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## **CARIM-INDIA – DEVELOPING A KNOWLEDGE BASE FOR POLICYMAKING ON INDIA-EU MIGRATION**

Co-financed by the European Union

### ***Implications of EU Enlargement for India-EU Labour Mobility***

### ***Competition, Challenges and Opportunities***

**Puja Guha**

CARIM-India Research Report 2012/13



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**CARIM-India**  
**Developing a knowledge base for policymaking on India-EU migration**

**Research Report**  
**Thematic Paper**  
**CARIM-India RR 2012/13**

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**Competition, Challenges and Opportunities**

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## **CARIM-India – Developing a knowledge base for policymaking on India-EU migration**

This project is co-financed by the European Union and carried out by the EUI in partnership with the Indian Council of Overseas Employment, (ICOE), the Indian Institute of Management Bangalore Association, (IIMB), and Maastricht University (Faculty of Law).

The proposed action is aimed at consolidating a constructive dialogue between the EU and India on migration covering all migration-related aspects. The objectives of the proposed action are aimed at:

- Assembling high-level Indian-EU expertise in major disciplines that deal with migration (demography, economics, law, sociology and politics) with a view to building up migration studies in India. This is an inherently international exercise in which experts will use standardised concepts and instruments that allow for aggregation and comparison. These experts will belong to all major disciplines that deal with migration, ranging from demography to law and from economics to sociology and political science.
- Providing the Government of India as well as the European Union, its Member States, the academia and civil society, with:
  1. Reliable, updated and comparative information on migration
  2. In-depth analyses on India-EU highly-skilled and circular migration, but also on low-skilled and irregular migration.
- Making research serve action by connecting experts with both policy-makers and the wider public through respectively policy-oriented research, training courses, and outreach programmes.

These three objectives will be pursued with a view to developing a knowledge base addressed to policy-makers and migration stakeholders in both the EU and India.

Results of the above activities are made available for public consultation through the website of the project: <http://www.india-eu-migration.eu/>

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## **Abstract**

1 May, 2004 marked the fifth and the largest European Union enlargement, with accessions for 10 countries, eight of which were Eastern European. Following this, another round of enlargement took place in 2007, which gave Bulgaria and Romania EU member status. –The introduction of these new States to the EU opened up a whole new debate about labour migration and policies. The older EU countries (EU-15) consider these New Member States (NMS) as a cheap resource pool, conveniently at hand. The arrival of these new members has, meanwhile, created skepticism among Indian migrants, one of the largest Asian migrant groups in the EU, who have experienced competition and displacement as a result of these newer migrants. This paper tries to address whether the eastern enlargement of the EU will threaten Indian migrants to the EU or whether it will provide new opportunities for Indian migrants both in the older EU countries as well as in the NMS.

The paper examines the changes in the trend and the pattern of migration from India and from the NMS pre- and post-enlargement. It observes these changes at a sectoral level and also the changes in the profile of the migrants and tries to understand whether these newly-added members stand as a threat to Indian migrants in the EU. The data suggests that migrants from the NMS are gradually increasing in number in the traditional EU destinations, thus posing competition to the Indian migrants. But, a deeper analysis shows that there are sectors within the older EU countries which can be put to use by Indian migrants. Moreover, with changes in the labour market conditions in the NMS, these countries too are gradually becoming attractive to Indian migrants. There is then a need for Government policy initiatives to help Indian migrants explore these sectors.

## LIST OF CONTENTS

1. Introduction .....	1
2. EU Enlargement and Internal Mobility: Pre- and Post-Enlargement.....	2
3. Nature of India-EU Mobility: Pre and Post Enlargement .....	5
4. Indian Migration to the ‘Older’ EU: Competition and Challenges.....	7
5. Indian Migration to the Enlarged EU: New Opportunities .....	11
5.1 Improvement in Labour-Market Conditions .....	12
5.2 Labour Vacuum in the NMS .....	14
6. Case Studies .....	15
6.1 Polish Migration to the EU: Threat or Opportunity? .....	15
6.2 Romanian vs Indian Workers in Spain and Italy.....	16
7. Conclusion.....	16
8. Limitations of the Study.....	17
References .....	19

## List of Tables

Table 1: Change in the Inflow of Migrants from NMS in Selected EU-15 Countries Pre- and Post-Enlargement (1995-2009) (in thousands) .....	4
Table 2: Inflow of Population with Indian Citizenship in the EU-15 Countries (in thousands)6	
Table 3: Top Ten Migrant Sending Countries, Based on the National Insurance Number in United Kingdom, 2002-2007 (in thousands).....	8
Table 4: Immigrants from NMS and India to Selected EU Countries - by Education.....	9
Table 5: Immigrants from NMS and India to Selected EU Countries by Sector of Employment .....	10
Table 6: Quarterly Job Vacancy Rate in the UK.....	11
Table 7: Inflow of Population with Indian Citizenship in the New Member States .....	12

## List of Figures

Figure 1: Phases of Abolition of Labour Mobility Restrictions by EU-15 Countries.....	3
Figure 2: Change in the Immigration Inflow of Indian Migrants to Selected EU-15 countries, (1996 - 2009).....	6
Figure 3: Year-to-Year Growth in the Inflows of India Migrants to EU-15 Countries (%) .....	7
Figure 4: Unemployment Rates in the NMS (15-64 years) .....	12
Figure 5: Job Vacancy Rates in the NMS (2009-2011) .....	13
Figure 6: Labour Cost Index - Wages and Salaries in NMS (2009-2011).....	14

## 1. Introduction

1 May, 2004 marked the fifth and the largest European Union enlargement, with accessions for 10 countries, eight of which were Eastern European<sup>1</sup>. Following this, another round of enlargement took place in 2007, which gave Bulgaria and Romania EU member status. The introduction of Eastern European countries to the existing EU-15 member States not only added to the cultural and social diversity of the EU member states, but also called for policies to manage the large economic gap in terms of wages, trade etc. that existed between the old and the new member states.

