be promoted, including making it easier for companies to find people with the right skills.

To achieve those goals, the importance lies on education and training programs. Increase investments in research and higher education and training, especially in the fields of science and engineering, and provide stronger incentives to enter higher education by promoting wider wage differential.

5.9 Effects of immigration on unemployment

EU exports to the CEE-10 are concentrated in goods with a relatively high content of physical capital and requiring highly skilled labour, while exports from the candidate countries are based on (unskilled) labour-intensive goods. The import penetration of the CEE-10 in the EU markets is stronger in sectors like clothing and footwear, while the EU experiences a large trade-surplus vis-à-vis the CEE-10 in physical and human capital-intensive industries such as communication equipment, computers and motor vehicles.

There are at least two good reasons to believe that further trade integration will not, by itself, significantly affect relative wages and employment even in the EU countries most involved in trade with the CEE-10.

- Actual and projected trade volumes are just too small to affect prices in open economies. Both EU exports to the CEE-10 and EU-imports from the accession candidate account for, at most, 1 per cent of the GDP of the European Union. Because of this, wage and employment effects of further trade integration are bound to be negligible.

- The CEE countries are not specialized in the same quality segments of markets as producers in the EU. Under these circumstances, all factors of production should benefit from trade, leaving relative wages of skilled and unskilled workers unaffected.

All this does not rule out the possibility of wage and employment losses involving unskilled workers in well-defined sectors and regions. Although the magnitudes are small, trade flows are likely to be concentrated in specific EU areas because of transport costs. In addition, due to the low mobility of workers in the EU, these regionally concentrated trade flows may locally harm the position of unskilled workers. Three quarters of trade between the EU and the CEE-10 is indeed concentrated in the EU countries immediately bordering the accession candidate, that is, Austria, Germany, Greece, Italy and Finland. Moreover, within these countries, trade turnover is concentrated in the border regions. If an impact of trade on wages and employment will be felt at all in the EU, this will occur precisely in these regions. Probability that wages and employment will be felt in Sweden estimates to be very small.

Overall, the impact of trade on employment and wages is likely to be confined to the EU countries geographically closest to the CEE-10, and to be, in any event, concentrated in the bordering regions of these countries. Although the benefits from trade integration will be
significant, there will be some losers in these bordering regions, notably among the unskilled workers operating in the sectors, which have so far been sheltered from the competition of low-cost labour from the CEE-10, e.g., construction, transport and textiles.

Another decisive factor in determining the volume of labour immigration is the extent to which the labour market is regulated by collective agreements and labour law. Given the present set-up, it does not seem likely that labour migration from the candidate countries will be very great. If the minimum wage were to be abolished, immigrant labour would find it easier to compete by working for less pay. This might possibly lead to a downward wage trend in the host country. It does not exist a big risk that this will happen in Sweden, because Swedish labour market is regulated by collective agreements, and in this field, Swedish labour market is one of the best protected markets in whole EU. Those worst affected by competition over wages would primarily be low-educated workers with simple tasks, a situation that could consolidate income gaps in society. On the other hand, this kind of downward pressure on wages might lead to demands from the country’s employees for the labour market to be regulated.

However, it is not labour market regulation alone that is holding back labour immigration. Sweden, for instance, is a technologically advanced country with a relatively high level of education and a steadily declining demand for traditional industrial workers. The situation is the same in several of the EU countries. With skills in greater demand, bringing untrained immigrant labour into the production process is not as easy as it used to be. There is a risk that the principle of free movement of persons may thus lead to certain groups of job-seekers moving from one jobless situation to another.

5.10 Effects of immigration on wages

Given that there will be migration from East to West, what will be the likely effects of such a change?

First, migration will decrease labour supply and unemployment in the source country. If the capital stock is given, that will mean higher capital-labour ratio and eventually also higher real wages in source countries. In Western countries the effect will be the opposite: migration will slow the rate of increase of capital-labour ratio and real incomes. However, since West is much larger than East, the negative income effect will in relative terms be much lower in West than the positive income effect in East.

