EU Enlargement and Ireland's Experience of Migration from Central and Eastern Europe

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Abbreviations

EU10	The Central and Eastern European Accession States (the Czech Repuclic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, Slovakia) plus Cyprus and Malta
CTA	Common Travel Area
Dáil Eireann	Parliament of Ireland
ECJ	European Court of Justice
IBEC	Irish Business and Employers Confederation
ICP	Immigration Control Platform
ICTU	Irish Congress of Trade Unions
SIPTU	Services, Industrial, Professional and Technical Union
Taoiseach	Prime Minister

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1. Introduction

On the 1st of May 2004 eight Central and Eastern European Countries (CEE), Cyprus and Malta[2] joined the European Union. Never in EU history had so many countries or persons entered the EU at the same time, as Table 1 shows. The relative increase in the EU population post-enlargement was smaller than that experienced when Denmark, Ireland and the United Kingdom (UK) joined in 1973 and it represented an increase of only 2.8 percentage points more than when the 1986 enlargement, encompassing Spain and Portugal, occurred. Nevertheless, the magnitude of the increase in the EU population coupled with higher unemployment and lower incomes in the CEE Member States fuelled fears in the EU15 Member States of large inflows of migrants from the EU10 Member States.

Table 1: Population of Accession Countries Relative to EU Population

Year	*No. of Countries*	*Acceding Countries*	*Population*	
			Absolute (1000s)	*Relative (% of EU)*
1973	EU 9	Denmark, Ireland and the UK	64,227.8	30.8
1981	EU 10	Greece	9,700.8	3.5
1986	EU 12	Spain and Portugal	48,498.9	16.7
1995	EU 15	Austria, Finland and Sweden	29,339.3	8.4
2004	EU 25	Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Slovakia, Slovenia and Poland	74,100.0	19.5

Source: Kvist (2004).

[1] This is an updated version of the sections dealing with Ireland of the paper by Doyle, Hughes and Wadensjo (2006)

[2] The ten Accession States (EU10) are Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia. Nationals from the eight CEE Member States are interchangeably referred to as A8 or Accession State nationals

These fears resulted in debates that were conditioned by the different economic circumstances obtaining in each Member State and with a watchful eye on how the debate on enlargement was developing in neighbouring Member States. The extra-national dimension of the debates on enlargement had a domino effect in which Member States who initially said they were committed to free movement of labour changed their positions as the enlargement date of 1 May 2004 approached.

The next section of the paper gives an overview of the pre-enlargement debate in Ireland paying particular attention to the UK and Sweden as they were the three countries which allowed free movement of labour following enlargement. However, Ireland and the UK introduced special conditions restricting access of migrants to welfare benefits. Section three will present information on changes in migration flows from the EU10 Member States to Ireland before and after enlargement. Particular attention will be paid to the labour market position of the migrants in the period up to the second quarter of 2006. A distinction will be made between long-term and short-term migrants from the EU10 Member States and the composition of migrants from these states by nationality will be analysed. In section four consideration will be given to the issue of labour displacement, to the extent to which social (benefit) tourism has emerged, and to the factors which have influenced the Irish Government's decision to implement transitional arrangements restricting access of Bulgarian and Romanian nationals to the Irish labour market when they join the EU in 2007. The final section will present some conclusions on Ireland's experience of enlargement.

2. The Pre-Enlargement Debates

2.1 Overview of the Debates in the EU15 Member States

A number of studies were commissioned to consider the likely migratory flows that would result from the EU10 enlargement. These studies have been summarised in various reports by the European Commission (2000, 2003). The earlier Commission study predicted migration flows of 333,000 per year to the EU15 initially, declining to 150,000 per year in a decade. The later study revised the earlier estimates downward. It predicted net immigration of 325,000 per year in the first five years following accession, declining to 60,000 in a decade. In a report for the Economic Policy Panel meeting in Luxembourg in April 2005 Boeri and Brücker (2005) estimated that in the year after enlargement net migration from the Central and Eastern European Accession States would also amount to around 300,000 people and they gave an estimate of how this would be distributed across the EU15 Member States provided all of them observed European Community rules in relation to the free movement of labour. They estimated that the number of migrants from these States living in Sweden in 2005 would be about 6,700, while the number living in Ireland and the UK would be around 3,400 and 12,600 respectively. Their estimate for the UK was similar to an upper estimate of 12,600 persons per year made for the Home Office by Dustmann *et al*. (2003).

The conclusions in the European Commission reports were supported by the experience of previous accessions. Fears that the accession of Spain and Portugal in 1986 would lead to a mass influx of workers into existing Member States proved unfounded.[3] When Spain joined the EU in 1986 there were 109,000 Spanish nationals working in France. By 1994 this figure had fallen to just 35,000. Net migration from Portugal and Greece was approximately 7,700 and 10,000 respectively per annum between 1985 and 1997, whilst there was positive net migration from the EU to Spain over the same period (Kvist 2004).

However, the EU10 enlargement took place in a context in which all but three of the EU15 Member States adopted transitional arrangements which restricted the free movement of labour. In previous enlargement rounds all countries took the same stance in relation to the free movement of workers except Luxembourg, which employed more restrictive measures when Spain and Portugal joined. When enlargement negotiations for the EU10 states were completed in December 2002 transitional arrangements for the free movement of labour, which would allow countries to postpone the opening of their labour markets for a maximum period of seven years post-accession, were provided for in the Nice Treaty. This treaty reformed the institutional structure of the EU to cope with the enlargement. The seven year transitional period is divided into three stages, according to the “2 plus 3 plus 2” formula (European Commission 2006).

[3] At the accession of Spain and Portugal a seven year transitional period (which was subsequently reduced to six years) was introduced. In the case of Greece a six year transitional period was agreed.

As a safeguard, provision was made in the Nice Treaty that countries which decide to open their labour markets can at any stage reintroduce a work permit system temporarily should they undergo or foresee any disturbances in their labour markets. At the end of the five-year post-accession period Community rules regarding labour mobility should be introduced in all Member States. However, a country documenting that it would experience "serious disturbances" in its labour market should it allow access to the new Member States can prolong the transitional period for a further two years. At each stage of the transitional period the decision whether or not to open national labour markets is left to national Governments. From 1st May 2011 Community rules governing free movement of workers will apply in all EU-25 Member States.

Leaving the decision on whether or not to open the labour market to national Governments had important consequences. Germany and Austria, who prior to accession were attracting two thirds of migrants from the Accession States, as Boeri and Brücker (2005) note, made it clear immediately that they would be availing of the transitional arrangements to restrict access to their labour markets for the full seven year period. Belgium, Finland, France, Greece and Luxembourg declared that they would be imposing tight restrictions on migrants from the Accession States for at least the first two years after Enlargement. Italy, Portugal and Spain indicated that they were in favour of the mobility of accession state workers but did not give a final decision on their policy. Therefore only five countries, Ireland, the UK, Sweden, Denmark and the Netherlands, announced on the signing of the Accession Treaty in 2003 that, from the 1st of May 2004, citizens from the Accession States would receive equivalent access to their labour markets as citizens from the existing EU15.

However, the decision of Germany and Austria to restrict access to their labour markets raised concerns in smaller Member States that potential migration to bigger Member States would be diverted elsewhere (Boeri and Brücker 2005). Fuelled by fears of large labour influxes and "welfare tourism", a race to the top in terms of migration restrictions occurred in the months preceding the enlargement date (Kvist 2004). Of the five countries who declared an open labour market policy, Denmark was the first to have second thoughts. In December 2003 the Danish government announced that permission to live and work in Denmark would only be granted to people employed in jobs paid according to a tariff system of minimum salaries. In addition workers from the Accession States would have no access to the Danish social security system. The decisions followed a year of negotiations between the Danish political parties. Following the Danish U-turn, the Netherlands declared on the 23rd of January 2004 that they were reversing the decision made by the Kok II Government in 2001. There would be a cap of 22,000 on the number of workers from the new Member States allowed access to the Dutch labour market in the first year post-enlargement. This decision is argued to have been based on the deterioration of the Dutch labour market and a study by the Dutch Central Plan Bureau which estimated that detrimental effects on the Dutch labour market and the costs of enlargement on the social security system at 70 million euro. The Dutch Government also justified their change of position by referring to the decisions of other governments to reverse their positions after December 2002 (Kvist 2004).

In the debate that took place in Sweden between November 2003 and late April 2004 there were concerns that EU10 nationals would go to Sweden to "benefit shop" and fears of low wage competition, in particular from self-employed persons. There was also concern about migration being diverted to Sweden as a consequence of the country being one of the very few to open its labour market. The re-direction argument came to the forefront in early February 2004 when first the Dutch Government changed its position and even more so when the British and the Irish Governments began to sway on the issue. The situation was described as one where Sweden would stand alone with open borders.[4] In the end the Swedish Parliament voted against imposing restrictions and European Community rules in relation to free movement of labour were adopted in Sweden.

The Swedish Government's announcement that it would propose transitional arrangements left Ireland and Britain exposed in Europe. The British Labour Government came under pressure from the Conservative party and the British tabloid press and it began to rethink its migration policy. The tabloid press headlined an argument from the pressure group Migration Watch that up to 40,000 immigrants per annum would come to Britain from the new Member States following enlargement. In a study for the Home

[4] This argument would serve as the main motivation (see the Government's proposal, Skr. 2003/04:119, p. 24) for the Government's proposal to the Swedish parliament regarding transitional measures, even though there were no references to the re-direction argument at the time of the Swedish Prime Minister's u-turn in November 2003.

Office Dustmann *et al*. (2003) estimated that the figure would be between 5,000 and 13,000 per annum.

The British Prime Minister, Tony Blair, said he would have to consider whether the British benefits system would attract an unmanageable number of immigrants from the new Member States. On the 5th of February 2004 he stated “we will take whatever measures are necessary to make sure that the ‘pull factor’ which might draw people here is closed off”. The Home Office announced, on the 23rd of February 2004, measures aimed at protecting the British labour market and ensuring that people could not come to the UK simply to claim benefits. One of the measures was the introduction of a Worker Registration Scheme which placed an obligation on Accession State nationals gaining employment as an employee to register details with the Home Office (self-employed migrants are not required to register under this scheme). The aim of the scheme is to ensure that the British government can foresee any disturbances inflows may cause to the labour market and thereby act swiftly to reintroduce a work permit system for the Accession State nationals. To ensure that the British social welfare system is protected workers must be working in the UK continuously for a period of at least 12 months before they acquire full Treaty rights, including access to benefits. Those who are economically inactive will receive no benefits.

2.2 The Irish Enlargement Debate

The Nice Treaty had a major influence on the enlargement debate in Ireland as it was the only country that had to ratify the treaty in a referendum. The treaty was initially rejected by the Irish electorate by 54 per cent to 46 per cent in June 2001. This was a very embarrassing defeat for the Irish Government and it decided it should hold another referendum on the treaty to try and get it ratified. In the wake of the “no” vote, it reassured the other Member States that it would honour the principle of freedom of movement within the EU following enlargement. This undertaking was criticised by the anti-Nice campaign groups. One of them, the National Platform said:

> This irresponsible commitment by the Government significantly changes the argument about EU enlargement. It means that the Government has agreed to bear the costs of potentially heavy East European migration to Ireland … without any debate in the Dáil (Parliament), consultation with the public, or consultation with the UK government, which could be significantly affected by this Irish Government commitment. (Irish Times 3/7/2002)

Subsequent to this statement some of the anti-Nice campaigners claimed that EU enlargement would lead to large numbers of Eastern European workers undercutting Irish workers' wages and to multinational businesses moving to the East where wages were said to be one-third of those in Ireland.[5] These claims were rejected by both the trade unions and the employers. A spokesman for SIPTU, the largest trade union in the country said that unnecessary fears were being raised about Ireland being subject to a "flood" of immigrants from candidate EU Member States. A spokeswoman for IBEC, the main employers' organisation, said fears of large numbers of workers coming from the candidate Member States were unfounded. The General Secretary of the Irish Congress of Trade Unions and every major business organisation subsequently endorsed these statements.

