

Post-enlargement emigration and new EU members' labor markets

Outmigration has contributed to increasing wages and decreasing unemployment in the new EU member states but may also cause skills shortages

Keywords: outmigration, emigration, labor market, EU enlargement, labor mobility, transition economies

ELEVATOR PITCH

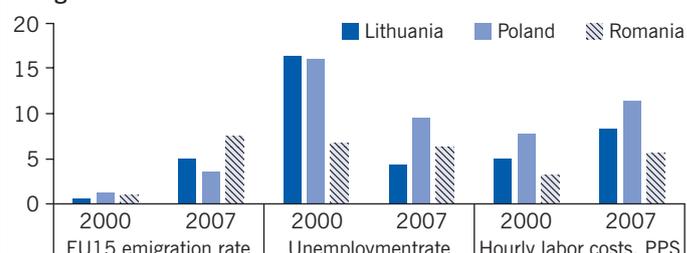
The recent EU enlargements into Central and Eastern Europe and increased labor mobility within the Union provide a unique opportunity to evaluate the labor market effects of emigration. Outmigration has contributed to higher wages for stayers, as well as to lower unemployment in the source country. However, emigration has also exacerbated skills shortages in some sectors, as well as mismatches between skills and jobs.

KEY FINDINGS

Pros

- + Outmigration has reduced the excess supply of labor and lowered unemployment.
- + Outmigration has increased the wages of stayers, especially for socio-economic groups that have become relatively scarce.
- + There are potential benefits from return migrants with enhanced human capital.
- + Labor migrants send cash to their home economies.
- + Labor migration may act as an adjustment mechanism during periods of macroeconomic shocks and its importance increases as more countries join the Euro currency zone.

Emigration and labor markets in three new EU member states



Note: PPS, purchasing power standard

Source: Author's calculations, based on data from [1] and Eurostat.

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Cons

- Outmigration may amplify labor and skills shortages in certain sectors.
- Outmigration has exacerbated mismatches between skills and jobs.
- Outmigration may lead to brain drain and brain waste.
- Inflationary pressure may be attributable to the consequences of emigration.
- Outmigration exacerbates demographic pressures and pressures on public budgets.

AUTHOR'S MAIN MESSAGE

Post-enlargement EU emigration relieves sending countries of some of their excess labor, reducing unemployment and boosting wages. The positive effects for wages are particularly pronounced for socio-economic groups that have become relatively scarce. However, outmigration may also amplify labor and skills shortages and mismatches in the labor market, which will intensify as labor demand grows. Policies should focus on training and retraining, better matching between skills and jobs, education reform, labor force participation, and productivity gains, as well as relevant migration and return migration policies.