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Economic Consequences of Immigration to Austria

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Economic Consequences of Immigration to Austria

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Abstract

Research background: Austria and low unemployment rate, higher salaries, more vacancies in comparison to the Slovak Republic together with the system of state benefits and geographical proximity have caused increased interest of Slovaks in work in the given country. The open asylum politics of Austria and Germany is attractive to immigrants from the third-world countries.

Purpose of the article: Based on the analyses of development of work force emigration from the Slovak Republic and immigration to Austria, the study identifies migration trends in both countries. Calculations of migration benefits from the arrival of work force from the Central and East European countries and calculations of losses and benefits from the migration from the third-world countries aim at explaining the development of economical, social and demographic parameters in the country.

Methodology/methods: Mathematic calculations of losses and benefits from migrations for a country and society are also introduced. These are based on the statistical data available from Eurostat, WTO, Statistical Office of the Slovak Republic, Statistic Austria, Ministry of Labour, Social Affairs and Family, World Bank, International Monetary Fund and data acquired from empirical surveys published in scientific publications. The study uses general scientific methods of induction, deduction, scientific abstraction and comparison, analysis and synthesis of selected facts, phenomena and processes. To calculate the data acquired, statistical and mathematical methods and calculations were implemented.

Findings: The result of the experiment is to create a model approach to the evaluation of economic benefits and losses from work force migration from the Central and East European countries and, at the same time, immigration from the third-world countries. It may be stated that work force migration from Central and East

Europe is beneficial for Austria. The study also shows expenses on immigrants while asylum procedures are taking place followed by expenses on their integration into the labor market and society.

1 Introduction

Emigration flows dominate in most countries in Central and Eastern Europe mainly. Borders of migration were opened by changing the social organization. Political and economic instability in post-communist countries, low living standards, high unemployment rates were not attractive to migrants not only from Western Europe, but also for migrants from neighboring countries in Central Europe. On the contrary, ever more immigrants began to leave from these countries gradually migrants were enticed by their families living and working abroad, employment opportunities, higher wages, a stable social order, and so on. World global processes of economic and social development intensified this trend. EU enlargement and the adoption of new Central European countries provided additional opportunities for the citizens of Central European countries on labor markets of Western Europe, where one of the main pillars is free movement of labor (Habánik & Koišová, 2012; Dagiliene, et al, 2014), which has become applicable for the newly adopted countries in 2011.

After a transitional period that the country could apply, Article 45 of the Treaty on the Functioning of the European Union with further secondary legislation and the case law the Court of Justice has entered into force in full range.

Migration policies implemented by destination countries are other factors with great impact on the emigration of workers from Central European countries. For example, pro-immigration policy of the German Federal Republic and Austria caused the rise of interest in these countries, a policy objective was to attract skilled workers by releasing the rules of employment in insufficient jobs, creation of attractive working conditions and various forms of benefit. Austria has become the most frequently elected country from various countries of Central Europe and the Balkans. Examination of internal labor migration within the European Union countries fills a gap in professional and public discussions only partially (Andrijasevic & Sacchetto, 2016).

For example, annual growth in short-term emigration to Austria from Slovakia represents almost 12,000 people and reached the level of 49,700 persons. Migration flows are developing also in other neighboring countries similarly - in Poland, Hungary, Serbia, Slovenia, Romania, Bulgaria and other Balkan countries.

Analysis of the intensity and scope of migration flows of labor force abroad dominates in most cases of exploring of labor migration in Central Europe, its motives (Divinský, 2007; Blanchflower, & Shadforth, 2009; Rosenow, 2009; Kordoš, 2014) and they less frequently analyze its economic and social consequences for the country as well as for migrants.

Migration is seen as a positive phenomenon for the source country as well as the recipient country without justification its positive aspects in professional and scientific works mostly (Daugėlienė, 2007; Favell, 2014). Analysis of the economic impact of labor migration for countries of origin as well as destination country occurs in professional and scientific publications only marginally (Čekanavičius & Kasnauskienė, 2009; Polakowski & Szelewa, 2016). Impact of labor migration for level of wages in the target countries is examined rarely and also just marginally (Daugėlienė, 2007). Most analyzes of labor migration abroad is focused on investigation of its impact on unemployment rate (International, 2012).