The allegations about "floods" of immigrants eventually divided the anti-Nice campaigners when the Socialist Workers Party, the Green Party and Sinn Fein all said that they were opposed to the introduction of immigration as an issue in the debate on the Nice Treaty. Campaigners for the Nice Treaty strongly rejected the argument that there would be "floods" of immigrants and probably went too far in suggesting that the flows would be minimal. For example, the government's spokesman on the Nice Treaty, Mr. Roche, said that:

> Existing surveys on migration patterns in Europe show that the claims are false. Ireland barely registers as a location in these surveys. The most recent research in Hungary and Poland shows no interest whatsoever in Ireland as a work location. (Irish Times 22/8/2002)

In the second referendum in October 2002 the electorate ratified the Nice Treaty by 63 per cent to 37 per cent. After ratification of the Nice Treaty, none of the major actors in the economic debate about enlargement expressed concerns about any adverse effects of immigration from Central and Eastern Europe on pay and working conditions in Ireland. However, the General Secretary of the ICTU said in a Press Release on the 3rd of November 2005 that the ICTU had not been consulted on the decision to open the labour market to the EU10 Member States and that the government had acted at the behest of the business community.

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[5] The anti-Nice groups included No to Nice (led by an anti-abortion campaigner), the National Platform, the Alliance against Nice (a broadly left grouping including the Socialist Workers Party, Sinn Fein and the Green Party).

In the months preceding enlargement the decisions of other EU Governments to restrict access to their labour markets did not affect the policy stance of the Irish Government. Employment growth in Ireland was 2.6 per cent in 2003 and the unemployment rate was 4.5 per cent so there was very nearly full employment. The Department of Enterprise, Trade and Employment felt that the nationals of the EU10 and other EU Member States would provide the bulk of Ireland's employment needs for maintaining economic growth. In the year prior to enlargement Ireland processed over 47,500 work permits, almost fifty per cent of which went to Accession State nationals. The Taoiseach (Prime Minister) stated that he believed "70 to 80" per cent of the work permit jobs could be filled in the future by citizens from the new EU states (The Irish Times 2004).

Given the economic conditions in Ireland the EU enlargement debate was much more focused around protecting the welfare system from possible abuse rather than around labour market issues. The decision by Britain to close off welfare benefits to accession state workers for a two year period, therefore, had important consequences for Ireland. The decision by the British government to impose restrictions in relation to benefits meant that Ireland would be one of only two countries in Europe offering equal welfare rights to EU10 nationals. An inter-departmental committee, which had been set up by the Department of the Taoiseach in autumn 2003 to review the implications of the EU enlargement on the Irish State, including housing and social welfare costs, was asked to reassess whether restrictions were necessary in light of the UK decision. During the few months before enlargement, the Government was urged by public lobby groups, such as the Immigration Control Platform (ICP) and the National Platform, to protect Ireland's social welfare system. On the 24th of February 2004 the Taoiseach announced that Ireland would have to protect its welfare and social benefits systems from possible abuse in light of EU enlargement (Ahern 2004). An immediate concern for the government was to protect the Common Travel Area (CTA) between Ireland and Britain by having similar arrangements for the receipt of social benefits. On the 24th of February the Minister of Social and Family Affairs announced:

> Because of our common travel area with Britain it is now important that we put in place some conditions… I will be proposing changes to the social welfare code which will be no less robust than those introduced in Britain (DFSA Press Release, 24 February 2004).

By the end of February the Irish Government introduced the Habitual Residence Condition (HRC) which meant foreign nationals would have to live in the CTA, comprising Ireland, the UK, the Channel Islands and the Isle of Man, for at least two years, or meet certain other requirements, before being entitled to social assistance or child benefit.

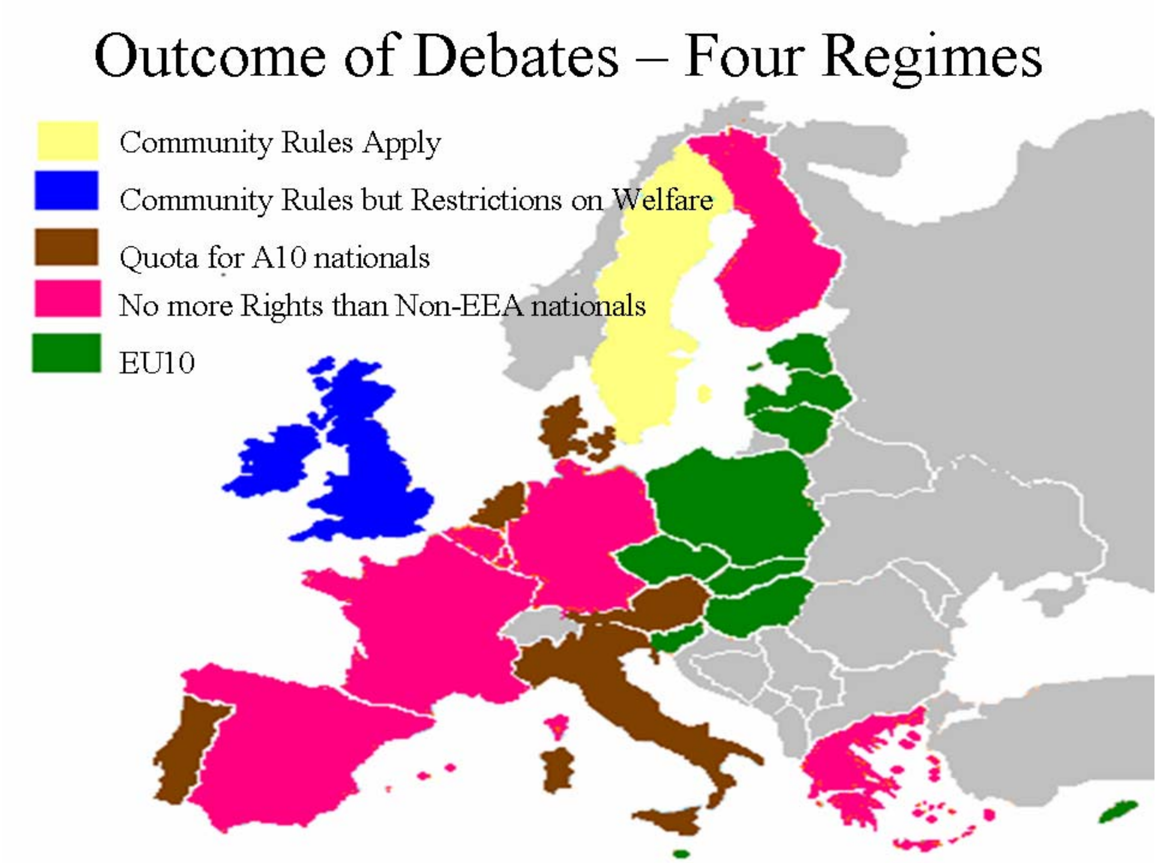
The HRC is an additional condition which must be satisfied along with the other conditions for entitlement to welfare payments. Other factors, beside the two-year residency requirement, are taken into consideration when determining whether a person meets the HRC. These factors include: length and continuity of stay; length and purpose of absence from Ireland; nature and pattern of the employment; applicants connection with Ireland; and the future intentions of the applicant (see www.dsfa.ie).

2.3 Outcome of the Pre-Enlargement Debates

The debates on enlargement in the EU15 Member States resulted in four different transitional regimes as Figure 1 shows. The first regime gives citizens from the Central and Eastern European Member States no more rights than non-EEA nationals. Access to the labour market is only granted in exceptional circumstances, through work permits, when an EEA citizen cannot fill the job vacancy. The main means of entry, therefore, is through family reunification. This regime applies to Belgium, Finland, France, Germany, Greece, Luxembourg and Spain. The second regime adopts essentially the same rule as the first but opens the labour market to a quota of the Central and Eastern European Member State nationals. Austria, Denmark, Italy, the Netherlands and Portugal have adopted such a regime.

The third regime is adopted by Ireland and the UK. They allow unrestricted access to their labour markets but restrict access to social benefits. In the fourth regime European Community rules on the free movement of labour are applied without any restrictions. Sweden is the only country implementing the Community rules.

Figure 1:

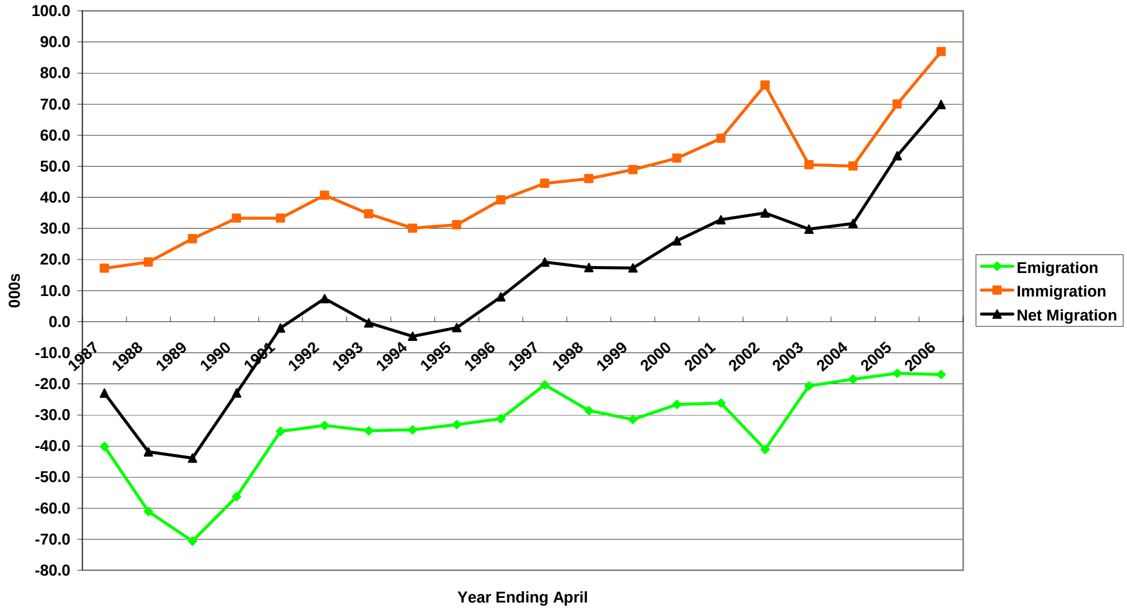


3. The Development of Immigration to Ireland from the EU10 Member States

3.1 Migration Flows in Aggregate and from the EU10 States

Migratory flows have long played an important role in determining the structure of the Irish population and labour market. The Irish experience from the late 1980s to date has shown that migratory flows to and from Ireland are very sensitive to economic conditions not only in Ireland but also in the countries of destination/origin of migrants. For example, the global downturn that occurred in the early 1980s was accentuated by inappropriate domestic economic policies and it had a particularly severe impact on the Irish economy, resulting in the country languishing in recession until the early part of the 1990s. By 1986 the unemployment rate had reached over 17 per cent. This created a significant divergence in labour market conditions between Ireland and other countries, particularly the United Kingdom, which led to a sharp rise in emigration, as Figure 2 shows. The net outflows

Figure 2: Emigration, Immigration and Net Migration, Ireland 1987-2006



were very high at the end of the decade – almost 45,000 in 1988/89, or 13.0 per thousand of the population. The economy began to stabilise in the early 1990s. Unemployment decreased and the net migration balance hovered close to zero. Unattractive labour market conditions abroad, due to the renewed onset of global recession, meant the emigration option was no longer attractive and many former Irish emigrants began to return home. The resulting pressure on the labour market caused unemployment to rise to nearly 16 per cent in 1993, compared with 13 per cent in 1990.

