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Economical consequences of migration in European Union and Czech Republic¹

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Introduction

Migration is influencing the present happening in Europe. This whole phenomenon is associated with many paradoxes and contradictory working factors. The deployment of international migrants is very uneven. For the immigrants is characteristic the increase of their human capital, gaining new experience, and flexibility. Migration is sometimes perceived as a part of globalization and transformation, which is partly true, but there should be put more effort to come up with the solution of the migration reasons and the migrant integration. Migration models are connected to the historical bonds and big attention is paid to analyze them. A broader approach is needed and the analyzing of migration development in time. The common interest in this phenomenon leads into the harmonized measures through out the whole EU.

The impact of migration on the labor market as well as on the economy as a whole depends on the age, education and the length of stay of the migrant in the specific country. Migration can be more influenced by unqualified or seasonal jobs. The overall economical effects on the labor market are relatively marginal. Positive effects are: increase of economical prosperity as well in the host state as the country of origin, lower wage of the migrant than is the added value, which he produces, existing economies of scale in specific production sectors. Negative effects are: uneven distribution of capital income, time horizon of migration, pressure on the health care and social system in case of illegal migration.

Regarding the present demographic situation in most EU member states is immigration one of the ways how to solve the lack of labor force. Leading representatives try to coordinate the migration policy, which would secure concerned approach and legal frame to immigrants. This policy shouldn't be built just on temporary needs of the labor market, but should involve human rights, equal rights and nondiscrimination.

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To which extend the states should lead an opened or closed migration policy is still in question. It is necessary to search a model, which would answer to protection of human rights as well as to democratic principals of the states. Restrictive measures of the states are understandable as a security measure. But crucial is the level of these measures, which have direct link to the impact on illegal migration and organized crime.

To get a complex view is it crucial to mention also demographic and social factors. The impacts of migration on the states economy differ in each case, so it can't be seen as the single solution to the population ageing.

Migration has positive impacts on the economic growth. It brings welfare to the migrants as well as to the original inhabitants. For the country of origin and the destination state are there also some expenses to take. All these factors then influence the quantity of migrating labor force, its quality, qualification structure, labor market conditions, demographic profile and economic development in each state.

Economical consequences of migration

The relationship between the migration and economic indicators is clear. Waves of migration are influenced by economic factors and vice versa. Statisticians and prognostics most often examine the rate of unemployment, annual changes in real wages per worker, the absolute level of GDP per capita, as well as the relative level in comparison with the EU average, in addition to the year on year on year relative growth of GDP. The relationship between economic indicators and migration manifests itself in the different EU countries with varying intensity. Different groups of migrants are influenced by different economic indicators. For some states the most important thing is the influence of migration on unemployment.

Economic factors are usually the most frequent motivation for migration. The incoming immigrants bring with them Human Capital and the culture of their home country. The new knowledge and experience which they gain in the new country increases their Human Capital, and thus, they profit from having emigrated from their home country. In the new country, however, they come up against language and cultural barriers, which reduces their Human Capital. According to some studies, the individual who comes from a poor country to a rich one, earns only about 55% of what the domestic worker of the same age,sex and educational level, earns. The level of Human Capital is also influenced by the institutions and policies of the host country, which have an impact on the level of income and rate of productivity.

The global environment at the present time supports the movement of migrants seeking work, and „enables“ employees to take on foreign workers as part of the strategy of minimalising costs. The migration policies of individual EU member states are becoming ever more flexible, as well. More liberal policies are implemented especially in the services, particularly in the hospitality sectors, software, insurance and finance. The reason for this is the changing character of the labour market. Jobs which were, in the past, mostly in industry and in the traditional working class professions, have shifted to the area of services. They demand higher qualifications, which are much harder for new immigrants to attain. This has, to a certain extent, an impact on their unemployment rate, consequent social exclusion and other ethnic tensions. States welcome the influx of migrants, but especially those who are highly qualified. The problem remains the division of immigrants into the „qualified“ and „unqualified“ groups. The demand on the labour market is mostly for qualified and expert workers, but there is also a shortage of unqualified workers. On the one hand, unqualified foreign workers represent a certain competition for the domestic workers, which in turn leads to a reduction in wages. On the other hand, the gains for the employers can lead to the expansion of production capacity and to the employment of more workers. Likewise for the consumer, in the final analysis, it can bring lower prices for the end products and services.

