

## Managing Migration in the Time of Economic Crisis: Example of Four EU Countries: (Germany, Spain, UK and Italy)

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**Abstract:** It is widely accepted that the recent economic crisis has effects upon the management of labour migration within the EU. The aim of this paper is to consider the EU migration policy, with reference to the economic crisis. The paper will explore the EU level policy reaction to the economic crisis, as well as looking at comparisons between how the UK, Germany, Italy and Spain establish the various regional changes in policies. It can be said that the EU policy shift since the economic crisis has been to encourage migration, but in a directed manner, so as to ensure that the skills' gaps are filled appropriately and that migration is supported only when it is being used to encourage long term growth for the EU as a whole. Individual countries have applied these policy agendas as a means of restricting the level of migration, based either on a quota or on the basis of skills' requirements. It is known that the economic crisis has had a negative impact on the strength of the labour markets. This paper will look at the management of migration during economic crisis, using the example of four EU countries, namely Germany, Spain, UK and Italy.

**Keywords:** Migration management, Economic crisis, UK, Italy, Spain, Germany.

### INTRODUCTION

It is widely accepted that the recent economic crisis has effects upon the management of labour migration within the EU. In this paper, we ask the main question that what are the reactions of EU and individual states comparatively, namely Germany, Italy, Spain and the UK, to the economic crisis. It is known that the economic crisis has had a negative impact on the strength of the labour markets. This paper will look at the management of migration during economic crisis, using the example of four EU countries, Germany, Spain, UK and Italy.

### What are the EU level policy reactions to the crisis?

Before discussing the reaction to the crisis, it is helpful to look at the institutions and structural issue that had been put in place, prior to the crisis. For example, tax wedges and the reduction of benefits for the unemployed individuals by ensuring that the benefits offered to those who are unemployed are not as financially viable as gaining employment would be. This means that individuals would be less inclined to remain on benefits and would actively seek employment. Whilst this may have been effective for those who are actively avoiding employment, it does not offer a solution where individuals are actually seeking employment, but the jobs do not exist.

Both the countries that have typically received the immigrants and those that the immigrants move away from are going to be impacted on by these changes. Each of the policy responses will be looked at in turn [1].

Migration policies themselves will clearly have a direct and real impact on the migrant flows. National governments will naturally look towards applying policies in such a way that their own recovery is as quick and efficient as it can be. The immediate reaction in most cases across the EU is that of the need to restrict the number of third party nationals who enter into their country, by tightening the border controls, particularly in terms of the unskilled labour that is susceptible to the downturn, at a greater rate than the highly skilled individuals. For example, in the UK, a migrant approach that involves points is used to ensure that only those with a skill that is in short demand are able to enter the country, on a labour or working basis. Direct migrant policies are however somewhat reactive in nature and will not necessarily look towards the long term demographic changes. Instead, the migration policies will consider the security of the country and will look to protect the position of the country, rather than seeking long term growth and development.

Despite this, there are some EU level strategies that have been adopted and are extremely relevant to the discussion here.

### **Stockholm Programme**

This was a strategic approach adopted during the crisis itself as a means of updating the existing Hague Programme, in light of the underlying economic conditions. The programme was adopted at the 2009 European Council and focused on promoting citizenship and fundamental rights, justice, security, enhancing border management, and the development of “a comprehensive and flexible migration policy” for the period from 2010 to 2014. Given the timing of this programme, it is unsurprising that its approach to migration is somewhat different from other policies. Crucially, this programme did not focus fully on increasing the level of migration and movement, but rather looked more towards creating harmonisation and consistency, in terms of asylum and immigration policy. In particular, the EC Action Plan Communications state that the growth of the economic crisis should not prevent countries from looking towards integrating and developing a common migration policy, whatever that may be. This has been taken forward with the Europe 2020 Strategy. Nevertheless, the European Migration Report [2] states that a significant development of this programme regarding circular migration was the adoption of Directive 2014/36/EU which stipulated the conditions for entry and stay of third-country nationals for employment purposes as seasonal workers. Four EU countries (Spain, Italy, Netherlands and Poland) introduced new legislations aimed at encouraging labour migrants to carry out temporary work in member states in order to improve their professional experience or set up business following their return to their country of origin. A project was also launched in 2013 called the Post-Stockholm programme, aimed at setting out further steps to be taken in terms of freedom, security and justice and to, among other things, improve the attractiveness of the European Union through adopting sound admission policies and enhancing mobility rights within the EU. This programme also aims to take into consideration the impact the economic crisis will have on both migrant workers and EU citizens, and the structural limits brought about by the severe strain national budgets have been under due to the economic crisis [3].