However, in the period from 1995 to 2000 the Irish economy experienced a major reversal in fortune. Real annual GNP growth averaged almost 9 per cent and the estimated net jobs created totalled 389,000, or over 5 per cent on an annual average basis for the period. Even though the labour force continued to expand throughout this period, this occurred at a much slower pace, and by April 2000 the unemployment rate had fallen to 4.3 per cent. The improvement in Irish economic conditions relative to its EU partners in the 1990s led to a reversal in the migratory trend experienced in the 1980s; Ireland began to experience positive net migration. As the unprecedented employment growth eventually gave rise to labour shortages, Ireland experienced a rapid increase in the influx of foreign workers which relaxed the constraint on labour supply. These came not only from the EU15 but also from a wide range of other countries, particularly the Baltic States, mainly under the work permits system.

The boom period of the Irish economy peaked around the turn of the century. Nevertheless, annual GNP growth averaged 4 per cent for the period from 2000-2005 and employment continued to increase, albeit at a slower rate. However due to the fall in the unemployment rate in the late 1990s, the potential domestic supply of labour from which employers could draw had also fallen. Hence, Ireland became an attractive location for many immigrants, particularly those from outside the EU15. In the period from 1996 to the year ending April 2004 just before the enlargement gross immigration increased from around 40,000 per annum to 50,000 while net migration increased from 8,000 per annum to nearly 32,000. Following enlargement in May 2004 gross immigration increased to 86,900 in the year ending in the second quarter of 2006 and net migration continued to increase to reach nearly 70,000.

It is evident from Central Statistics Office (CSO, 2005) migration estimates in Figure 3 that from the mid-1990s onwards an increasing number of immigrants came from the Rest of the World[6] including the Central and Eastern European states. The only years for which the number of immigrants from the EU10 States can be identified are 2005 and 2006 when it is clear that they accounted for the majority of immigrants from the Rest of the World.

Figure 4 shows the proportion of net inward migration accounted for by immigrants from the Rest of the World, i.e. nationals from countries outside Ireland, the remainder of the EU15 and the USA. The Rest of World proportion of total immigration increased from 16.3 per cent in 2000 to 35 per cent by 2003. It fell slightly to 30 per cent in 2004 before increasing sharply to 56 per cent in 2006.

At the time of enlargement the Irish economy was in a strong position. GDP growth was the highest in Europe, at 4.5 per cent, and unemployment, at 4.4 per cent, was the lowest. Since accession, the Irish labour market has continued to perform strongly. Employment growth reached 4.7 per cent in 2005, its highest level since 2000, and unemployment remained low at 4.4 per cent. Open access to the labour market coupled

[6] The Rest of the World includes immigrants from all countries excluding nationals of Ireland, the remaining EU15 and the USA.

Figure 3: Immigration from EU10 and Rest of World Excluding EU15 and USA, 1987-2005

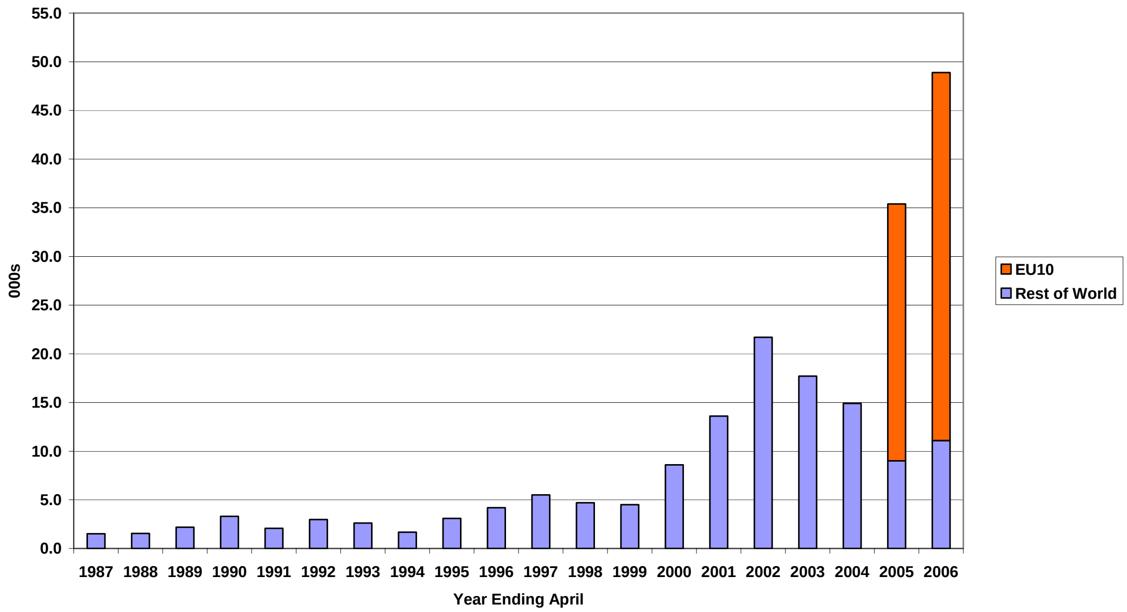
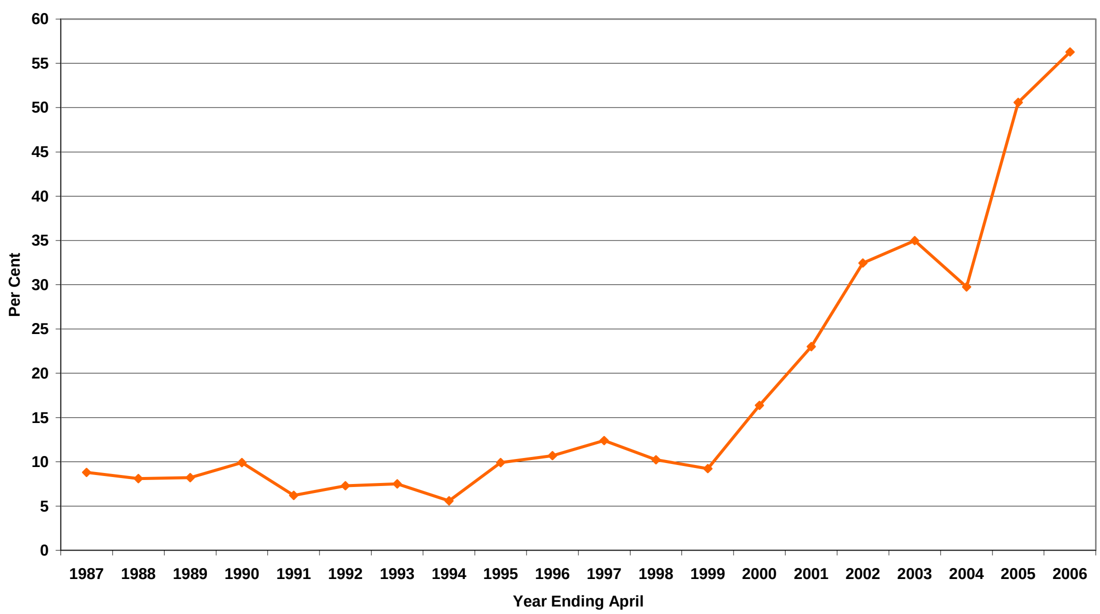


Figure 4: Annual Immigration from the EU10 States as a Percentage of Total Immigration, 1987-2006



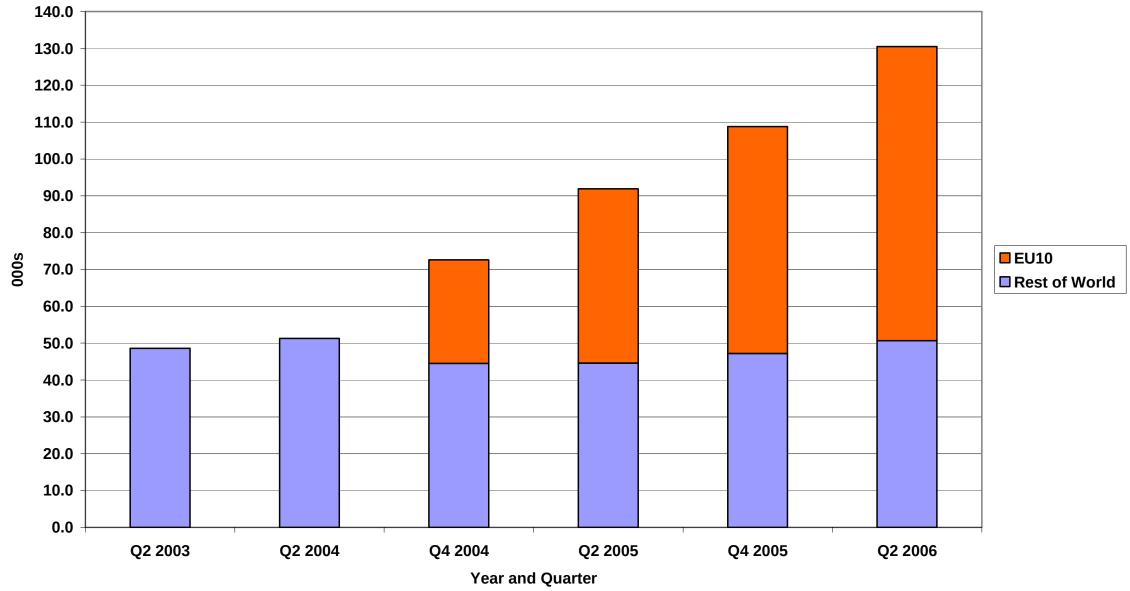
with a continuing strong demand for labour have, therefore, attracted large and growing numbers of immigrants from the EU10 States to Ireland.

The magnitude of the immigration to Ireland in the last decade has resulted in the employment of non-Irish nationals reaching 198,000, or 9.8 per cent of the total population in April 2006. This compares with non-Irish nationals' share of employment of 3.2 per cent in April 1996. Unfortunately the data for 1996 cannot be disaggregated to provide a figure for EU10 nationals. However, the latest Quarterly National Household Survey (QNHS) estimates that there were 79,800 EU10 nationals aged 15 and over employed in Ireland in the second quarter of 2006. Thus 40 per cent of all non-Irish nationals at work in Ireland are from the EU10 member states.

3.2 Employment of EU10 Nationals in Ireland.

Data on the stock of EU10 workers in Ireland is sourced from the CSO's Quarterly National Household Survey (QNHS). Unfortunately the QNHS does not provide information on the stock of EU10 nationals in employment in Ireland prior to the third quarter of 2004. Therefore to get an idea of the stock of EU10 nationals in Ireland prior to the accession date it is necessary to examine the category in which they were aggregated. The "Rest of the World excluding the EU15 and the USA" category increased throughout the post accession period. Figure 5 shows that in Q2 2004, prior to enlargement, the stock of workers from outside the EU and the USA was 51,000. Two years after enlargement in Q2 2006 this figure had increased by more than two-and-a-half times to 130,000. Of the Rest of the World excluding the EU15 and USA workers employed in Ireland in the second quarter of 2006, 79,800, or 61 per cent, were EU10 nationals. This compares with a figure of 28,100 or 55 per cent in the fourth quarter of 2004. There was an increase, therefore, of 51,700 in the number of EU10 nationals employed in Ireland between the end of 2004 and April 2006.

