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The impact of the global economic crisis on migration in Europe

Committee Opinion¹

Committee on Economic Affairs and Development

Rapporteur: Mr Göran LINDBLAD, Sweden, Group of the European People's Party

A. Conclusions of the Committee

The Committee on Economic Affairs and Development warmly welcomes the report by Mr Pedro Agramunt on “The impact of the global economic crisis on migration in Europe” and supports the main conclusions and proposals contained in the draft resolution and the draft recommendation tabled by the Committee on Migration, Refugees and Population.

The Economic Affairs Committee underscores the real and potential economic benefits from the greater openness towards and better integration of working migrants. It pleads that Council of Europe member states should resist any temptation to turn to the protectionism of native workers and should rather work towards demonstrating the positive contribution of migrants to national economic development in the light of evolving socio-economic context and demographic trends. Moreover, Council of Europe member states should explore further the cost of integration as opposed to the cost of non-integration of migrants.

B. Explanatory memorandum by Mr Lindblad, rapporteur for opinion

1. There are no less than 70 million migrants in Europe², or roughly one in eleven inhabitants of our continent. They largely participate in socio-economic life of host countries by contributing their skills to the labour market or local community activities and drawing on social benefits and services (such as health, education and housing, as well as, to a lesser extent, vocational training) available, while also providing often substantial financial help to their families in the country of origin through a regular flow of remittances.

2. In the absence of a clear-cut European migration policy, individual Council of Europe member states have adopted a wide array of measures in seeking to assist the integration of migrants through employment and social support. This variety of approaches allows countries to test and adjust their policies vis-à-vis migrants in the light of evolving national context and socio-economic circumstances. However all states are also subject to universally accepted international law³ that prohibits discrimination in the labour market and the workplace.

1. Reference to committee: decision N° 3469 of 27 June 2008. Reporting committee: Committee on Migration, Refugees and Population. See Document 12200. Opinion approved by the Committee on Economic Affairs and Development on 26 April 2010.

2. According to the 2010 estimates of the United Nations and the International Organisation for Migration (IOM).

3. Such as the conventions of the United Nations and the International Labour Organisation (ILO), the Revised European Social Charter of the Council of Europe and the European Community Law.



3. The report by the Committee on Migration, Refugees and Population points out that European countries are among the hardest hit by the global economic crisis⁴, in particular in terms of high and rising unemployment which tends to hurt migrants more severely than the natives. As it were, the least qualified migrants or those working in sectors most affected by the crisis (the construction and transport industries, financial services, property development, tourism, etc.) were among the first victims of crisis-induced unemployment followed by the accrued pressure on 'economic' migrants to leave the country or face the anger of the local population struggling to preserve a shrinking pool of jobs. At the same time, there is evidence that certain sectors in certain countries – such as health care, elderly care, and education – have continued to generate employment. This means that there are job opportunities at all times for suitably qualified migrants, which reflects the long-term demographic and employment trends in those countries.

4. Arguably, some of the officially unemployed have joined the ranks of the informal sector which bypasses social contributions by both such employers and their recruits, or have become undeclared – and thus more precarious – workers of the formal economy⁵. This also implies the reduced revenue for the state and an increased financial burden on social services (such as when the states seek to live up to their commitment to provide minimum subsistence and healthcare to irregular migrants). However, we currently lack reliable data on this phenomenon. Although it is difficult to evaluate the economic effect of irregular migration, it is most likely that, given the current demographic trends in Europe, many countries would reap tangible economic benefits from some kind of regularisation of irregular migrants and greater openness to labour migration.

5. A fundamental question to ask here is whether in the light of non-discrimination obligations states could make a distinction between the migrant workers and the local ones. If all are born equal, all should remain equal in respect of access to labour markets and social services, thus fostering healthy competition for jobs, as well as life-long learning and mobility. However, it is also true that many migrant workers *de facto* belong to the vulnerable segments of the population and hence are in need of extra protection even in normal circumstances. Any one of us upon losing regular employment may be forced to move on to take up a job in another country and thus become a working migrant.

6. Moreover, the meetings of the Group of Twenty (G-20) in 2008 and 2009⁶ have repeatedly highlighted the importance of restoring confidence, growth and jobs with a view to building an *inclusive*, green and sustainable recovery from the crisis. Your rapporteur believes that Council of Europe member states should resist any temptation to turn to the protectionism of native workers and should rather work towards demonstrating the positive qualitative contribution of migrants to national economic development.

