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## **INTERNATIONAL MIGRATION AS A FACTOR OF LABOUR MARKET COMPETITIVENESS**

### **Abstract**

For over two centuries most Western European countries have been destinations and new homes for international migrants. The tendency increased over the last 60 years and gradually all countries of Western Europe have experienced the phenomenon of immigration and asylum seeking. Nowadays, a positive migration balance is a fact for all old and several new member states of the European Union. And since the tendency is likely to spread, sooner or later it will reach also the rest of the new EU member states as well as today's candidate countries.

The demographic situation in Europe is characterized by longevity and low birth rates, which results in ageing societies. Along with the shrinking of domestic populations, work force shortages occur. As the levels of employment of skilled nationals are already very high in the EU, recruitment of migrants from third countries is more and more often the predominant solution to the growing demand for medium and high skilled workers. At the same time, the European demand for low skilled labour is continuously growing.

The subject of this paper is international migrations in the context of labour market competitiveness. In the first part of the paper, the authors focus on the definition of labour market competitiveness and the main factors that influence it in general. Secondly, they present the impact of workers' mobility on labour market and human capital. The paper's aim is to describe the means by which international migration can have an impact on labour market competitiveness and to consider the main possible positive and negative effects of migration. The article is written from the perspective of a sending country, with the use of descriptive and comparison analysis methods.

**Key words:** migrations, labour market, competitiveness

**JEL classification:** J20, J61

### **Introduction**

The liberalization of global trade, technological revolution and processes of regional integration create open and global economy. In such environment, employees and employers are given a hitherto unprecedented chance of choosing the area of their economic activity (Garelli, 2002). The progress of processes enhancing a free flow of labour and capital at the international level makes it necessary for market entities to rely on international comparisons when making economic decisions, also when they concern labour.

According to Mankiw, global movement of labour among the economies results from the fact that nowadays a subject of global market exchange includes much more components than ever before. Labour is perceived as an object of market transactions. An explanation for the growing scale of migrations as well as for the differences in the level of countries' economic development can be found in well-known assumptions of comparative advantages concept related to labour market. Phenomena concerning labour market that can nowadays be observed give rise to the necessity for seeking new ways of analyzing and evaluating labour market mechanisms, taking into consideration the aspect of its competitiveness (Mankiw, 2004; Maniak, 2007).

### **Factors of labour market competitiveness**

The European Commission defines the notion of "competitiveness" as an ability to raise standards of living in the society, the improvement in employment opportunities and the ability of a nation to carry out its international responsibilities (European Commission, 1997). Competitiveness refers to various kinds of economic units, sectors, national economies, products, resources. Generally speaking, we may distinguish between two subject of competitiveness: the competitiveness of business entities and of the national economy. They are interconnected – it is assumed that competitiveness at the macroeconomic level results from the competitiveness of enterprises. At the same time, economic, politic and social environment of a particular countries creates conditions for the functioning and competitiveness of business entities (Maniak, 2007, Pierścioneck, 2003). Competitiveness at the state level arises from greater effectiveness of actions taken at the level of enterprises, the ability of the economy to allocate resources and opportunities of carrying out very productive activities, allowing for generating high level of incomes (Chevallerau, 2005).