Economic aspects of migration are not in the main focus of professional and scientific community in most cases. It is rule to say about the added value and its economic aspect only with regarding the problem of brain drain (Kazlauskienė & Rinkevičius, 2006; Daugėlienė, 2007; Polakowski & Szelewa, 2016). It also considers the eventual potential economic losses for the country of emigration (Divinský, 2009) and about the benefits of immigration for the country, which thus obtains costless prepared labor force. As a positive phenomenon are evaluated acquire new business knowledge and new experiences, especially language (Adepoju, et all, 2010; Kazlauskienė & Rinkevicius, 2006), so that the acquired knowledge and experiences could be utilized at work after returning home (Jančíková, 2014).

Attention is given to the security aspects of migration, terrorism and climb crime also, in cases where migrants are suspected or convicted. (Karabinoš & Balga, 1997; Haládik & Csámpai 2002).

Professional and scientific community, public opinion, politicians, public institutions and mass media do not have the information and knowledge about working immigration, nor on immigration from third countries, despite the importance of this issue. Information is at the level of estimates, assumption and judgments in most cases. The exact balance of immigration flows abroad, their scope and intensity in time and space, the impact on employment as countries of origin of emigration as well as countries of destination, the experience of return calculation or assessment of the balance of losses and benefits of immigration for society, state, and possibly for the migrants themselves absent in measures and policies of the state, local authorities, as well as in professional and scientific research and publications yet.

2 Research objective, methodology and data

This study aims to evaluate the economic gains and losses from the migration in Austria. We look into both the immigrants from the new EU member states (Central Europe) and the influx of refugees from the third countries. The main goal of our study is to create a model approach to evaluation of economic gains and losses from the labor force migration, while determining the economic impacts of the two above mentioned migration waves on Austrian economy. In order to reach this goal, we will calculate both the costs and profits stemming from the immigration of labor force from the surrounding countries.

We have used statistical data on the number foreign nationals in Austria and their position on the Austrian labor market. We have created a model of calculating the losses and gains, which converts selected macroeconomic indicators (Statistics Austria, 2016, Federal Ministry of Labor, Social Affairs and Consumer Protection of Austria, 2016, ILO 2016, OECD, 2013). We have also used data on the number of refugees and asylum seekers (IOM, 2016, Federal Chancellery of Austria, 2017). Data on the number of refugees, the state expenses for their care and protection, their placement on the labor market, integration and the contributions to the state budget were gained from the various state institutions' (Institut für Höhere Studien, 2015; Wiener Institut für internationale Wirtschaftsvergleiche, 2015; International migration Report, 2015; Oswald & Weissensteiner, 2015).

The study uses general scientific methods of induction, deduction, scientific abstraction and comparison, analysis and synthesis of selected facts, phenomena and processes. To calculate the data acquired, statistical and mathematical methods and calculations were implemented.

3 Discussion and results

Austria's policy can be considered in general pro-immigration, even though in 2004 in reaction to the EU enlargement it implemented the strictest temporary restrictions possible. These measures limiting the access of workers from new member states to the Austrian labor market were an attempt to protect the domestic labor market. The enlargement was a cause for worries since four new member states were either its neighbors or in close geographic proximity. These worries included unemployment growth, added pressure on the wages and growing public finances, however, the development after the Austrian labor market was completely opened in 2011 showed that these worries were unfounded. Similarly, as it was with the EU enlargement, the refugee crisis causes a serious apprehension to-

wards influx of foreign migrants and the effects it could have on Austrian economy.

One of the arguments raised is the fact that it is impossible to determine with certainty, who of the people seeking a refugee status are doing so purely from economic reasons. Austrian pro-immigration policy sends a clear signal towards the protection of human rights. However, it is difficult to uncover when this lenient policy is being exploited, especially when we consider that those seeking asylum often cannot provide personal documentation.