The migration is not likely to have a uniform effect on the Swedish labour market. It is usual that immigrant workers start their careers in low-skilled jobs. Theoretically, this means that migration will increase the supply of low- or unskilled labour in West, which in turn will cause a downward pressure on the relative wage of that group. If lower relative wages will be reflected in lower relative prices in labour-intensive goods, the skilled labour in West will benefit. It is highly unlikely that immigration effects from CEE countries will be felt on wages in Sweden, because of low expected migration potential to Sweden. As past experience has shown, only a relatively small fraction of the workforce may be expected to migrate, even given large differences in incomes and wages. It is important to notice that empirical research
on the impact of migration upon inter-regional and inter-industry wage differentials has found
only very moderate effects on wages and employment.

Large gap in wages between EU Members and CEE countries is associated with only a small
geographical distance. Outsourcing may affect wages and employment in certain sectors and
regions of the EU, first of all in Germany and Austria. In view of the large gap in wages and
rather small geographical distances, the economic incentives for migration are high, but there
are others, beyond the existing legal restrictions for labour mobility between the CEECs and
present EU Members, social and cultural barriers, which underlie labour migration.

I conclude the analysis with some sentences that all three interviewed actors agree with.

There is a need to elaborate strategies to offset such problematic and turn the situation into a
positive scenario, where the opening of the labour markets around the Baltic Sea contributes
to economic growth and social and political stability both for the EU countries and the new
Member States. At the same time one must again emphasize that the strength of the forces
influencing migration between the EU and the new Member States to a large degree will
depend on the economic development in Eastern Europe, including the positive effects from
enlargement, the contribution from the structural funds and the expected increase in
investments in the new Member States.

5.11 Summary of this chapter and introduction to next chapter

In this chapter, Analysis, I have presented the analysis of the collected data. The analysis is
build upon respondent’s ideas and conceptions, together with standpoints on the topic. As a
result of the data obtained through interviews, I have stated two areas that have been
analysed, namely, migration from East to West, and impact of Eastern migration on Swedish
labour market. I have constantly tried to answer research questions and fulfil the purpose that
I have stated in the beginning of the chapter one.

The general development of the EU labour markets indicates a great need of migrants in the
future. While the age group 0 to 25 years is going to decline, the number of retired people will
grow significantly. These changes will affect the labour markets in many European regions.
In Sweden the working age population has already decreased, but even further declines are
predicted. Given the intensity of the demographic trends, particularly after 2005, Sweden
could find itself in a situation of contracting and rapidly ageing labour force. In order to
prevent a collapse of its social security systems and to maintain positive growth rates, the EU
needs higher activity rates as well as more labour migration. In this context it is important for
politicians and the media to prepare the public for social and cultural changes that will
accompany this development. There may be many different cultures living and working side
by side in one European region. The task of schools, universities and institutions of further
education is to prepare the society for multilingualism and multiculturalism, directly linked to
migrations. Mutual understanding will help to remove political and economic barriers and
create common cultural ground in the run-up to the enlargement.

Swedish labour market, in spite of how inelastic it may be, has a strong demand for low-
qualified labour under any level of unemployment. Even if the CEECs migration potential had
been fully used, it would never be able to satisfy this demand. Neither disparity in GDP per
capita, unemployment, nor other economic differences between the CEE countries and the EU may create grounds for the implementation of the transitional periods. This causality has been many times proved theoretically, empirically and during the previous EU enlargements.

In next chapter, Conclusions, I will present the conclusions that are derived from the analysis and answer the problem statement and fulfill the purpose with the thesis. Conclusions are devided into four parts, Sweden, EU and Enlargement; Labour Mobility in EU; Migration and Transitional Period, for easily understanding and better overview.
6 CONCLUSIONS

In this chapter, I present a conclusion based on the analysis, in order to answer research questions and fulfill the purpose.

SWEDEN, EU AND ENLARGEMENT

Enlargement will also bring new challenges, as it will be the largest enlargement round in the European history. The EU is likely to attract migrants from its neighbour countries and will have to develop with them ways of planning for legal migration while combating illegal migration and trafficking in human beings. Many EU countries, in particular Germany and Austria, want stable, secure and prosperous neighbours on their Eastern borders. But the policy of shutting the door cannot be viewed as a solution. In order to reduce (supply-push) migration from CEEC, the EU has to promote economic and social development in those countries.