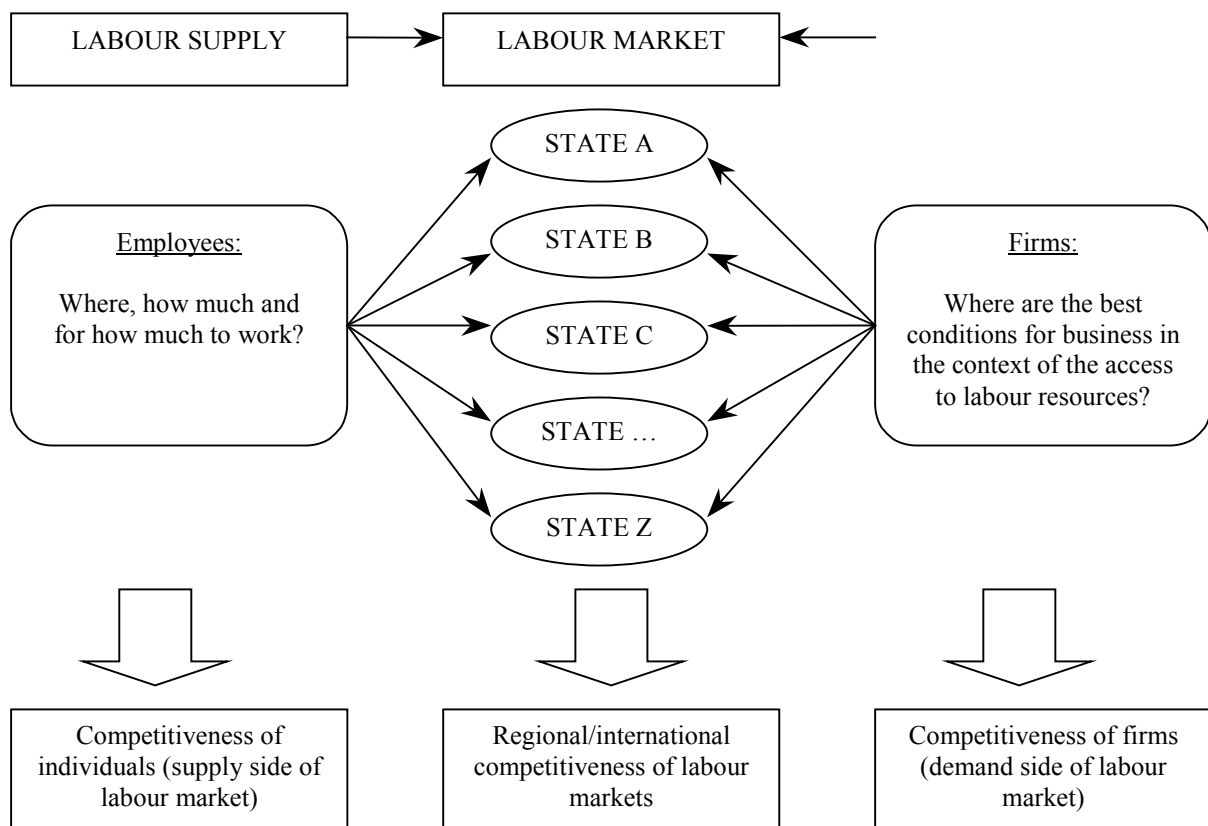
Referring to the essence of competitiveness we may assume that the competitiveness of labour market is determined by a set of features that create conditions for effective functioning of enterprises and for the development of particular industries, trades and the entire economy. From the perspective of the economic role of labour in the economy, a competitive labour market is a market that, by means of the qualities of its supply and demand, contributes to the creation of new jobs and/or to the improvement in the standard of living, as well as to economic growth and development. It is also possible to look at the labour market competitiveness from the perspective of the behaviour of its leading actors:

- Individual employees who can be characterized by certain patterns of professional attitudes and qualifications, preferences concerning various types of work and expected kinds of benefits from work,
- Individual employers along with their models of labour demand and preferences concerning employment and human resources management

The labour market is an area of market competition (see fig.1). It must be pointed out, that nowadays labour market entities – employees and employers – very often make their decisions on the basis of international comparisons. Entrepreneurs evaluate the offer of labour markets of different countries, taking into consideration such factors as, for example: various types of turnover costs, variations in aggregate demand in the product market, infrastructure investments. These are factors that influence the demand of a labour market. On the other hand, employees evaluate labour markets paying special attention to, for instance, perspectives concerning conditions of employment, the level of the unemployment benefit system and its administration, relative wages or migration. These are factors that affect the supply of a labour market. The labour market of a particular state is characterized by great competitiveness if in the long term enterprises are able to increase labour resources needed and when employees are able to fulfil their expectations about work (Maniak, 2007;

Lindbeck, 1989; Grundey, Sarvutyte, 2007).

Figure 1. Labour market competitiveness – main factors



Source: Maniak (2007).

One of the features of the labour market that may influence the demand for labour are various types of labour turnover costs. These appear in many different forms. The most obvious ones are costs of employing and training workers, including the costs of advertising and screening candidates. Other types of costs are the costs of dismissing employees, which have been to a large extent created by political decisions or bargaining agreements, aiming at enhancing job and/or income security among employees. There are also more sophisticated types of labour turnover costs – for example, the negative consequences for the profitability of a company when incumbent workers refuse to cooperate with potential entrants who try to get a job by way of “wage underbidding.” Labour turnover costs have an ambiguous effect on the aggregate employment level as such costs discourage companies from both employing and dismissing workers (Lindbeck, 1989; Studnicki-Gizbert, 2000; K. Głabicka, 2001).

Other factors that affect the demand side of labour market are productivity shocks or possible changes in prices of goods or taxes on labour inputs. Another example of labour demand factor is infrastructure investment. The condition is that such investments must be technical complements to labour in companies where they have been realized (Lindbeck, 1989).

The second group of factors are those on the supply side of the labour market. One of them is the unemployment benefit system. Most respectable theories of labour supply predict that higher unemployment benefits stimulate longer periods of search and leisure, and consequently, result in more voluntary unemployment. However, it is important to emphasize that not only the benefit level, but also the administration of the unemployment benefit system is relevant for the labour supply. For instance, when the system is strictly administrated, workers

lose unemployment benefits if they repeatedly turn down both jobs and retraining offers, whereas in the case of a very “slack administration, workers who repeatedly refuse to accept such offers can still keep the benefits.