The most important and a much discussed phenomenon which followed the accession process was the migration of labour from these New Member States (NMS) to the older EU-15 countries. After the 2004 accession round, citizens from the 8 eastern NMS residing in the EU-15 increased from about 900,000 persons to about 1.9 million in 2007. This corresponds to an annual net increase of 250,000 persons *per annum* in the first four years since EU enlargement<sup>2</sup>. During the same period, the number of foreign residents from Bulgaria and Romania in the EU increased from about 700,000 persons to almost 1.9 million, though these countries joined the EU only in 2007<sup>3</sup>. While certain transitional restrictions were imposed by some countries, Ireland, Sweden and the UK allowed free movement of labour from the newly accessed countries. This had consequences. Austria and Germany, who received about 60 percent of the immigration flows to EU before enlargement, were replaced by Ireland and the UK. Migrants from Bulgaria and Romania, meanwhile, preferred Spain and Italy.

While EU enlargement has called for several policies to maintain peace, stability and economic prosperity within Europe, it has also had important implications for international relations between the EU and labour rich developing countries. This paper will, therefore, offer a study of the implications of EU enlargement for Indian labour migration to the EU.

For Indian labour, the main destination for migrants to the EU has been the United Kingdom, Germany, Italy and Spain. With the UK, Spain and Italy opening up to newer countries, India is bound to face competition from the New Member States (NMS). With smoother intra-EU labour mobility for young and relatively cheap labour from CEE NMS, India may face stiff competition both in terms of semi-skilled temporary movements in the low-skill sectors such as farming etc. but also in skilled migration specifically in the IT and technology sector. With easy access to cheap English speaking labour, it is feared that EU enlargement could have an adverse impact on business process outsourcing (BPO) operations from India. The offshoring business remains predominantly English-speaking. After the United States, the United Kingdom remains the largest market for Indian companies. With the addition of ten new countries, most from East Europe, geographical proximity to Western Europe, relatively lower wages, and greater potential for labour mobility within the EU is likely to put more pressure on Indian firms for IT Enabled Services (ITES) and BPOs compelling them to be more competitive through value addition.

The objective of the paper is to understand the effects of post-enlargement migration flows within the EU on labour mobility between Indian and the EU. While, on the one hand, the accession of these States within the EU means competition for Indian migrant labour in the EU, on the other hand it has opened up newer avenues of mobility between India and the EU. The paper simultaneously looks at

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<sup>1</sup> Eight Eastern European Countries were – Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia. The other two countries which were also given accession were Malta and Cyprus. This study is based on the former eight countries and does not include Malta and Cyprus in the analysis.

<sup>2</sup> *Labour mobility within the EU in the context of enlargement and the functioning of the transitional arrangements*, study carried out on behalf of the Employment, Social Affairs and Equal Opportunities Directorate General of the European Commission, 2009

<sup>3</sup> Same as footnote 2

both the competition faced by Indian migrant labour from these new States and also any opportunities in terms of new destinations that have opened up for Indian workers.

The data suggests that NMS migrants are gradually increasing in number in the traditional destinations for Indian migrants in the EU, thus increasing competition. But, a deeper analysis shows that there are other potential sectors within the older EU countries which remain to be explored. Moreover, with the changing labour market conditions in the NMS, increases in job vacancies, higher wages, etc., many of these newly-accessed States are becoming attractive to Indian migrants.

Given that the process of enlargement culminated only recently, the data on labour migration and other labour market parameters are still quite scarce and the data we have is preliminary. Thus, we refrain from adopting any analytical technique in assessing the impact of EU enlargement on India-EU mobility. Rather, the paper looks at the trends of migration pre- and post-accession, and also a few key labour market parameters. It then tries to identify the changes in the patterns of migration as well as changes in the profile of pre- and post- enlargement migration and makes an attempt to explain the consequences of EU enlargement for India-EU migration.

The paper is organised into seven sections. The next section, section 2, explains the recent trends in the internal mobility within EU, from the NMS, pre- and post-enlargement. Section 3 examines the changes in the trends of Indian migration to the EU, over the same period and identifies the preferred EU destinations for Indian migrants. Section 4 examines the type and pattern of Indian migration to the 'older' EU-15 countries and compares it with the recent migration from NMS. The comparison is, based on migrant profiles and matters such as education and skill levels, the prominent sectors for the migrants like the occupation sector and the labour market conditions in the destination countries. Section 5 highlights newer opportunities for Indian migrants – both in the older EU-15 countries and the NMS as the new destinations of migration. Section 6 presents Poland and Romania as case studies, the two major competitors to Indian Migrants in the EU. The case studies present an in-depth analysis of the threats as well as the opportunities that Polish and Romanian workers pose to the Indian migrants. Section 7 lays out certain policy recommendations and concludes the paper.

