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Immigration and Eastern Enlargement

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On 1st May 2004 ten countries with a combined population of 75 million will become part of the European Union. The accession of these newcomers has been attended by widespread media hype about the imminent arrival of hordes of impoverished migrants, not only to neighbouring countries such as Austria and Germany, but even to those as distant (and culturally different) as the UK and Ireland. Several EU countries have taken advantage of the clause that forestalls immigration from these countries for two years or even longer. Others (such as the UK) have hurriedly enacted legislation to deny welfare benefits to those who do decide to make the trip.

By contrast, the message from economists (and other social scientists) has been much more soothing. 'Relax,' they say, 'there is nothing to fear but fear itself'. The economists are probably right but the operative term here is 'probably'. They offer two main arguments. The first is that the new migration will be a trickle rather than a flood. The forecasts suggest that, with free access, the number migrating to the existing EU-15 would be between 2.5 and 4 million over the first ten years: a little over one percent of the current population at most. The second argument is that fears about the negative effects of immigration on jobs and wages are not supported by empirical evidence. Even if westward migration was higher than expected, the labour market effects would still be relatively small.

Consider the first argument. It is based on estimates of how migration responds to the income gap between one country and another, and an assessment of how east-west income gaps might evolve in the decade following accession. Both these assumptions are subject to a wide margin of error. The migration elasticities are often based on what happened elsewhere for example the post-accession experience of Spain, Portugal and Greece. In some cases they are inferred from observed migration in the presence of immigration controls. In any case, it is notoriously difficult to predict whether new migration streams will stay small or expand into major rivers. The surge in the number of asylum seekers between the late 1980s and the early 1990s is a case in point. War and political turmoil provided the initial impetus but the flows persisted beyond the original causes and they cumulated for reasons that are still not well understood.

So what about the labour market effects? Conventional theory says that an influx of immigrants that adds to labour supply must mean either lower wages or higher unemployment. Yet, until recently, most empirical studies have found neither of these effects. These studies usually compare changes in wages or unemployment across regions, or cities that have different rates of immigration from abroad. There are two problems with this. One is that in most localities, in most countries, immigration is tiny relative to the labour force. In labour markets that are buffeted by other shocks, the effects of immigration are hard to discern. The other is that when immigrants move in, others move out. Even where inflows from

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abroad are large, inter-regional migration mutes the effects on the 'gateway' regions or cities and it spreads some of those effects throughout the rest of the country. Negative effects on wages and employment may exist for the economy as whole, even if they cannot be observed in comparisons across regions.

So what should we conclude? The economists are probably right that there won't be a massive flood of eastern Europeans into most parts of the EU-15. And although there may be some negative effects on wages and employment for existing populations, they are probably also right to say that these will not be very large. But 'probably' is the operative word. There is little reason to think that draconian measures are necessary to hold back a tidal wave of migration that will otherwise overwhelm us. But there is reason to be cautious and to adopt measures that can be gradually relaxed as the true realities emerge. In the long run, economic integration and economic growth in both east and west will make today's fears about east-west migration look faintly ridiculous. Probably, that is.