Factors affecting labour supply are also internal (national) and international migration of employees. Generally speaking, the effect of migration intensity on labour supply depends on the speed by which people “flow” from sectors/states with excessive supply of labour, i. e., from “unemployment islands”, to sectors/states with excessive demand, i. e., to “vacancy islands”. We may expect that this depends on both institutions and incentives in the labour market (Lindbeck, 1989). International migration and its influence on labour market are presented in detail in the next part of this article.

### **Migration of labour force – key issues**

International mobility is an important component of economic, social and demographic development of all the regions in the world. This phenomenon has become a hallmark of the 20th century, named – after Stephen Castles – “the age of migration” (Castles, 2003). As the authors point out, the large-scale movements of people arise from the accelerating process of global integration. Today there are more than 150 million international migrants, representing approximately 3% of the world’s population and almost 25 million foreign nationals in European countries, representing 4,5% of the European population. These numbers grow consistently.

The basic criterion by which we can identify the type of migration is the length of the time spent abroad. According to the recent recommendations of the United Nation Statistical Commission on temporary migration: a long-term migrant is defined as a person who moves to a country other than that of his or her usual residence for a period of at least a year (so that the country of destination effectively becomes his or her new country of usual residence), whereas a short-term migrant is defined as a person who moves to a country other than that of his or her usual residence for a period of at least 3 months but less than 12 months, except for the cases of recreational visits, holidays, visits to friends and relatives, business or medical treatment trips, or religious pilgrimages. Migrants for settlement are foreigners granted the permission to stay for a lengthy or unlimited period, who are subject to virtually no limitations regarding the exercise of an economic activity (United Nations, 1998). Nevertheless, these terms may be used differently by particular countries, international organizations and institution, according to statistical systems and migration policies. In many cases, these divergences results in incomparability of the source data and research inconveniences.

Contemporary migrations are the outcome of various processes, which determine different types of movements. They can be distinguished according to the motives (financial reasons, family reunions, politics, refugeeism), legal status (voluntary, irregular) or according to the aforementioned length of time spent abroad (i.e. short-term, long-term, for settlement). General categorisation of international migrations, taking into account four main migration entry streams: labour, family, students and asylum, can be as follows (Salt, 2005):

- labour migration (migration for employment),
- migration for family re-unification,
- migrations for education,
- irregular migrations and refugeeism.

The relative importance of the types of migrant streams varies from country to country. Taking into consideration various forms of people’s mobility, migration for employment is one the most substantial flows in the context of labour force analysis. In its general meaning, migration for employment is defined as cross-border movements of migrant workers, it involves foreigners admitted by the receiving country for the specific purpose of exercising an

economic activity remunerated from within the receiving country (United Nations, 1998). The share of labour migration in people movements is significant. Statistics on international migration of third country nationals within the EU-15 in 2004 show that about 25% of the residence permits were granted for work purposes and another 45% for family reunifications (Münz, 2008). For selected European countries the shares of entry visa or residence permits granted for the reason of employment were more substantial: 30-35% (UK, Finland, Austria, Italy, Netherlands) and over 40% (Denmark, Portugal, Switzerland). Nevertheless, this picture of the phenomenon is not complete. The data on residence permits do not account for seasonal and temporary labour migration, which is common in countries like Austria, Germany, France, Italy and Spain (Münz, 2008). They also do not include irregular migration – ongoing outside legal admissions channels, which embrace many and perhaps most of the world's migrant worker movements (Martin, 2005).

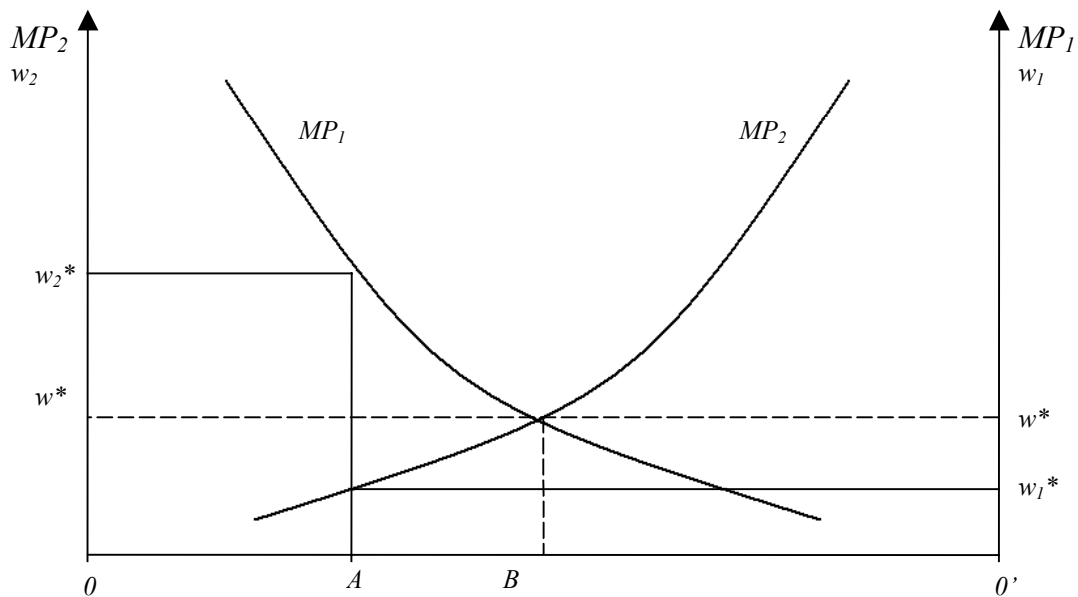
There are various factors influencing international mobility of workers. Indeed, migration streams are dynamic and arise from different motivations dependent on economic, social and demographic conditions within host and sending countries. The main pro-migration factors are:

