

# **Labour Migration and Unemployment**

## **What can we learn from EU rules on the free movement of workers?**

**Elsbeth Guild and Sergio Carrera**

**February 2012**

### **Abstract**

This paper examines the impact of labour migration on unemployment in the context of the EU's accession of Bulgaria and Romania and EU rules on the free movement of workers. It addresses in particular the following two questions. First, does intra-EU labour migration correlate with employment/unemployment rates in host or home member states during periods of unsettled growth? Second, how have member states reacted in terms of restricting or allowing access to their labour markets by EU-2 workers during the transitional periods?

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# Labour Migration and Unemployment

## What can we learn from EU rules on the free movement of workers?

Elsbeth Guild and Sergio Carrera \*

CEPS Paper in Liberty and Security in Europe No. 46

February 2012

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### Introduction

Does labour migration have an impact on unemployment? This question is currently troubling policy-makers and media experts across Europe. Although at the end of 2011, according to the EU's statistical agency Eurostat, unemployment had dropped over the preceding 12 months in 14 member states and increased only in 13, those 13 member states have been getting all the news coverage.<sup>1</sup> Horror stories about unemployment in Greece and Spain were common media fare in 2011.

But what do we actually know about the relationship between labour migration and unemployment? A British body established to advise the UK government, the Migration Advisory Committee, published a report in January 2012 suggesting that according to its research an increase of 100 additional non-EU migrants may be associated with a reduction in employment of 23 "native workers".<sup>2</sup> This finding was based on an analysis of migration and employment rates over the period 1975 to 2010 (or at least that is how the report was popularised in the British press).<sup>3</sup> Almost simultaneously, a British think tank, the National Institute of Economic and Social Research, released its report on the relationship between immigration and employment/unemployment, which emphatically refutes the earlier report and states that there is no association between migrant inflows and claimant unemployment.<sup>4</sup> Clearly, there is little agreement among the experts about the question.

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<sup>1</sup> "The largest falls were observed in Estonia (16.1% to 11.3% between the third quarters of 2010 and 2011), Latvia (18.2% to 14.8% between the third quarters of 2010 and 2011) and Lithuania (18.3% to 15.3% between the third quarters of 2010 and 2011). The highest increases were registered in Greece (13.3% to 18.8% between September 2010 and September 2011), Cyprus (6.0% to 9.1%) and Spain (20.4% to 22.9%)" (Eurostat, "Unemployment Statistics", Eurostat, Luxembourg, November 2011 ([http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Unemployment\\_statistics](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics))).

<sup>2</sup> See Migration Advisory Committee, *Analysis of the Impacts of Migration*, Migration Advisory Committee, London, January 2012.

<sup>3</sup> See A. Travis, "Non-EU immigration linked to unemployment, says report", *Guardian*, 10 January 2012 (<http://www.guardian.co.uk/uk/2012/jan/10/non-eu-immigration-unemployment>).

<sup>4</sup> See P. Lucchino, C. Rosazza-Bondibene and J. Portes, *Examining the Relationship between Immigration and Unemployment using National Insurance Number Registration Data*, NIESR Discussion Paper No. 36, NIESR, London, January 2012 (<http://www.migrantsrights.org.uk/news/2012/new-report-unemployment-and-immigration-finds-no-causal-link>).

In this paper we look at the question from an EU perspective. Over the past 12 years, the EU has been going through a period of enlargement, first with ten countries in May 2004<sup>5</sup> and then with Bulgaria and Romania in 2007. On the eve of each enlargement, the existing member states had the choice to restrict or prohibit labour migration from the new member states for a period of up to seven years. The member states were only allowed to use the restriction if there was evidence that opening up their labour markets to the free movement of workers from the acceding countries would cause disruptions to employment. Thus we have evidence of substantial fear by some member states' authorities that labour migration from acceding states may have a negative impact on unemployment in their country. Our first question is the following one: Does intra-EU labour migration correlate with employment or unemployment rates in host or home member states in periods of unsettled growth? Our second question is this: What do member state governments do in practice regarding restricting or permitting EU labour migration over such periods? We take the period 2007 to the present and the examples of Bulgaria and Romania. The time period of Bulgarian and Romanian accession corresponds very closely to the economic downturn in the EU and thus provides an excellent reference point against which to pose our questions. We have much detailed data about the movement of people from these two EU member states to the EU-25 countries from the European Commission as well as dense information from Eurostat on employment/unemployment over the relevant period. Thus our data sources make analysis possible and provide a sound basis for conclusions.

