



## EU10 October 2008

# In Focus: An Update on Labor Migration from Poland

Following a large wave of post-accession labor migration, in particular from Poland and the Baltic countries to the EU15, labor outflows seem to be weakening recently. This weakening, and in some cases reversal, reflects the increases in wages of countries where the migrants originated, which is making the incomes they earn in the EU15 less attractive. At the same time, the main destination countries are undergoing an economic slowdown, which is weakening demand for migrant workers. These forces work together to help slow migration and perhaps reverse flows in the near term, at least for some categories of workers. But a return to the regular labor market from a temporary, below-potential, lower-skill job abroad may not necessarily be easy. It is unclear how fit these migrants are to reintegrate into labor markets back home. Some of these workers, moreover, have suggested that they may go abroad again. We may be witnessing the formation of a highly mobile segment of the labor market.

Following the post-enlargement opening of selected EU15 labor markets, labor outflows from Poland and the Baltic countries intensified. Workers headed largely to Ireland and the U.K., which, together with Sweden, opened labor markets for the EU8 workers immediately after accession. These flows (also reflecting the legalization of already existing employment) may be temporary in nature and primarily supporting local labor markets during economic upturns.<sup>1</sup> Even though absorbed with little negative impact in the receiving countries, labor migration has had substantial impact on the sending economies, pushing up wages and adding to skill shortages. Relatively, the most significant outflow was observed in Poland and the Baltic countries.<sup>2</sup> According to estimates from the Polish government, the number of Polish nationals staying temporarily in the EU more than doubled during 2004-2007 to 1.9 million. Polish nationals are now the fourth largest national group in the UK, up from 13<sup>th</sup> place before accession.<sup>3</sup>

**Migration flows to the U.K and Ireland appear to have started to weaken** (Figure 35 - Figure 36).<sup>4</sup> These figures are confirmed by data on the Polish side.<sup>5</sup> More in-depth research, comparing the number of new registrations in the U.K. and changes to LFS-estimated stock of EU8 nationals suggest that as much as one-half of the post-accession migrants may have already left the U.K., with the pace of return accelerating during 2007 and 2008.<sup>6</sup>

**Table 3. Temporary Migration from Poland, 2004-2007 (in thousands, end-of year stock)\***

	2004	2005	2006	2007
Total	1,000	1,450	1,950	2,270
<i>of which:</i>				
EU	750	1,170	1,550	1,860
Austria	15	25	34	39
Belgium	13	21	28	31
Cyprus	.	.	.	4
Czech Republic	.	.	.	8
Denmark	.	.	.	17
Finland	0	1	3	4
France	30	44	49	55
Germany	385	430	450	490
Greece	13	17	20	20
Ireland	15	76	120	200
Italy	59	70	85	87
Portugal	1	1	1	1
Spain	26	37	44	80
Sweden	11	17	25	27
The Netherlands	23	43	55	98
U.K.	150	340	580	690
Non-EU	20	30	60	65
Norway	.	.	.	36

\* Number of persons staying temporarily abroad: for years 2002-2006 more than 2 months, for 2007 more than 3 months. According to statistical office the change of methodology result in only marginal differences and data can be compared between the periods.

Source: GUS.

<sup>1</sup> For a more detailed analysis see World Bank Quarterly Economic Report, Labor Migration from the New EU Member States. September 2006.

<sup>2</sup> Kaczmarczyk, P., Okólski M., 2008, Economic Impacts of Migration on Poland and the Baltic states. Fafo-paper 2008:01.

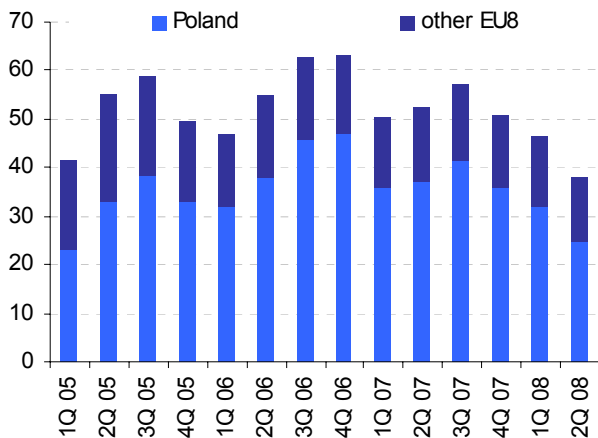
<sup>3</sup> Britain's Immigrants. An economic profile. Institute for Public Policy Research, September 2007.

<sup>4</sup> Analysis of post-accession labor migration is subject to significant data constraints, as administrative sources record only inflow and not outflow of workers. On available data sources and related shortcomings see also World Bank (2006).