## **2. EU Enlargement and Internal Mobility: Pre- and Post-Enlargement**

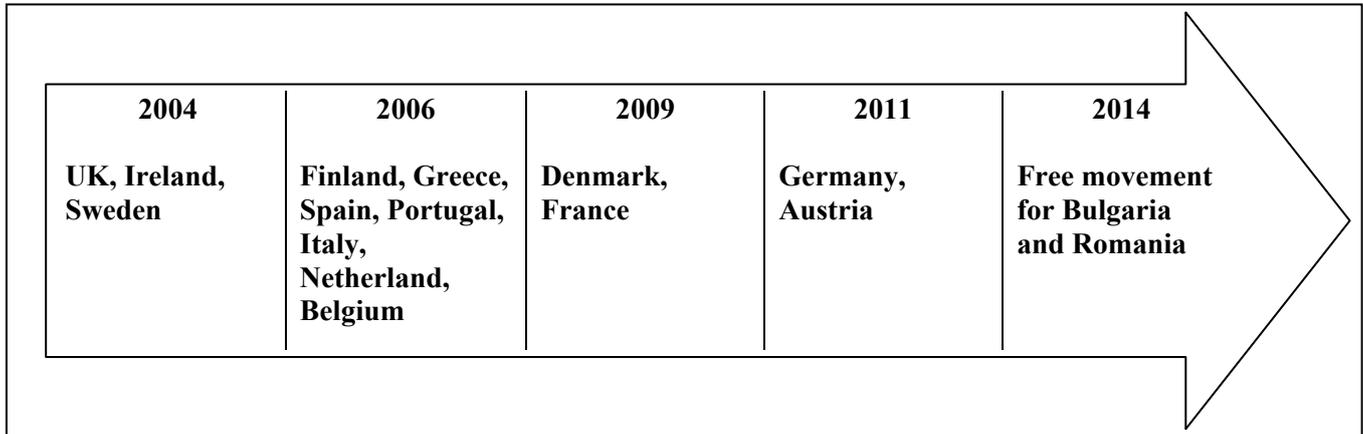
The EU accession of 2004 and 2007 was milestone in the EU's policy regime. Bringing the ten<sup>4</sup> (EU8+2) underdeveloped former communist countries together with first world developed nations, in such a way that there was free movement of goods, services and labour had never before been attempted by any international consortium. The striking diversity in the social, economic and political backgrounds of these countries created conducive factors for labour to move from the lesser developed regions to the more developed regions. As the dual sector rural-urban migration model of Lewis (1954) suggests, higher wages and better welfare benefits in the labour-scarce developed countries provided enough incentives for EU10 labourers to migrate. Though Western Europe had historically experienced migration from the Eastern Europe, it was feared that open borders would mean a surge in immigrants to the west, which may have meant unfavourable consequences for the socio-economic status of the receiving countries. The sudden surge in immigration was first pointed out in a study by Boeri and Brücker (2001) where they suggested that EU-8 citizens residing in EU-15 might increase from 0.85 million to 3.9 million and that there would be an influx of 335,000 migrants each year from the eastern to the western countries. Though these estimates were based on certain assumptions regarding absence of any mobility restrictions and convergence speed, it, nevertheless led to debate about free movement of labour between the borders of the 'old' EU and the 'new' EU.

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<sup>4</sup> 8 Eastern European countries entered in 2004. Bulgaria and Romania were included in the 2007 accession.

Given such concerns certain mobility restrictions were adopted by a few of the EU-15 countries, in order to manage immigration flows. The timeline of restrictions abolition by the older EU-15 countries can be summarised as follows:

**Figure 1. Phases of Abolition of Labour Mobility Restrictions by EU-15 Countries**



While most of the countries adopted restrictions, the UK, Sweden and Ireland allowed for free movement of labour from the newly accessed countries. Austria and Germany were the last to open up to free labour movement. While all the eastern 2008 NMS have been granted free movement in all the older EU countries, for Bulgaria and Romania will have to wait until 2014.

It is difficult to provide a comprehensive account of post-enlargement migration flows given the general scarcity of data. Nevertheless, the trend and the pattern of mobility can be traced from the available datasets.

**Table 1. Change in the Inflow of Migrants from NMS in Selected EU-15 Countries Pre- and Post-Enlargement (1995-2009) (in thousands)**

	Austria	Belgium	Denmark	Finland	France	Germany	Italy	NL	Spain	United Kingdom
<b>Bulgaria</b>	0.03	2.69	0.09	0.11	0.34	15.23	-3.07	4.43	7.05	-0.40
<b>Czech Republic</b>	-0.01	0.53	0.06	0.02	-0.06	-2.01	1.17	0.25	0.80	5.62
<b>Estonia</b>	0.03	0.13	0.02	1.68	0.00	-0.13	0.00	0.07	0.14	0.00
<b>Hungary</b>	1.90	0.82	0.10	0.07	-0.06	5.83	1.44	0.65	1.01	-1.59
<b>Latvia</b>	0.05	0.21	0.08	0.05	0.00	1.04	0.00	0.18	0.35	-0.32
<b>Lithuania</b>	0.13	0.32	0.35	0.05	0.01	2.27	1.07	0.30	1.40	-0.13
<b>Poland</b>	1.18	5.69	1.89	0.25	-0.02	55.18	4.32	7.30	7.94	49.31
<b>Romania</b>	5.97	5.02	0.32	0.12	1.64	28.30	152.82	1.69	58.20	9.61
<b>Slovakia</b>	1.83	0.57	0.06	0.03	-0.02	1.23	1.90	0.45	0.77	13.30
<b>Slovenia</b>	0.08	0.17	0.02	0.01	-0.02	-0.66	0.89	0.16	0.15	0.00
<b>Total Change in Inflow from NMS</b>	11.20	16.15	2.98	2.39	1.80	106.26	160.54	15.48	77.80	75.39

Source: Author's calculation from Eurostat database on 'Immigration by Citizenship' and OECD Stat Data on International Migration. Change in flow is the difference between the Average inflow of immigrants per year, pre- (1995-2003) and post-enlargement (2004-2009). For Romania and Bulgaria pre enlargement is 1995-2006 and post enlargement is 2007-2009

Note: Prior to 2004, Poles could migrate temporarily to European countries, with a stipulated period of stay of 3 months. But many Polish migrants overstayed their stipulated period of legal stay and did not register with the authorities. Thus an increase in the number of Polish migrants beyond 2004 could be explained by 'invisible' migrants already residing in the host country. The official statistics do not capture such illegal or invisible migrants.