- Unemployment and unfavourable situation on labour market in the country of origin – people migrate for financial reasons: lack of jobs, low or unsatisfactory wages, difficulties in developing own economic activity. Particularly deep disparities in wealth and the level of development between countries (result in income gap, different foreign exchange rate) provide opportunities for easy enrichment.
- Migration networks – social and information networks involving previously migrated people, the family living abroad, relatives and other acquaintances helpful in adaptation in the foreign environment. Networks of connections make it possible to reduce the costs and risks of migration and to receive higher net return from mobility.
- Demand for foreign labour force – arising from the specific structure of labour market in the receiving country. Migrant workers usually fill in the gap in minor and low-paid sectors of economy, caused by the lack of native workers liable to accept bad working conditions.
- Existing of recruitment agencies and other sorts of organizations and employment institutions, which facilitate finding information on jobs.
- Unilateral and bilateral agreements between countries concerning temporary employment (i.e. seasonal work, work under contract, job for professionals or students).
- Development and cooperation of national and international business.
- Learning opportunities abroad and student and apprentice exchange programmes between universities and colleges.
- Migration policies and rules of access to labour market for migrant workers in the receiving country – this factor may not only encourage to undertake migration, but also regularize the dimension of migrant workers' illegal movements.
- Simple conveniences, such as the availability of communication and information facilities, decreasing costs of carriage, the activity of organizations for integration and adaptation in host countries.
- Cultural and linguistic ties between countries; tradition of emigration within particular regions.

Assuming that a vital factor of labour mobility is global diversification of wage rates, the mechanism of migration may be explained on the basis of simple neoclassical economics framework. In Heckscher-Ohlin model of international trade developed by Kaczmarczyk the movement arises from differences in the stock of production factors. At the starting point (see fig. 2), there is the diversity of labour resources and wages between countries ( $0A, A0'$ ); the equilibrium point is  $A$ , with wages at the level of  $w1^*$  and  $w2^*$ . If the obstacles in the move-

ment of the production factors are eliminated, labour migration appears at the amount of AB from the sending country (1) to the receiving country (2). Simultaneously, the wages become unified at the level of  $w^*$ . In this approach labour is considered as one of the factors of production, which means that the flows depend on costs (wage rates) and marginal productivity ( $MP_1$ ,  $MP_2$ ). The distribution process occurs in the situation of non-equilibrium and leads to the balance on global market. The wage rates will be entirely unified, under the assumption of zero transport costs and perfect information (Kaczmarczyk, 2005).

Figure 2. Simple model of international trade with mobility of production factors



Source: Kaczmarczyk (2005).

The links between migration, labour market and the economic development of sending and receiving countries are the issue of growing importance particularly for new EU member states, due to the expanding opportunity of free movement of migrant workers within Europe. Free movement of persons for economic purposes is one of the four fundamental freedoms of the European Union, along with free movement of goods, services and capital. The underlying premise is that movement of persons for economic activity is not only necessary in the interests of the EU market integration but positively beneficial to the growth and innovation in the EU. It is also considered an important contributor to achieving higher levels of labour market participation (Economic migration..., 2005). The main regulations concerning international migrant flows are: International Labour Organization (ILO) Convention No. 97 of 1949 (revised), ILO Convention No. 143 of 1975 and Convention of UN adopted by the General Assembly resolution no. 45/158 of 18 December 1990. Above these there are multilateral regulations in a framework of the World Trade Organization (i.e., the General Agreement on Trade in Services (GATS), Mode 4) and numerous regional agreements on international labour flows between countries.

### Impact of workers' mobility on labour market and human capital

The demand for labour provided by both highly and low- or semi-skilled immigrants will likely continue to increase in Europe, due to the changing economies of developed countries along with increasingly ageing populations. According to the World Bank studies, hu-

man resources are the most important component of national wealth for all countries. Human resources, which consist of “raw labour” are determined mainly by the number of people in a domestic labour force, and human capital. Comparison of the level of development and the structure of national wealth indicates that there is significant predominance of human resources in highly developed countries of Western Europe (75%), in contrast to the world’s poorest regions e.g., West Africa, where the share of human resources is the lowest in the world (60%), despite a large population (Soubbotina, 2004).