<sup>5</sup> See also: Information on employment of Polish nationals in the EU countries and Switzerland. Migration Department, Ministry of Labour and Social Policy, April 2008.

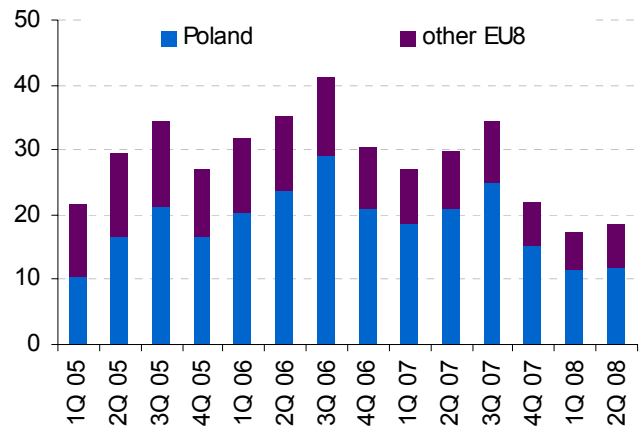
<sup>6</sup> Pollard, N., Latorre M., Srisandarajah D., Floodgates or turnstiles? Post-EU enlargement migration flows to (and from) the UK. Institute for Public Policy Research, April 2008.

**Figure 35. Inflow of EU8 Workers to the UK, New Applicants to the Worker Registration Scheme, (in thousands)**



Source: UK Home Office (2008).

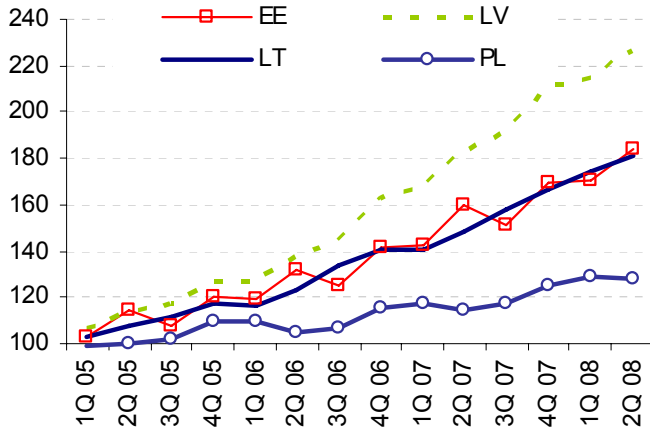
**Figure 36. Inflow of EU8 Workers to Ireland, Personal Public Service Numbers issued, (in thousands)**



Source: Department of Social and Family Affairs.

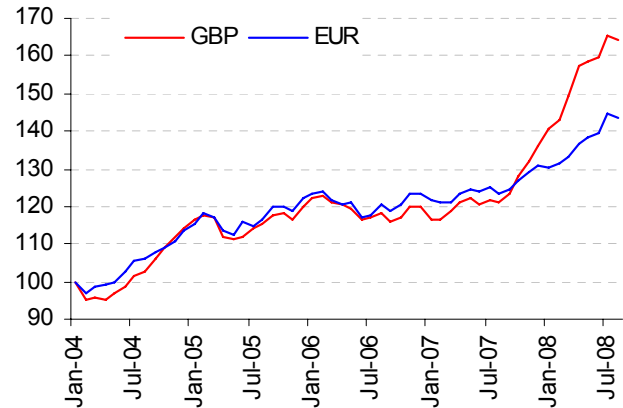
**Post-accession migration has been primarily work-related.** The factors driving migration have changed significantly since 2004, however. The important drivers of post-accession migratory flows include labor market disequilibria, employment opportunities and wage differentials. In this respect, labor markets in Poland and the Baltic countries have tightened significantly since EU accession.<sup>7</sup> These trends have been pushing up wages, which have risen by 80 percent in Estonia and Lithuania and more than doubled in Latvia. While growth wage has been slower in Poland, overall wage differentials with the EU15 have diminished significantly given the substantial appreciation of the zloty against both the euro and the pound (Figure 37- Figure 38).

**Figure 37. Average Gross Monthly Wage (in local currency, average 2004=100)**



Source: Statistical offices, World Bank staff calculations.

**Figure 38. Exchange Rate, Zloty/€ and Zloty/GBP, Jan 2004=100**

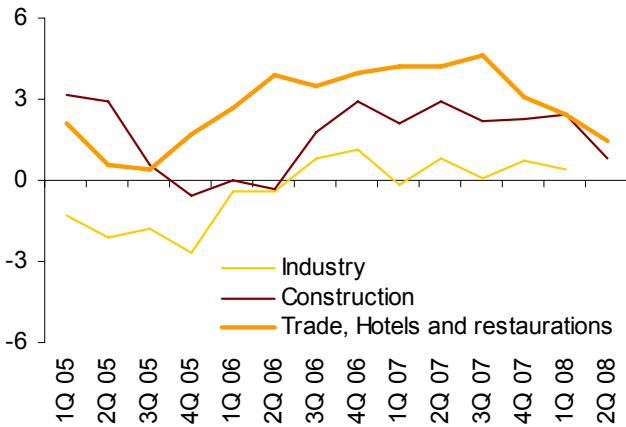


Source: Department of Social and Family Affairs.