Table 1 gives the change in the annual migration inflow pre- and post-enlargement. The tables suggests that the pre-enlargement migration destinations like Austria, France and Denmark, have been replaced by Italy, Spain, the UK and Germany as the new preferred destinations. For example, for migrants from Czech Republic the preferred migration destination has changed from Austria, France and Germany to the UK. Similarly for immigrants from Hungary, Germany has replaced France as the migration destination of choice. Such changes in the migration destination can be attributed to the restrictions on mobility imposed by these countries during the initial phase of accession. While the UK opened its labour market right from the beginning, Italy and Spain followed in subsequent years. However, in spite of mobility restrictions Germany remained one of the preferred destinations both pre- and post-enlargement. The mobility restrictions adopted provided certain shielding to some types of domestic workers. But, at the same time, Austria and Germany are reported to have growing numbers of NMS citizens who have registered as self-employed service providers (Tamas & Münz, 2007).

As for the migrant sending nations, Poland and Romania lead the way with the highest increases in the immigrants to EU-15 countries, both pre- and post- enlargement. They are closely followed by Bulgaria and Slovakia.

For Polish Workers, preferred migration destinations are the UK, Ireland and Germany. UK and Ireland have become increasingly important destinations: (the number of migrants to the UK and Ireland was up by respectively 221% and 150% by the second quarter of 2005. Germany's share of seasonal workers from Poland has, on the other hand, been gradually decreasing from 35% in 2000 to

25% in 2005 (WB, 2006). In the UK for three consecutive years after accession, Polish workers outnumbered other nationalities, including Indians, the largest immigrant group in the UK (Kaczmarczyk & Okólski, 2007)

While pre-enlargement Polish migrants were mostly temporary migrants, post-enlargement most Polish migration has been permanent in nature. These are relatively well educated, though post-enlargement migration witnessed a rise in the migration of those with lower education (Kaczmarczyk, 2005). Polish immigrants are concentrated predominantly in the “typical” secondary migrant sectors of the receiving economies such as construction, agriculture, cleaning, restaurants and hotels (Kaczmarczyk and Łukowski, 2004).

After experiencing the unprecedented influx of migrants from the newly-accessed States, during the second round of enlargement when Bulgaria and Romania were to be included, older EU countries became concerned about the scale of migration. Only Sweden and Finland had opened their labour markets fully to the new member states. The UK, which had opened its market during the 2004 accession, placed strong restrictions on migrants entering from Romania and Bulgaria, fearing the displacement of domestic workers from local services like health, education and housing (FT, 2007). However, the restrictions did not stop the Romanians and the Bulgarians from entering Spain. This was primarily due to the two-year labour exchange contract, under which employers in Spain contract workers to fill in job vacancies which no resident wants. Most jobs of this kind are found in the agricultural sector. In 2007, 506,000 Romanians registered under this scheme and were set to replace Moroccans as the biggest foreign community in Spain (FT, 2007).

In Italy, since freedom-to-travel rights were implemented on 1 Jan, 2007, many Romanian migrants travelled to Italy. Romanians have visa-free access to Italy and other EU countries, but they cannot work there unless they secure work permits. Most of these migrants are Romas (Gypsies) and they have been associated with criminal activities and they have been seen as a threat to public safety. Though the country needs foreign labour, the sudden influx of immigrants has created pressure in managing the flow, especially of illegal migration.

### 3. Nature of India-EU Mobility: Pre and Post Enlargement

While the EU authorities have debated the socio-economic impact of internal mobility, the traditional labour sending countries to the EU have been concerned about stiff competition and the displacement of labour from these countries. India has stood as the top migrant sending country in the World with an estimated 11.4 million migrants residing abroad<sup>5</sup>. Migrants include both high-skilled and low-skilled groups.

India is not the largest migrant sending nation to EU, but the proportion of Indian migrants of the total migrants in EU-15 is significant. Based on the Eurostat data, 22,446,958(migrants came to the EU15, of which 571,706 were from India, namely 2.5%<sup>6</sup>. The numbers of Asian migrants to the EU-15 stood at 3,266,396: 17% of these were Indian<sup>7</sup>. Thus not only are Indian Migrants a fast growing group in the EU, they are also significant numerically when we consider Asian migrants to the EU. The spread of Indian migrants in the different countries of EU-15 group is given in Table 2.

From that table it will be seen that Germany, Spain, Italy and the UK have traditionally been the preferred destinations of Indian migrants travelling to the EU. The number one immigration destination in the EU is the UK, where Indian immigration flows have increased by more than 900% in the last decade. While migration flows to Germany have been quite stable over the last decade,

<sup>5</sup> Migration and Remittances Fact book, 2011, 2<sup>nd</sup> ed, World Bank Publication

<sup>6</sup> Data extracted from OECD.Stat database on ‘Immigration by Citizenship and Age’, filtered by ‘Foreign Born Nationals’

<sup>7</sup> Same as above

flows to Italy have been spasmodic, with certain years seeing lesser inflows than other years, with the exception of 2007 where there was a sudden jump, when the migration flows were more than twice that of the previous year. Spain is a relatively newer destinations which saw a surge in Indian migrants in 2003, a surge which has continued ever since.