In the above context, immigration of labour force is considered to be an essential factor that may influence the dimension and the structure of human resources. The role of migration is crucial in tackling shortages of labour and skills. Migration data show that the participation of migrant workers in labour markets of high-income countries, accounted for up to an average 12% of their work forces (i.e. 52 million migrants) in 2000. Migrant shares range from about 1% in Ireland and Japan to 23% in Australia and over 30% in Singapore. In contrast to this, the migrant share in labour force in developing countries account for an average only 1% (Martin, 2005). In 2005, the major origin countries of immigrants within European part of the OECD zone became eastern European countries (see tab. 1), particularly as a consequence of the UE enlargements (Poland) or upcoming membership (Bulgaria, Romania).

Table 1. Top 10 source countries for immigration (sending countries), 2000 and 2005

OECD Europe Thousands			
2000		2005	
Morocco	96	Poland	324
Ecuador	95	Romania	202
Poland	94	Morocco	128
Bulgaria	81	Bulgaria	82
Turkey	79	Germany	77
Romania	76	Ukraine	70
United States	64	Turkey	66
Germany	61	United Kingdom	65
France	60	Russian Federation	54
Italy	56	France	49

Source: the OECD (2007).

The impacts of people mobility on human resources and labour markets are experienced in the receiving countries as well as in the country of origin. In effect, migration of labour force may be considered as the inflow or the outflow. In every case the influence of migration processes is different and reveals positive and negative aspects of its nature. Despite of the complex and multidimensional character of the phenomenon, taking into consideration the sending country perspective, a set of possible impacts of migration on labour market and human capital may be indicated (see tab.2).

An incontrovertible advantage of people’s mobility for the country of emigration is the possibility of improving the quality of human capital. Part of international flows consists of migration of students and apprentices, which have decided to continue their education and self-development abroad. According to the OECD data, the share of foreign students in tertiary enrolment varied from below 1% (Korea, Poland, Turkey) to 28% (New Zeland), with an average 7% in the OECD zone in 2004. Among European countries, Switzerland, the United Kingdom, Austria, Germany and France achieved the highest share of foreign students (the OECD 2007). The highly-educated native migrants become valuable source of human capital, providing they are willing to return to their country of origin (Nakonieczna, 2007). Potential

gains are also connected with re-emigration (returns to homelands) of specialists and skilled workers. The migrant back flows facilitate the transfer of knowledge, work experience, know-how and qualifications that may be profitable for innovation and development of the domestic country. Moreover, the prospect of migration itself may lead to greater incentives for workers to become skilled, leading to greater human capital formation. Thus, the sending country may end up with a higher proportion of educated individuals in the long run, which means a “brain gain” for the country (Fan C.S., 2007).

Table 2. Potential impacts of migration on labour market and human capital (the sending country prospect)

Possible Positive Effects of Migration	Possible Negative Effects of Migration
<ul style="list-style-type: none"> <li>• Increased quality of human capital (gaining from education, apprenticeship and work experience abroad).</li> <li>• Reduction of the unemployment rate in some sectors of economy or regions of the country (the so-called: ‘export of unemployment’).</li> <li>• Inflow of remittances and foreign capital influence the long-term equilibrium of the labour force (new job opportunities from the investments).</li> <li>• Emigration may stimulate investment in education and individual human capital investments.</li> <li>• Inflow of knowledge, technology, investments and venture capital from diasporas.</li> <li>• Leads to increased trade flows between sending and receiving countries.</li> <li>• Charitable activities of diasporas can assist in relief and local community development.</li> <li>• Favourable for the individual (in most cases), especially where there are new opportunities for workers, not available in the home country.</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of human resources in economically productive age, hence labour force shortages (quantitative, qualitative).</li> <li>• Reduced stock of highly skilled workers (<i>brain drain</i>) and thus reduced quality of essential services.</li> <li>• Lower return from public investments in public education; depreciation of workers’ qualification – work below own qualifications abroad (<i>brain waste</i>).</li> <li>• Increase of wages and pressure on working condition improvement in the shortage sectors.</li> <li>• Risk of creating a ”remittance economy” and dependency among receivers (migrants’ family); remittances may lead to decrease of economic activity of beneficiaries.</li> <li>• Inflationary potential of remittances in some areas of economy.</li> <li>• Selective migration may increase income disparities.</li> </ul>

Source: Own compilation based on: Farrant et al. (2006), Nakonieczna (2007).

The lack of job opportunities for workforce or graduates in homelands may lead to migration being perceived as a beneficial economic strategy for individuals. Hence, in the macro perspective, the mobility may have a positive influence on the unemployment rate. Due to emigration, the level of unemployment may decrease (the “export of unemployment” effect), particularly in certain sectors of economy or in the peripheral regions of the country, where the indicators are normally high. The indirect influence on the unemployment rate is connected with a rise in employment as a result of remittance inflows. Financial transfers from abroad spent on the consumption and on, often downplayed as “non-productive”, investments in housing, small businesses and education can have positive multiply effects and



boost the local economic activity. Remittances may therefore have a positive impact on regional productivity and employment in the longer run (De Haas, 2005; Kopp, 2005).