7. As one of the participants of the Forum "Remain, migrate or return: what to do in a global recession?" that was held by the Sub-Committee on Migration of this Assembly in Antalya (Turkey) on 12-13 November 2009, your rapporteur wishes to underscore a most valuable input of migrant workers to wealth creation and poverty reduction in both their countries of origin and destination. Before the outbreak of the crisis, the World Bank reported a steady growth in migrant remittances worldwide (about 7-8% annually – more strongly than national economies) and estimated that these remittances had become a key source of global development finance as their volume doubled since 1995, neared global net FDI (foreign direct investment) flows and even exceeded ODA (official development aid) flows. Many European countries (Germany, Switzerland, France, Luxembourg, Italy, Russian Federation and Spain) are among the largest providers of remittance outflows.

8. World Bank figures for 2008 and 2009 (estimates) show that remittance inflows to the countries of central, eastern and south-eastern Europe declined systematically and in some cases severely (by some 30% in Armenia and Azerbaijan, 27% in Georgia, 22% in Ukraine, 21% in Moldova and in Poland, and 15% in Romania). This decline appears to be bottoming out and remittance flows might gradually return earlier levels over 2010-2011. If the inflows of remittances play a minor role in most western European countries (where the share of remittances in GDP is generally less than 1%), for many of the so-called 'transition economies' in

4. The fall in annual growth rates for 2008-2009 was exceptionally strong in central and south-eastern Europe (except for Poland where modest growth was preserved and Azerbaijan where commodity exports generated sustained high growth) with an average rate of 11% while the worst-performing countries hit an 18% figure. The shrinking economic activity in turn negatively affected the demand in the labour market, the productivity rates and income from work. Such a brutal economic contraction across Europe in part reflected the existence of inherent economic imbalances, including rapid credit growth in recent years and to some extent the ongoing restructuring with a shift from manufacturing to services, and the level of integration into the world economy.

5. A 2007 survey of EU-27 revealed that about 5% of all formal employees receive 'undeclared wages' from their formal employers which amounts on average to two-fifths of their remuneration.

6. Notably the Washington Summit in November 2008, the London Summit in April 2009 and the Pittsburgh Summit in September 2009.

central and eastern Europe the share of remittances in GDP varied, in 2008, from 0.2% in Turkey and 0.4% in the Russian Federation to 31.4% in Moldova, 14.8% in Bosnia and Herzegovina, 12.2% in Albania, 11.1% in Serbia, 8.9% in Armenia and 5.7% in Georgia. This illustrates how important working migration is to reducing income gaps between the wealthier and the more needy parts of Europe.

9. It is quite interesting to compare the data on remittances by the World Bank and the ODA flows by the OECD. For instance, in 2008, Serbia's receipts from remittances were five times higher than those from the ODA (\$5538 million versus \$1047 million). Similarly, *receipts from remittances* versus *the ODA* were, respectively, \$5769 million versus \$618 million in Ukraine, \$2835 million versus \$482 million in Bosnia and Herzegovina, \$1495 million versus \$386 million in Albania, and \$1897 million versus \$299 million in Moldova. While these countries are among the top six ODA recipients in Europe, one can safely conclude that the contribution of migrant workers' to these countries' economies is far more substantial than that of the multilateral ODA. Moreover, as migrant workers tend to save more actively than the local population, they can, over time, dispose of substantial funds for greenfield investment either in the countries of origin or destination.

10. Your rapporteur would like to encourage Council of Europe member states to look at migration from a medium- to longer-term perspective whereby the benefits that the working migrants yield to host countries become more evident. Viewed from a short-term perspective, working migrants can be perceived by some as a burden and even a nuisance to the host society but viewed from a longer term perspective they can be seen as actively participating in structural economic changes in host countries, such as by accepting jobs that the locals might not want or where there is a lack of workers with specific qualifications.

11. Just remember the story of a Polish plumber who for quite some time focalised the public and media attention in western Europe as a symbol of the influx of working migrants from the new EU member states. Those who used such services probably did not care so much about the origin of their service provider but rather appreciated the quality and the timeliness of the service(s) supplied. Migrant workers moved from the eastern to western Europe first and foremost because there was specific demand for what they could offer, a sort of a niche on the local labour market. This resulted in a win-win situation for both service providers and end beneficiaries. Moreover, these intra-European working migrants have proved able of exploiting businesses opportunities by setting up companies and becoming entrepreneurs, which no doubt stimulates local development in host countries. Without their dynamism and economic input the pace of recovery across Europe would be much slower. However their success has been made possible by the open policies towards labour migration.

12. With adequate training and guidance from the state migration and employment services the working migrants can 'migrate' to those economic sectors that need additional manpower to stimulate recovery. If ever such migrants wish to seek better jobs elsewhere or return to their home countries, they should be able to make good use of the know-how acquired through earlier experiences. Italy, for instance, is experimenting a new scheme of residence permits with points that is designed to provide incentives for a smoother, 'carrot-and-stick'-driven integration of migrants.

13. The Parliamentary Assembly should also explore further the cost of integration as opposed to the cost of non-integration of migrants.