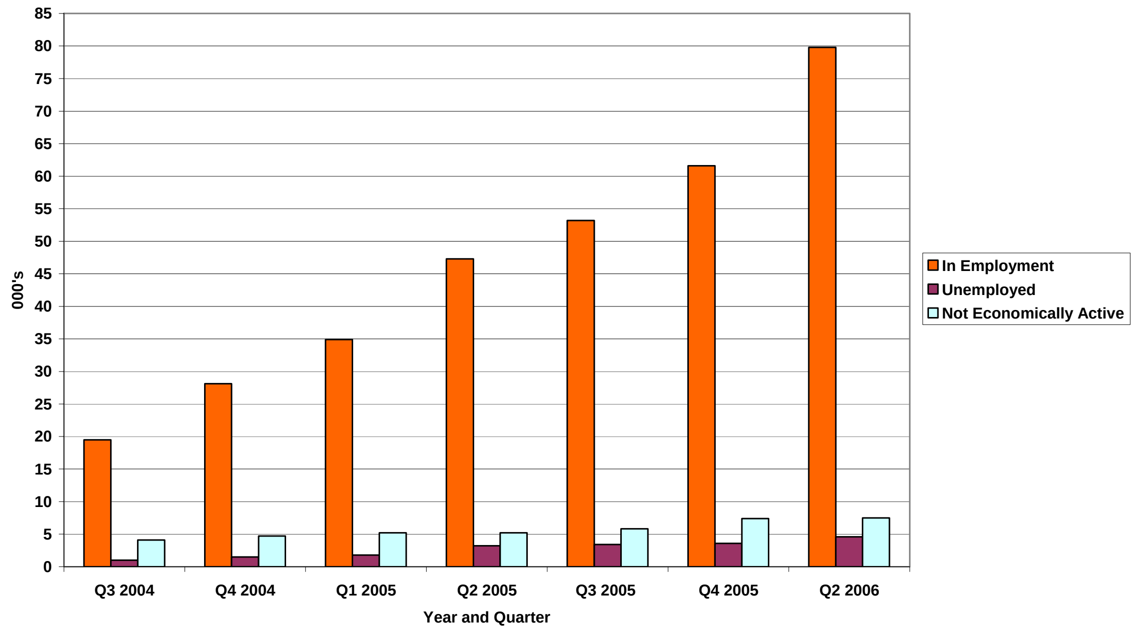
Figure 5: Number of EU10and Rest of World Nationals Excluding EU15 and USA Working in Ireland Before and After Enlargement



EU10 nationals have a much higher labour force participation rate than Irish nationals; 92 per cent versus 62 per cent. Since the enlargement date the number of EU10 nationals in employment in Ireland has quadrupled from 19,500 in Q3 2004 to 79.800 in Q2 2006 (see Figure 6). This means that EU10 nationals have accounted for 42 per cent of the jobs created in Ireland since enlargement. The Irish unemployment rate has been low and stable at around 4.4 per cent throughout the post-accession period. The unemployment rate of EU10 nationals has been a little higher at around 4.7 per cent on average since the third quarter of 2004. Although the number of EU10 nationals who describe themselves as economically inactive has increased from 4,000 in Q3 2004 to 7,500 in Q2 2006 the percentage who are not in the labour force has halved from 16.7 per cent in the third quarter of 2004 to 8.2 per cent in the second quarter of 2006.

Figure 7 shows the employment of EU10 State workers in Ireland by NACE sector in Q4 2004 and Q2 2006. The data show that at the end of 2004 about the same number (5,000) of EU10 nationals were employed in the hotels and restaurants, wholesale and retail, construction and manufacturing sectors. By the second quarter of

Figure 6: ILO Status of EU10 Nationals, Q3 2004 to Q2 2006



2006 the number employed in all four sectors had increased dramatically but especially in the construction and manufacturing sectors. The number employed in hotels and restaurants and in wholesale and retail trade doubled to around 10,000 in each sector whereas the number employed in the construction and manufacturing (other production industries) sectors quadrupled to around 20,000. These sectors now employ over three-quarters of EU10 nationals at work in Ireland.

Nevertheless, as we can see from Figure 8, EU10 nationals accounted for only 8 per cent of total construction workers and somewhat over 6 per cent of total industrial workers in Q2 2006. The sector with the highest proportion of EU10 workers is the hotels and restaurants sector. In Q2 2006 this sector employed over 11,400 EU10 nationals, or nearly 10 per cent of all those employed in the sector.

Figure 9 shows employment levels in the Irish economy by NACE sectors. It is evident that overall employment in the Irish labour market also continued to increase strongly during the period from the fourth quarter of 2004 to the second quarter of 2006. All of the broad labour market sectors experienced increases except for manufacturing (other production industries).

Figure 7: Employment of EU 10 Nationals in Ireland by NACE Sector, Q4 2004 and Q2 2006

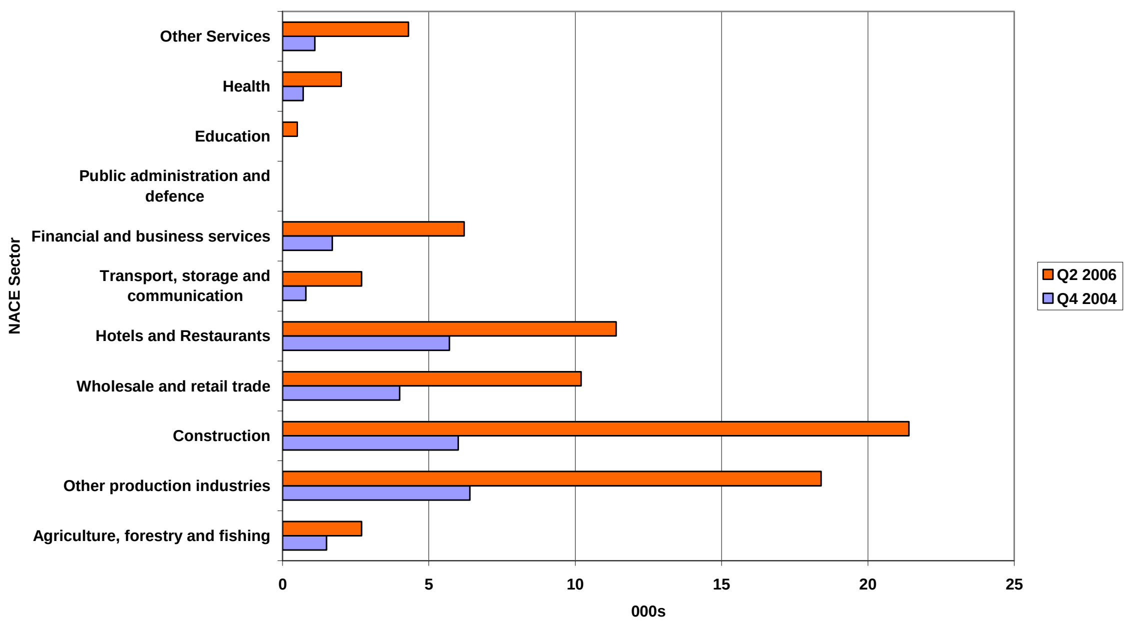


Figure 8: EU10 Nationals Share of Employment in Ireland by NACE Sector, Q4 2004 and Q2 2006

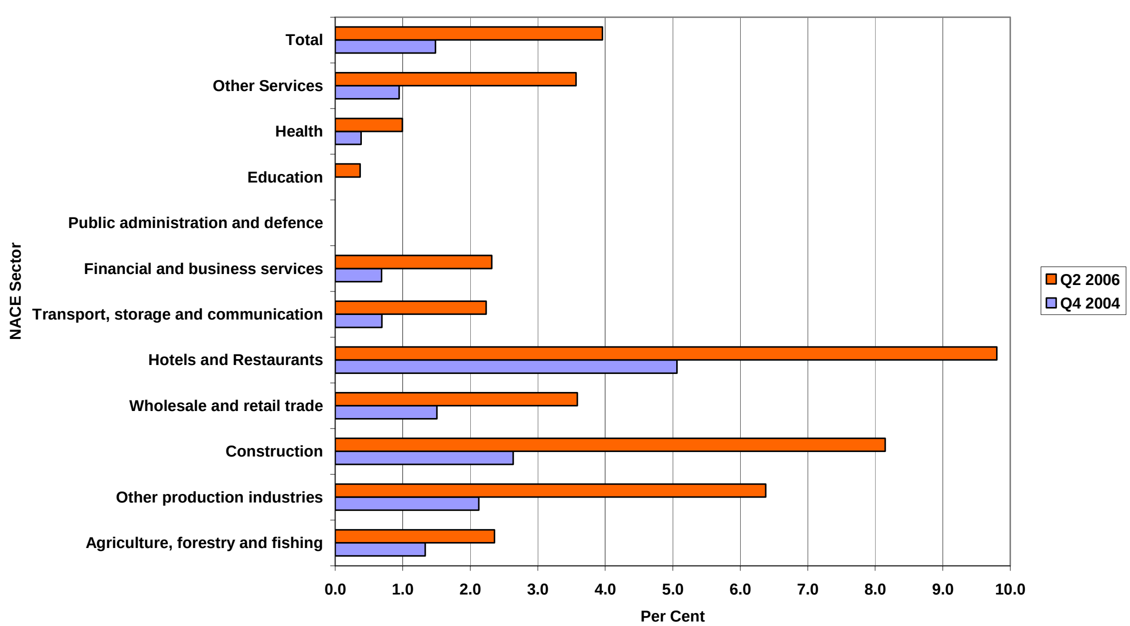
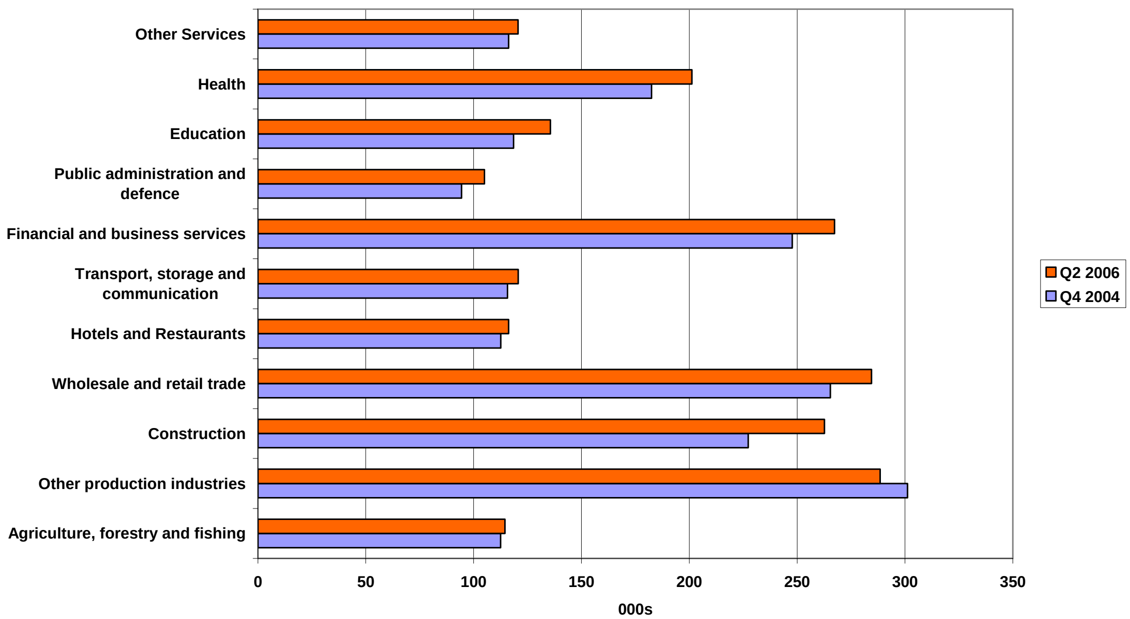