<sup>7</sup> For more details see: World Bank EU8+2 Regular Economic Report. Special Topic: Labor Markets in the EU8+2: From the Shortage of Jobs to the Shortage of Skilled Workers, September 2007.

Moreover, demand for foreign labor has significantly weakened with the economic slowdown in the main destination countries. The decision to open labor markets for EU8 nationals in the U.K. and Ireland was taken during an economic upturn in these countries, with a target to supplement domestic labor. EU8 nationals have been attracted by labor market opportunities not used by the local labor force. However, the demand for foreign labor is probably easing in both the U.K. and Ireland given the economic slowdown and the construction boom coming to an end.

**Figure 40. GVA Growth in the UK, Selected Sectors (in percent, yoy)**



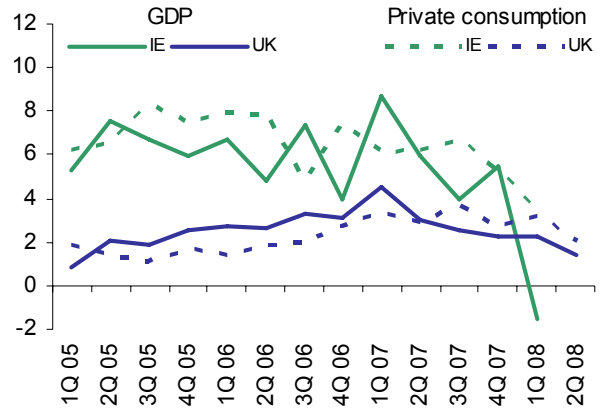
Source: Office for National Statistics.

With both supply and demand easing, EU8 migrants may be less eager to extend their stay abroad. Post-accession labor flows have been mainly short-term often undertaken to accumulate savings or support relatives in the home countries. Moreover, migrants have been generally overqualified for the jobs performed abroad: they have been relatively well-educated but performing simple jobs in typically migrant sectors such as construction, agriculture, cleaning and catering. After several years, the social aspects of the phenomenon may also be increasingly disturbing, including the “temporariness” of perspectives, low profile of performed jobs and the high cost of living. All in all, migrants may be less eager to extend their temporary stay abroad.

However, return to the regular labor market in the home countries from a temporary low-skill job abroad may not necessarily be easy. Experience abroad, useful in terms of language, culture and broadening horizons, is often not related to their professional background and does not always improve skills and job perspectives. As anecdotal evidence from Poland suggests that migrants’ potential may have not improved enough to successfully apply for higher-skills jobs in line with their education, what they seem to expect. The key question is whether these who return are to fit back into their home labor markets. The ongoing slowdown in the Baltics and other countries will complicate this adjustment.

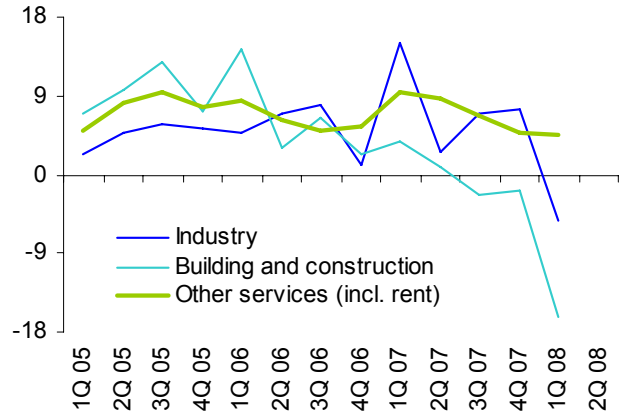
The weakening of labor flows into the U.K. or Ireland does not necessarily mean that migrants return home for long. Restrictions are being eased in other European countries and most recently some of them, as the Netherlands and Norway, have recorded intensified inflow of EU8 nationals. A survey of returned Polish migrants from the U.K. found that a third of them intend to live outside Poland again in the future. This suggests that a new segment of the labor market may be emerging, one composed of highly mobile workers ready to supplement EU15 domestic labor where demand arises.

**Figure 39. GDP and Private Consumption (in percent, yoy)**



Source: Office for National Statistics.

**Figure 41. GVA growth in Ireland, Selected Sectors (in percent, yoy)**



Source: Central Statistics Office Ireland.