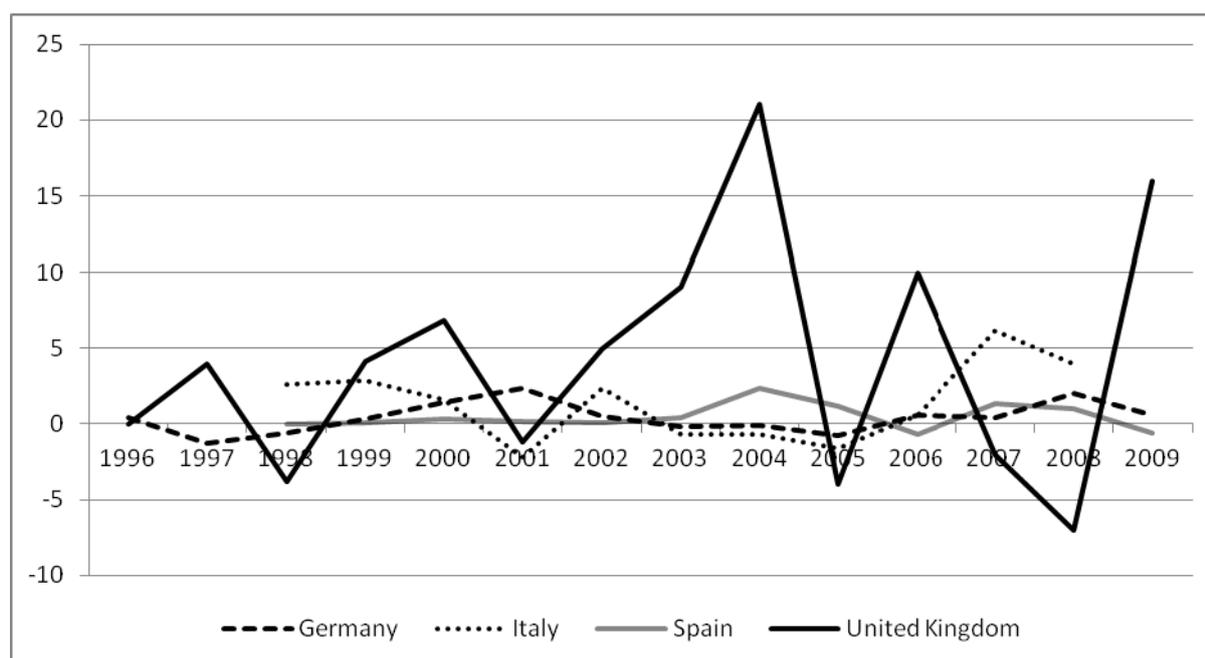
**Table 2. Inflow of Population with Indian Citizenship in the EU-15 Countries (in thousands)**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	663	828	1,271	836	1,405	1,428	1,187	1,255	707	912	946	990
Belgium	-	561	662	852	959	1101	1213	1339	1516	1640	2058	1787
Germany	4,715	5,077	6544	8,949	9,433	9,227	9,125	8,364	9,500	9,880	11,403	12009
Denmark	299	334	368	384	343	529	613	710	798	1,456	1,065	828
Spain	240	289	648	835	887	2,640	3,709	4,929	4,212	5,569	6,556	5,956
France	912	1041	1004	1142	1261	1221	1155	1104	1235	1375	1499	1458
Finland	92	112	158	186	188	195	315	381	504	534	623	612
Ireland	-	-	-	-	-	-	-	-	-	-	2,170	1,078
Italy	2586	5417	7011	4820	7155		5735	4152	4774	10973	14975	-
Netherlands	882	726	661	684	614	638	564	1,217	2,011	2,526	3,454	3,069
Sweden	309	322	369	428	556	752	834	1,077	1,024	1,146	1,548	1,795
United Kingdom	6,172	10,346	17,150	16,001	20,956	31,257	48,367	46,621	56,850	55000	48000	64000

Source: Eurostat database on 'Immigration by citizenship [migr\_imm1ctz]' and OECD.Stat data on International Migration

Figure 2 gives the annual change in migrants' inflow on a year-by-year basis, 1996-2003, for the four major EU destinations for Indian migration. Over the last decade and a half, while the migration flows from Germany has been relatively stable, annual immigration to the UK, Spain and Italy has seen several ups and downs.

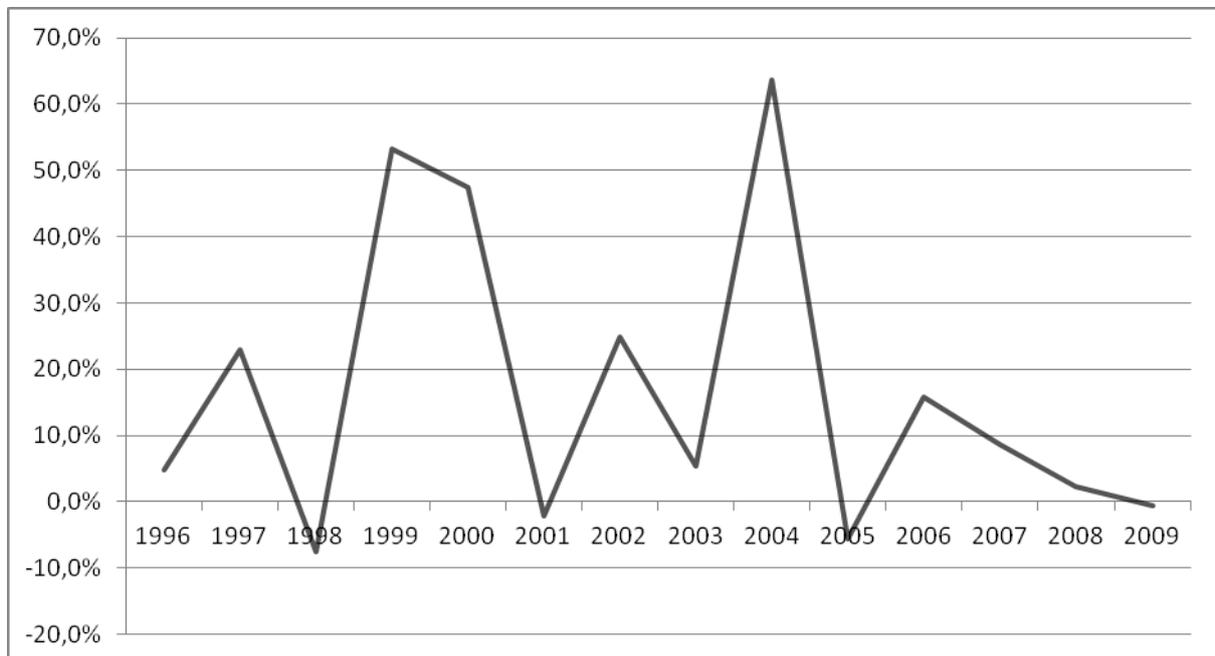
**Figure 2. Change in the Immigration Inflow of Indian Migrants to Selected EU-15 countries, (1996 - 2009)**



