EU membership, EU enlargement and its consequences for the Austrian labor market

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Some facts about labor migration to Austria

- Immigration from New EU Member States particularly important

Key drivers of immigration from New Member States

- Immigration can be well explained by a gravity model, augmented by relative income differences

Where do EU nationals work in Austria?

- Important differences between workers from „old“ and „new“ Member States

Did the recent surge in immigration increase the unemployment risk for resident workers?

- Marginally, at most.
Some facts about labor migration to Austria (I)

- 1970s and 1980s: Immigration of „Gastarbeiter“ according to the needs of the labor market.
- Persistent increase of foreign labor force since 1990s.
- Driven by emigration from former Yugoslavia, followed by Austria’s EU accession and EU enlargement after 2011 and 2014.
- Marked increase of cross-border-commuting since 2011.
Some facts about labor migration to Austria (II)

• Administrative data on employees indicate a **strong increase in the share of foreign employment** to about 800,000 workers or some **21 percent of all employees**.

• Immigration has **mitigated the demographically induced slowdown in the growth of the working age population** and thus contributed **positively to potential output growth**.

• In addition, there is a sizeable number of **self-employed foreign workers**, most notably in the health care sector (especially **home nursing** for the elderly)

• Foreign workers come from „old“ Member States (4% of all employees in 2019; mostly from **Germany**, but also from **Italy**), but even more so from „new“ Member States (9% of all employees in 2019; mainly from **Hungary, Romania, Poland** and the **Slovak Republik**).
Key drivers of immigration from New Member States

• „Gravity-type“ regression analysis reveals that the „classical“ explanatory variables like size (population) and the „average distance to Austria“ explain much of the variation of labor immigration from New Member States.

• If the model is augmented by (1) the relative income (GDP per capital) difference to Austria and (2) by a dummy for the „opening“ of the Austrian labor market in 2011 and 2014, respectively, the model has a high explanatory power.

• One important conclusion:
  • Income differences are a key driver of immigration (besides the classical gravity regressors)
  • When income differences get smaller over time, immigration flows go down.
  • New sources of labor immigration from outside the EU? Further successor states of Yugoslavia, refugees‘ source countries?
Where do EU nationals work in Austria (and what are their characteristics)?

- **All workers** from the other EU Member States
  - Are relatively young and predominantly male.
  - Are highly qualified.
- **Workers from the „old“ Member States**
  - are mainly employed in Vienna and in Western Austria.
  - tend to have **good jobs**
- **Workers from the „new“ Member States**
  - are mainly employed in Eastern Austria.
  - tend to work in jobs for which they are **overqualified**.
Did the recent surge in immigration increase the unemployment risk for resident workers?

- Empirical investigation of unemployment risk with micro data from the Labour Force Survey
  - **Probit** and **IV Probit analysis**: Dependent variable: entry into unemployment
  - Key explanatory variable: **Share of workers from New Member States** in regions x occupations.
  - **Robust results** → Further regressors: **different specifications** (parsimonious with classical human capital variables only; richer specification with dummies for groups of source countries and sectors. **Different time periods**.
- **Marginal effect of share of foreign workers positively significant, but very small** (between 0.05 and 0.02 percent).
  - Statistical tests indicate that **unemployment risk is somewhat larger for several groups** like blue-collar workers, manual workers and workers in services and sales professions.