### **Accession and the free movement of workers: Bulgaria and Romania**

Bulgaria and Romania (EU-2) joined the EU on 1 January 2007. According to the Accession Agreements, the free movement of workers from Bulgaria and Romania to the EU-25 (that is to say all the rest) could be delayed by a decision at the national level of each of the EU-25 countries, for a maximum period of seven years.

The EU-25 states have been allowed, under the Accession Agreements, to apply so-called 'transitional arrangements' temporarily prohibiting or limiting the movement of new workers from Bulgaria or Romania in up to three phases (2-plus-3-plus-2 years) under a number of conditions:

- *1 January 2007–31 December 2008.* Each of the EU-25 countries had to notify the Commission of whether it would be applying the transitional arrangements and limiting or prohibiting the free movement of workers from the EU-2 at the end of the period.
- *1 January 2009–31 December 2011.* Each of the EU-25 countries still applying transitional restrictions had to notify the Commission of whether it intended to continue applying them. According to the Agreements, however, any member state seeking to extend restrictions on access to the labour market of workers from the EU-2 at the end of this stage had to justify that extension on the basis of a (real) threat that there will be a serious disturbance to their labour market.
- *1 January 2012–31 December 2013.* The extension of restrictions for a final two-year period is an exception and occurs only where the member state gives notification that by opening up its labour market to EU-2 nationals, it would face serious disturbance to the labour market on the basis of hard evidence. In its role as guardian of the Treaties, it is the Commission's job to make sure that the justifications are consistent with EU law.

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<sup>5</sup> The ten countries were the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

This schema of two years + three years + an exceptional further two years in applying restrictions to the free movement of workers on accession had already been used as regards workers from eight of the ten member states that joined the EU on 1 May 2004 (the exceptions were Cyprus and Malta). The final deadline for lifting the last of the transitional restrictions was 1 May 2011. By that time, the only member states still limiting access to their labour markets by EU-8 nationals were Austria, Germany and the UK (though only in the rather vestigial form of the Work Registration Scheme). All the other member states had long since allowed full free movement for work to EU-8 nationals.

On 11 November 2011, the European Commission published a report on the operation of transitional restrictions on Bulgarian and Romanian workers in preparation for the decisions of other member states on whether to seek to apply the final two-year period of restrictions.<sup>6</sup> It contains a treasure trove of information about the state of play on the subject. From that report and Eurostat's unemployment data, we attempt to give some indicators regarding our first question.

### **Does intra-EU labour migration correlate with employment/unemployment rates in host or home member states in periods of unsettled growth?**

According to the Commission, while during the period of strong economic growth (2004–07) there were substantial inflows of EU-8 and EU-2 workers to the EU-15 member states, this changed dramatically in 2008 when market conditions deteriorated. Bulgarian and Romanian workers moved to other member states in their largest numbers in 2007, as soon as they became EU citizens, but then mobility decreased in 2008 and 2009. The member states are divided into three groups: the EU-2 (Bulgaria and Romania), the EU-10 (those that joined the EU on 1 May 2004, i.e. Central and Eastern European countries, the Baltic states and the two Mediterranean islands) and the EU-15 (those already in the Union on 1 May 2004, i.e. the core six plus the additions from the enlargements between 1973 and 1995). Table 1 shows the pattern of movement of EU-2 nationals to the EU-10 and EU-15.