At a starting point Europe must acknowledge that migration has been an integral part of the past, present and future development of Europe. Migration is neither a new phenomenon in Europe nor does it represent the historical exception. Spatial mobility has been a characteristic of Western societies ever since the beginning of the industrial revolution.

Swedish, but even many European, politicians have finally understood that as the Swedish and European population grows older and birth rates are very low, migration has become a necessity. Moreover migration can bring not only economic but also cultural benefits as it leads to cultural enrichment.

The Swedish Government has been proactive on the issue of enlargement, which is of major significance for economic and political development throughout Europe. Sweden's position has always been to safeguard the fundamental EU principles concerning freedom of movement and to liberalise our national regime from the very beginning. In view of enlargement, European and national policies should give priority to economic growth and real convergence between old and new member states; that means a high overall rate of growth for EU-25, with even higher rates if possible for the new members. Over the longer term, this will reduce the social and economic gap, and create extra growth in the old members through the dynamism of the new ones.

Market-driven labour migration through the free movement of persons in the common market is a factor for growth. Sweden and present member states should open their markets for labour supply from new member states as soon as they can do so.

LABOUR MOBILITY IN EU

The countries of the European Union are engaged in a process of economic and monetary integration and confronted with the prospect of the Union’s enlargement to central and eastern European countries. In this context, the question of labour mobility and, more generally, that of labour market integration is taking on special importance. Some fear that, on the one hand, enlargement may lead to a large-scale migratory movement from the East to the West and that, on the other, the internal labour market may be closed to migrant workers from outside the Union.
Free movement of labour had been perceived by the architects of the Treaty of Rome as a fundamental right within the Common Market. Yet the complexity of regulations and the difficulty of applying them, together with the evolution of needs and demand for skills, make labour mobility look more like wishful thinking than a practical reality.

MIGRATION

Migration in Europe is a reality. After North America, Europe now constitutes the most important area of international migration. It seems therefore useful to compare the European and American experiences, in searching for an international model for coping with migration. Within Europe there have always been big migrations. However the scale and diversity of today’s migrations in Europe have exceeded any previous expectations. Therefore migration has become an important subject of public attention in all member nations.

The presence of unemployment is not an argument against immigration. Past immigration experience has had no obvious impact on native unemployment. In fact, migration might even be beneficial for the economy and for employment in the European Union, to the extent that it acts as a surrogate for more flexibility. But it is not a substitute, and if net gains are to be realized, it is also important to ensure that labour and product markets work smoothly.

TRANSITIONAL ARRANGEMENTS

There are undoubtedly going to be workers from the Central and Eastern European countries who will seek employment in the EU, yet their numbers will remain manageable. It will also be profitable for the accession states themselves to prevent the possible exodus of skilled workers to the core EU. The issue of illegal workers cannot be coped with merely by the introduction of a transitional period. These periods implemented with regard to the free movement of labour are therefore unnecessary, though likely to be introduced due to the domestic considerations in Germany and Austria. It is no secret that the transitional period is mainly aimed for Polish and Czech workers, but would also affect workers from all accession countries, especially the smaller ones, like Estonia and Slovenia, which are of no “danger” at all.

It is hard to declare that free movement of workers in current EU has resulted in flood of Swedish labour market with people from current EU member states who are here to use Swedish social and security system. If poor Greek or Portuguese have not come to Sweden in purpose to use our system, why should Czech or Estonian do that?

Even the fact that Sweden is going to meet a shortage of labour in soon future, tells that it is very likely that people from CEE countries who want to move to Sweden has a big opportunities to find a job here. If so is the case, why should than the same Czech or Estonian, who wants and has opportunity to work here, choose to live on the support from Swedish government. Even if support, which he/she receives here is higher than one in Czech Republic and Estonia, the living costs are much higher in Sweden than in those mentioned countries.

We need a labour here in Sweden. We have a unique chance to create a competitive advantage against other countries in Europe, which has same kind of problem as we will have. Welfare has to be sheltered from the improper use, but to protect it through the restrictions on free
movement between equal member states and people who want to live, work, pay taxes in our country is not a proper way.

We in Europe are in such position today there it is of huge importance to send a proper signals to other countries which will help us to build a strong and united Europe. To make it real, we have to give a real chance to our neighbours and together with them build that kind of Europe that everybody wants.