Figure 9: Employment in Ireland by NACE Sector, Q4 2004 & Q2 2006

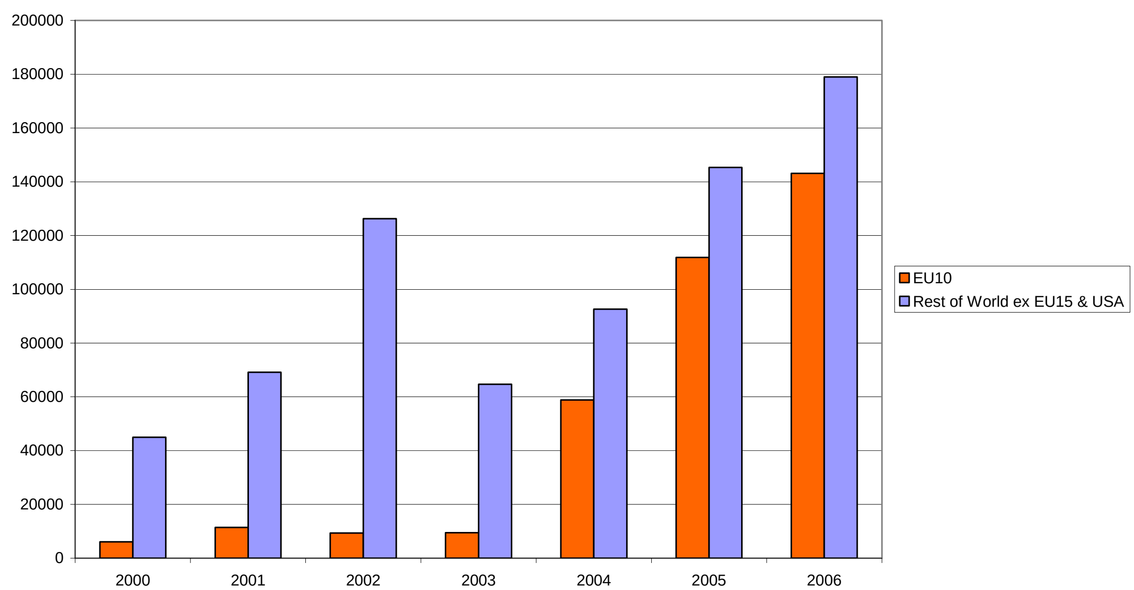


3.3 Flows of EU10 Nationals into Ireland

The employment data discussed in the last section show how many EU10 nationals are working in Ireland in the quarter in which the Quarterly National Household Survey is taken. These data, therefore, show the impact of migration from the EU10 States on the labour market at a point in time. In order to assess the impact over time it is necessary to consider the inflows of migrants between different points of time. There are two sources of data which can be used for this purpose – the number of Work Permits issued to employers offering jobs to foreign nationals and the number of Personal Public Service Numbers (PPSNs) issued to foreign nationals looking for employment or seeking to access public services in Ireland. An individual must be living in Ireland in order to apply for a public service number. As Work Permits were no longer required for EU10 nationals after enlargement the PPSN numbers provide a better measure of the magnitude of the gross inflow of migrants to Ireland from the EU10 States before and after enlargement. It is important to note that PPSNs record the monthly gross inflows of migrants from the EU10 States and not the increase in the stock of migrants. The number of PPSNs issued is not a useful indicator of the number of EU10 nationals actually working in Ireland as they include large numbers of EU10 nationals who come to look for work and who subsequently leave either because they cannot find work or there is a downturn in demand in sectors such as hotels and restaurants in which many migrants find temporary employment.

Figure 10 shows how the number of PPSNs issued to EU10 nationals before and after enlargement compares with the number issued to migrants from the Rest of the World excluding the EU15 and the USA. Looking first at the data for the EU10 States it is evident that the annual inflow was relatively small in the period before enlargement. In the years 2000-2003 it averaged around 9,000 per year. In 2004 the annual inflow increased sharply to almost 59,000. About 54,000 of these were issued in the post-accession period (May 2004 to December 2004). In 2005 the number of PPSN allocations to EU10 nationals almost doubled to a phenomenal 112,000. On the basis of the number of PPSNs issued up to August 2006 I estimate that the number issued to EU10 nationals in 2006 will increase to around 143,000. The gross inflow of EU10 nationals in 2006 is therefore estimated to be almost 16 times greater than the average annual gross inflow recorded in the period 2000-2003 preceding enlargement.

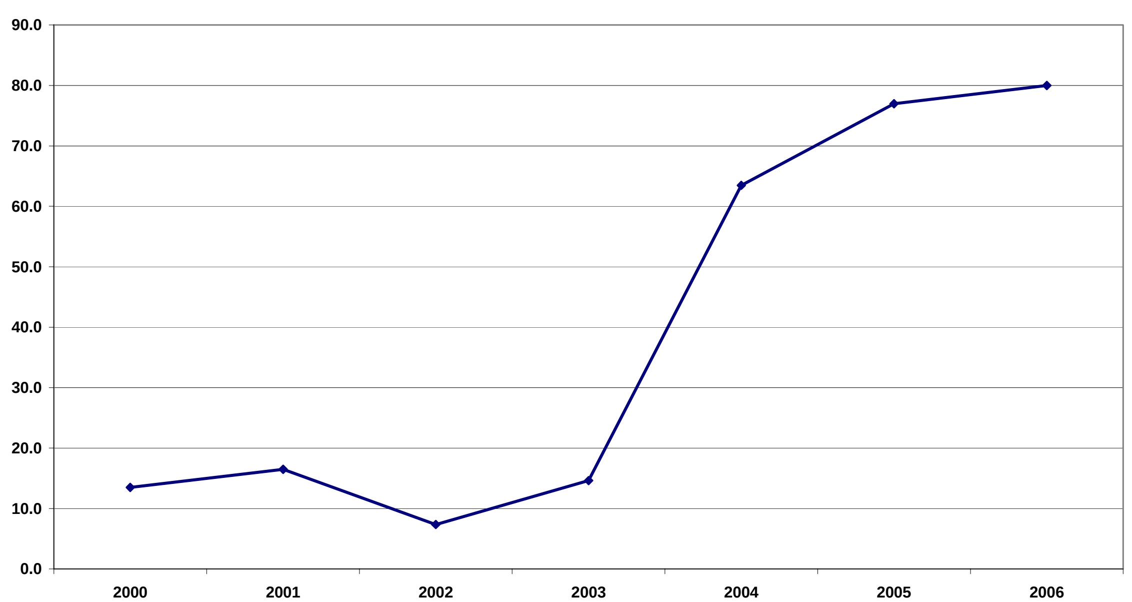
Figure 10: Personal Public Service Numbers Issued to Migrants from the Rest of the World Excluding EU15 & USA and to Migrants from EU10



The contrast between the gross inflows from the Rest of the World excluding the EU15 and the USA before and after enlargement throws some useful light on the implementation of the Irish government's policy of trying to source most of the economy's need for migrant workers from within the enlarged EU. This policy is in line with EU policy of sourcing as much of its labour requirements from within the EU25 Member States. In the years 2000 to 2002 there was an increase of over 81,000 in the annual inflow from the Rest of the World excluding the EU15 and the USA from 45,000 in 2000 to 126, 000 in 2002. In 2003 the gross inflow from the Rest of the World excluding the EU15 and the USA halved to 65,000 in anticipation of enlargement in 2004. The impact of this reduction was almost entirely borne by foreign nationals from outside the EU25 and the USA as there was little change in the number of PPSNs issued to EU10 nationals and an increase in the number issued to nationals of the EU15 and the USA. This pattern continued after enlargement with the number of PPSNs issued to foreign nationals from the Rest of the World excluding the EU15 and the USA falling from 117,000 in 2002 to an estimated 24,000 in 2006.

The impact of inflows from the EU10 States relative to the inflows from the Rest of the World excluding the EU15 and the USA can be assessed from Figure 11. It shows

Figure 11: Personal Public Service Numbers Issued to EU10 Nationals as Percentage of Number Issued to Nationals from the Rest of the World Excluding EU15 & USA



that the share of PPSNs issued to EU10 nationals has increased dramatically from around 14 per cent before enlargement to around 80 per cent after enlargement.

The expectation before enlargement that there would be relatively small inflows from countries with which Ireland had weak economic relationships has not, therefore, been realised. In addition, the surveys of migration intentions carried out in the source countries before enlargment have proven to be an unreliable indicator of people's actual behaviour. These outcomes have had an influence, as we shall see, on the Irish government's decision to restrict access to the labour market of Bulgarian and Romanian nationals when their countries join the EU in 2007.

The three month moving average number of PPSNs issued monthly from May 2004 to August 2006 to EU10 nationals from (a) Poland, (b) the Baltic States, and (c) the Rest of the EU10 are shown in Figure 12. Although there is an evident seasonal effect with migration increasing in Summer and decreasing in Winter, there is a discernible upward trend. This is most evident from the figures for Poland and to a lesser extent for the Baltic States and the Rest of the EU10. The upward trend is very clear from the monthly averages based on six months data for 2004, 12 months data for 2005 and eight months data for 2006. The average number of PPSNs issued in these periods was 8,931 in 2004, 9,162 in 2005 and 11,931 in 2006.

Over 55 per cent of the PPSNs issued to EU10 nationals in the post-accession period were allocated to Polish citizens (see Figure 5.12). The number of PPSNs issued to Poles increased significantly in the period after enlargement from 3,800 in 2003 to 65,000 in 2005. Poland is the largest of the EU10 States, with a population of almost 40 million, and it also has a weak labour market. Prior to enlargement nationals of the Baltic States represented a significant proportion of the PPSNs issued to EU10 citizens. Although their proportions decreased after enlargement their numbers have increased almost nine-fold: in 2003 2,400 Lithuanians and 1,200 Latvians were allocated PPSNs, by 2005 the numbers had grown to 18,700 and 9,400 respectively.

