Six Years after EU Enlargement:
Austria and Its Eastern Neighbours

Labour Market Issues

Michael A Landesmann

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Six Years after EU Enlargement: Austria and Its Eastern Neighbours, Labour Markets

Topics:

- **Characteristic of this presentation**

- **Labour market effects through a variety of channels of (East-West) economic integration**

- **Focus on migration**

- **Based on three studies in which wiiw participated: Alvarez-Plata/Bruecker et al (2008), Huber et al (2009), Landesmann et al (2010)**

- **Focus on skill composition of migrants and impacts on performance**

Basic argument:

East-West integration meant for Austria a strong push factor in the direction of changing international specialisation (e.g. tradable services), cross-border production integration and fragmentation processes.

All these processes were skill-demanding

Austria's migrant stock was historically (comparatively) low-skill intensive; this has inherent tendency to persevere (e.g. family reunion)

East-West integration would have facilitated a significant change in migrants' skill composition
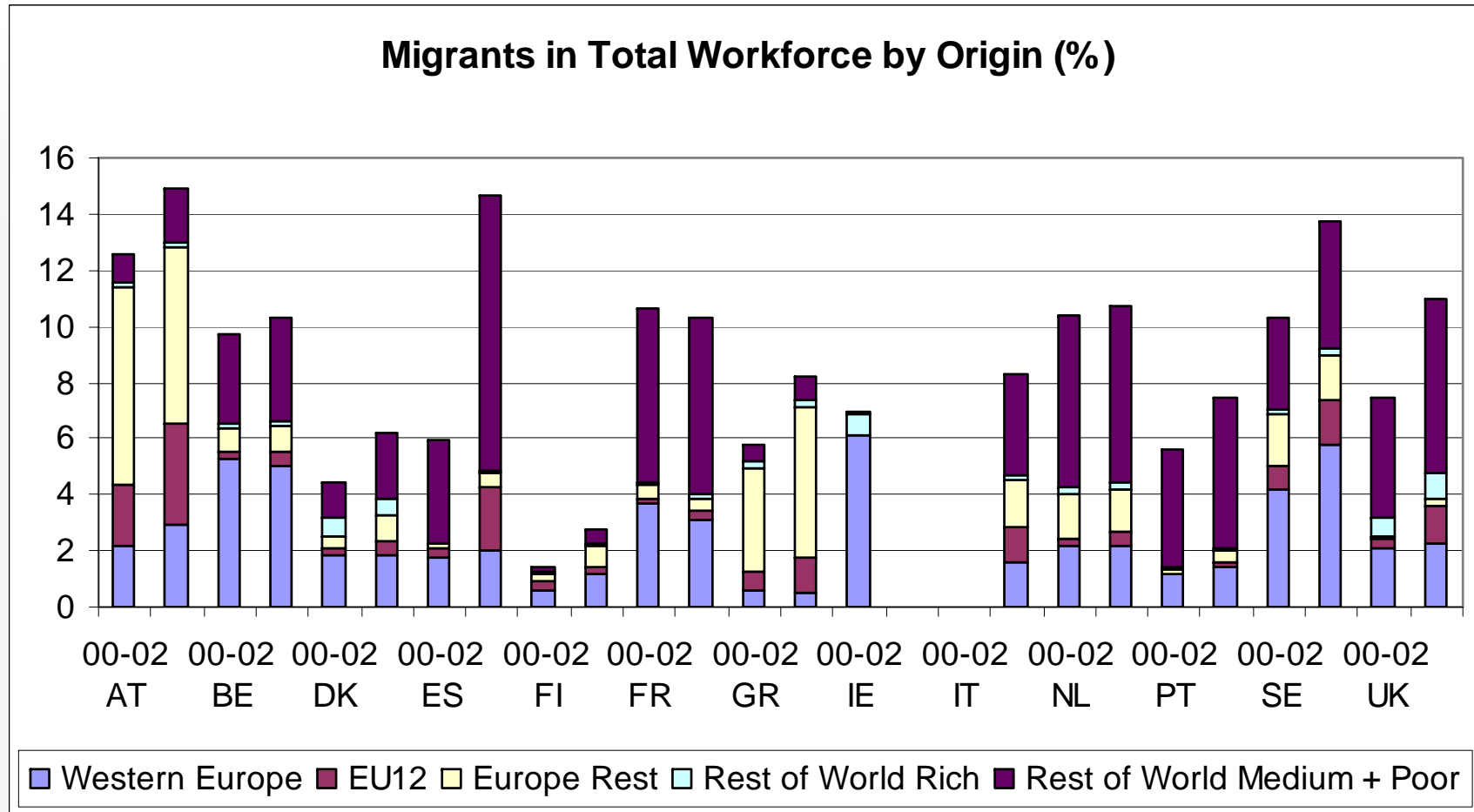
Opportunity was not sufficiently used; also unfavourable labour market and integration settings for migrants' skill use and skill acquisition
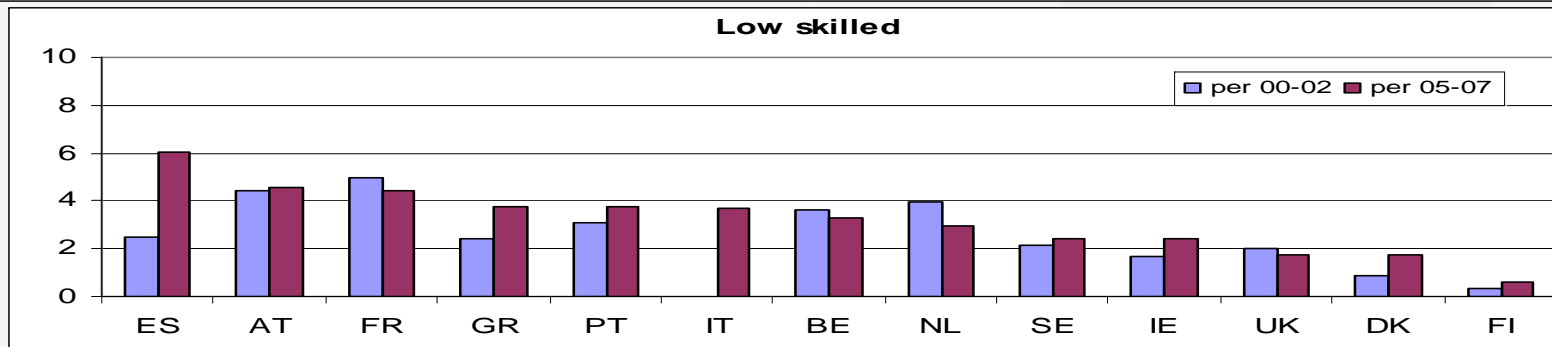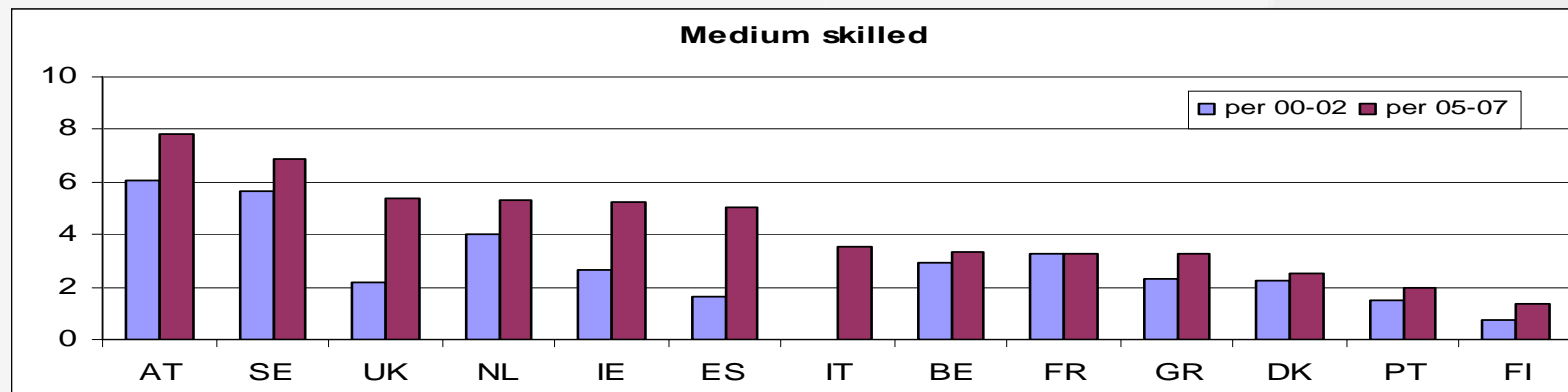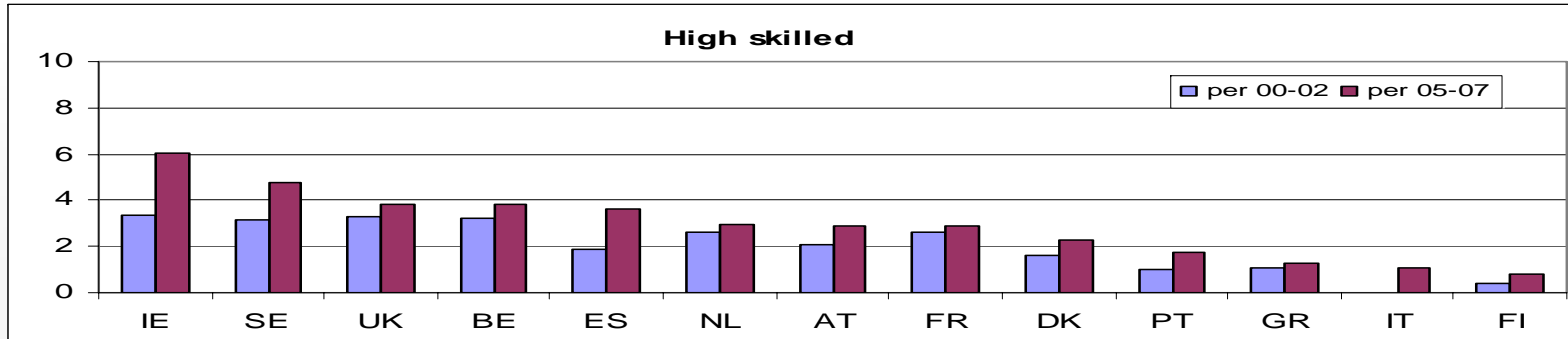
Let us look at the evidence