While there was a drop in the inflow to the UK and Italy in 2001, more significant is the trend after 2004. In 2005, immigration flow to the UK dropped significantly. The same is true of flows to Italy. While both UK and Italy flows rise in 2006 and 2007, there was yet another significant fall in 2008 in flows to the UK, Italy and to Spain as well. Given the dearth of data it is difficult to establish empirically a direct relationship between EU enlargement and changes in the inflows of Indian migrants to the EU. However, an interesting point to note here is that the years which witnessed a significant decline in migrant inflow from India were the years following the 2004 and 2007 EU enlargements.

A similar picture is there in Figure 3. This Figure gives the year-by-year growth in the combined inflow of immigrants from India to all the EU-15 countries. It witnesses two sharp declines in the period after 2004, one in 2005 and the second in 2008. Another point to note here is that after 2005, even though the rate of inflow has increased to some extent, it stands at a much lower level when compared to the years prior to 2004.

**Figure 3. Year-to-Year Growth in the Inflows of India Migrants to EU-15 Countries (%)**



Again, given our restricted knowledge of migration patterns post-enlargement, we cannot conclusively say whether Eastern EU enlargement caused the decline in Indian immigration to the EU. But, we *can* identify the potential competitors that India might be facing given enlargement. The UK being the preferred destinations for Indian migrants to the EU, Indians there face stiff competition from migrants from countries like Poland, Slovakia and Baltic States. Similarly, in Italy and Spain, Indian migrants have to compete with Romanian and Bulgarian migrants. The extent of competition, however, depends on various things including the migrant type in terms of education and skill level; the sectors in which migrants are absorbed, and the labour market in the destination countries. The next section gives a comparative analysis of migrants from NMS *vis-à-vis* India, based on their skill level, occupation sector as well as the labour market conditions in the destination countries.

#### **4. Indian Migration to the ‘Older’ EU: Competition and Challenges**

Indian migration to the EU, especially to the UK can be traced back several decades. Through time the nature and the type of migrants have significantly changed. Table 3 gives an interesting picture of the

changing pattern of Indian migration to the UK in recent years. The table gives the top-ten migrant sending countries to UK. While in the first years of the present century India occupied the first rank in terms of number of Indians migrating to the UK, in the subsequent years India has been pushed down the table. The interesting thing is, however, that the eastern NMS have taken India's place. While in 2002-03 Poland did not feature on the list, by 2003-04 it was one of the top-ten countries. In fact, by 2004-05 it had overtaken India as, by far, the top migrant sending nation to the UK.

Not just Poland, but several other Eastern European countries like Lithuania, Slovakia and Latvia have started to emerge among the top-migrant sending countries to UK, competing with Indian migrants.

**Table 3. Top Ten Migrant Sending Countries, Based on the National Insurance Number in United Kingdom, 2002-2007 (in thousands)**

2002-03		2003-04		2004-05		2005-06		2006-07	
<b>India</b>	25	<b>India</b>	31.3	<b>Poland</b>	62.6	<b>Poland</b>	171.4	<b>Poland</b>	222.8
Australia	18.9	SA	18.4	<b>India</b>	32.7	<b>India</b>	46	<b>India</b>	49.3
SA	18.6	Australia	17.1	Pakistan	20.3	<b>Lithuania</b>	30.5	<b>Slovakia</b>	28.8
Pakistan	16.8	Pakistan	16.8	SA	19.3	<b>Slovakia</b>	26.4	Pakistan	25.3
France	13.8	Portugal	14	Australia	16.6	SA	24	Australia	24.4
Philippines	11.8	China	13.3	<b>Lithuania</b>	15.6	Australia	23.8	<b>Lithuania</b>	24.1
Spain	11.7	France	13.1	France	13.3	Pakistan	22.3	France	20.2
Zimbabwe	10.3	Spain	11.9	China	12.6	France	17.2	SA	16.9
Iraq	10.1	<b>Poland</b>	11.2	Portugal	12.2	<b>Latvia</b>	14.2	Germany	15.2
Portugal	9.8	Philippines	10.7	<b>Slovakia</b>	10.5	Germany	13.3	China	13.2

Source: Extracted from Kaczmarczyk & Okólski, 2007

Note: The sudden spike in Poland's figures for 2004 and 2005 can be attributed to existing Poles legally registering themselves in the UK following Poland's becoming an EU member state. Hence these are not all new migrants, but mostly represent Poles already living and working in the UK

While in the UK it appears that eastern NMS are gaining importance in terms of immigration, we cannot really say that these migrants are replacing Indian migrants. Here it would be interesting to explore the profiles and the employment sectors of migrants from India with that from the NMS. We restrict ourselves to a selected few EU countries, which have traditionally been the major destinations for Indian migrants. These countries include the UK, Italy and Spain. From the NMS we choose Poland, Bulgaria and Romania as they too share the three EU countries as their preferred migration destinations.