### **Europe 2020**

Interestingly, Europe 2020 actually looked at the fact that there were labour shortages in certain regions and in specific industries. This was not therefore focussed on reducing movement or encouraging people to remain within their home territory, but rather on ensuring consistency of treatment, so that Europe as a whole becomes more competitive as an overall unit. The EU policy therefore

seems to be focused on the idea that the EU should be operating as one overall whole, with a view to being competitive globally, rather than focussing on dealing with competition across the EU itself and between member states [4].

Several priorities have been identified as part of the ongoing strategy for Europe, in relation to migration in the wake of the economic crisis. The main strategy is to try to ensure that the knowledge and information side of the economy is developed to ensure that there is ongoing growth, rather than looking at the lower skilled roles that have been hit hard by the economic crisis. Whilst individual countries such as the UK have looked at reducing access to their country, particularly for those likely to be utilising the benefit system, the EU policy is much more about achieving long term growth and developing skills to make the EU competitive overall [5].

Of particular note is the fact that the EU policy agenda titled 'New Skills, New Jobs' recognises that the focus is on up-skilling every element of the workforce, rather than simply excluding or segregating those who are seen as being low skilled. Bearing in mind this general EU agenda, it is clear to see that there are likely to be distinctions between the EU and the individual countries which may be taking a more protectionist stance and preventing migration and the EU wishing to simply create one overall coherent strategy for the benefit of the EU overall.

Recognising that there may be differences between the demands of the EU and the individual countries wishing to do something distinctive to protect their own position, the EU has now produced guidelines for national governments as to how they can individually assist with the establishment of a coherent EU policy [6].

Admission restrictions have emerged at a national level across the EU, as a result of this shift in EU policy. For example, in Italy, they have established specific quotas for migrant workers, with this being all but eliminated in 2009 to anyone except tourist workers or agricultural workers on a short term contract. Other countries such as Portugal and Croatia have also reduced their quotas. Similarly, Spain and the UK reduced their quotas, but did so, on the basis of skills and the skills' shortages that are in existence at that time. This would seem to be a much more logical approach, due to the fact that the economic crisis has had a direct impact on certain industries and, as such, by restricting migration of some skills, it is sensible that this will then create a better employment set of opportunities for the nationals in the country.

Despite the economic crisis and the attempted restrictions on migration, there has been little change in

the willingness of countries to open up new lines of migration and to consider offering greater opportunities across the EU. Although the changes are such that the countries themselves are looking at ways of restricting and managing the flows of migrants in such a way that supports long term economic recovery, on the whole, the policy for migration, regardless of precisely how it is undertaken across the EU, is that of restricting the inflow of low skilled individuals. Some countries, however, have gone a little further and have actually openly tried to improve the number of highly skilled individuals that are in their region. This is a particular approach take by Germany, with this migration policy being looked at in the final section of the analysis, before drawing conclusions and ultimate points of analysis.

Comparisons of Changes in Policies: with Germany, Italy, the UK and Spain as examples

#### **Northern Europe – Germany and the UK**

Germany performed very differently during the economic crisis and this can potentially be attributed to the way in which it has dealt with the labour market and labour reform, since the early 2000s. The way in which the labour market had been structured in the case of Germany in the run up to the economic crisis was substantially different from that established in the UK and this can go a long way towards explaining why the country has not seemingly suffered as badly during the economic downturn and has not been subject to dramatic changes in labour migration patterns.

Some of the approaches taken by Germany include the reduction of unemployment benefit and the subsidising of jobs that are low skilled or part time, so as to stimulate this end of the market, the one area that has suffered the most during the economic crisis. Eligibility for benefits was made stricter in Germany and this seemingly reduced the desirability of travelling to the country seeking employment. This has created a situation whereby those travelling to Germany have been largely restricted to those who have secured jobs or have the skills to be gainfully employed in the region. During the economic crisis, there was a much lesser shift in the migration patterns across Germany and this could be largely attributed to the long standing policies which have discouraged migrants who were simply taking a chance; also the general labour policies within the region encouraged flexible patterns of employment that were much more adaptable to the underlying economic changes.