Migrants (‚Foreign Born') in Total Workforce (%)
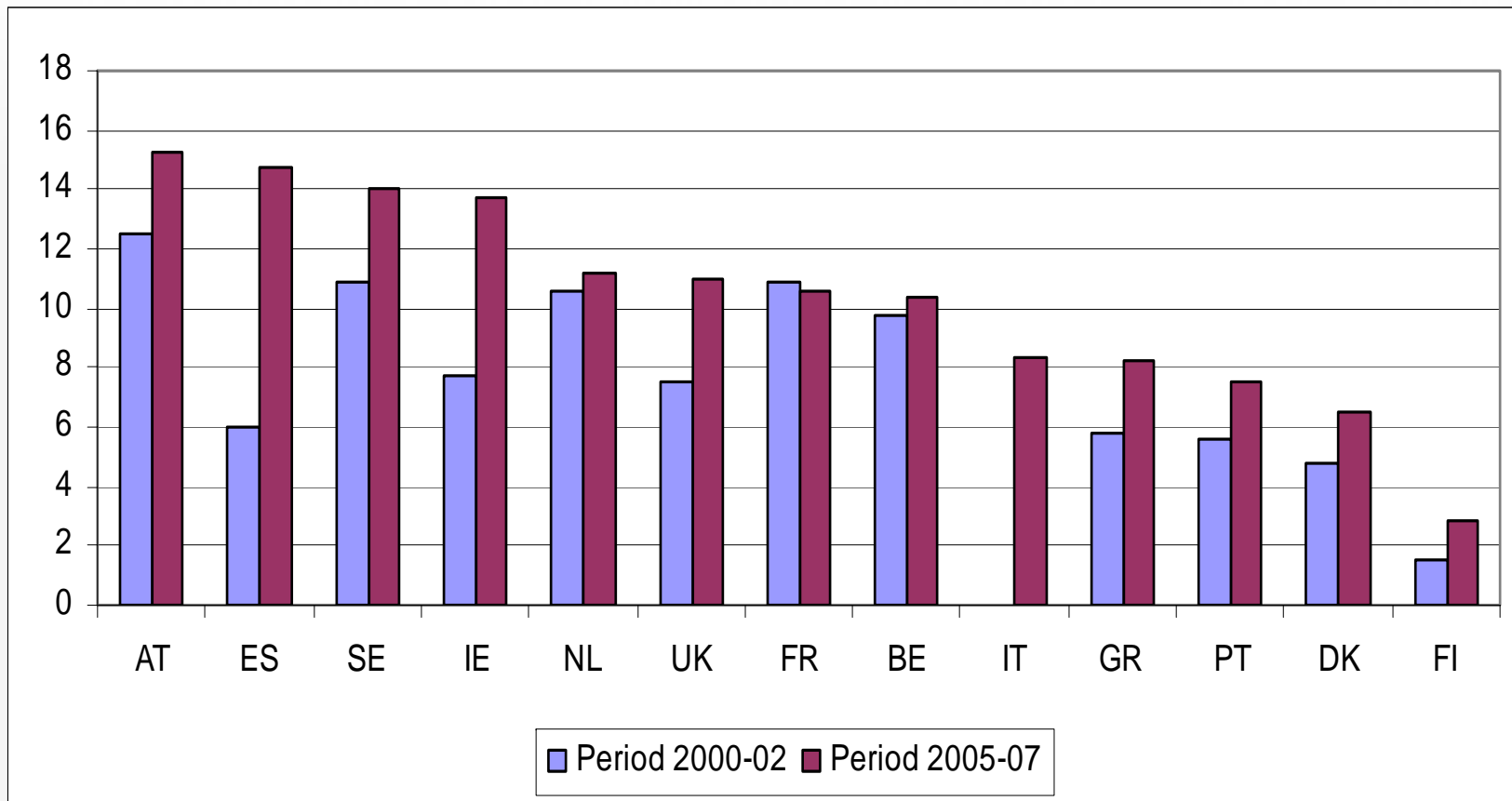