The introduction of the transitional periods may prolong the process of levelling life-levels, technological and economic growth, infrastructure, cultural and social standards within the enlarged EU. It also means sending the political signal to the accession countries who would be turned into second-class members, deprived of one of the most vital freedoms of the Single Market.

The accession of Spain and Portugal five years later was not marked by the mass migration of workers. Of course, many workers were leaving their home countries in a search for a job in the core EU, but my point is that the scale of such migration was acceptable for the EU Member States and did not present any threat to their labour markets. It should not be forgotten that I am not trying to prove that no migration of workers took place at all, I just proclaim, basing my statements on reliable data and information sources, that no mass, catastrophic, chaotic and uncontrolled stream of migration raised then and will not likely arise after Czech republic, Estonia, Hungary, Poland and Slovenia are in the EU.

With a regard to all these, expected labour inflows, if they are to become reality, might occur to other direction – into the new Member states from the core EU. The unprecedented development, the investment and employment opportunities might paradoxically attract citizens of current EU states to search for work in the CEECs. This process will undoubtly undermine the whole basis of transitional periods as well as rise new political and social debate about the freedom of labour migration within the European Union.

Last but not least, politicians, the media, social actors and education institutions to prepare the public in the current EU member states – especially in Germany and Austria – for higher immigration and multiculturalism should use the last period before the accession of the CEECs, as well as the transition period. This is more important than ever after all speeches about terrorism and the increasing suspiciousness towards everything foreign and unknown. The time that is coming will show us if we in Sweden will with success or with shyness handle a word foreign and unknown.
7 FURTHER RESEARCH

The results of the present study indicate avenues for further empirical and methodological developments in order to provide relevant and high quality research. The following relevant influence factors on migration could be further researched:

- A more in-depth analysis of the unemployment effect on migration by analyzing past experience with unemployment, its frequency and duration.
- A more in-depth analysis of the effect on wages and unemployment caused by migration by analyzing past experienced EU enlargement.
- Considering the importance of the number of children and of the family structure for migration. This has limitations due to the high proportion of single people within the group of potential migrants.
- Researching how international trade of countries or clustered groups of countries have changed after accession to the EU. Example on the clusters that can be studied are:
  - the Baltic States;
  - Bulgaria and Romania;
  - Poland, Czech Republic, Slovakia and Hungary;
  - Malta, Cyprus and Slovenia.
- Research and analyze the reasons for migration contra non-migration.
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APPENDIX

Glossary

*Acquis communautaire*: The entire body of EU regulations, statutes, rights, obligations, principles and standards that bind together the Member States. Countries wishing to join the EU must accept the Community *acquis* in its entirety.

*Agenda 2000*: The EU’s reform programme presaging enlargement of the Union to encompass Central and Eastern Europe. Presented by the Commission in 1997 and adopted in 1999. Its central features are proposed changes in the EU’s structural funds and agricultural policy and its draft proposals for a long-term budget.

*Amsterdam Treaty*: The EU’s latest constitutional law, which entered into force on 1 May 1999 after being approved by the national parliaments of all Member States. Contains amendments to the Treaties that provide the framework for the Union.

*Association agreements*: In this context: agreements between the EU and the candidate countries aimed at boosting free trade and encouraging cooperation in a number of different fields. In the case of the candidate countries in Central and Eastern Europe, these are called Europe Agreements. See this term.

*Candidate country*: A country that has applied for and is moving towards accession to the EU and whose application has been approved by the EU.

*Copenhagen Criteria*: The political, economic and administrative conditions that the candidate countries must fulfil in order to join the EU.

*Council of the European Union/Council of Ministers* (a k a the Council) is the European Union’s principal decision-making body. It brings together ministers responsible for the business in hand: environmental protection, agriculture or whatever.

*Deepening/enhanced co-operation (or ‘flexible integration’)*: Allowing a group of EU countries to press ahead in a particular field even if not all the Member States join in – a course of action already provided for in the latest EU Treaty, but some countries want to make it easier to initiate this form of ‘flexible integration’. An rule that is binding upon the the goals to be achieved and when. The countries may decide for themselves how each goal is to be achieved. Ordinances, on the other hand, become law throughout the EU as soon as they enter into force.