*Table 1. Number of EU-2 nationals resident in the EU-15 and EU-10 in 2007–10*

<b>EU-2 nationals resident in</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
EU-15	1,945,000	2,290,000	2,476,000	2,749,000
EU-10	93,000	101,000	118,000	125,000

*Source:* European Commission, *Commission Staff Working Paper accompanying the document Report on the Functioning of the Transitional Arrangements on Free Movement of Workers from Bulgaria and Romania*, SEC(2011) 1343 final, 11 November 2011(c), p. 4.

The rate of increase has diminished substantially after the initial enthusiasm exhibited in 2007 by EU-2 nationals to move to EU-15 countries. But there has been a steadily increasing movement of EU-2 nationals to EU-10 countries, many of which have been less affected by adverse economic conditions than EU-15 states. Yet one can see from the statistics an increase again in 2010 when market conditions improved in some of the EU-15 states.

<sup>6</sup> European Commission, *Report on the Functioning of the Transitional Arrangements on Free Movement of Workers from Bulgaria and Romania*, COM(2011) 729 final, Brussels, 11 November 2011(a).

A more detailed breakdown of the movement of nationals from the EU-2 to the EU-15, as shown in Table 2, warrants attention.

*Table 2. Number of EU-2 nationals residing in EU-15 member states in 2007–10 (in 1,000)*

<b>EU-2 nationals resident in</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
BE	19	19	27	41
DK	3	5	7	14
DE	141	158	178	206
IE	18	18	19	14
EL	56	70	88	82
ES	890	964	991	1,006
FR	38	61	39	87
IT	659	837	934	1,069
LU	-	1	-	3
NL	11	16	19	20
AT	35	41	45	46
PT	27	15	25	20
FI	1	2	2	1
SE	6	9	11	17
UK	40	74	90	124

*Source:* European Commission (2011c), op. cit., p. 4.

Clearly, the big destination countries for EU-2 nationals are Italy and Spain. The total population of Italy is 60 million, while Spain has a population of 46 million. As an EU-2 destination country, one finds Germany a very long way behind, despite traditionally seeing itself as having a strong attraction for all EU national workers. Its population is just under 82 million. As a percentage of recent EU-2 nationals aged between 15 and 64 moving to EU-25 states, Spain has 32.2% of Bulgarian movers and 37.3% of Romanians. Italy has 40.6% of Romanian movers and 11.5% of their Bulgarian counterparts. The UK is next with 14.5% of Bulgarian movers and 5.7% of Romanians, followed by Germany with 13.4% of Bulgarians and 3.6% of Romanians. After that, Greece steps forward for Bulgarian nationals with 10.2%, and then France for Romanians at 3.1%.

One may wonder how EU-2 nationals aged between 15 and 64 compare with other EU nationals as regards moving to other member states. In 2010, Romanians accounted for 27% of all EU nationals moving among the member states, followed by Polish nationals at 21%. Bulgarians accounted for 5% of EU national movers, the same percentage as German, French and British nationals. The question then arises of what these numbers mean for the home states. What percentage of their working-age population is moving elsewhere in the EU? Looking only at those nationals who have lived for less than four years outside their home country, 3.1% of Romanian working-age citizens are doing so, and 2.1% of Bulgarians. This puts Romanians at the top of the league in losing its working-age population to other member states, but it is followed by Lithuania (2.8%) and Latvia (2.5%) (rather than Bulgaria, where the figure is 2.1%).