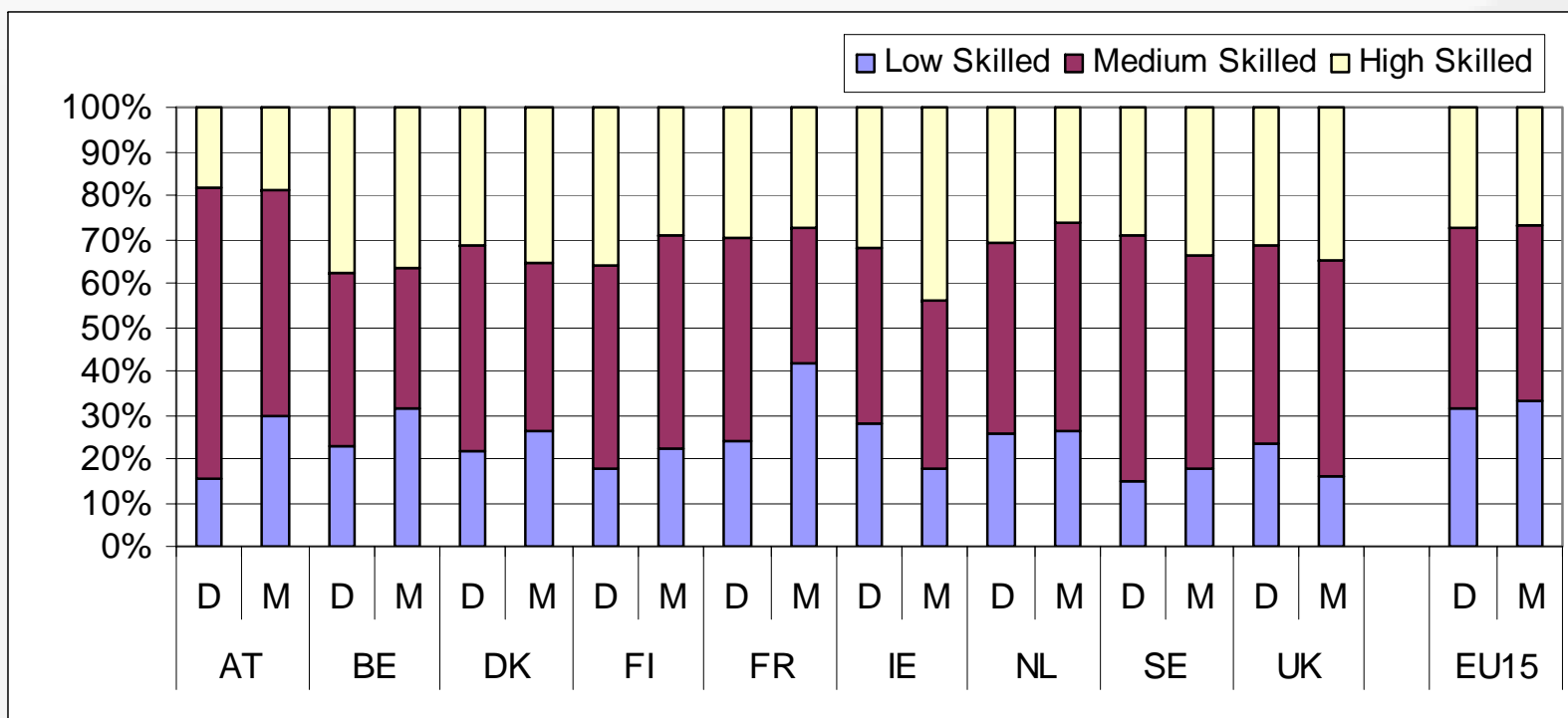# Migrants in total workforces by origin (%)

