

## LABOUR MIGRATION

Any given labour market features inefficiencies that create institutional, as well as individual problems. These inefficiencies can include, for example, shortages of some sought-after skills or excesses of other skills in the labour supply. In the OECD countries, one concrete problem facing labour markets is population ageing. The labour force is consequently contracting because more people are dropping out of it than are entering, which has the potential to create a myriad of problems.

Labour migration is one way of creating more flexible labour markets that function efficiently, because migration can help to offset differences in skill shortages and excesses between various labour markets. Compared with many other potential solutions to the problems facing labour markets, migration can have an almost instantaneous effect. This is in marked contrast to, for example, education, which typically takes years to affect labour markets. This is not to say that there are no long-term effects caused by migration, or that these effects are easy to predict.

### Labour migration regulations in OECD countries

Given the importance of labour migration, it is only to be expected that this area is often heavily regulated. In general, restrictions on labour migration have proven very widespread in the past. Existing regulatory policies in OECD countries operate on several different levels.

There are a number of general international and regional agreements that focus at least partly on labour migration (1). The latter is also regulated by several bilateral agreements between countries (2). Finally, labour migration is regulated at the level of individual countries, based on the legislation of each separate country (3). Naturally, the policies regulating labour migration in OECD countries are not immutable, but have undergone significant changes in response to perceived changes in the labour markets in question, changing political preferences, etc. (4), many of which have occurred in recent years.

### Labour migration regulation in the EU

The regulation of labour migration between EU countries differs in some fundamental ways from the case of

other OECD countries, owing to the fact that free movement of labour is one of the basic principles of the EU. Hence, in principle, unhindered labour migration from one EU member country to another has been guaranteed by various union agreements, starting as early as the Treaty of Rome establishing the European Economic Community in 1958.<sup>1</sup> The latest version of the main EU treaties is the Treaty of Lisbon signed in 2007 (5).

However, following the enlargements of the union in 2004,<sup>2</sup> 2007,<sup>3</sup> and 2013,<sup>4</sup> transitional provisions were agreed upon, whereby existing members could choose to impose restrictions on the free movement of labour from the new member countries for up to seven years after the enlargement in question. The decision as to the precise nature of these restrictions was left, within given boundaries, up to the individual member countries. Use of these transitional provisions has accordingly been quite heterogeneous between different member countries. For example, Germany and Austria opted in 2004 for some general restrictions that remained in force for the maximum duration of 7 years, while Sweden chose not to utilise this option (6).

### General aims of labour migration policies in OECD countries

The basic policies regulating labour migration in the OECD differ with the skill-mix of the migrants desired by individual countries. In general, the aim of the policies targeting low-skilled workers is to regulate the number of labour migrants coming into a country by placing restrictions on migration, while the aim of the policies targeting high-skilled workers is to create additional incentives to attract those migrants into the country (7).

Some frequently used policies for reducing the number of labour migrants admitted to a country, and targeting low-skilled workers in particular, include quotas, which can be country-of-origin specific, or more generally, restrictions on work permits and language requirements. Work permits, for example, are only granted in some cases after the relevant position has been listed in the local employment agency for a given number of weeks,

<sup>1</sup> Free movement of labour in some key industries was also a part of the treaty establishing the European Coal and Steel Community in 1951.

<sup>2</sup> In 2004, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Malta, and Cyprus became members of the Union.

<sup>3</sup> Romania and Bulgaria.

<sup>4</sup> Croatia.

as in the case of Finland and the Netherlands,<sup>5</sup> or the employer may be required to verify that the wage level for the migrant is appropriate, as in the case of Australia (8).

Limitations on temporary workers only staying for a short period of time have typically been more relaxed, because some sectors of labour markets, most notably agriculture and tourism, may in some cases be dependent on the ready availability of low-skilled seasonal workers (9).

Policies targeting high-skilled workers usually aim to create special incentives to encourage those workers to migrate and settle in the host country. Typical policies employed include tax-breaks, the fast-track issuing of work permits and relaxed requirements for obtaining temporary and/or permanent resident status. In many cases, OECD countries have introduced special skill shortage lists, which specify the sought-after skills needed to qualify for the relaxed entry rules. Some examples of the professions mentioned in the short lists include researchers and scientists, corporate executives, engineers and professional health workers (10).