One of the curious aspects of EU-2 nationals who have moved to other member states is the relationship between the numbers of EU-2 nationals resident in the host state for less than four

years, between four and seven years and for seven years or more. In migration theory, network and community links are often held up as central factors. The idea is that people migrate to join family members or because they know someone from their community who has already migrated to a country. According to this theory, the larger the group of co-nationals who have lived for a long time in a country, the greater is the number of migrants from that country who are likely to go to that destination. If this theory is applicable, then the distribution among those who have lived in a state for more than seven years and those who have arrived in the last four years should be broadly similar. For the main EU receiving states for EU-2 nationals, the picture is quite diverse. At one extreme there is Greece, where 56% of EU-2 nationals resident there have lived in the country for more than seven years, 20% for between four and seven years and 24% for less than four years. At the other end of the spectrum is the UK, where only 12% of EU-2 nationals have lived there for more than seven years, 20% for between four and seven years and 68% have moved there within the last four years. Only in France is the distribution fairly equal – 36% of EU nationals have lived there for more than seven years, 29% have been resident between four and seven years and 35% have arrived within the last four years. The figures for Italy are particularly informative, as it seems that 46% of EU-2 nationals resident in Italy have lived there for more than seven years and only 23% have arrived within the last four years. If the migration theory based on networks as pull factors is relevant to the case of EU-2 nationals moving within the Union, there are clearly numerous other factors at work than simply the density of the network in terms of numbers.

As regards the economic activity of EU-2 nationals who move across the Union, the available data is perhaps more mundane than media reports might lead one to believe. All data solely relate to working-age persons, between 15 and 64 years old. Among the mobile EU-2 nationals, 63% are in employment compared with 64.1% of the total EU working-age population. More surprisingly, of EU-2 nationals at home, only 59% are in employment. Thus EU-2 nationals are more likely to be in employment if they are mobile than if they stay in their country of origin. This would seem to indicate that employment may be a stronger migration driver than networks of family and friends. The difference between EU-2 nationals and EU-10 nationals (the EU-8 plus the two islands) as regards employment is striking. Of mobile EU-10 nationals, 74% are in employment, while among non-mobile EU-10 nationals only 60% are. Among mobile EU-2 nationals, 16% are unemployed and 21% are economically inactive. Of their co-nationals at home, only 5% are unemployed but 36% are economically inactive. Among EU-10 nationals the differential is more dramatic – those who are mobile have an unemployment average of 8% compared with 7% who have never moved, but economic inactivity among EU-10 nationals varies from 33% among those living in their country of origin to 18% among those who live elsewhere in the EU. This reflects the tendency for pensioners who are economically inactive to stay in their country of nationality.

Next we consider the data disaggregated by member state and look exclusively at Spain, Italy, the UK and Germany, the largest receiving countries for EU-2 workers. Table 3 shows the percentages of persons in employment among the working-age population.

*Table 3. Employment rates of the total working population in the four main receiving countries (%)*

	<b>Spain</b>	<b>Italy</b>	<b>UK</b>	<b>Germany</b>
Total working population	59	57	70	71
EU-2 workers	58	65	79	66

*Source:* European Commission (2011c), op. cit.

Educational attainment is an important factor in employability, whether among the total working-age population or EU workers who are mobile. There are substantial variations among the member states in this respect. For the EU-15, 26% of the active population has a low level of educational attainment. This compares with only 9% of the EU-10 population and 20% of the EU-2 population. The share with a medium level of educational attainment also varies substantially – in the EU-15, 45% of the active population falls within this group; in the EU-10 the share is 67% and in the EU-2 the figure is 61%. When it comes to a high level of educational attainment, the EU-15 countries count 29% of their working population within this group, the EU-10 have 25% and the EU-2 19%. But when it comes to EU-2 nationals who are mobile, their educational attainment is consistently lower than that of their co-nationals who stay at home. The education level is lower in all three categories than the average in the EU-10 for those EU-2 nationals who move to those countries. Yet when EU-2 nationals move to the EU-15 states, although 34% of them will have a low level of educational attainment against the EU-15 norm of 26%, and only 14% will have a high level of attainment compared with an EU-15 average of 29%, EU-2 nationals with a medium level of attainment will account for 52% of those who move to the EU-15 while the average in those states in this category is 45%. When EU-2 nationals get to their destination, they will most likely find work in occupations that require intermediate skills (54% in Italy, 52% in Spain, 52% in Germany and 55% in the UK – these being the four main destination countries). There is much greater variation by destination country for EU-2 nationals who are low skilled – 42% are in such employment in Italy, 46% in Spain, 19% in Germany and 30% in the UK. The greatest divergence takes place in the category of highly skilled employment, where 4% of EU-2 nationals are employed in these occupations in Italy, only 2% in Spain but 29% in Germany and 14% in the UK. By far the largest single sector where EU-2 nationals are employed is trade, transport and communication, followed by construction.