We examine the education profile and the employment sector of the migrants from India, Bulgaria, Poland and Romania to three EU countries: Italy, Spain and the UK. The education profile of the migrants suggests their skill level of the migrants, i.e., migrants with lower levels of education would probably be categorized as low-skilled and those with higher education levels would be highly-skilled. Table 4 gives the distribution of migrants by education and Table 5 gives the distribution with respect to the employment sector.

**Table 4. Immigrants from NMS and India to Selected EU Countries - by Education**

		Italy	Spain	UK
ISCED0/1/2	India	7,663	2,260	88,763
	Bulgaria	940	9,740	296
	Poland	3,771	4,880	2,748
	Romania	12,824	21,360	459
ISCED 3/4	India	2,874	1,100	36,570
	Bulgaria	1,918	2,760	585
	Poland	8,253	3,060	4,604
	Romania	27,275	8,260	749
ISCED 5/6	India	1,490	760	91,882
	Bulgaria	1,015	2,620	2,007
	Poland	2,902	2,220	7,829
	Romania	4,595	4,080	2,196

Source: OECDSTAT database on 'Immigration by Education'. The sources for this database are mainly census data, from the 2000 round of censuses.

Notes: The International Standard Classification of Education (ISCED; cf. UNESCO 1997) used as a baseline. Groups are aggregated as follows: Primary level: ISCED 0/1/2.

Secondary level: ISCED 3/4.

Tertiary level: ISCED 5A/5B/6

The distribution of migrants from India and selected NMS throws up certain interesting points in terms of education<sup>8</sup>. In Italy Indian migrants are mostly low-skilled, followed by semi-skilled and a very few highly-skilled migrants. The largest migrant group in Italy are the Romanians. They have a significant presence in all the skill categories, being especially concentrated in the low-skilled and the semi-skilled sectors. The difference in the number of Indian and Romanian migrants in the low-skilled and the semi-skilled sectors is significant, but the difference is slight when compared with the higherskill levels. Thus, we can say that, while Romanians pose competition to the Indian migrants in the low-skilled and the semi-skilled occupations, highly-skilled Indian migrants have little or no competition.

Spain has had a similar experience. Most Indian Migrants are concentrated in the low-skilled sectors, and the number gradually decreases as we climb the skill levels. In Spain, Indian migrants face competition from both Romanians and Bulgarians. While the presence of Romanian and Bulgarian migrants in the low-skilled and the semi-skilled sector is significant, Indian migrants do have a chance in the highly-skilled sector where competition from other migrants is lower.

The UK is the only country where India has an advantage over other countries. Indian migrants to UK are mostly highly-skilled, closely followed by low-skilled and finally the semi-skilled migrants. In all these three skill categories, though India has been leading the way, migrants from Poland have been on a rise, posing competition for highly-skilled workers.

Next we examine employment sectors (Table 5). We choose 5 sectors based on the ISIC classifications: Agriculture, Manufacturing, Construction, Other Services, and the Social Sector. The sector 'Other Services' include services rendered in the hospitality sector, the financial sector and the real estate sector. The 'Social Sector' includes education and health.

<sup>8</sup> The data is based on the census data from 2000 round, and gives the historical scenario of education level of the migrants and potential scope of Indian migrants in different skill categories.

In Italy, Indian migrants are mostly concentrated in the manufacturing and agricultural sector. In both sectors there is strong competition from Romanian migrants. While in the manufacturing sectors Romanian workers have overtaken Indians, in agriculture The former is posing a stiff competition to the latter. Another sector where Indians migrants have this potential is the social sector which comprises health and education.

In Spain, however, Indian migrants are distributed across all the sectors, with some concentration in the service sector. In all sectors migrants from the other three countries have over-taken Indian migrants.

In the UK, there is a concentration of migrants in the services sector, followed by the social sector and manufacturing. The competition scenario in the UK is the opposite to that of Spain, for Indian migrants lead in all the sectors. Nevertheless, there is an increasingly strong presence of Poles, especially in the services and the social sector.

**Table 5. Immigrants from NMS and India to Selected EU Countries by Sector of Employment**

		Italy	Spain	UK
Agriculture	India	3169	160	644
	Bulgaria	234	2960	32
	Poland	739	560	127
	Romania	2076	5380	18
Manufacturing	India	5541	460	46324
	Bulgaria	958	1560	215
	Poland	2813	1120	1858
	Romania	13860	4660	327
Construction	India	656	220	7366
	Bulgaria	379	3540	263
	Poland	1278	2760	999
	Romania	8401	9300	338
Other Services*	India	855	680	49018
	Bulgaria	660	2360	1173
	Poland	2255	1580	4948
	Romania	5097	4520	1161
Social Sector**	India	1210	200	42636
	Bulgaria	385	440	527
	Poland	2151	560	3454
	Romania	2998	780	812

Source: OECDSTAT database on 'Immigration by Sector'. The sources for this database are mainly census data, from the 2000 round of censuses.

Notes: Sectors of activity are recorded according to the International Standard Industrial Classification Rev. 3 (ISIC, cf. UN, 1989), at the division level (two-digit level, 60 sectors).

\*'Other Services' combines Hospitality, Financial Services, Real Estate

\*\*'Social Sector' combines Health and Education sectors.

In summary, the distribution of migrants with respect to their education profile and the employment sector suggests that while there are some categories where Indian migrants may face competition from the NMS, there are other areas where there is greater potential for the former to explore new opportunities. For example, traditionally Italy and Spain have been destinations for low-skilled migrants from India and there is a gap in terms of the high-skill migration from India. Thus the sectors receiving high-skilled migrants in Italy stand as an opportunity for Indians. Similarly, the UK has seen low-skilled migrants from India in the manufacturing sector and high-skilled migrants in health and education. However, there are other potential sectors in the UK which can be explored, one of them being the services sector.

