

Is EU free movement a curse or a blessing? The case of Austria

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*Austria's government has recently raised the prospect of altering employment rules to ensure workers already in the country are given priority for new jobs over workers in other EU states. **Paul Schmidt** writes that while immigration to Austria has risen rapidly over the last decade, the country still benefits from free movement, and increasing economic convergence within the EU would go some way toward addressing the problem.*



Railjet, a high-speed train connecting Austria and its neighbouring countries, passing over the Krauselklause viaduct on the Semmering railway. Credits: **Liberaler Humanist (CC BY-SA 4.0)**

Facing low economic growth rates and rising unemployment, the Austrian government seems determined to limit immigration into its labour market. Under this approach, job vacancies should first and foremost be filled by registered unemployed job seekers already in Austria. Only if no suitable candidate is available can the job be assigned without constraints. Employers would have to be given a green light by the labour market service to employ other EU nationals. To this end, the European Commission will be asked to draft a legal proposal, on which the Council would have to decide by a qualified majority.

Does this sound familiar? The respective circumstances may be different, but the idea revives memories of the deal David Cameron struck in spring 2016, whereby temporary protection measures would have been introduced in case of excessive pressure on the proper functioning of the labour market, social system and public services. However, with two out of three Austrians supporting EU membership, the Austrian proposal is not a matter of in or out but an attempt to prevent disruptions of the labour market. London wanted to temporarily restrict in-work benefits for EU-citizens newly entering its labour market and Vienna tries to give priority to all employees already living in Austria.

The current level of immigration to Austria

Immigration to Austria has been rising rapidly, particularly over the last decade. Since 2011, the number of Hungarian, Slovak, Romanian and Bulgarian citizens, for instance, has [more than doubled](#). In [comparison to other EU countries](#), Austria has one of the highest levels of immigration. In relative terms, it surpasses Germany, the United Kingdom and France. Incidentally, immigration to “sovereign” Switzerland is still more than a third higher.

The main reason for this migration from East to West is obvious. Even though economic convergence initially developed strong momentum following the eastern enlargement, in some cases with [growth rates twice as high](#) as in western Europe, the financial and economic crisis derailed this catching-up process. If anything, it is surprising that mobility has not advanced even further, particularly when looking at [gross hourly dispersion ratios](#), where Austria with an average gross hourly salary of 13.80 euros is – according to official statistics – still well ahead of countries such as Slovenia (7.30), the Czech Republic (4.60), Slovakia (4.40), Poland (4.30), Hungary (3.60) and in particular Romania (2.00) and Bulgaria (1.70). The wage differential gets even more apparent when looking at the lowest and highest deciles. In Hungary, Bulgaria and Romania the highest decile still earns less than the lowest decile in Austria.

At the same time, [unemployment](#) rates for both Austrian and foreign citizens have been rising. The latter, however, to a larger extent. In addition to immigration, a rapidly [increasing already relatively high number of worker postings](#) is putting further pressure on the Austrian labour market. Even though basic rights such as minimum remuneration and maximum working hours are applicable, social security contributions, for instance, are paid in the sending country. Consequentially, competition is distorted with massive disadvantages for posted workers. Critics have emphasised underpayments, double working hours and falsified documents.

Despite these problems, Austria is a good example of a country that clearly benefits not only from the single market, but also from the free movement of workers. The Austrian labour market needs immigration. The [Austrian Institute of Economic Research](#) estimates that since 1989, Austria’s continuous participation in the European integration process has led to the creation of 18,500 jobs annually – i.e. it has accumulated around 480,000 jobs.

According to the Austrian Social Ministry, in 2015, foreigners working in Austria paid around 4.5 billion euros into the social system, whereas only half of that amount was returned via social benefits. The Austrian tourism industry has also strongly benefited from European integration. Besides being able to counter a skills shortage, the overnight stays of tourists from the “new” EU-member states have [more than doubled](#) since 2005. Furthermore, it should not be forgotten that around 264,000 Austrians live in other European countries and that Austria is a country which also posts its employees to other EU member states, mainly Germany.

Austria is one of the main investors and exporters in Central and Eastern Europe. Funding provided by the EU for these countries is often absorbed by its companies. Above all, many local supermarkets, banks and other companies have been replaced by Austrian equivalents – a development which is not always appreciated in neighbouring countries.

Nevertheless, the objective of the Austrian government is clear: strong immigration pressure on the labour market needs to be regulated and reduced. In the event that a Cameron style approach fails to convince Austria’s EU partners, a Swiss solution could – from a European perspective – also be a feasible way forward. In Switzerland the vote “against mass immigration” in the end led to a carefully balanced legal change, which will “ask” employers to prioritise Swiss residents rather than foreign workers in regions where the unemployment rate is above average. Quotas, however, were not seen as compatible with EU law.

In any case, the four European freedoms are very much intertwined. If one of the building blocks is moved, the others will not remain untouched. Basic requirements for a functioning single market are, however, fairness towards employers and employees, compliance with existing rules and the possibility to react if cross-border dislocations do occur. Beyond that, it is obviously high time to revive the convergence process in Europe –from an economic but

also from a social point of view.

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Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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