Concerning unemployment rates among EU-2 nationals in the main destination states, there has been a rise in Italy and Spain but a drop in Germany (Table 4).

*Table 4. Labour market status of EU-2 workers among the working-age population in Italy, Spain and Germany in 2007–10 (%)*

<b>Unemployment as a % of the working-age pop.</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Italy	6	7	9	9
Spain	10	15	24	26
Germany	9	7	9	8

*Source:* European Commission (2011c), op. cit., p. 12.

Moving then to unemployment rates in the EU generally, between 2007 and 2010 there was a rise in some member states but not in others. Key to our question regarding the relationship of migration and unemployment in the 2007 enlargement is to see what changes occurred in our four main destination countries and to compare this with Bulgarian and Romanian data. The overall unemployment rate of the EU-27 over the period started at 7.2% in 2007, and rose to 9.6% by 2010. Table 5 shows the picture according to Eurostat.



Table 5. Unemployment as a share of the active population in the EU-27 in selected member states in 2007–10 (%)

Unemployment as a % of active population	2007	2008	2009	2010
EU-27	7.2	7.1	9	9.6
Bulgaria	6.9	5.6	6.8	10.2
Romania	6.4	5.8	6.9	7.3
Spain	8.3	11.3	18.0	20.1
Italy	6.1	6.7	7.8	8.4
Germany	8.7	7.5	7.8	7.1
UK	5.3	5.6	7.6	7.8

Source: Eurostat, “Unemployment Statistics”, Eurostat, Luxembourg, November 2011 ([http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Unemployment\\_statistics](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics)).

One consistent result from these figures is that EU-2 nationals are more likely to be unemployed in the main host destination states than nationals of the state itself. They are also more likely to be unemployed in a host state than their co-nationals are back home. Furthermore, the employment and unemployment rates of EU-2 nationals in the main destination states seem to rise and fall with the fortunes of the main working population even where the overall number of EU-2 nationals in the state rises, year on year. This would indicate that very rapidly upon arrival in a host state, EU-2 nationals’ chances of finding employment or being unemployed are pegged to the situation of nationals in the host member state. While outcomes for this group appear always to be less rosy than for the host population, the differentials are not substantial. The problem is one of scale, however, as even in the two preferred destination countries, Italy and Spain, the number of movers as a percentage of the population is minor. In addition, according to the Commission, there are credible studies indicating that EU-2 mobility has boosted aggregate GDP in the EU by about 0.2% in the short term and more in the longer term. The impact is higher for EU-15 states than the others. On this assessment, the positive GDP impact in Spain has been +1.7% and +1.3% in Italy. At the same time, the GDP impact for Bulgaria and Romania has been negative (-9.2%), although remittances may improve the situation. As the Commission notes from existing studies, there is no evidence of a disproportionate use of social benefits by recent EU-2 movers. As regards the impact on wages and employment, in the Commission’s review it finds that the impact on wages in the short term is in the region of 0.24%, although it is higher at 0.7% in Italy and Spain. As regards unemployment, the Commission suggests that there is very little impact – the only calculable impact identified is in the region of 0.02% in the short term and there is no effect in the longer term. In total, EU-2 nationals represent only 1% of all unemployed persons of working age in the EU-15, with the highest shares in Spain at 2.4% and Italy at 2%. These are such low percentages that the potential impact on unemployment is marginal even in countries with ballooning unemployment like Spain.