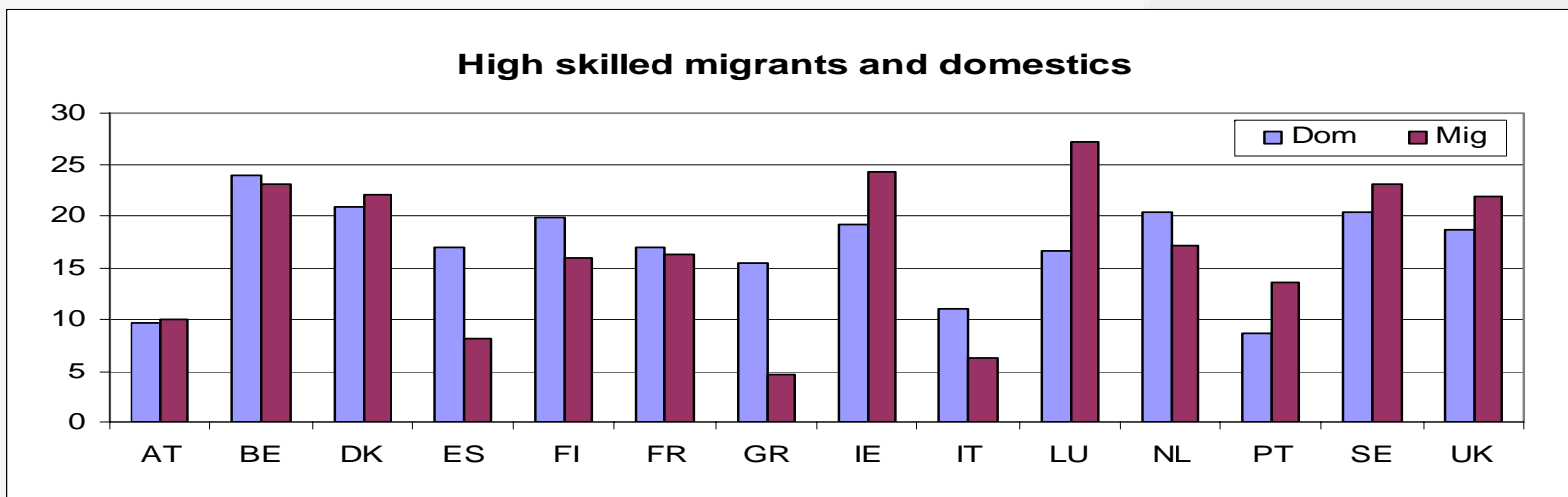Migrants in Total Workforce by Origin (%)