In the EU 27, the number of educated immigrants from third countries comes to 26%. Even foreigners with lower education are included, with their number at 36%. These high numbers are, to a large extent, attributable to the great demand for highly qualified, or less qualified, workers. In a perfect economy we could talk about the mostly positive influence on the economy. They create new jobs and support economic growth - a greater number of people means a greater need for food, more transport, more potential customers; in other words, greater economic growth.

From the point of view of the economic models, which spring from perfect information, zero transactional costs, free movement of production factors, etc., it transpires that people will relocate there where their waged work productivity will be highest. In reality, though, it does not work like this. People are motivated to move by a broader spectrum of factors than purely economic gain. For instance, personal reasons, family ties, cultural proximity, and so on. From the point of view of time, the migrant represents a burden for the target economy until such time as he/she finds work and starts to contribute to the economic cycle. Therefore, the

overall influence on the economy depends, too, on the length of the migrant's stay in, and his/her motive for moving to, the foreign country. In the EU states, however, the market is deformed by such factors as tax, insurance and social systems, among others.

Another economic indicator which relates to migration is GDP. Some sources state that GDP, as an economic indicator, does not show the economic impact of migration objectively. According to many studies, GDP determines migration positively. Literature, however, shows that 7 to 16% of GDP in the EU probably has its roots in the shadow economy, where, of course, not only illegal migrants work.

As far as the level of savings is concerned, foreigners have a greater tendency to save. Consequently, compared to the host population, they invest more in Human Capital. The integration of migrants to the labour market in individual member states is mostly analysed by means of the comparison of wages and salaries and the level of employment with regard to the domestic population.

Differences in the income of migrants in comparison with the domestic population are caused by the migrants' lower qualifications, language barriers and the non-recognition of degrees and other certificates gained abroad. The time factor also plays an important role. The longer the immigrant lives abroad, the less the differences in income there are, as well as the fact that the migrant is more socially integrated. States are trying to implement more efficient educational systems, which would react to the needs of the labour market, and re-train the immigrants in some profession which is more in demand on the market.

Immigration concerns both employees and employers. In the framework of the battle against the employment of illegal migrants, there is a proposed directive on the punishment of employers who do so. It applies only to those who have 'illegal stay' status. The directive imposes sanctions of a mainly administrative character, but also imposes the obligation to make up for unpaid wages. This should help avoid the situation where immigrants are afraid of being declared 'illegal immigrants' by the authorities, and the resulting deportation, and so they prefer to accept the exploitive conditions of the employers.

The overall impact of migration on the economy, then, depends on how flexible and functional the labour market is in the target country. To what extent do the migrants mean a

gain or loss for the target labour market, whether they compete against the domestic workers, or do they fill gaps in the domestic labour market, is a good question.

The Czech Republic still has great potential for migrants, mostly from third countries. In order that the use of this potential is efficient, and that it can, on the one hand, obtain for the labour market, good quality workers, and, on the other hand, good quality conditions for the migrants, it is necessary to implement the following measures:

- Give foreigners information and offer them simple, legal migration;
- Strengthen the rights of foreigners on the labour market and offer them integration;
- Put in place a functional system of control and enforcement.

As regards illegal migration, it is necessary to ensure an effective system of enforcement for employers, in order to limit the illegal employment of migrants and their abuse. Some economic studies even show that limiting illegal work actually causes migrants' salaries to rise. This results in the growth of the overall GDP of the economy.

