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Globalisation, European Integration and Economic Crisis

Has the Free movement of EU Citizens been undermined by the Economic Crisis?: Case study: Polish to UK migration .¹

1. Introduction.

In papers published from the conferences held by the University of Wrocław, Faculty for Law, Administration and Economics in 2006 and 2008², I outlined the EU legal regime for the free movement of workers and considered the effect of previous enlargements of the EU on worker movement between the new and old member states. I also provided a prognosis of the likely effect of the 2004 enlargement, including a consideration of the 2006 Commission Report which was published in just before the first conference. This report evaluated the experiences of the first two years following the accession of 10 new member states and made additional predictions about migration trends. I focussed on the movement of workers between Poland and the UK and for this paper, before looking at how, if the economic crises has affected free movement at all, I will highlight the main aspects of those previous papers.

The EU free movement of persons policy, as one of the original cornerstones of the EU, is supported up by both Treaty Articles and secondary legislation, which together have provided very real rights of movement, enjoyed by millions of EU citizens³. Free movement provisions have allowed individuals to improve their lives by obtaining employment in another member

¹ This is a revised version of the paper given in Wrocław, Poland on the 23rd April 2010.

² Nigel Foster, "Worker migration – fears of the latest enlargement of the EU?" in *Stosunki ekonomiczne w rozszerzonej Unii Europejskiej / Economic relations in the EU enlarged*, Jarosław Kundera (pod redakcją / editor), pp. 353-362, 2007, Kolonia Limited, Wrocław, Poland.

Nigel Foster, "Migration of Workers in contemporary Europe in Economic integration in the enlarged EU, from free trade towards monetary union, ed. Jarosław Kundera, pp. 361-369, Instytut Nauk Ekonomicznych Wydziału Prawa, Administracji i Ekonomii Uniwersytetu Wrocławskiego, Wrocław, 2009, ISBN 978-83-61370-08-6. <http://www.bibliotekacyfrowa.pl/publication/19436>.

³ Articles 45-62 TFEU, Regulation 1612/68 OJ Spec Ed., 1968 L257/2, Directive 2004/38 OJ 2004, L158/77.

state and provided them with real beneficial rights not just for them but also for their families, who may take-up education or employment opportunities in the host state. From the member state perspective, the EU legal provisions have helped countries fill job vacancies which helps sustain and improve their economies. Polish migration to the UK and Ireland serves as a great example of this. However, prior to the accession of the new states in 2004, the fear that the sudden opening of labour markets would lead to a flood of new member state nationals into the old states led to optional transitional arrangements being agreed, whereby member states were permitted to restrict entry⁴.

2. The 2004 and 2007 Transition Arrangements⁵.

The transition arrangements are summarised in the expression, “the 2+3+2 formula”.

For the first two years following accession up to 2006, access to the labour markets of old Member States were to be determined by national measures and policies. Each of the old Member States took individual decisions on access to its labour markets by citizens of each of the new Member States (except Malta and Cyprus, which were excluded entirely because of their size and relative wealth). The new member states were also able to employ safeguard clauses to protect their markets and economies against incoming workers from either the other new member states or reciprocally against workers from the 15 old member states.

Second; there was a three year period to 2009, in which all states were required to advise the Commission whether any transitional measures previously adopted were to continue or were lifted and from 2009 on, member states were required to apply for permission to impose restrictions on the free movement of workers. Finally, as from 2011, free movement of persons between the 15 older member states and the 10, 2004 entry member states must be fully secured⁶.

⁴ The 2004 Accession Treaty http://europa.eu.int/eur-lex/en/search/treaties_accession.html
Article 24 of the Treaty and then in Annex IIB and then further in detail for each state under Annexes V to XIV of the Treaty.

⁵ <http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/04/24&format=HTML&aged=0&language=EN&guiLanguage=en>

⁶ The accession Treaties for the 2007 enlargement provided the same 2+3+2 periods (with dates 2009, 2012 & 2014 respectively).

3. What was predicted for the 2004 Expansion?

Evidence from previous enlargements and many studies of migration and migration trends suggested that mass migration would not actually be the case after 1st May 2004 and that any movement of workers would be minimal in terms of overall numbers. The general conclusion of a 2003 UK home Office report⁷ was that “The study concurs with the results of most methodologically acceptable micro and macro studies that the EU should not expect a tidal wave of emigrants from the eastern and Mediterranean acceding and candidate countries. All indicators point to a volume similar to that experienced after the southern enlargement of the EU in the 1980s.”

According to the EC Commission’s investigations⁸, it concluded that studies had indicated that migration from all new Member States to existing Member States would only be about 1% of the working age population of the new Member States over the five years following 2004.