The fact that almost 262,000 PPSN numbers have been issued since May 2004 does not mean that all of these migrants were looking for employment as the PPSN number is also required for other purposes such as access to State services. However,

Figure 12: Personal Public Service Numbers Issued to EU10 Nationals, 3 Month Moving Averages from May 2004 to Aug. 2006

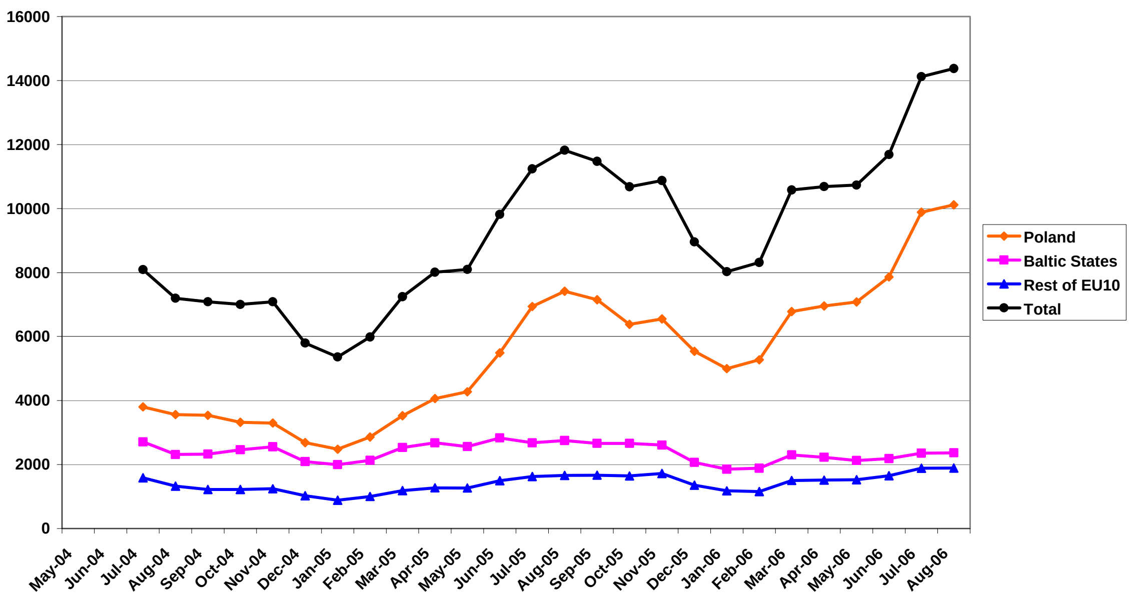
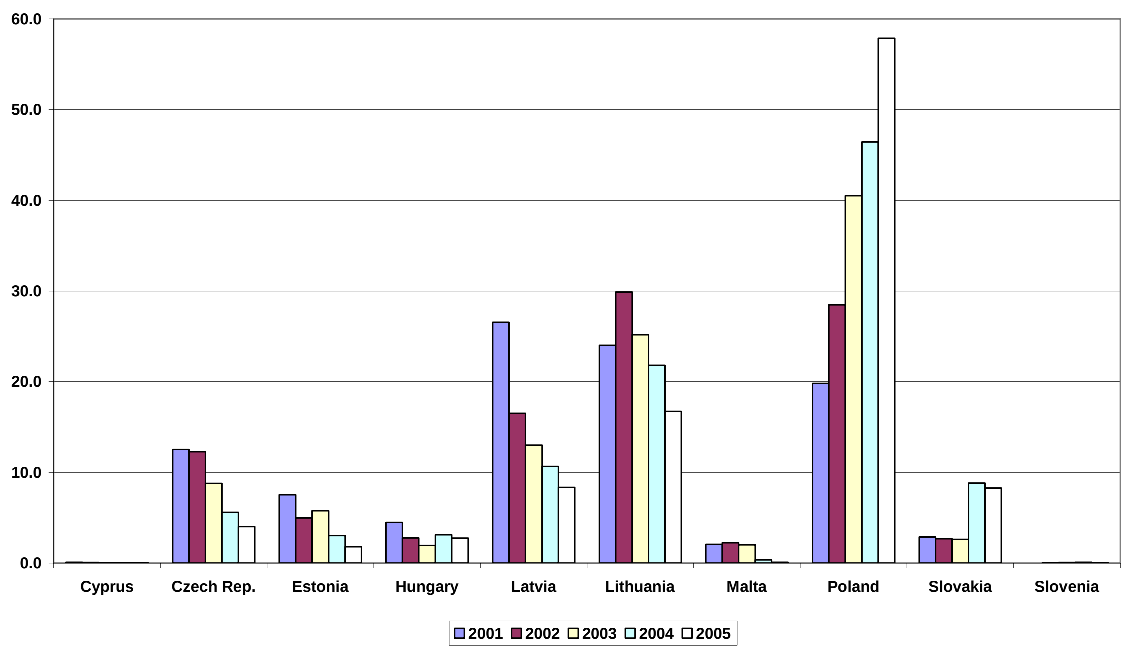


Figure 13: Percentage of Personal Public Service Numbers Issued to EU10 Nationals, by Nationality, 2001-2005



cross matching of PPSN numbers with income tax records indicates that around 70 per cent of those with a PPSN number subsequently took up employment. It is evident from a comparison of the PPSN data on the gross inflows of EU10 nationals between the second quarter of 2005 and the second quarter of 2006 (121,927) with the QNHS data on the change in employment of EU10 nationals over this period (32,500) that only about a quarter of those who had come remained in employment in Ireland at the end of that period.

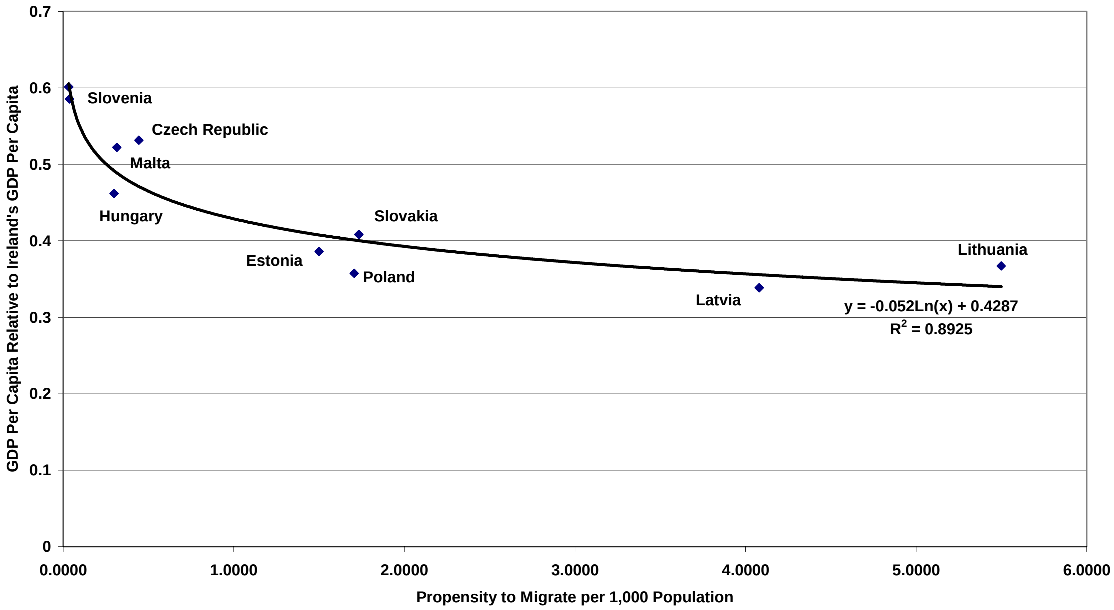
Table 2 shows that although Polish nationals are the largest group to receive PPSNs, it is the Lithuanians and Latvians who have the greatest propensity to enter the Irish labour market. These countries are experiencing poor economic conditions with low GDP per head and high unemployment rates. It is not surprising therefore that the propensity of their citizens to migrate to Ireland is relatively higher.

Table 2: PPSNs issued in 2005 as a Proportion of Country of Origin Population and GDP per capita in Country of Origin Relative to Irish GDP per capita

	PPSN per 1,000 Pop. 2005	GDP Per Capita Relative to Irish GDP Per Capita 2005
Poland	1.7053	0.3576
Lithuania	5.4988	0.3671
Latvia	4.0795	0.3386
Slovakia	1.7328	0.4082
Czech Republic	0.4438	0.5316
Hungary	0.2978	0.4620
Estonia	1.4998	0.3861
Slovenia	0.0380	0.5854
Malta	0.3154	0.5222
Cyprus	0.0334	0.6013
Memorandum Items		
Bulgaria		0.2373
Romania		0.2405

The correlation between the propensity to migrate and GDP per capita relative to GDP per capita in Ireland is 0.79. If nationals of Bulgaria and Romania had free access to the Irish labour market in 2005 and the same migration relationship applied to them as to the EU10 States the number of additional PPSNs issued to their nationals would have been at least equal to the number (65,000) issued to nationals of Poland. Whether the Irish economy would have been able to absorb this additional number of migrants is impossible to say but the figure does suggest that allowing free access to the labour

Figure 14: Propensity to Migrate from EU10 States and Relative Living Standards, 2005

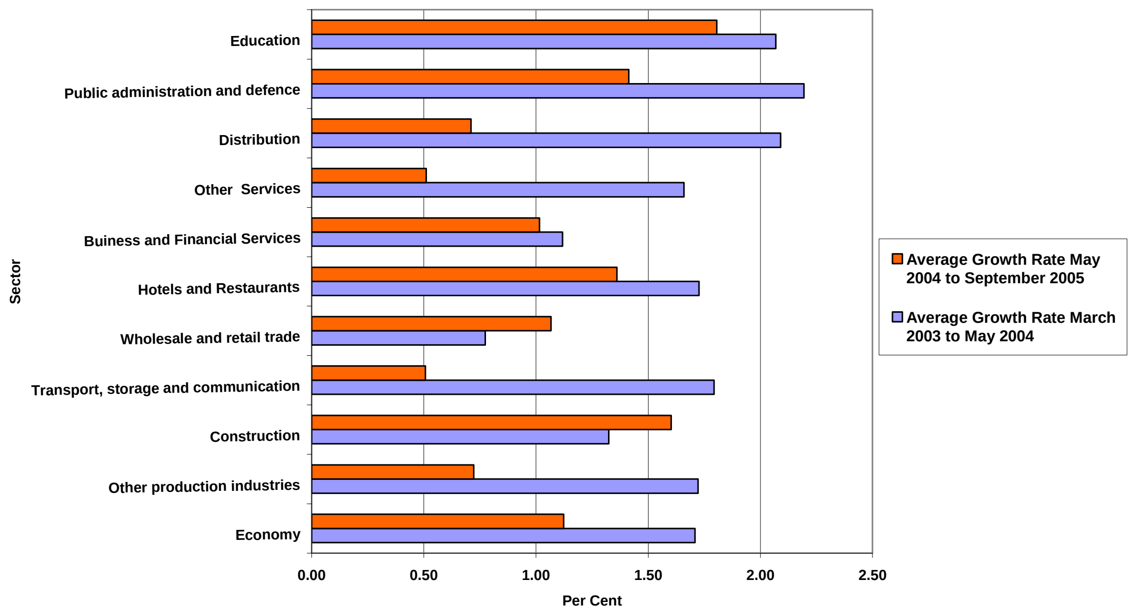


market of nationals from Bulgaria and Romania could result in a considerable increase in the gross inflow of migrants when these States join the EU in 2007.

3.4 Average Hourly Earnings of Employees in Ireland

The earnings data for Ireland do not distinguish between earnings of Irish and foreign workers. Nevertheless, it is worth looking at earnings growth before and after enlargement in the context of the data on employment of EU10 nationals in Figures 7 and 8 to see if there is any relationship between employment of nationals from the EU10 States and earnings growth. The data in Figure 15 on hourly earnings of employees in Ireland indicate a decrease in earnings growth rates at the aggregate level and for eight of the ten sectors for which data are available. In the five quarters prior to accession the average hourly earnings of employees grew by 8.8 per cent whereas in the five quarters post-accession they grew by 5.7 per cent. While it is not possible to say to what extent the slow down in earnings growth was influenced by the inflow of workers from the EU10 States, economic theory suggests that an increase in the supply of workers should exert downward pressure on earnings growth. However, a decrease in earnings growth of the magnitude recorded between the pre- and post-accession periods is well within historical experience and it may have been influenced by other factors as well as immigration. Further research is needed to try and identify the relative importance of

Figure 15 Average Hourly Earnings Growth in Ireland by Sector in Five Quarters Before and After Enlargement by Sector



immigration and other factors, such as continuing strong labour demand, on the slow-down in earnings growth between the pre- and post-accession periods.

