

## "Unemployment and migration/immigration in Europe": truths and proposals

*Original: French*

Recommendations adopted by the Economic and Social Commission on 18 May 2017 and endorsed by the Central Council of 9 June

### Forgotten facts

- despite immigration, the population of the EU is set to fall by 25 million by 2050.
- the net flow of immigration from the outside the EU is only 1.1 million per year on average.
- 28% of immigrants are graduates.
- almost half of all immigrants come to Europe for family reasons.
- economic immigration accounts for only 10 to 15% of the overall figure.

### Our proposals:

- offset the fall in the working population by improving education and flexibility, and by redefining jobs to increase employment among young people, women, older people and recent immigrants; overhaul family policies
- implement a Europe-wide social provision safety net.
- revise the status of posted workers without delay to achieve alignment with the wages and employment conditions of the host country.
- introduce quotas on economic immigration lasting several years for each country and educational background.
- realign industrial and academic cooperation, and improve development aid, with a focus on countries of origin: Africa and the near-East.

The Economic and Social Commission (ESC) of the European League for Economic Cooperation (ELEC), which met in Paris on 18 May 2017, discussed the topic "**Unemployment and migration/immigration in Europe**", with a number of experts in the field: **François HERAN**, researcher at and former director of the French national institute for demographic studies (INED); **Barbara KAUFFMANN**, Director, Dir A "Employment and Social Governance", European Commission; **Jean-Christophe DUMONT**, Head of the International Migration Division at the OECD; **Lionel RAGOT**, Professor at Université Paris 10, researcher at the French national centre for scientific research (CNRS) and the CEPII international economics research centre; **Brigitte LUCK-LESTRADE**, Université de Cergy-Pontoise, Professor Emeritus in contemporary German civilisation.

I The Commission reached the following conclusions:

1. The European **labour** market will come under pressure in the future, due to Europe's demographic decline as a result of falling birth rates and ageing population, as our League's resolution of 4 December 2015 showed.

In several countries, the working population has started to decrease<sup>1</sup>, with this natural reduction being only partially offset by immigration. Moreover, rates of employment, especially among young people and older people, remain low, despite recent progress<sup>2</sup>.

As a result, the demographic dependency ratio will deteriorate considerably in Europe: the ratio of over 65s (potential retirees) to 15-64s (potential working population) is set to rise from 0.29 currently to 0.50 by 2050<sup>3</sup>.

Although technological progress may cut labour needs to a certain extent, there is serious cause for concern.

2. Despite this relative weakness in the active population, the paradoxical scale of Europe's **unemployment** level<sup>4</sup> poses serious social and political problems, as demonstrated by the resurgence of populism in many of our countries.

This situation is even more problematic due to the significant differences between Member States, although these differences have reduced recently: some northern European countries have almost full employment – even labour shortages, as noted elsewhere in Japan, another country with an ageing population – while unemployment remains at critically high levels in southern European countries such as Greece, Spain and Portugal<sup>5</sup>. This figure is even higher if youth unemployment is taken into account, with figures exceeding 40% in some countries. Tensions are also caused by the very different levels of social protection in different countries.

3. Contrary to popular belief, **immigration**<sup>6</sup> – within which a careful distinction must be made between political refugees, Europe's moral duty, family reasons<sup>7</sup>, young people coming to study in Europe<sup>8</sup> and "economic" immigration – is not the cause of unemployment; the countries with the highest immigration rates are also generally the ones which are the closest to having full employment. This apparent paradox can be easily explained, as economic immigrants represent a low proportion of the total (less than 10% in most European countries<sup>9</sup>)<sup>10</sup> and they primarily work either in jobs

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<sup>1</sup> This is already happening in some countries, such as Spain, where it has fallen by 7% in 15 years. European Commission forecasts anticipate a decline in the working population in the EU (28 countries) of over 8% by 2050: it is expected to fall from 335 million to 310 million by 2050.

<sup>2</sup> The rate of activity (number of people actually in employment as a proportion of the working-age population) is quite high in the United Kingdom (78%) and in Germany, where it rose by 4 percentage points over the last ten years, from 75 to 79%. In France, however, it remained stable, at around 71 or 72%. The French institute of statistics and economic studies (INSEE) expects the rate of activity to increase from 71% in 2015 to 74.8% in 2050. But the ratio of taxpayers to pensioners will continue its downward spiral: from 1.9 in 2015 (compared to 2.2 in 1995), it will fall to 1.5 in 2050.