Following the recent examples and the EU policies, it can be seen that Germany is maintaining a continuous growth approach and actively encouraging migration of highly skilled individuals. During May 2009, the German government stated that it was aiming

to ensure that the best individuals are attracted into the German labour force. The German government has established the Labour Migration Control Act which works alongside the existing immigration laws. This aims to look at the policy of allowing highly qualified individuals the ability to seek permanent residency and to bring in family members and settle in the country. Essentially, this takes the approach of encouraging desirable behaviour, rather than discouraging poor behaviours.

According to Rienzi [7], “the number of foreign-born people of working age in the UK increased from 2.9 million in 1993 to more than 6 million in 2013”. The number of working-age foreigners in the UK also increased from about 3 million million in 1993 to more than 6 million in 2013. The recession saw only a slight decrease in numbers of migrants coming to the UK to seek work (e.g. 2007, 2009 and 2010). As expected, there was a significant jump in the number of foreign-born workers in the UK during 2006, which coincides with the opening of UK labour markets to workers from the A8 countries (Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovakia, and Slovenia) in mid-2004 (ibid.)

As the table 1 shows, the greatest concentration of foreign-born workers employed in the UK is in the manufacturing industry (industry cleaning, canning, filling, etc.) or manual trades (agriculture). Clearly, then, labour supply correlates closely to demand. Migrants take jobs that local citizens are either unwilling or unable to fill.

Since 2004, the key increase in labour migration from new EU member states has come from Eastern Europe and especially Poland, with migrant concentrations in agricultural areas which have traditionally been areas of emigration unused to inflows except on a seasonal basis. Evidence of the impact of the economic crisis of 2008-9 in the UK lies in the policies of the 2010 Conservative-Liberal coalition who have attempted to cut immigration and welfare programmes. As a result, labour inflows have declined and many immigrants returned home due to rising unemployment in Britain and increased opportunities in their countries of origin.

Maerdi *et al.* point to the construction industry in the UK as demonstrating a clear link between economic downturn and migration. They point to increases in immigration in preceding years especially from Poland, Slovakia and the Baltic States accounting for an estimated ten percent of employment in the sector. In 2009, immediately following the economic crisis, employment in construction fell 4 percent as against 2.1 percent for the whole economy [8].

### Southern Europe – Italy and Spain

Prior to the economic crisis the number of foreigners with resident permits in Italy doubled in the period 1981-1991 rising to 1.4 million in 2000. Increases were thought to be due to the regularization of irregular immigration between 1986 and 2009. The entry of non-EU citizens for employment in Italy was made subject to quotas but these are very low and do not reflect demand for labour, resulting in substantial levels of overstay and irregular entry [3].

Thus there is a trend of increasing net migration to Italy despite the economic crisis. Throughout 2009 and 2010 inflows only decreased slightly compared with 2008 which suggests Italy was not strongly affected by the crisis. This trend results from the fundamental rigidity of legal migration policies which need time to adapt to evolving constraints but is also connected to the persistent but uneven need for foreign manpower in some sectors. Nevertheless some sign of the deterioration in the capacity of the Italian economy to absorb large inflows can be detected in the uneven geographical distribution of the slowdown in net migration [9].

Spain and Italy demonstrate substantially different responses to the economic crisis. During the economic boom of the 1960s a hundred thousand Spaniards a year emigrated until this trend was halted by the economic crisis of 1973. Up until this date Spain was regarded as a land of emigration. Spain does share characteristics with northern EU states such as Germany and the UK but is distinguished by the key role played by inflows shaped by an underground economy, irregular migration and weak government regulation [10].

The situation changed after post-Franco democratization in 1975 and membership of the EU in 1986. Between 1986 and 1999 there was a rapid increase in immigration especially from North Africa boosted by economic growth, the large-scale incorporation of Spanish women into the labour market and regulation of entry. After 2000, Latin American migration was encouraged and family reunion. The registered foreign population grew from 279,000 in 1990 to 1.3 million in 2000, 4.1 million by 2005 and 5.7 million in 2010 representing 12.4 percent of the total population. Only a minority of irregular migrants entered Spain because between 1985 and 2005 Spain authorized 12 legalization campaigns [10].

What has emerged from comparisons between Italy and Spain is that there is no homogenous 'Mediterranean model'. Maerdi *et al.* [4] suggest that Spain represents a Southern European/segmented model. In line with segmented labour theory foreign workers are specialized according to their origins, thus Moroccans and other Africans are employed in

agriculture, Latin American women in the domestic and care sectors, Latin American men in construction and services while their European counterparts tend to work in industry. Spain has also hosted 200,000 retirees mainly from the northern EU member states since 1981 [11].