Migrants skill groups in the workforces (%)

Skill Composition of Migrants and of Domestic Workers by Country (%), 2005-07

Employment shares in high skill industries (%)

Migrants and domestics

Legend: Dom, Mig

(Values by country: AT, BE, DK, ES, FI, FR, GR, IE, IT, LU, NL, PT, SE, UK; y-axis 0 to 60)

High skilled migrants and domestics

Legend: Dom, Mig

(Values by country: AT, BE, DK, ES, FI, FR, GR, IE, IT, LU, NL, PT, SE, UK; y-axis 0 to 30)

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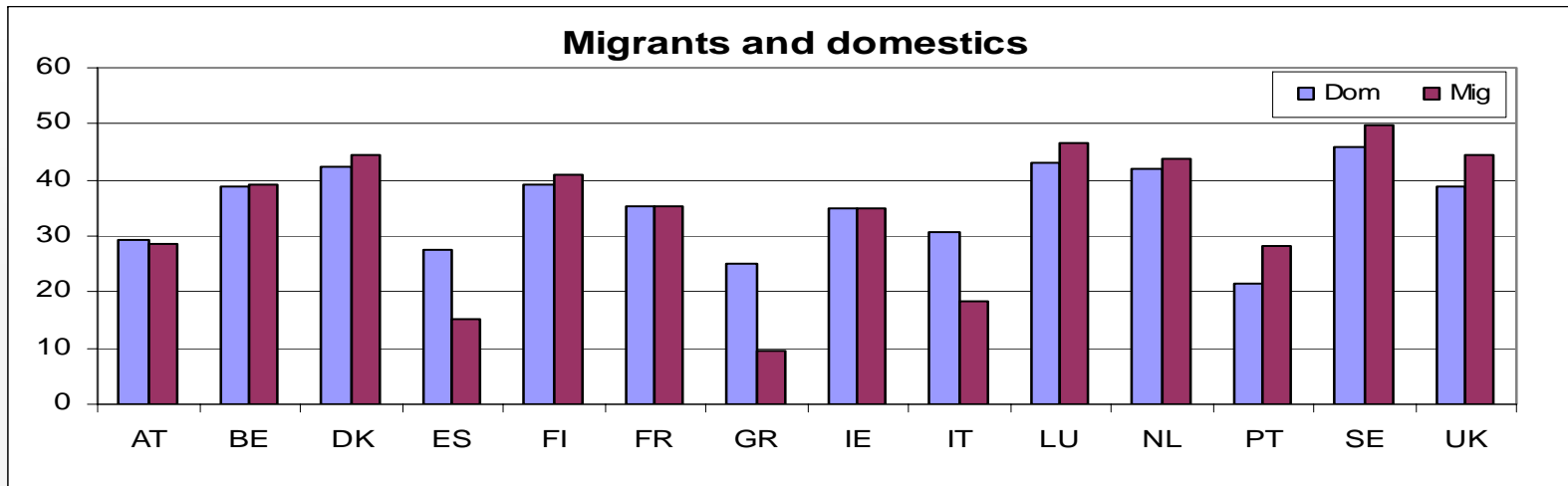
Industry allocations of high skill migrants and of high skill domestics (%)
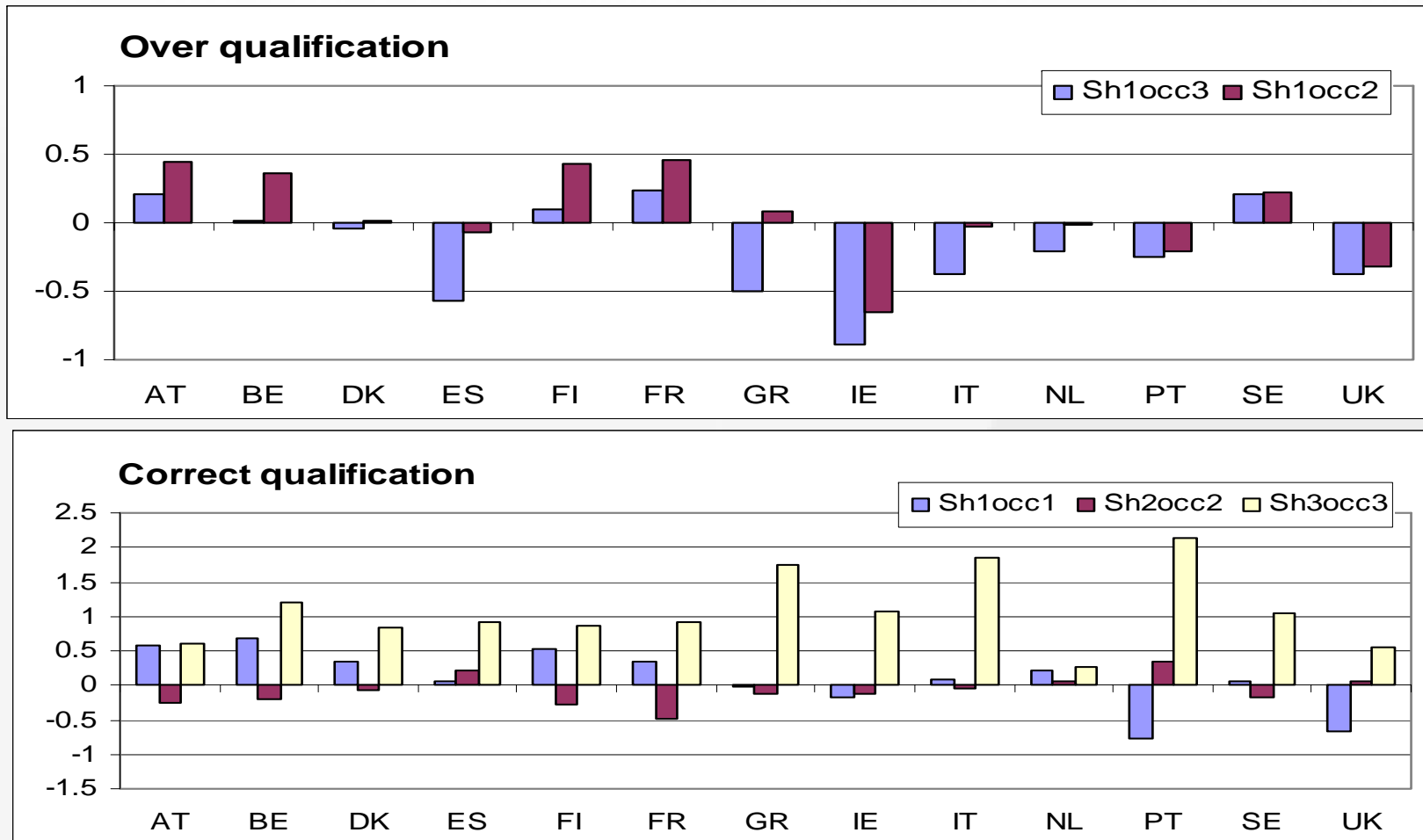
Skills mismatches of high-skilled workers - Over qualification (Over-/underrepresentation of migrants