<sup>3</sup> With notable differences between countries: this ratio is currently 0.29 for France, but 0.32 in Germany and 0.34 in Italy. If nothing is done, it will drop to 0.45 in France, 0.51 in Germany and 0.62 in Italy by 2050. These forecasts already take constant immigration into account, albeit at a reduced level: a net figure of about 1.1 million immigrants per year across the EU, compared with 1.8 million in 2015.

<sup>4</sup> At the end of 2016, the average unemployment rate was 9.7% for the EU as a whole.

<sup>5</sup> At the end of 2016, the overall unemployment rate was 23% in Greece, 18% in Spain and 12% in Italy.

<sup>6</sup> Across the whole OECD, the number of "permanent" immigrants (present for over a year) has stabilised at 4 to 5 million per year, with about a quarter heading for the European Union. This figure does not, however, include migration within the EU.

<sup>7</sup> The reconciliation of married couples plays a major role in this.

<sup>8</sup> The scale of immigration from students in Europe, which represents about 20 to 30% of the total, is often underestimated. Nevertheless, accepting overseas students is regarded as a priority and is very broadly encouraged by most universities.

<sup>9</sup> However, this figure is highest in the United Kingdom (15 to 20%) and in northern European countries, where it is close to 25%.

<sup>10</sup> Therefore, these figures only take legal immigration into account. Illegal immigration is estimated at only an additional 10%, according to available estimates, in stock and in flow.

which national workers do not want, or highly specialised jobs for which national training systems are unable to provide workers<sup>11</sup>.

As for asylum applications, which have provoked a public outcry, their number last year was only 1.3 million across the whole European Union.

Furthermore, the number of immigrants (people born overseas) is just under 10% across the entire EU<sup>12</sup>.

4. In this general setting, **internal migration** within the European Union (generally from peripheral European countries to countries in the centre of Europe) were often highlighted in recent debates. The poor understanding of this phenomenon, notably due to migrants (mainly from outside the EU rather than inside, but public perception confuses the two) being concentrated in deprived areas, seems to have been a major factor in the UK voting for Brexit as well as in the results of recent elections in the Netherlands and France<sup>13</sup>.

Yet, intra-EU immigration represents less than half of immigration into our countries and has the same characteristics as immigration in general. However, the system applicable to posted workers remains problematic, as it only requires employers to pay social security expenses for the country of origin, creating unfortunate competition distortions, to the detriment of both the posted workers and their local "competitors". This problem, although limited in scope, has become an area of excessive focus for public opinion and must be tackled as an absolute priority.

5. The demographic outlook for sub-Saharan Africa must be taken into account when developing policies for the future. According to official United Nations projections, the African population will grow from around one billion to 2.5 billion by 2050, then 4 billion by the end of this century. If the development of these countries remains insufficient, there will be intolerable pressure on the "border" of the Mediterranean.

II Therefore, although migratory phenomena play a major role, this has been exaggerated in political debate, and used as a symbol for the failure of globalisation.

Seeking to contribute to the development of policies that enable Europe to deal with this multifaceted challenge, our Commission makes the following recommendations:

- 1 To offset Europe's falling working population by increasing the employment rate, **decisive action to increase rates of activity** is required, with a focus on both ends of the generational spectrum: young people and older people. Young people need improved vocational training and apprenticeships, as well as programmes combining work and study. National education systems and companies must come together to promote adaptability and flexibility. Exemption from charges as well as the provision of other temporary state assistance are other ways of encouraging young people with few qualifications to take up their first job.

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<sup>11</sup> According to the OECD, 28% of immigrants coming to the EU have a university education. They are over-represented in the most skilled professions, but also in certain declining professions, which have been abandoned by young nationals.

<sup>12</sup> This percentage is higher if EU citizens with at least one relative born abroad are included. In this case, the total percentage rises to 17%.

<sup>13</sup> When asked: "are immigrants a burden on social services?" 63% of British people replied "yes", along with 55% of French and 49% of Germans; similarly, 32% of British people and 33% of French people (but only 22% of Germans) answered "yes" when asked whether immigrants were taking jobs from nationals (IPSOS survey, November 2016).