Some support for the view that factors other than immigration were at work is provided by the behaviour of earnings growth in two of the sectors in which the largest percentage increases in employment of EU10 nationals occurred. In construction, employment of EU10 nationals increased by two and a half times from 6,000 in Q4 2004 to 15,200 in Q4 2005 while in wholesale and retailing employment of accession state nationals doubled from 4,000 to 8,000. In the five quarters before and after accession earnings in construction grew from 6.7 per cent to 8.2 per cent, while in wholesale and retailing they increased from 3.9 per cent to 5.4 per cent. It should also be noted that the ranking of these two sectors in terms of earnings remained unchanged after enlargement. In construction average hourly earnings in March 2004 amounted to €16.70 and to €18.61 in September 2005 while in wholesaling and retailing they increased from €15.95 to €16.86.

4. Job Displacement and Concerns About Bulgaria and Romania

4.1 Job Displacement

The inflows of immigrants from the EU10 Member States in the post-accession period have been much larger than expected mainly because of continuing strong labour demand and probably because of re-direction of migration from countries which imposed transitional rules on access to their labour markets. The scale of the inflows has put increased pressure in Ireland on the price of renting and buying accommodation, on transport and other infrastructure. In addition there have been a number of developments that have resulted in some concern that Irish workers in certain sectors are being displaced by foreign workers who are being paid less than the collectively agreed rates of pay. These issues were first brought to national prominence by the Gama and Irish Ferries cases (see boxes). A number of examples similar to the Gama case have subsequently

The Gama Case

On 8 February 2005 the Socialist T.D. Mr. Joe Higgins alleged in the Irish Parliament that Gama Construction Ireland, which employed approximately 2,000 construction workers on public works projects, paid its unskilled workers between €2 and €3 per hour and its skilled workers somewhere over €3 per hour. Gama Construction Ireland operates under the umbrella of Gama International B.V. (established in the Netherlands in 2003) and Gama Group, the parent company in Turkey.

Mr. Higgins pointed out that the minimum wage is €7 per hour and that the registered employment agreement for the lowest paid operative in construction is €12.96 per hour. The Taoiseach (Prime Minister) said that the matter would be investigated by the labour inspectorate of the Department of Enterprise, Trade and Employment.

On 23 March 2005 Mr. Higgins said that Gama had paid up to €40 million into bank accounts in Finansbank in Amsterdam in the names of their Turkish employees'. He said the money was probably the difference between what the employees were paid in Turkey and the agreed trade union rate in Ireland. While the Turkish workers had signed documents authorising the creation of these bank accounts they said the form they signed was in English, which they did not understand, and that they learned of the existence of the bank accounts only after the investigation into the company began.

Gama Construction Ireland rejected the allegation about underpayment of its Turkish workers. It said that its Turkish employees received some of their wages in Ireland subject to Irish taxation, a portion in Turkey subject to Turkish taxation and that a portion was paid into a Dutch bank on a remittance basis of taxation allowed by the Irish government. Under the remittance basis earnings paid to foreign nationals working in Ireland were only liable for tax on the portion or earnings required for living expenses in Ireland. The taxation of earnings on a remittance basis is no longer allowed in Ireland.

The Minister for Enterprise, Trade and Employment said in a statement on 12 April 2005 that he had received the report of the Labour Inspectorate into alleged breaches of Employment Rights but was prevented from publishing it following proceedings initiated in the courts by Gama. Although the report was never published a report in the Examiner newspaper in April 2005 indicated that it had failed to clear the company.

The Irish Ferries Case

In September 2005 the management of a company operating services between Ireland, the UK and France, Irish Ferries, announced that it planned to offer redundancy terms to 543 seafarers and to replace them with agency workers, mainly from Latvia, who would be paid €3.60 an hour, less than half the minimum wage. The company planed to re-register its vessels in Cyprus and justified its action on the grounds that most of its competitors were using hired-in agency crews rather than directly employed seafarers.

The government condemned the company's action but said it could not prevent it re-registering in Cyprus to avoid Ireland's employment laws. Many of the seafarers accepted the redundancy offer but some members of the trade union SIPTU reacted in November by occupying one of the company's ships while it was docked in Wales. There was considerable public support in Ireland, the UK and France for the seafarers. It culminated in December 2005 in the biggest national demonstration seen in Ireland in almost thirty years. In addition to supporting the seafarers many of those participating in the demonstration demanded that foreign nationals employed in Ireland should be paid the collectively agreed rate of pay for the job. Irish Ferries eventually entered into negotiations with SIPTU. A compromise settlement was reached under which the company could proceed with its plan to re-register its vessels in Cyprus but agreed to pay its agency workers the minimum wage €7.65 per hour.

The European Trade Union Confederation believes that the core issues raised by the Irish Ferries case are similar to the Vaxholm case in Sweden.

been cited by different trade unions as evidence of foreign companies employing their nationals at lower than the legally recognised rates of pay for the job[7].

The leader of the Labour Party, Mr. Pat Rabbitte, raised the displacement question and its implications for the free movement of labour in an interview he gave to the Irish Times on the 3rd of January 2006 when he said:

> …displacement is going on in the meat factories and it is going on in the hospitality industry and it is going on in the building industry.
>
> The time may be coming when we will have to sit down and examine whether we would have to look at whether a works permit regime ought to be implemented in terms of some of this non-national labour, even for countries in the EU. We didn't require any such regime at the time of accession. The time may be coming when we have to examine it because we need to know more about what is going on.
>
> What Irish Ferries has done has lanced the boil and we need to know more about the numbers coming here, the kind of work they are engaged in, the displacement effect, if any, on other sectors. We need to look at that because there is anecdotal evidence about it happening in meat factories and happening in the hospitality industry.

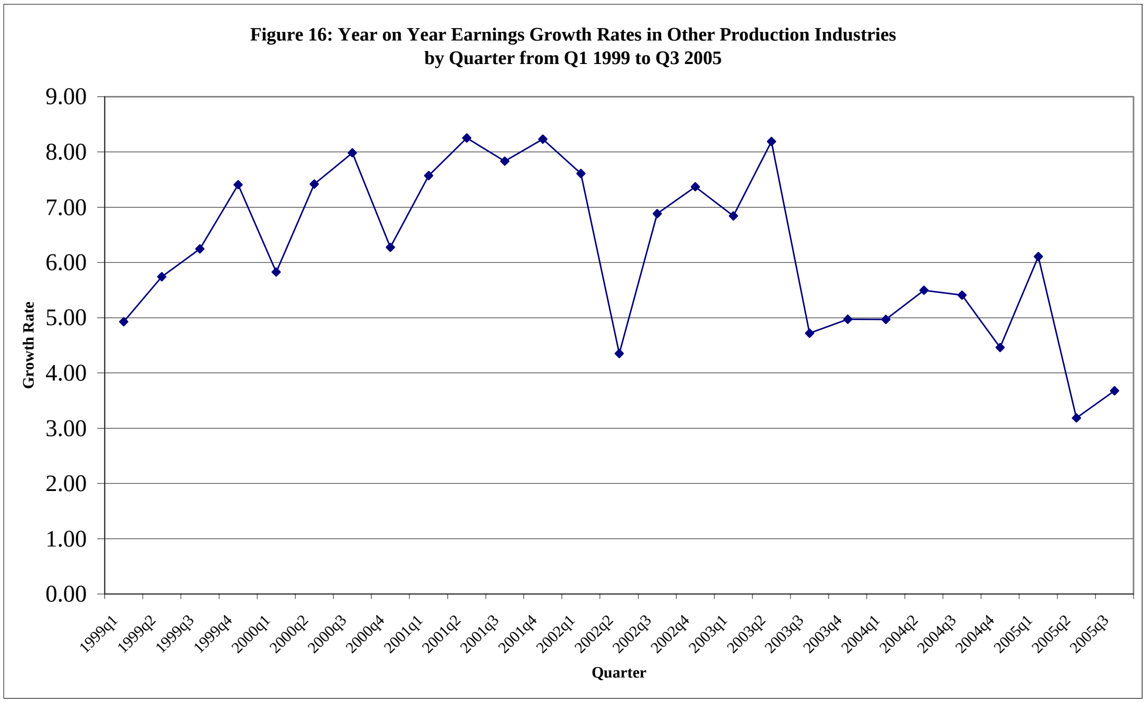
[7] These examples include claims of Polish workers being underpaid at the Electricity Supply Board power station at Moneypoint, Hungarian workers being underpaid at the Spencer Dock construction site, and Serbian workers being underpaid by a Belgrade based sub-contractor involved in the renewal of the electricity network. All of these claims have been contested by the main contractors responsible for the projects.

These remarks were criticised by the Government parties but welcomed by the trade unions. The Minister for Enterprise, Trade and Employment said the Government had no plans to review its decision to allow workers from the EU10 states free access to the labour market without requiring a work permit.

The only statistical data which have been used to support the argument about displacement were cited in an article in the Irish Times on 13 January 2006 by the Head of Research at SIPTU, the country's largest trade union (see O'Riordan 2006). He used earnings and employment data for the manufacturing sector to argue that "unregulated immigration and unscrupulous hiring practices are undermining wages and conditions". His evidence shows that earnings growth fell in the manufacturing sector from 4.7 per cent in the year ending March 2005 to 2.1 per cent in the year ending September 2005 and that the *level* of hourly earnings fell in some sub-sectors such as food products, office machinery and computers, and electrical machinery. He supported his case with data on employment in the manufacturing sector which show that the number of foreign workers increased by 8,000 while the number of Irish workers decreased by 19,400 between September 2004 and September 2005.

This evidence is circumstantial. It infers that earnings growth fell in manufacturing because foreign workers took lower wages in some sub-sectors and displaced Irish workers. However, the decrease in earnings growth in manufacturing could be due to other factors such as seasonal changes in employment. A comprehensive earnings series developed in the ESRI (see Doyle 2006) shows that in other production industries (which is comparable to manufacturing) a similar trend to the one identified by O'Riordan was observed between March 2002 and September 2002 and March 2003 and September 2003 before the increase in immigration from the EU10 States, as Figure 16 shows.

The QNHS employment data for the period Q4 2004 to Q2 2006 indicate that the number of migrants in other production industries and in hotels and restaurants has increased while the number of Irish workers in these sectors has decreased. In the remaining sectors employment of Irish and foreign workers have both increased. The earnings data show that there has been no decline in the aggregate level of earnings since enlargement in either the industrial or hotels and restaurants sectors or indeed in any of the remaining sectors. The substitution of migrant workers for Irish workers in some sectors is the kind of labour turnover one would expect as Irish workers take advantage of



a growing labour market to move into higher paying jobs and migrants fill the resulting vacancies.

If there was displacement on a significant scale, one would expect to see some evidence of it in falling vacancies and rising unemployment. At the beginning of the enlargement in May 2004 the percentage of firms in all sectors reporting vacancies was 10.6 per cent, in May 2005 the figure was the same and by February 2006 it had risen to 16.7 per cent. In the manufacturing sector 18.9 per cent of firms reported vacancies in May 2004, 19.5 per cent reported vacancies in May 2005 and 22.2 per cent reported vacancies in February 2006. The vacancies data suggest that the demand for labour remained strong after enlargement and they provide no evidence of a substantial reduction in the number of jobs available in the economy.

Similarly there is no evidence from the unemployment data that displacement of Irish workers has resulted in an increase in the unemployment rate. In an article in the Irish Times on 14 January 2006 addressing the displacement issue, Garret FitzGerald noted that since the Irish labour market was opened to CEE nationals the unemployment rate had actually fallen up to December 2005. The data on unemployment in the second quarter of 2006 show that there has been only a marginal change to 4.3 per cent from 4.1 per cent since then. As FitzGerald points out:

> …if there has been significant displacement of Irish workers by immigrants in some sectors, the unemployment data suggest they must have been re-employed elsewhere. And, in so far as there is a difference between Irish and immigrant workers, part at least of this phenomenon could be accounted for by Irish workers moving to better-paid jobs, and being replaced by lower-paid immigrants in their old positions.