The influx of immigrants from the third countries, which has been escalating since 2014, puts undue pressure on the public finances. The receiving countries aim to place immigrants on the labor market as soon as possible, which, in case of Austria and its potential, is technically feasible. Austrian statistics show that 50 % of jobs created since 2010 went to immigrants from the new member states (TASR, 2017). Specifically, it was 105 thousand jobs in 2014, 133 thousand in 2015 and the estimate for 2016 is 170 thousand. Rising unemployment (even though only slightly) puts pressure on the policy makers to adjust their approach. Austrian Chancellor Christian Kern proposes limiting the access of migrants from Eastern and Central Europe to Austrian labor market. Limitations are being placed on the number of accepted refugees. In 2016, the upper limit on the number of accepted claims was 37.5 thousand (the number of submitted claims was around 95 thousand). The new limit for 2017 is 35 thousand (maximum 80 persons per day), and there is also a limitation on the number of refugees transiting through Austria to another EU country set at 3200 per day.

Immigrants from the third countries cannot satisfy the need for skilled labor on the Austrian market. Their low qualification and lacking language skills mean that state would need to invest into their education and training first, not to mention covering the cost of living. In majority of cases, asylum seekers are employed on positions that do not require higher qualifications, i.e. a low skilled labor such as helping hands on construction sites, cleaning, dishwashing, etc. The domestic population usually has very little interest in these jobs because of low salaries and social status they afford. Closing off the labor market for immigrants would put pressure in raising the wages for these low skilled jobs to make them more attractive for domestic workers.

Refugees put pressure on public finances in any receiving country, be it additional cost of healthcare, cost of asylum processes, living expenses, family benefits, education, language courses, interpreting, integration and active employment policy and transportation cost in case asylum is denied. One quarter of refugees coming to Europe are younger than 15, another 27 % is between 16 and 24 years of age, and both these age groups require

education. While the cost of education in Austria is on average twice as high as in Slovakia, when compared with other EU or OECD it oscillates around the average values. In general, refugees finish their education in a shorter time than the domestic population, since they want to become independent and find a job as soon as possible, and inadequate education is one of the main hindrances to that. Low level of education combined with not speaking the language creases the probability that asytlants will remain unemployed, what is confirmed by Austrian statistics, according to which the employment rate of refugees oscillates between 25 and 38 %. Historically, the predictions of refugees' employability within 5 years are not positive. If we use the influx of refugees into Austria in 1985 as a reference, only 50 % found employment within the first 5 years and 70 % only within 15 years.

On the other hand, migrants coming from the countries of Eastern and Central Europe are already educated and qualified, and the majority of them is between 21 and 35 years old. Therefore, they are in a time of their life when their productivity is the highest. The unemployment rate of foreigners in Austria was 13.5 % in 2016, which was the highest rate during the studied period. However, this negative trend was influenced by the migration crisis and migrants from countries with low levels of education, which raised this rate by roughly 3 percentage points. Immigrants from Eastern and Central Europe are usually coming to Austria with an already secured work position, and Austria is thus gaining skilled workers without having to spend money on them, since the costs of them education, social coverage and healthcare have already been paid by another state from its public finances.

In general, each employed immigrant brings extra 2400 € per year into the Austrian budget. In case an immigrant builds a family with an Austrian citizen, this contribution rises to 2600 € per year. From an economic point of view, immigrants from Eastern and Central Europe bring more resources into the state budget than they take from it.

Conclusions

Creation and analysis of modeling approach to the assessment of the balance of losses and benefits of the two migration flows say in favor of benefits which create working immigrants from Eastern and Central Europe in Austria. On the other hand, workforce migration abroad represents loss of economic values as well as a significant part of the development potential for source countries.

Migrants from refugee crisis represent increased demands on public finances associated with their protection, asylum procedures, the process of economic and social integration, mainly for Austria. Rate only economic

losses and benefits of immigration in this category of immigrants is inadequate. Human life represents highest value, therefore it is not possible to express it in economic categories.

Model assessment of economic losses and the benefits of migration to Austria can not create comprehensive view of the actual balance of profits and losses for the state and society. It is not giving a complete and broad picture of this phenomenon in the system of economic and social processes and does not correspond to long-term goal of economic and social development of the society. The complexity of migration requires the assessment of the economic and social values of the society in view of demographic, cultural, psychological and moral.

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