**EC or EU?** European cooperation began in the European Community (EC), which focused on such areas as the Single Market. In 1993, the European Union (EU) was set up and cooperation was extended to include a joint foreign and security policy as well as cooperation in the police and penal law sectors. But joint legislation is only to be found within the EC.

**EEA**: The European Economic Area, comprising the 15 EU Member States plus Iceland, Norway and Liechtenstein.

**Europe Agreements**: Association agreements between the EU and all candidate countries of Central and Eastern Europe. These agreements cover things like free trade, economic cooperation, technical aid and cooperation in the educational field. The first Europe Agreements were concluded in 1991 but did not enter into force until 1994.

**European Commission**: The EU’s largest institution. The Commission has exclusive responsibility for proposing new laws and regulations for the EU and also has supervisory, implemental and administrative powers.

**European Council**: Comprises EU heads of state and government, who hold summit meetings at least twice a year to draw up the Community’s political guidelines.
European Parliament: The EU’s only popularly elected institution. The Parliament it has gradually acquired greater powers and is now responsible for legislative decision-making in most fields together with the Council of Ministers.

EU presidency: The EU Member States take it turns to preside over the Council of Ministers and lead work in the EU for six months at a time.

Flexible integration: see Deepening/enhanced co-operation.


Directive: A rule that is binding upon the Member States as regards

Intergovernmental Conference: Talks between the governments of the Member States on how European cooperation should be developed and changed. Also applies to bilateral negotiations between the EU Member States and each of the candidate countries.

Ispa: The EU programme for supporting structural change in the transport and environment fields in the Central and Eastern European candidate countries.

Partnership for accession: A framework for collaboration between the EU and the individual candidate country over things like the requisite preparations and how EU aid is to be channelled.

Phare: The EU’s aid programme for the ten Central and Eastern European candidate countries and for Albania, Macedonia and Bosnia-Herzegovina. As of 2001 only the candidate countries will be parties to the programme.

Progress reports: The Commission’s regular assessment of the extent to which the candidate countries have progressed with their preparations for EU membership and of what progress may be expected in the future.

Protectionism: In this context, a system of protective tariffs benefiting a country’s own production.

Qualified majority: means that 62 votes out of 87 are required in the Council of Ministers for a decision to be adopted. Distribution of votes in the Council: France, Germany, Italy and the UK 10 votes each; Spain 8 votes; Belgium, Greece, the Netherlands and Portugal 5; Austria and Sweden 4; Denmark, Ireland and Finland 3; Luxembourg 2.

Sapard: The EU programme for aid to agriculture and rural development in the candidate countries of Central and Eastern Europe.

Structural funds: The part of the EU budget that goes to regional and structural aid aimed at levelling out social and economic differences between regions in the Union.

Treaty: EU constitutional laws in the form of agreements between the governments of Member States. The Community Treaty contains the fundamental rules that provide the framework for more detailed joint regulations drawn up by the EU body.

Twinning: Cooperation between administrative bodies and authorities in the EU Member States and the candidate countries aimed at building up the latter’s public institutions and administrations. Experts from the EU countries take part in projects in the candidate countries.

World Trade Organization, WTO: An international trade body with 138 member countries (September 2000).
**Transitional Arrangements**

FREE MOVEMENT OF WORKERS TO AND FROM THE NEW MEMBER STATES – HOW WILL IT WORK IN PRACTICE?

a) Will I be able to work in a present Member State as from 1 May 2004?
For the first two years following the accession of the new Member States, access to the labour markets of the present Member States will depend on the national law and policy of those States, as well as the bilateral agreements they may have with the new Member States. Some Member States have indicated that they intend to fully open their labour markets to workers from all the new Member States. Other present Member States intend to allow more restrictive access, which will differ depending on the new Member State in question. In practical terms, this means that you are likely to need a work permit during the period the present Member States apply national measures.

b) What happens in 2006?
At the end of the first two years following accession, the Commission will draft a report, on the basis of which the Council will review the functioning of the transitional arrangements. In addition, each of the present Member States must make a formal notification to the Commission whether they intend to continue with national law measures for a maximum of three more years (in which case you will still need a work permit) or whether they will apply the Community law regime of full free movement of workers (meaning that you can go and work freely there).