Mikko Heikkilä

---

<sup>5</sup> For migrants coming from outside the European Economic Area, comprised of the 27 EU members plus Iceland, Liechtenstein and Norway.

Table 1

## List of related tables, links to DICE Database

(1)	<a href="#">Intra-regional Liberalisation of Workers Movements Across OECD Countries, 2012</a> (PDF, 37 KB).
	<a href="#">Regional Agreements on Migration Policy</a> (PDF, 22 KB).
(2)	<a href="#">Agreements on Cross-Border Employment, 2004</a> (PDF, 22 KB).
	<a href="#">Bilateral Labour Agreements, 2004</a> (PDF, 35 KB).
	<a href="#">Guest Worker Agreements Signed by OECD Countries, 2004</a> (PDF, 57 KB).
	<a href="#">Trainee Agreements</a> (PDF, 106 KB).
	<a href="#">Working Holidaymaker Schemes, 2004</a> (PDF, 21 KB).
(3)	<a href="#">Employment and Residence Permits for Migrant Workers, 2009</a> (PDF, 99 KB).
	<a href="#">Legal Requirements for Non-EU Workers in Selected EU-Member States</a> (PDF, 263 KB).
	<a href="#">Migrant Employment Conditions Covered and Remedies Available, 2003</a> (PDF, 40 KB).
	<a href="#">Stay and Residence Rules for Immigrants in the Member States of the EU, 2007</a> (PDF, 221 KB).
(4)	<a href="#">Migration Policy Changes</a> (PDF, 168 KB).
(5)	<a href="#">European Union Agreements on Migration, 1958 – 2001</a> (PDF, 40 KB).
(6)	<a href="#">Free Movement of Labour in the EU-15, 2009 – 2011</a> (PDF, 32 KB).
	<a href="#">Review of the First Phase of the Transition Period in EU-15, EEA and Switzerland</a> (PDF, 32 KB).
(7)	<a href="#">Policy Priorities and Strategies for High-skilled Migration</a> (PDF, 44 KB).
(8)	<a href="#">Labour Market Tests for Foreign Applicants</a> (PDF, 34 KB).
(9)	<a href="#">Employment and Residence Permits for Migrant Workers, 2009</a> (PDF, 99 KB).
	<a href="#">Labour Market Tests for Foreign Applicants</a> (PDF, 34 KB).
	<a href="#">Legal Requirements for Non-EU Workers in Selected EU-Member States</a> (PDF, 263 KB).
	<a href="#">Recruitment of Seasonal Workers</a> (PDF, 50 KB).
	<a href="#">Stay and Residence Rules for Immigrants in the Member States of the EU, 2007</a> (PDF, 221 KB).
	<a href="#">Temporary Work Permit Programmes for Low-skilled Workers, 2006</a> (PDF, 38 KB).
(10)	<a href="#">Fiscal Incentives for Highly Skilled Immigrants</a> (PDF, 21 KB).
	<a href="#">Controlled Immigration: Points Attributed Under Different Recruitment Systems, 2011</a> (PDF, 36 KB).
	<a href="#">Criteria for Temporary Recruitment of Skilled Foreign Workers, 2001</a> (PDF, 95 KB).
	<a href="#">Mechanisms to Attract Foreign Research Graduates in EU-Member Countries, 2006</a> (PDF, 48 KB).
	<a href="#">Migrant Entrepreneurship and Self-employment: Programmes to Support Investors, 2010</a> (PDF, 86 KB).
	<a href="#">Migrant Entrepreneurship Self-employment: Admission Criteria, 2010</a> (PDF, 160 KB).
	<a href="#">Migration Policies and Recognition of Foreign Qualifications for Health Professionals: Recognition of Foreign Qualifications</a> (PDF, 41 KB).
	<a href="#">Migration Programmes for Health Workers</a> (PDF, 88 KB).
	<a href="#">Policies for High-skilled Immigrants</a> (PDF, 137 KB).
	<a href="#">Policy Measures Aimed at Highly Skilled Workers and Students / Researchers, 2006</a> (PDF, 36 KB).
	<a href="#">Policy Priorities and Strategies for High-skilled Migration</a> (PDF, 44 KB).
	<a href="#">Trainee Agreements</a> (PDF, 106 KB).

Source: CESifo DICE – Database for Institutional Comparisons in Europe, Tables in section Labour Market and Migration / Labour Migration.