relatively to domestic workers, averages 2005-07)
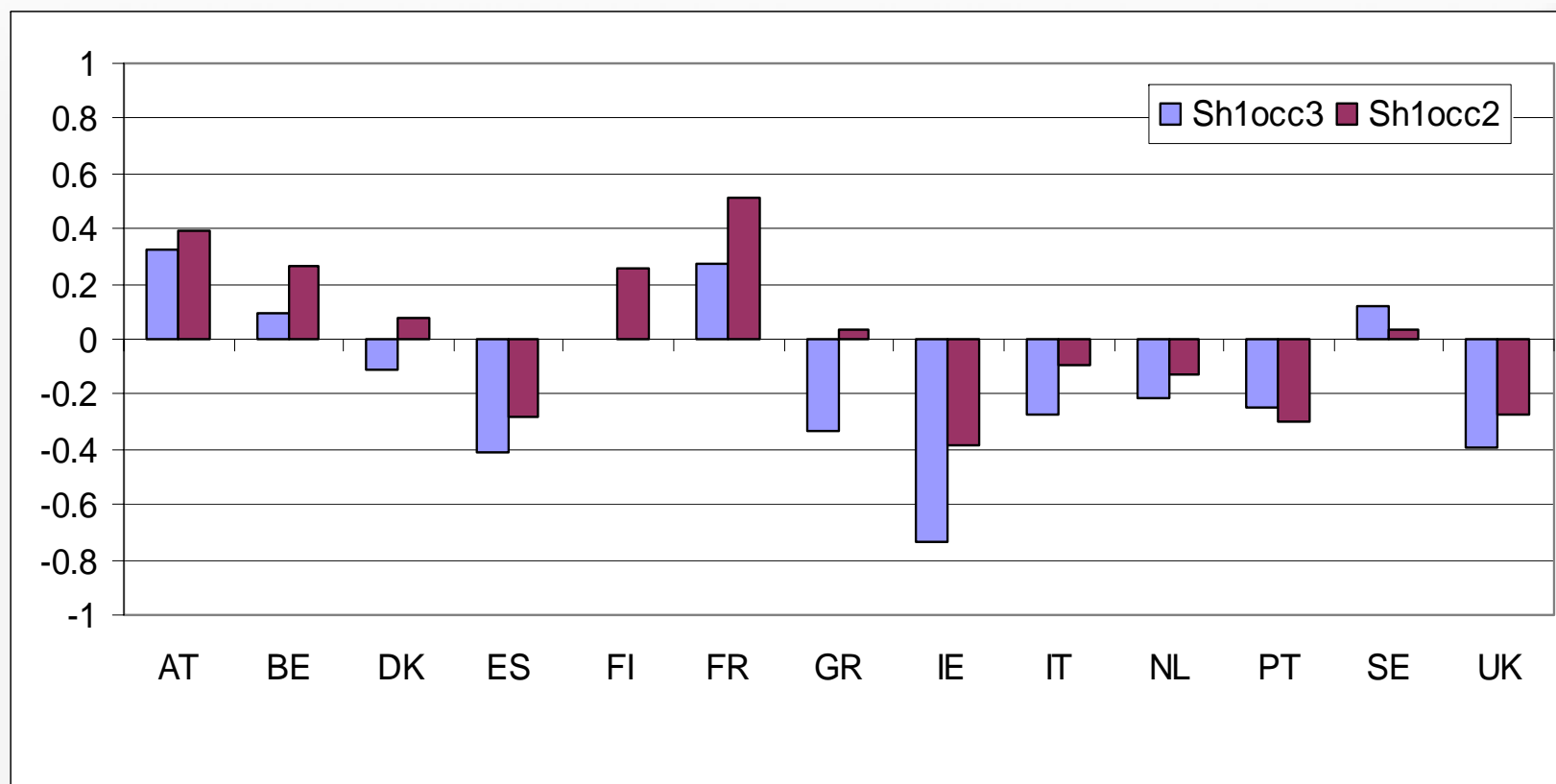
Relative over-qualification and correct-qualification in high skill industries, 2005-07