Financial flows received from migrant workers residing abroad are the second largest source of external finance for developing countries (an average 2,6% of GDP in 2002 with a growth rate of 7% per annum) after foreign investment. Due to unrecorded remittances flows, particularly informal ones, the true size of these flows is likely to be significantly greater, estimated at 50% of the official channels (Ozden, 2007). According to the World Bank, remittances have a significant and positive impact on bank deposits, as well as on bank credits for the private sector. Remittances, if effectively managed, encourage financial development and lead to the economic growth-enhancing effect and consequently, to the possibility of new job opportunities (Aggarwal, 2006). On the other side, migrants' remittances may stimulate investment in education and individual human capital investments. This may lead to better structural preparation for the labour market's demands in the future and hence, to the reduction a scope of the structural unemployment among future generations (Farrant et al., 2006; Nakonieczna, 2007).

Charitable activities of diasporas, particularly in the third world countries can assist in relief and local community development, may also support inflows of new technologies, investments and venture capital (Farrant et al., 2006). Among developing countries, exporting labour in return for remittances comprises a substantial component of development strategy. Remittances are usually less volatile than private capital flows from overseas investors that tend to move pro-cyclically, and so, they may even rise during recessions, helping to stimulate vulnerable economies (Ratha, 2003).

The most obvious cost of mass migration that sending countries bear is loss of human resources in economically productive age. This factor cannot be downplayed owing to the fact that the majority of labour markets in European countries face declines in the growth rate of the working-age population (assuming zero net migrations). In Germany, Italy, Spain, Greece, Portugal, Hungary, Finland, the Czech Republic and Poland, demographic ageing is the most advanced (the OECD, 2007).

Outflow of qualified labour force leads to reduction of stock of highly skilled workers and professionals ("brain drain"), which gives a rise to sectoral as well as regional shortages, and deterioration of the quality of essential services. Moreover, it induces lower return from public investments in education. In countries with ageing populations, sectoral shortages appear also in low-skilled or unskilled occupations. To deal with the problem, many countries establish the strategy for encouraging temporary immigration, with underlying idea that the foreigners concerned will not settle and that recruiting them does not generate a long-term commitment. It is worth noticing that the newer approach puts forward the thesis that, in the long run, outward migration of skilled workers may actually have positive repercussions, such as creation of business and trade networks, return migrants as a source of growth through the diffusion of knowledge and technology, and aforementioned remittances. Moreover, migrants may also come and go several times, following a more dynamic process of "brain circulation" (Farrant et al., 2006; Kaczmarczyk, 2007).

The difficulties in making effective use of migrants' human capital in the foreign labour market are perceived as another negative effect of migration. Difficulties in accessing the labour market can occur in the cases of over-qualification, i.e. holding a job that requires lesser qualifications or that pays less than what would theoretically be available to people having the same level of education. Empirical studies show that newly arrived immigrants are more likely to accept unskilled jobs, arduous and even low-paying ones (usually in certain economic sectors: hotels and catering, mining and manufacturing, household services) until they are not fully integrated into the labour market. If the prospect of integration fails, over-qualification may with time induce the gradual degradation of human capital (Kaczmarczyk,

2006). According to some employment surveys' data, over-qualification rates vary sharply among countries, ranging from 5% (the Czech Republic) to 26% (Spain). In all the OECD countries immigrants are more likely to be over-qualified than natives, however in Spain, Ireland, the United Kingdom and Belgium, the over-qualification rates are high for immigrants and for native-born alike (the OECD, 2007).

Another relevant impact of labour migration on the labour market is the pressure on wage growth in the sending country. Indeed, lack of skilled labour force inducts relatively high raise of remunerations in the shortage sectors and it may result in rising disproportion between the dynamics of work output and the dynamics of wages. The consequences may be the upset of equilibrium of the labour market and the acceleration of the inflation growth (MG, 2007). Jackline Wahba's findings provide strong evidence that temporary overseas employment also results in a wage premium on migrants' return. On average, return migrants earn about 38% more than similar non-migrants. Both the duration of migration and the length of time since return home have a positive impact on return migrants' wage premium, but there is no impact of destination country on return migrants' wage premium (Wahba, 2007).