c) When will I be able to work freely in the present Member States?
In principle, five years after the accession, the transitional arrangements should end. There is, however, a possibility for a present Member State to ask the Commission for authorization to continue to apply national measures for a further two years but only if it experiences serious disturbances on its labour market (or the threat thereof). The transitional arrangements cannot extend beyond an absolute maximum of seven years.

d) Will I need a work permit once free movement applies?
Once national law restrictions are ended and free movement of workers applies, the present Member States are not allowed to require a work permit from you as a condition of access to the labour market. However, they may still issue work permits to workers from the new Member States, provided these are only for monitoring and statistical purposes.

e) Can the present Member States re-impose restrictions ("safeguard clause")?
If a present Member State has stopped applying national measures and full free movement of workers under Community law applies, it can ask to be authorised to reimpose restrictions, if it undergoes serious problems on its labour market, or there is a threat of this. The Commission must decide what sort of restrictions can be imposed, and for how long. Any Member State can then ask the Council to annul or amend the Commission’s decisions, and this must be agreed by a qualified majority. Although "safeguard clauses" have featured in every accession Treaty, they have never been invoked.

f) Will I be discriminated against in the labour market?
Discrimination on grounds of nationality is forbidden. In terms of access to jobs, the Member States must give workers from the new Member States priority over workers from third countries. Some jobs in the public sector can be restricted to nationals of the host Member State.
g) If I am not a worker – do I also face restrictions?
It is important to note that these transitional arrangements only apply to workers – not to the free provision of services nor to the freedom of establishment, students, pensioners, tourists etc (with a limited exception for service providers which will be explained later). In addition, there are no transitional arrangements with respect to Cyprus and Malta, except for a safeguard clause for the latter.

3. What if I am already working in one of the present Member States?
If you are legally working in a present Member State at the date of accession and have a work permit or authorisation for 12 months or longer, you will have direct access to the labour market of that Member State, but not automatically to the labour markets of other present Member States which are applying national measures during the transitional arrangements. If you go to a present Member State after the date of accession and have permission to work there for 12 months or over you will have the same rights. But if you voluntarily leave the labour market of the host Member State, you will lose the right of access to the labour market of that State until the transitional arrangement has expired.

4. What about my family members?
Family members of a worker from a new Member State who at the date of accession was legally admitted to the labour market of a present Member State for 12 months or more, will have immediate access to the labour market of that Member State. If the family joins the worker after the date of accession, they will have access to the labour market of that Member State once they have been resident for 18 months or from the third year following the accession, which ever is earlier. “Family members” here means the spouse of the worker and their children who are under the age of 21, or are dependant.

5. What is the "standstill clause"?
This means that the present Member States cannot make access to their labour markets by workers from the new Member States more restrictive than it was at the date of signature of the accession Treaty, 16 April 2003. So if one of the present Member States has a quota of workers from one of the new Member States which is set out in a bilateral agreement dating from 2003 or earlier, then it cannot go below that quota.

6. Will I be able to go and work in one of the other new Member States?
If any one of the present Member States continues to apply national measures rather than free movement under Community law, then the new Member States may use the "safeguard clause" to impose restrictions on workers from other new Member States if they have disturbances on their labour market (see paragraph 2(e) above). If you are a national of one of the present Member States, there are no automatic restrictions on your right to move to one of the new Member States to work. However, if your Member State imposes restrictions on the nationals of one of the new Member States, then that new Member State may impose equivalent restrictions on workers from your Member State.

7. What if I work for a company that provides services in Austria or Germany?
In relation to Austria and Germany, a specific "safeguard clause" exists under which they may limit the ability of companies based in the new Member States to provide services involving the temporary movement of workers. However, this only applies to a limited list of sectors, for example construction and industrial cleaning, and may only be invoked if there are serious disturbances in the service sectors in question, and only during the period when Austria and Germany apply national measures under the transitional arrangements. The procedure is the same as for the main safeguard clause explained in paragraph 2(e) above.

8. What social security rights will I have?
The Community system for co-ordination of social security schemes for people who move around the Community (contained in Regulations 1408/71 and 574/72) will apply from the
date of accession. So none of your contributions should be lost, and you would normally be covered by the social security system of the Member State in which you work.

## Key employment indicators EU15, EU25 and Sweden

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### Key employment indicators European Union of 15 Member States (EU15)

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