### What do member state governments do in practice regarding restricting or permitting EU-2 labour migration during the transitional period?

Moving from the data on intra-EU migration, employment and unemployment following the 2007 enlargement, we now turn to the question of the legal framework for the actions of the member states’ authorities relating to the movement of workers from Bulgaria and Romania. Upon the accession of the two countries to the EU, the existing member states agreed that these

new citizens of the Union would have full free movement rights as self-employed persons, students, pensioners, tourists or service providers and recipients. This means that in all these capacities, the nationals of Bulgaria and Romania are free to move and reside in any of the other member states and have been free to do so since 1 January 2007. Where EU-2 nationals were already in one of the other member states as workers and had been so for more than 12 months, they were (and are) entitled immediately to equal treatment and could not be subject to restrictions on their right to work. Any EU-2 national subsequently completing 12-month's work and residence in any of the other member states is also thereafter free from all restrictions.

On 1 January 2007, not all EU member states placed restrictions on EU-2 nationals moving to their country to work. In fact the majority did not. The following states did not apply any restrictions on the free movement of workers from the EU-2 states as from 1 January 2007: the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Poland, Slovenia, Slovakia, Finland and Sweden. This list includes all the EU-10 states except Hungary and Malta. It also includes two EU-15 member states – Finland and Sweden. Although Bulgaria and Romania were permitted under the terms of accession to place reciprocal restrictions on any member states limiting access of their workers to its labour market, in practice neither state used this option.

At the end of the first phase of the transitional period, on 1 January 2009, five member states lifted restrictions on the free movement of workers from the EU-2: Denmark, Greece, Spain, Hungary and Portugal. Three of the five were already much affected by the turmoil in the financial markets, which has had an impact on the eurozone in particular. Nonetheless, the authorities of these five member states preferred to open their labour markets to EU-2 workers than continue their restrictions.

The second phase of transitional restrictions ended on 31 December 2011. At this point, under the Accession Agreements, there is a very strong presumption that member states will lift all restrictions on EU-2 workers unless the authorities of the state can substantiate a claim that to do so would cause a serious disturbance to its labour market or threat thereof. Only Italy lifted its transitional restrictions completely at that time.

By 1 January 2012, the following nine member states were still applying transitional restrictions on EU-2 workers: Belgium, Germany, Ireland, France, Luxembourg, Malta, the Netherlands, Austria and the UK.

This compares somewhat badly with the fate of the EU-8 workers, about whom at the end of the second phase of transitional restrictions on 1 May 2009 only three member states argued that allowing free movement would result in serious disturbances to their labour markets (Austria, Germany and the UK). It may be that those three member states were perceived as having gotten away with it in 2009, in that the Commission does not appear to have been particularly strict in its interpretation of a 'serious disturbance to their labour market'. As the three member states were allowed to justify their case without any substantial probing, more member states decided to 'try it on' in 2012 in respect of EU-2 workers. If this is the case it is a pity. As the Commission noted in its press release,<sup>7</sup> at the absolute end of the transitional arrangements for EU-8 workers on 1 May 2011, "initial fears of massive flows of workers from the East were exaggerated". The Commission concluded that workers from the EU-8 made a significant contribution to sustained economic growth and did not aggravate unemployment or drive down wages. Notwithstanding media representation in some member states, the inflows of EU-8 workers to EU-15 states remained relatively limited. Even in those member states with the largest numbers of incoming workers – Ireland and the UK, where the number of resident EU-8

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<sup>7</sup> European Commission, "Free Movement: Workers from eight Member States that joined EU in 2004 finally enjoy full rights", Press Release IP/11/506, Brussels, 28 April 2011(b).

nationals went from about 1 million in 2004 to 2.3 million in 2010 – the inflows still only amounted to 0.6% of the total population of those states.