Of all European states Spain has been the most affected by the economic recession of 2008-9. Economic growth in the preceding decade was highly dependent on the availability of cheap labour especially in the service sector and the construction industry. A combination of the global economic crisis and the bursting of the construction bubble transformed Spain from a major labour importer to one with the highest unemployment rates for natives (17 percent) and foreigners (30 percent) in the EU. Spain is therefore cited as a prime example of the effects of economic downturn on a strong employer-oriented labour migration model [12].

The Spanish government has been forced to reduce entry flows for labour purposes by 90 per cent. Annual estimates for stable workers dropped from 27,034 in 2007 to just 14 in 2011 [12].

### Is crisis an opportunity in the times of economic crisis?

Germany, currently occupying 13<sup>th</sup> position in the index, has some of the best targeted measures for labour market integration except in recognising qualifications but MIPEX notes still has the most restrictive conditions for long-term residence in Europe and North America and is backward in granting foreigners voting rights. It appears that despite improvements the German government is still inclined to see migration as a temporary source of cheap labour and although accepting that it is now a country of immigration is still resistant to the idea of permanent settlement of non-Germans.

The UK government, 14<sup>th</sup> in the index, was unprepared for the number of EU Citizens from 2004 accession countries. The migration debate in the UK is seen in terms of real costs versus benefits, community cohesion versus British jobs for British workers. Since the economic crisis MIPEX has found conditions slightly less favourable to integration with UK policies for non-EU workers and their families only half-way favourable compared to other countries in the index.

Italy's new security law has made conditions slightly less favourable to integration with immigrants being presented as responsible for general social problems. New family reunion laws and long-term residence conditions are out of touch with social realities and equality laws remain the weakest in Europe. Nevertheless Italy scores well overall, lying 10<sup>th</sup> in the table.

Spain is lying 8<sup>th</sup>, having undergone a swift transformation to become Europe's largest country of immigration despite having the highest unemployment rates in the EU. MIPEX finds that fewer migrants are coming to Spain but those who are settled there are likely to remain. Spain benefits from slightly favourable integration policies and is now the best of Europe's major immigration countries maintaining and even enhancing long-term commitments to economic, family and societal integration despite cuts. However MIPEX does note that Spain has only gone halfway to addressing the disproportionate impact of the economic crisis on foreign residents and that it has brought new limits on family reunification [13].

## CONCLUSION

In Italy the effects of the economic crisis have generally been weaker than in Spain because of the Italian production system. Italy did not experience a phase of economic growth based on increasing the supply of cheap labour and so avoided a 'national' crisis alongside the international crisis. The most affected sector is manufacturing which employs native rather than immigrant workers. In Italy most immigrants are employed in the agricultural sector which has always been subject to seasonal fluctuations or in the domestic and care sectors which are less affected by the economic downturn. A gender rebalancing of the immigrant population is also a feature in Italy due to family reunions and autonomous female migration to support the home/health care sector which, due to Italy's ageing population, has suffered less retraction during the economic crisis with consequently less impact on female workers. Whereas inflows to Spain decreased, largely due to a slump in the construction industry, inflows to Italy continue to increase [14].

Spain has demonstrated greater capacity than Italy for organizing its labour regime, achieving a consensus between social partners and employers. A socialist government and the co-ordination of state bureaucracies has favoured recruitment and enhancement of labour market controls in the short term whereas Italy's right-wing government and fragmented administration has been less effective.

The Spanish experience of the economic crisis has highlighted the vulnerability of immigrants and the link between migration and economic uncertainty [15].

International market mobility can exacerbate economic uncertainty. Spanish immigration in the early 2000s increased demand for housing expanding the construction sector which has proved the most volatile in the downturn. Immigrants work in the sectors with most insecurity and seasonal variation including the underground economy which adds to overall economic uncertainty [15].

Pulling all of this together and with particular reference to the approach taken by Germany, it can be seen that the EU policy shift since the economic crisis has been to encourage migration, but in a directed manner, so as to ensure that the skills' gaps are filled appropriately and that migration is supported only when it is being used to encourage long term growth for the EU as a whole. Individual countries have applied these policy agendas as a means of restricting the level of migration, based either on a quota or on the basis of skills' requirements.

The aim of the EU policy is to encourage growth and recovery from the economic crisis and this involves not only looking at the financial markets, but also in ensuring that the labour mobility is maintained in a constructive way, so as to allow skilled labour to be developed through training and for skilled workers to be mobile to travel around the EU as and when required, in order to meet economic demands.

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