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Econometric results from Landesmann/Stehrer/Liebensteiner (2010):

- **Positive and robust relationship between presence of high-skilled migrants and productivity (and output) growth – sectoral and regional analysis (EU-15 and individual country estimates)**

- **Particularly strong relationship in high-skill intensive industries**

- **Positive impact of anti-discrimination policy settings on the 'impact' of migrants on productivity growth; Austria has a very low MIPEX indicator in this respect (position 22 from 28 countries; in labour market access: position 20)**

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Overall results from Huber et al (2009) and Landesmann et al (2010):

- **Austria has (comparatively) an unfavourable skill composition of migrants; especially in the context of various skill-biased developments**

- **Evidence of under-utilisation of migrants' skills ('brain waste')**

- **Austria has a comparatively very low indicator on anti-discrimination policy setting**

- **Insufficient use of high-skilled migrants in high-skilled industries and in 'skill-intensive jobs' - compared to 'peer countries'**

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Assessing Austria's migration policy in the context of EU Enlargement:

- **Inefficient use of 2-3-2 formula to up-grade skill composition of migrants**

- **Austria has to make sustained effort to change the skill mix of its migrant labour force – EU Enlargement would have provided an opportunity to do so**

- **Migration policy has to be seen in the context of Austria's changing structure of international specialisation and cross-border production integration; complementarity and substitutability of different channels of economic integration**

- **Variety of migration policies: selective migration at border, integration policy, training and degree recognition and human capital up-grading**

- **Path-dependency of migration policy decisions in all these respects**