The negative impact of mobility may occur along with the high remittance affluence. The countries of mass emigration are therefore exposed to the risk of creating the so-called "remittance economy" and of dependency on financial flows from diaspora. The problem exacerbates when remittances diminish over time (Farrant et al., 2006). On the other hand, regular inflow of remittances may lead to decrease of the economic activity of beneficiaries (usually migrants' family members) and to their voluntary withdrawal from the labour market. Chami's findings, based on data from 113 different countries, show that the disincentive to work created by remittances have indeed a negative impact on economic growth, and therefore on the labour market in the long run (Chami et al., 2003). Another relevant issue is the way financial flows from migrant workers are used in the economy. When remittances are spent on consumer goods, there is a greater chance of inflation that will precipitate lower returns to investment in productive uses. This, in turn, reduces the likelihood of new jobs being created, which then increases the pressure to migrate (Farrant et al., 2006). However, the negative impact of remittances largely depends on a particular context, which varies across regions and countries.

The factors outlined above indicate the main problematic areas and do not settle the positive or negative impact of labour mobility on labour market. It must be noticed that the assessment of migration in the context of the labour market and its competitiveness is a very complex issue and requires taking into account long-term consequences.

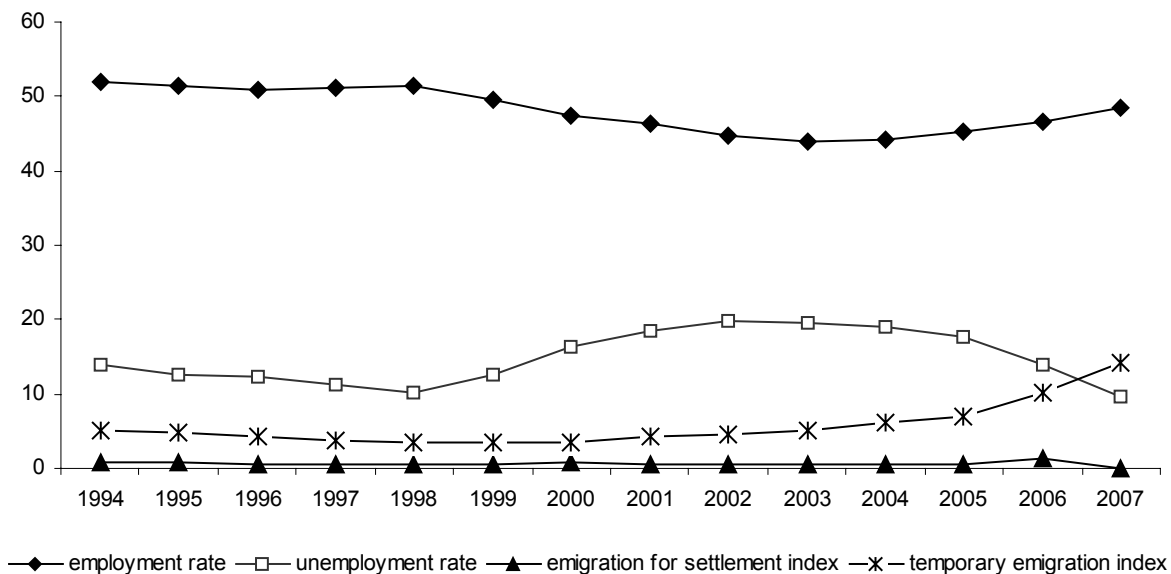
### **Migration and labour market - case of Poland**

Poland is the main sending country in Europe, where the demographic ageing is one of the most advanced. According to the Central Statistical Office in Poland (GUS), in the end of 2006 there were 1,950 thousand Polish citizens living abroad, of which 1,600 thousands in Europe (temporary migration). Moreover, the negative net migration for settlement is still deepening (21 thousand in 2007), which leads to the decrease in number of economically active persons and, together with the low natural increase rate, leads to the decline in population. Labour migration of Poles is the phenomenon closely related to the processes of changes in the domestic labour market.

The consequences of migration seem to be scant for Polish labour market and usually occur on the local and regional level. Nevertheless, there are visible trends correlated with the scale of emigration as well as demographic changes and changes in the economic situation. The decrease of the unemployment rate after 2004 is results not only from labour migration

phenomenon but also from the higher employment rate and more new job opportunities (see: fig. 3). Migration to work abroad has a direct positive influence on the level of unemployment, mostly in the peripheral regions, where the rate of unemployment is high (e.g., certain Polish provinces: Podkarpackie, Świętokrzyskie, Podlaskie, Lubelskie). On the regional level, migration facilitates the creation of new jobs in local businesses, in connection with the higher consumer demand among migrants' households (local transport agencies, travel agencies, recruitment agencies).

Figure 3. Indicators of migration and the labour market in the years of 1994-2007



Source: Own compilation based on the data from the Central Statistical Office (GUS) in Poland.

The level of unemployment in Poland is closely related to structural factors: low occupational and spatial mobility, the high long-term unemployment rate, hidden unemployment in rural area, the low level of education among the unemployed etc. Apart from that, migration brings about the reduction of total unemployment to a small degree, but it also leads to selective reduction of employment. Difficult access to qualified labour force and to applicants for plain work, becomes the more and more significant barrier for employers. Shortages of labour appears in certain regions as well as in particular sectors of the economy, especially where the demand for labour is high. In consequence, the structural unemployment exacerbates on the regional level.