According to IOM[International Organisation for Migration] studies, in connection with the situation in the CR, it is possible to adopt the following measures for the limitation of the illegal employment of foreigners:.

- Increased checks on employers, increase enforcement, harmonise the competence and cooperation between the individual control bodies;
- Enforce the regulations against employers who do not check to see whether the foreigner is legally in the country or not. There will be created a database for checking the status of foreigners on-line;
- Cooperate with the foreigners themselves [active participation in uncovering illegal employment];
- Before opening the labour market to new immigrants, give priority to those who are already on the labour market.

Furthermore, it is necessary to give foreigners the chance to change employment. At the present time they can be forced into less than advantageous conditions, because terminating employment can be linked to the termination of the work visa, bringing with it the obligation to leave the country. Thanks to this, employers can abuse their position. In the whole EU there are efforts to entice, mainly, qualified migrants. The CR should also offer long term residence to foreigners with university education.

Whilst the CR has a lower level of wages compared to most EU countries, but as a comparative advantage could use exactly this more user friendly immigration policy. Within the framework of the EU countries there are ever more similar programmes being launched, for example, the Blue Cards. In the economy there should not appear branches exclusively dependent on immigrant labour, or sectors only for foreigners.

A successful migration policy should deal with the integration of foreigners to society. The result is the positive acceptance of the foreigners into their surroundings. The state creates, in cooperation with the non-profit sector, a whole host of integration programmes and courses, which should motivate foreigners to integrate.

Conclusion

Working migrants are the most important factor which migration brings. The influx of migrants is influenced by protection of the labour market, the type of social system and the migration policy of the country. The economic significance of the aging population in Europe has made immigration a very debated topic, as well as the subject of a lot of research.

Nowadays, people can work in one country, live in another and be a citizen of a third. For young people it is the modern way to gain experience. Migrants have the tendency to converge in certain areas of the host country; mostly in the capital city, where there are, as a rule, greater work opportunities. Many workers can, at the present time, move easily within the framework of the economic network of the multinational corporations.

The success of immigrants on the labour market in the host country, and the comparison of wages and employment between the domestic population and the immigrants will change in time. Shortly after entering the country, immigrants have, logically, higher unemployment and lower wages. These differences, however, level themselves out during longer stays in the host country. With these differences are linked higher social welfare assistance and support in the beginning.

It may be said that in the EU, immigrants from non-member states fill gaps in the labour market, mostly in seasonal and unqualified work. Immigrants work longer and for lower wages. Immigrants have a lower rate of unemployment than the domestic population. In the

EU countries, however, there exist certain differences thanks to the varied social systems in the individual countries. Long-term unemployment of immigrants has a far greater impact in the EU member states than in the USA. This is because of the extensive and generous social system in European countries. In comparison with the USA, the public expenditure in the EU is 12% more of the GDP. From this we can see, too, that the expenditures linked to immigration are higher in Europe than in the USA. Moreover, immigrants were less successful on the European labour market compared to in the USA, which reduces the economic advantages arising from immigration.

In the EU there prevail contradictory opinions on the influence of immigration. Many people still suppose that immigrants are a great burden for the public sector, which is mostly seen in France, Italy or Germany. Most sources, however, show that the impact is marginal, even though there exist big differences between individual groups of immigrants, which concerns the contribution to, and gain for, the state budget of the host country. The impact on the economy largely depends on age, education and length of stay of the migrant.

Studies, however, frequently focus on the direct consequences of immigration. They do not include the price level in countries and the real wages, nor do they show economic growth in individual countries. Economic consequences are also, very often, not taken into account from the long-term point of view; only the short-term consequences are examined. According to many studies, however, the economic impact on both the labour markets and the state budgets of the EU countries is relatively small. In all probability migration will grow even in the coming decades. Still, however, there remain many unanswered questions concerning the whole migration process.

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