The rapid obsolescence of technology and the need for greater professional mobility make career-long continuous professional training crucial. Measures must be taken to ensure that those "excluded" from the workplace, such as the long-term unemployed, can benefit from this as a priority.

As regards older workers, in addition to the inevitable movement towards later retirement which is already underway in many countries, it seems sensible to encourage employers to offer, using a periodical skills assessment, new and/or adapted jobs with reduced responsibilities, workload and remuneration and to make it easier for employees to work part-time towards the end of their career if they wish.

The employment of women, which has increased over the last thirty years<sup>14</sup>, should continue to be encouraged by wage equality policies as well as employment and fiscal policies (crèches, nurseries and other childcare structures throughout school<sup>15</sup>, paternity as well as maternity leave, reassessment of family allowances, etc.).

Finally, much greater efforts must be made to provide language and technology training to recent immigrants so that they can be more quickly integrated into the local labour market<sup>16</sup>. However, this integration requires the language, laws and customs of the host country to be fully accepted. Improved effort is also needed in educating the children of first-generation immigrants.

2. The internal cohesion of the EU, particularly among eurozone countries, requires joint action to assimilate **the social protection systems of the Member States**. Efforts must be made to develop common standards - to be compatible with the rules on subsidiarity - by implementing minimum wages, then gradually aligning social protection policies. To begin this process, such a provision would have to be increased in some Eastern and Southern European countries.

However, a social protection safety net at federal European level will also be vital in the future. The idea of a Europe-wide unemployment insurance system has also been suggested. Although this would certainly involve financial solidarity among countries currently enjoying full employment, it would come as payback for the structural reforms being asked of other countries and for the complete opening of our economies. Without this solidarity, the only future scenario is increased intra-European migration towards areas where jobs are plentiful. But, in addition to the human cost of this migration, the political cost is one of increasing resistance.

3. For **posted workers** within the European Union - whose role in filling (sometimes physically demanding) positions which local workers do not want is crucial - the proposed review of Directive 96/71/EC of 16 December 1996 is on the table. Until now, it has come up against opposition from certain Member States which seem to neglect the individual fate of posted workers and want to maintain their temporary "competitive advantage" on the labour market as a result of the lower social protection provided in the country of origin.

This situation is increasingly debatable and protested. Ultimately, a complete alignment of wages and social protection between the country of origin and the host country would seem to be the way forward. From this standpoint,

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<sup>14</sup> It reached 68% in 2015 compared with 60% in 2000.

<sup>15</sup> Time spent by school age children in cultural, sports and other activities, along with any additional support study for those that need it, after school also plays a significant role. In German this is referred to as "Ganztagsschule" (roughly translated as 'all-day schooling').

<sup>16</sup> European Commission studies show that it takes on average 15 to 20 years for the employment rate among immigrants moving for reasons of family reunion or immigrant students to catch up with the employment rate among nationals. This timescale could be greatly shortened if better-designed and more intense education policies were implemented.

the aforementioned draft directive which aligns wages and working conditions (but not social security contributions) with those in the host country, could be a first step which should be implemented at the earliest possible opportunity.

4. With regard to **economic immigration** from non-EC countries, a regulation would appear necessary to ensure that said immigration is better suited to the needs of the real economy, and that crucially, it is better understood by the general public.

We believe that it is both possible and desirable to set quotas in advance, preferably multi-year quotas, outlining the needs for each host country and for each educational background. These quotas could initially be used as guidelines, then made binding later on, subject to a certain tolerance margin (20%).

5. Finally, if the problems in immigrants' countries of origin are not addressed, particularly in Africa and the near East, where European policies have sometimes failed through inconsistency and failure to respond to the serious challenges of recent years, we will reach a dead end. Europe **must** implement a **policy of prevention in countries of origin**.

Europe acted with dignity in welcoming refugees, in line with its values. But much remains to be done to humanely protect Europe's borders and to reduce disasters at sea. A solution must be found to the Syrian crisis, and to the multiple pressure points across the Near East, from where many new refugees come.

As for sub-Saharan Africa, the demographic pressure on Europe will cause a growing problem if nothing is done. A resolute and constant effort to promote political stability and economic development in these countries is the only lasting solution to the problem. Industrial, economic and inter-company cooperation, cooperation among universities and development aid policies in both the European Union and Member States should therefore be completely overhauled to give absolute priority to Africa and the Near East.

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