One of the significant labour deficiency areas is the medical sector. During the first two years after the EU enlargement, up to 2,2% of physicians put forward the application for nostrification of their diplomas, many of them indeed left (about 7-8% in the case of anaesthesiologists, pulmonologists, plastic surgeons). The outflow of doctors is problematic for the ageing Polish society. Taking into consideration the proportion of physicians in the population, Poland ranks at the bottom of the European list, just above Romania and Albania.

Shortages of skilled workers appears also in the construction industry, due to the dynamic development of the sector and the increasing demand for skilled labour force. The deficiency of construction specialists becomes dangerous especially for small businesses because of the lack of properly qualified candidates for work, but also because of rising wage claims among employees. According to the Central Statistical Office (GUS), the costs of employ-

ment are the most important barrier for 59% of construction companies (the data from the first quarter of 2008).

Human capital (intellectual capital) is perceived as the more and more important factor of development of the small business sector. Therefore, the lack or the mismatch between supply and demand of labour force became significant obstacles for employers. The research carried out by the Ministry of Economy shows that the lack of appropriate qualification of workers was a barrier for development for 8% of employers (especially medium enterprises) and the costs of labour force was a barrier for 7% of companies (especially small enterprises) in the end of 2007 (MG, 2008).

The structure of education of Polish migrants has changed significantly after the EU enlargement. There was a high rise in share of migrants with secondary and high education, particularly among women (the “brain drain” symptom) and a rise in the number of migrants with vocational secondary education (see: tab. 3). In general, there is a substantial underrepresentation of well educated migrants in the country’s population. Moreover the level of migrants’ education does not correspond to the profile of the jobs undertaken. Experts point out to the so-called “strategy of latent depreciation of qualification” among Polish migrants, noticeable especially in the Great Britain and Ireland (Grabowska-Lusińska, Okólski, 2008). The reasons why Poles usually do basic physical jobs below their formal qualification are: more opportunities of easy and fast employment in the low-paid sector and the lack of language skills among Polish migrants (in 2006, more than 70% of employees occupied semi-skilled and low-skilled positions at work).

Level of education	Before 1st May 2004	After 1st May 2004
Higher education (doctor degree)	0,1	0,2
Higher education	11,6	16,3
Secondary education	17,0	17,5
Secondary education vocational	26,1	28,1
Vocational education	34,8	30,9
Primary education and lower	10,3	7,0
Total:	100,0	100,0

Table 3. The level of education of Polish immigrants before and after the EU enlargement  
Source: Grabowska-Lusińska, Okólski (2008)

Empirical studies prove that remittances have direct positive influence on productivity and employment. In the case of Poland, financial transfers from Polish migrants reached 1% of the GDP in 2005, i.e. 3% of the export income and 30% of the average inflow from foreign direct investments in 2004-2005 (the shares for developing countries in 2002 were: 2,6%; 8,2%; 10,4% respectively). Remittances are a sufficient source of income for migrants’ households; they are usually invested in education, estates and own businesses. They also stimulate consumer demand. Nevertheless, economic effects of financial transfers to Poland may be considered limited to some extent, as the majority of migrants’ jobs are low-paid and highly skilled migrants do not tend to transfer substantial parts of their earnings (MG, 2007).

## Conclusions

Migration of labour is one of the most important features of globalization, which significantly influences the world economy. The demand for migrant workers is increasing and this concerns not only for high-skilled, professional jobs in such domains as, e.g., IT, but also

low-paid, unskilled or low-skilled jobs in areas such as agriculture, cleaning and maintenance, construction, etc. Global labour mobility makes it possible to use the world labour with optimum effectiveness.

In the near future many countries will have to develop pro-active migration policies to meet burgeoning demographic and economic needs. For a relatively short period of time, European East-West migration will continue to play a role (Fassmann, Münz, 2002). In the longer term, however, migrants will inevitably come to developed countries from other world regions. Europe will have to compete for migrant workers with such traditional countries of immigration as Australia, Canada, and the USA, because only qualified migrants will be able to fill labour gaps and increase the competitiveness of the developed countries' labour markets. The biggest challenge for the EU will be to attract migrants matching its labour needs, i.e., migrants with appropriate skills and qualifications. Successful dealing with labour and skills shortages may help to sustain the EU economic growth without compromising the public welfare system. In this context, a pro-active approach to immigration will be necessary. The migrants most likely to fulfil the expectations of their destination countries with respect to integrating and matching shortages of labour and skills, are probably those sufficiently flexible, experienced and qualified to adapt to changing conditions. In the future, qualifications and adaptability of potential immigrants will have to be assessed by selection mechanisms of migration policies (Holzmann, Münz, 2004). However, taking into account the international race for brains, apart from selection and admission mechanisms, any pro-active migration policy adopted by the EU will have to include offering the migrants sufficiently attractive conditions.

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