The 2004 European Foundation study⁹, which looked also at migration intentions, provided the figure of approximately 220,000 anticipated migrant workers per year (which in comparison turned out to be on the high side of the more detailed econometric studies, putting the figure at about half of that). This figure was also viewed alongside the total population of the EU, which in 2004, had increased from c. 380 million to an EU of almost 500 million people.

The 2003 Home office report concluded that “The forecasts indicate that net immigration from the AC-10 to the UK after the current enlargement of the EU will be relatively small, at between 5,000 and 13,000 immigrants per year up to 2010”. As a result the UK, as did Ireland and Sweden, chose not to apply any transitional restrictions.

4. What happened as from 1st May 2006?

The main conclusions of the 2006 Commission report on the first two years’ experience following the entry of 10 new member states¹⁰, was that migrant flow was negligible, there was

⁷ The impact of EU enlargement on migration flows: Home Office Online Report 25/03 <http://www.homeoffice.gov.uk/rds/pdfs2/rdsolr2503.pdf>

⁸ Commission Publication “Free Movement of Workers to and from the New Member States – How will it work in Practice?” http://europa.eu.int/comm/employment_social/free_movement/en2-pr-pdf.pdf

⁹ The European Foundation for the Improvement of Living and Working Conditions: “Migration trends in an enlarged Europe” based partly on “Candidate Countries Eurobarometer 2002.1 April, 2002”. (2004), pp. 94, ISBN 92-897-0248-6 www.eurofound.eu.int/publications/EF03109.htm

¹⁰ **The 2 yr Report from the Commission:**

<http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=CELEX:52006DC0048:EN:NOT>

no flood of migrants into any state and migrant numbers were reported to be stable in most countries. Further, in line with predictions, the three member states with open borders experienced high economic growth, a drop in unemployment as well as an overall rise in employed persons¹¹. It was also reported that there had been no surge in welfare demands from migrating citizens. The timing of this report was perhaps unfortunate, as it was produced and published whilst evidence to the contrary was mounting. At that time, it was already evident that the most notable and visible mass migration was the number of Polish workers coming to the UK, which was estimated at 260,000 over the two years 2004-2006, from total movement to the UK of 290,000 in the same period. Furthermore, 100,000 Polish workers migrated to Ireland in the same period. The most prominent factor for this appeared to be the relatively poor performing Polish economy in comparison to the 15 old member states and most of the other 10 new states. This was combined with the fact that only the UK and Irish markets were fully open and attractive to Polish citizens.

5. So what really happened up to 2008?

The UK and Ireland experienced considerably higher than expected immigration levels especially from Poland; much higher than the 2006 Commission report and at that time still increasing. The report, whilst picking up the main trend, did not anticipate the much higher volume nor observe or speculate on the probable distorting effect of only 3 member states opening their borders.

An Accession Monitoring Report by the UK Home Office in 2008¹², provided figures to show that in the UK, 796,000 A8 country¹³ migrant workers applied for work registration up to December 2007, of which 66% were Polish (just over ½ million). Ireland recorded figures of c. 100,000 migrant worker arrivals from Poland in 2004 and 2005 combined and 94,000 in 2006¹⁴.

Hence, the big error or omission of the reports prior to the 2004 expansion, was that they massively failed to predict the additional c.1 million migrant workers who took up work in the UK and Ireland in 3 ½ years! This experience was almost certainly severely distorted by the fact that only those two countries and Sweden did not restrict inward migration, which would without

¹¹ Considerably more than the drop in unemployment.

¹² The Accession Monitoring Report, (May 2004 – December 2007, UK Home Office, 2008. http://www.bia.homeoffice.gov.uk/sitecontent/documents/aboutus/Reports/accession_monitoring_report/

¹³ The 10 2004 entrant states minus Cyprus and Malta.

¹⁴ Central Statistics Office of Ireland. Report at <http://www.cso.ie/statistics/LabourForce.htm>

doubt have been spread more widely if all countries had done the same at the same time. There is no doubt, however, the English language provided an additional incentive to come to the UK and Ireland for Polish workers looking to improve their language skills of a world language.

In 2008, I posed the question as to whether Britain's job needs had been fully satisfied by that mass inward migration of Polish workers? The answer was no, because, surprisingly, following that mass inward migration, in 2008, the UK still had 686,000 job vacancies, which was 76,000 more than before 2004. The UK economy and labour market was buoyant enough for this massive number of workers to have found work, which further contributed and stimulated economic expansion before the world banking crisis and recession hit. In 2008, I also observed that reports suggested that the improvements to the Polish economy were in part based on inflow of money from the UK and elsewhere, and as the Polish economy improved, it started to attract Polish workers back to Poland. Looking then at the overall affect, the conclusion was that the healthy economic climate of the years leading up to the economic meltdown of 2008 and the open borders regime conducted by the UK seems to have been highly beneficial for the UK economy, for the Polish migrant workers and then subsequently for the Polish economy.