In any event, for EU-2 workers, the third phase must end on 31 December 2013. The authorities of most member states have chosen to liberalise their labour markets for EU-2 workers and allow them full free movement rights at least by the end of the second phase. Surprisingly, there is no obvious correlation between the attractiveness of the host member state to EU-2 workers and the decision of its authorities to open its labour markets. While in the case of the EU-8 states, solidarity among states whose own nationals had also been subject to transitional restrictions on work appears to have been an important consideration, Hungary did not allow free movement from the date of accession. All member state authorities moved in one direction towards ever-greater access for EU-2 nationals to their labour markets, with one exception – Spain.

The political choice of Spain regarding Romanian workers is heterogeneous. Spain withdrew transitional restrictions on access by Bulgarian and Romanian workers to its labour market from 1 January 2009. Yet on 22 July 2011, it notified the Commission that it was reintroducing, that same day, restrictions on labour market access for Romanian workers (not Bulgarian ones).<sup>8</sup> The reason the Spanish authorities gave to the Commission for applying the restrictions immediately and at the same time as notifying the Commission was “because of the need to take immediate action in view of the seasonal situation in the agricultural sector in the summer”. The basis for the reintroduction of the restrictions was reference to a serious disturbance in the labour market in Spain, in particular the unprecedented fall in the level of employment following the economic recession that started in 2008 and which has resulted in a large increase in the level of unemployment. The Spanish authorities cited the 20% unemployment rate and 45.7% unemployment rate among youth. Similarly, the authorities pointed to rising unemployment rates among Romanian workers in Spain and the increase in arrivals from Romania notwithstanding the unemployment level. They stated that Spain did not have the capacity to absorb new inflows of workers.

In accordance with the relevant sections of the Accession Agreement, the Commission considered the Spanish authorities’ notification and validated the reintroduction of transitional restrictions on Romanian nationals seeking to work in Spain with a longstop deadline for lifting them on 31 December 2012. The Commission also requested that Spain provide quarterly updates on the situation to justify the continued application of the restrictions. It further specified that the restrictions must be strictly limited to what is necessary to meet the envisaged purpose (presumably to prevent Romanians from entering the Spanish labour market).

Two aspects of the matter are disturbing. First is the claim of the Spanish authorities of the need for the restriction and the exceptional way in which it was done. Although as the Spanish authorities had noted, their debt crisis was already well underway by 2011, having commenced in 2008, they chose to act against Romanian workers only in the summer of 2011 and in an emergency procedure. As mentioned above, while Spain is one of the two most favoured destinations of Romanian workers moving within the Union (Italy being the other), the actual numbers of people moving has remained relatively limited in comparison with the overall population. The unemployment rate of Romanian workers in Spain mirrors (and exceeds by a little) that of Spanish nationals, but is by no means dramatic in relation to the general unemployment rates in the country. By July 2011, there does not appear to have been anything

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<sup>8</sup> See Commission Decision of 11 August 2011 authorising Spain to temporarily suspend the application of Articles 1 to 6 of Regulation (EU) No. 492/2011 of the European Parliament and of the Council on freedom of movement for workers within the Union with regard to Romanian workers (2011/503/EU), OJ L 207/22, 12.08.2011.

exceptional about the situation in Spain other than the sense of emergency among the authorities. The reintroduction of transitional restrictions on Romanian nationals alone (leaving the Bulgarians free to move) isolates one member state and its citizens in a very unpleasant manner. The fact that Romanian nationals in any event were still entitled to travel to Spain, to engage in economic activities as self-employed persons, to study, to provide and receive services in Spain in the exercise of their rights as citizens of the Union is ignored.