The statistical data that have been used to address the displacement issue are capable of different interpretations and further research would be needed to disentangle them. On the evidence available to date, displacement does not appear to be a source of disturbance in the labour market at the macroeconomic level.

Nevertheless, at the microeconomic level the Irish Ferries, Gama and other cases were regarded by the Irish Congress of Trade Unions (ICTU) as breaching the terms of the social partnership arrangement between the trade unions, the employers and the Government. The last national agreement expired at the end of 2005 and the government issued an invitation to the social partners to participate in a new agreement in October 2005. The ICTU deferred accepting this invitation pending clarification from the government that issues relating to employment standards, displacement, inspection and enforcement would be discussed before negotiations on rates of pay under a new national agreement. The Irish Ferries and Gama cases were cited by the trade unions as examples of the failure of the regulatory regime to respond effectively to the exploitation of foreign workers and displacement of Irish workers in the pursuit of greater profits by the business community. They secured agreement from the employers and the government before negotiations on a new social partnership agreement began in February 2006 that the initial items on the agenda would be how to implement and strengthen the range of labour legislation intended to preserve established labour standards including employment rights, health and safety, non-discrimination and equal rights of both Irish nationals and migrants.

The negotiation of the social partnership agreement in the early part of 2006 was much more protracted than usual because of the difficulty of securing agreement on how employment rights could be protected. The document which eventually emerged

"Towards 2016" sets out a ten year agreement between the social partners with an initial 27 month pay phase and a package of measures designed to increase public confidence in the system for securing compliance with employment rights and labour standards. These measures include:

- the establishment of a statutory Office of the Director for Employment Rights Compliance (ODERC);
- an increase in the number of labour inspectors from 31 to 90 by the end of 2007;
- greater co-ordination between organisations concerned with employment rights compliance;
- legislation to allow Authorised Officers of the Department of Enterprise, Trade and Employment and ODERC to work in the Joint Investigative Units operated by the Department of Social and Family Affairs and the Revenue Commissioners to address evidence suggesting non-compliance exists;
- improvement in record keeping to protect workers' employment rights;
- legislation to strengthen the powers of the Minister for Employment, Trade and Enterprise to order investigation of suspected cases of breaches of employment rights and compliance and empowerment of the Minister to publish the results of these investigations;
- commitment of more resources for compliance enforcement, adjudication and redress;
- increased penalties for non-compliance with employment law;
- legislation to amend the Protection of Employment Act 1977 to establish a Redundancy Panel to address exceptional cases of compulsory collective redundancy where the staff are to be replaced by new employees on materially reduced terms and conditions of employment;
- support for employment standards by empowering public contracting authorities to seek certification from contractors of public works of compliance with employment rights at suitable intervals;

The thrust of these measures is to ensure that there is no repetition of the Gama or Irish Ferries cases and that a new regime of implementing agreed labour standards is initiated.

4.2 Concerns about the Next Enlargement

Despite the positive effects of EU enlargement for Ireland's economy and labour market the government decided in October 2006 that it would not allow nationals from Bulgaria and Romania free access to the Irish labour market when they join the EU in 2007. The announcement of the Irish government's decision came within minutes of a similar decision by the UK. It was reported by Reid (2006) in the Irish Times on 19 October 2006 that there were consultations between the two countries about this issue and that "there is an acknowledgement among senior officials that in practical terms, the regime in Ireland in relation to workers has to be very similar to that operating in Britain, because of the common travel area between both countries."

The decision not to allow Bulgarian and Romanian nationals free access to the Irish labour market was in line with recommendations made by both IBEC (see Irish Times 21 October 2006) and the ICTU (2006), the representative organisations of the employers and the trade unions, and in the Economic and Social Research Institute's *Quarterly Economic Commentary* Autumn 2006. The decision was also supported by both of the main opposition parties.

Two factors appear to have had a particularly important influence on the government's decision. The first is that following the two year review in May 2006 of the transitional arrangements for the EU10 States there was only a partial relaxation of the restrictions on EU10 nationals' access to the labour markets of France, Belgium, Luxembourg and Italy and no lifting of the restrictions in Austria, Germany and Denmark. The second is that when the decision was announced in October 2006 only Finland and Slovakia had told the European Commission that it would allow free access of Bulgarian and Romanian nationals to its labour market.

Other factors which may have influenced the decision are:

- the strains which the inflow of immigrants is placing on infrastructural and other resources;

- the fact that Ireland's foreign-born population almost tripled from 3.2 per cent in 1996 to 9.2 per cent in 2006 whereas it took the UK and the USA at least 40 years to double their immigrant populations in the last century;
- the desire of the trade unions and the employers to monitor how the new arrangements for compliance with employment law are working;
- the view of the government that there is a sufficient supply of migrant workers from within the EU25 to meet the economy's needs;
- the difficulties which non-English speaking migrants encounter in finding employment appropriate to their level of qualifications and the downward pressure which they put on wages at the lower end of the earnings distribution by taking employment in lower skilled jobs;
- the results of a survey by the ESRI (2006) showing that although immigrants appear to experience less discrimination in Ireland than in other EU countries with a longer history of migration, one-fifth of immigrants entitled to work in Ireland say they have been discriminated against when looking for a job;
- the results of an opinion survey in the Irish Times on 23 January 2006 showing that a large majority of respondents favour the use of a work permit scheme to regulate labour migration;

The Irish government's decision to implement transitional arrangements for citizens of Bulgaria and Romania is intended to provide a breathing space in which to monitor compliance with the new arrangements for implementing labour law. It may also allow time for the development of policies for the integration of migrants into Irish society and to strengthen existing policies to combat discrimination and xenophobia which many of the actors involved regard as an immediate priority.

5. Conclusions

In December 2003 the Accession Treaty was signed by the existing member states of the European Union and the ten Accession States (EU10). It was therefore agreed that ten new Member States would join the European Union on the 1st of May 2004. The Treaty provided for transitional arrangements whereby countries could restrict access to their labour markets for a period of up to seven years. Fears of mass immigration and welfare tourism fuelled enlargement debates across Europe which resulted in only three countries, Ireland, Sweden and the UK, opening their labour markets to citizens from the Accession States from the 1st of May 2004. However, both Ireland and the UK restricted social welfare access to Accession State nationals for up to two years. As it is now two years since the EU10 countries became members of the European Union this paper has evaluated developments in Ireland.

Two years is a relatively short period for following up what has happened and in practice the period is even shorter. In the Irish case, we have labour market data for EU10 States mainly for the period Q4 2004 to Q2 2006 following enlargement so that it is difficult to make comparisons of their labour market position before and after enlargement. As it takes time to react to new circumstances, like new rules regarding migration, we cannot expect the full effect of the change to have taken place in such a short period. However, the information for this short period may contribute to better knowledge of the likely effects of the deregulation of migration in Ireland from the EU10 States.

Economic theory proposes income as an important factor influencing migration. People tend to migrate from countries with low-income levels to countries with high-income levels. At the time of enlargement the average GDP per capita of the Accession States was only a quarter that of the existing EU15. Therefore, as anticipated the migratory flows in both the pre- and post-enlargement periods have been from the poorer EU10 States to the richer existing member states. The flows from the EU10 States to Ireland increased much more than was expected in the post-enlargement period. In the two years after enlargement, the gross inflows of immigrants to Ireland reached the highest levels recorded since annual estimates began in 1987. In 2004/05 the annual inflow amounted to 70,000 and in 2005/06 it amounted to 86,900. These inflows compare with an annual inflow of 3,400 forecasted before enlargement. Over forty per cent of these immigrants came from the EU10 States, with approximately twenty per cent from Poland and ten per cent from Lithuania. Although Polish nationals comprise the majority of the immigrants from the EU10 States, Latvians and Lithuanians have the highest propensity to migrate to Ireland. Relative to their populations Lithuanians, for example, are more than three times as likely to migrate to Ireland as Poles. The propensity of nationals of the EU10 States to migrate to Ireland is strongly related to the ratio of GDP per head in the country of origin to GDP per head in Ireland. The smaller is this ratio the greater is the propensity to migrate. A corollary of this is that if living standards between Ireland and the EU10 States converge in the future, as they have within the EU15 States, the propensity to migrate will fall.

Higher incomes alone are not a sufficient pull factor for migration, as people generally won't migrate if there are no available jobs. Therefore the labour market situations in the home and host countries are also important factors influencing a person's decision to migrate. At the time of enlargement, unemployment levels in the EU10 States were relatively high compared with Ireland. The Irish labour market was in a very strong position at the time of enlargement. Employment growth in 2003 was 2.8 per cent and the unemployment rate was 4.5 per cent.

In the year prior to enlargement 65,000 Personal Public Service Numbers were issued to nationals of the Rest of the World excluding the EU15 and the USA with 14 per cent going to EU10 nationals. The Irish Government was hoping in the period after enlargement that most of the economy's requirements for migrant workers could be sourced from the EU10 or EU15 States. In 2006, two years after enlargement, the number of Personal Public Service Numbers issued to nationals of the Rest of the World excluding the EU15 and the USA is expected to increase to179,000 and 80 per cent of these number are expected to be issued to EU10 nationals.

In the period from the second quarter of 2005 to the second quarter of 2006 two-thirds of the increase in employment of foreign nationals was accounted for by EU10 nationals and over 83 per cent were accounted for by EU25 nationals. In the third quarter of 2004 19,500 EU10 nationals were employed in Ireland. This figure reached nearly 80,000 in the second quarter of 2006. The policy of sourcing most of the Irish economy's need for migrant workers from within the EU25 has, therefore, been very successful in a relatively short period. The strength and flexibility of the Irish labour market appears to have been the main factor explaining why the migratory inflows from the EU10 States were much greater than expected.

In relation to the ‘welfare tourism’ debate there is no evidence from the Irish experience that EU10 nationals are in any way over-represented in the welfare state schemes. Despite the magnitude of the inflow from the EU10 states, less than 1,000 of their nationals were signing on the unemployment register in March 2006 (FÁS, 2006). EU10 nationals were, therefore, making even less demands on the welfare system than Irish nationals. This outcome would of course have been influenced by the Habitual Residence Condition. Nevertheless, taking the gross inflow data in conjunction with the data on the employment status of the migrants from the EU10 states strongly suggests that nationals of these states are not coming to Ireland for the purposes of “welfare tourism“.

In relation to the displacement issue, the evidence suggests that displacement of Irish workers by lower paid immigrants is not a source of disturbance in the labour market. To the extent that there has been displacement in some sectors it could be accounted for, at least in part, by the normal dynamics of the labour market in which Irish workers move to better-paid jobs and are replaced by lower-paid immigrants.

Although there is no evidence that immigration from the EU10 States has resulted in a disturbance to the labour market, the Irish Ferries, Gama and other cases have highlighted the need for better implementation and strengthening of labour law to maintain employment standards and to protect the rights of both Irish and migrant workers. As most of the EU15 States are continuing to maintain partial or full restrictions on nationals from the EU10 states and as the majority of the EU25 States will apply transitional arrangements when the next enlargement of the EU takes place in 2007, the government and the social partners foresee that there is potential for a disturbance to the labour market if nationals of Bulgaria and Romania are allowed free access to the Irish labour market. Accordingly, the Irish government has decided that it will not grant free access to the Irish labour market to nationals of Bulgaria and Romania when these countries join the EU in 2007.

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