6. What happened since 2008?

This section considers what took place since 2008 and the final section considers possible reasons for those changes.

The UK Office of National Statistics reports from 2009¹⁵ reveal that in the years 2008 & 2009, there was a resident Polish contingent of c. ½m new Polish citizens in the UK, but that this did not comprise a static body of new residents but instead a circular exchange of Polish nationals coming to and from the UK. Those years also saw Polish inward migration tailing off with 88,000 and 55,000 immigrations respectively. This was only second in number to UK citizens returning to the UK. However, the figures also reveal the developing reverse trend of Polish nationals leaving the UK. In 2007, 19,000 Polish nationals left the UK increasing in 2008 to 52,000, once again second only to UK nationals' outward migration. Official Polish statistics¹⁶ confirm the trend of Polish returnees from the UK increasing significantly and those emigrating

¹⁵ UK Office of National Statistics, Migration Statistics Quarterly Report
No 3: November 2009, p12

¹⁶ Polish Central Statistical Office, Warsaw, 2009 demographic Year book of Poland,
http://www.stat.gov.pl/gus/5840_3697_ENG_HTML.htm

to the UK decreasing significantly to 2008. The even poorer Irish economy has contributed at an even higher rate to the return flow to Poland.

A 2010 report by the Migration Policy Institute¹⁷ showed of the 1.4 million A8 workers who had come to the United Kingdom between May 2004 and March 2009, almost half had returned by the end of 2008, prompted significantly by the severe and rapid contractions of the UK and Irish economies at a time of growing opportunities in Poland. The report also revealed that remittances of earnings home by Polish workers also dried up and further that new worker registrations in this period had fallen by half.

7. Causes affecting the free movement of persons.

The free movement that has taken place has been more circular than anticipated, enabled undoubtedly by the liberal legal regime operated without transitional restrictions in the UK and Ireland. The movement of such large numbers was facilitated by or conversely promoted an expanded transport infrastructure between those countries, including increased coach connections and a number of flight connections (18 direct flights per day between the UK and Poland; if full, equate to 4,000 persons per day and thus c. 28,000 persons per week or 1.2m per year each way!). Hence, it is very easy to move, even if only for a few months and subsequently move back when conditions change.

The combination of factors leading to the reverse in the migration trend are:

- the economic crisis which severely affected the UK and more so Ireland;
- the faster growing Polish economy (which witnessed no negative growth in 2008-2010),
- unemployment rates dropping significantly in Poland (perhaps no surprise with c. 1m citizens leaving),
- increasing unemployment in the UK (indeed, unemployment rates in those two countries had moved closer together at c. 8.5% in 2009, although with the return

¹⁷ Madeleine Sumption and Will Somerville, *The UK's New Europeans: Progress and Challenges Five Years after Accession*. A Migration Policy Institute Paper for UK Equality and Human Rights Commission (Washington, DC: Migration Policy Institute, January 2010)

http://www.equalityhumanrights.com/uploaded_files/new_europeans.pdf

migration, it is not surprising to see the Polish unemployment rate rising again in the last year.)¹⁸

- exchange rates also changed with the £ being worth far less (over 50% deterioration in the value of the £ at one point).
- increasing living costs in the UK.

All of these factors had the effect that the UK was no longer such an attractive place and remittances back to Poland not worth so much, as a result there was less incentive to work in the UK which led as observed to both a reduction of inward migration to the UK from Poland and a reverse movement back to Poland. The UK and Ireland remain though attractive as English speaking countries in which to improve English whilst working.

Overall, the conclusions are that economic conditions understandably played a decisive role in the movement trends and that the world economic crisis has considerably affected the free movement of persons and workers. Contrary perhaps to expectations, the economic crisis has not stopped free movement, if anything there has been more movement by the fact that the direction of movement has changed. The overall evidence is that an open borders' regime has allowed labour to respond to market conditions, filling vacancies where they exist and when prospects change, those workers can move again. In the present case study, rather than remain unemployed in the UK, the Polish workers are able to return without hindrance. The latter point may be obscuring otherwise higher UK unemployment figures, which in turn might be seen as a further benefit from the free movement regime.

At the end of this paper, it is tempting to ask whether there were winners and thus inevitable losers from this free movement. I would conclude; I don't think so, the UK benefited previously, the moving workers surely also did, and the Polish economy also with received remittance and when those workers returned.

¹⁸ Eurostat. *Labor Force Survey*, Eurostat database, Luxembourg, 2010.
http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_1fs/data/database.

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