The second aspect of the matter that is worrying is the rather relaxed attitude of the Commission when presented with such an unprecedented and unilateral action by a member state. While the first reactions by some Commission officials appeared to question the legality of Spain's action, according to EurActiv's report on 27 July 2011,<sup>9</sup> the spokesperson for the internal market commissioner backtracked within two days, accepting the legality of the measure. Within three weeks, on 11 August 2011, the Commission had adopted the requisite authorisation for Spain, at a time when most of Europe and virtually all of the EU staff were on holiday. Just as the Commission's weakness in assessing the claims by Austria, Germany and the UK that they needed two more years (2009–11) of excluding EU-8 workers from their labour markets in order to avoid disruption<sup>10</sup> seems to have emboldened other member states to use the exceptional two-year extension of labour market exclusion for EU-2 workers, the Commission may rue its complacency about the Spanish reintroduction of transitional restrictions on Romanian workers in 2011.

## Conclusions

In this paper we have examined the relationship between labour migration and unemployment in the context of the accession of Bulgaria and Romania to the EU. Their accession took place on 1 January 2007, just before the financial turmoil in the eurozone and the dramatic rise in unemployment in Spain followed by that in Greece. According to the Accession Agreements, existing EU member states were entitled to apply transitional restrictions on labour market access to Bulgarian and Romanian workers in three phases. The first was an initial two-year period, followed by a second phase of three years ending on 31 December 2012 and completed by an exceptional third phase of two years, where there is a threat of a serious disruption to the labour market.

In the first part of the paper we examined the movement of Bulgarian and Romanian workers to the other member states, pinpointing where they went and what they have been doing. As we discussed there, the majority of workers from these two countries went to Italy and Spain, followed thereafter by far fewer numbers going to Germany and the UK. Most of them found work and indeed in comparison with employment levels in their home states and of the population of the host states, they appear to have done well. Although their educational levels are lower than the average in their home states, Bulgaria and Romania, they are often at least equivalent to the educational attainment averages in the host state. The unemployment rates of Bulgarian and Romanian workers in the main destination states mirror those of national workers in those states but with a tendency to be slightly higher. As a percentage of the working-age population in the main host states, workers from these two member states constitute less than 1%. In considering all the evidence available about the impact of labour migration in respect of a new population of workers from neighbouring states (Bulgarian and Romanian workers in the

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<sup>9</sup> EurActiv, "Spain defies Commission with Romanian worker ban", EurActiv, Brussels, 27 July 2011 (updated 29 July 2011).

<sup>10</sup> This meant that they had to open their labour markets to the EU-8 workers just when unemployment was exploding in Spain, Portugal and Greece.

EU-25 member states), the Commission has firmly concluded that there are positive impacts on GDP growth and negligible negative impacts.

In the second part of the paper we considered the behaviour of member state authorities concerning restrictions on labour market access for Bulgarian and Romanian workers. Although all 25 member states were entitled to apply transitional restrictions to labour market access by Bulgarian and Romanian workers for up to seven years from 1 January 2007, in fact 14 did so. Of those states, five lifted those restrictions after two years on 1 January 2009 and allowed full labour market access for Bulgarians and Romanians. Nine member states continued to apply restrictions and one member state, Spain, reintroduced restrictions after having lifted them, thus provoking a new controversy with Romania and the Commission.

From the behaviour of the majority of member states, it is clear that their authorities do not subscribe to the opinion that the free movement of workers from Bulgaria and Romania constitutes a threat to their labour markets. These authorities appear convinced by the evidence about the positive relationship of intra-EU labour migration and GDP growth, and sceptical about claims regarding a negative relationship between labour migration and unemployment. Nine member states have not yet opened their labour markets to Bulgarian and Romanian workers. Notwithstanding their respective sizes, these are a minority of the member states. One member state has distinguished itself by opening its labour market to workers from the new member states and then closing it, but only to Romanian workers. Although the argument of the member state is protection of its labour market, the effectiveness of the measure is highly questionable. The role of the Commission in sanctioning this dubious behaviour may come back to haunt it, as member states may be encouraged to flaunt the Commission's authority in the field for short-term populist purposes – pandering to the voices that demonise free movement of workers in the EU even in the face of clear evidence to the contrary.

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