**Table 6. Quarterly Job Vacancy Rate in the UK**

Year	Total	Manufacturing	Construction	Services of the Business Economy	Education	Health
2009Q2	1.6	1.1	0.9	1.6	2.1	1.7
2009Q3	1.7	1.1	0.8	1.8	2.1	1.6
2009Q4	1.7	1.2	0.6	1.8	2.0	1.6
2010Q1	1.6	1.1	0.7	1.8	1.9	1.7
2010Q2	1.8	1.3	0.8	2.1	2.1	1.6
2010Q3	1.8	1.5	0.8	2.1	1.2	1.6
2010Q4	1.8	1.4	1.0	2.1	1.2	1.5
2011Q1	1.7	1.6	1.0	2.0	1.1	1.3
2011Q2	1.7	1.7	0.9	2.1	1.3	1.4
2011Q3	1.8	1.6	0.9	2.2	1.2	1.4

Source: EUROSTAT Job vacancy statistics, quarterly data - NACE Rev. 2 (jvs\_q\_nace2)

Table 6 gives the quarterly job vacancy rates in UK. The job vacancy rate (JVR) measures the proportion of total posts which are vacant, i.e.,  $JVR = \text{number of job vacancies} / (\text{number of occupied posts} + \text{number of job vacancies}) * 100$ . From the above table we can say that the rate of jobs created in the services sector is higher than in manufacturing and other social service sectors like education and health. This reconfirms the fact that the services sector in the UK is a potential sector for Indian migrants.

## 5. Indian Migration to the Enlarged EU: New Opportunities

With all the scepticism regarding the increase in the flow of Indian migrants to traditional EU destinations and fears at the displacement of existing Indian migrants by NMS migrants, there exists an opportunity for Indian migrants which has not yet been explored fully. With the EU enlarging and the NMS becoming a part of the EU, the economy of some of the newly-accessed states have seen higher economic growth. This has created several avenues of employment in these emerging economies. The surge in remittances sent back by the migrants has added to the *per capita* income of these countries, translating into development in agriculture, construction and the services sector.

These countries have never been considered as popular destinations for Indian migrants. Table 7 gives the small number of Indian migrants in these newly accessed countries, before and after enlargement.

**Table 7. Inflow of Population with Indian Citizenship in the New Member States**

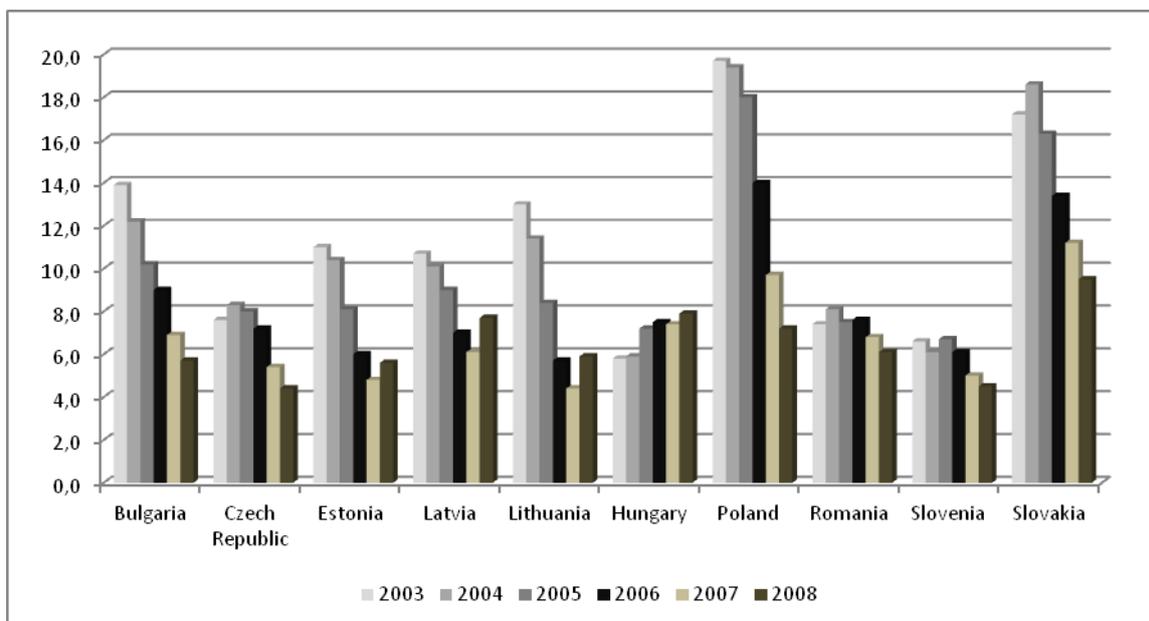
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bulgaria										0	0	
Estonia	3	0	-	-	-	-	5	5	12	10	16	14
Hungary	70	44	47	57	57	92	156	143	229	101	300	218
Lithuania	1	8	1	16	19	10	6	29	20	26	18	17
Latvia	8	17	8	7	21	6	4	1	12	3	4	7
Malta	0	0	0	0	-	-	-	-	-	84	-	-
Poland	-	-	-	-	-	-	-	-	25	9	238	-
Slovenia	11	1	3	8	14	21	13	29	24	32	14	32

Source: Eurostat database on 'Immigration by sex, age group and citizenship [migr\_imm1ctz]' and OECD.Stat data on International Migration

While most of the countries have received very little or even no migration from India, there appears to be a slight change in the scenario. For example, Poland, which saw only nominal migration in the last decade, witnessed a considerable increase in the number of migrants, especially in 2008. Similarly, unusual destinations like Estonia, Lithuania and Slovenia have witnessed an increase in the flow of migrants from India.

### 5.1 Improvement in Labour-Market Conditions

Improvements in the labour-market conditions in these countries are evident from the change in the labour-market parameters, as depicted in the figures below.

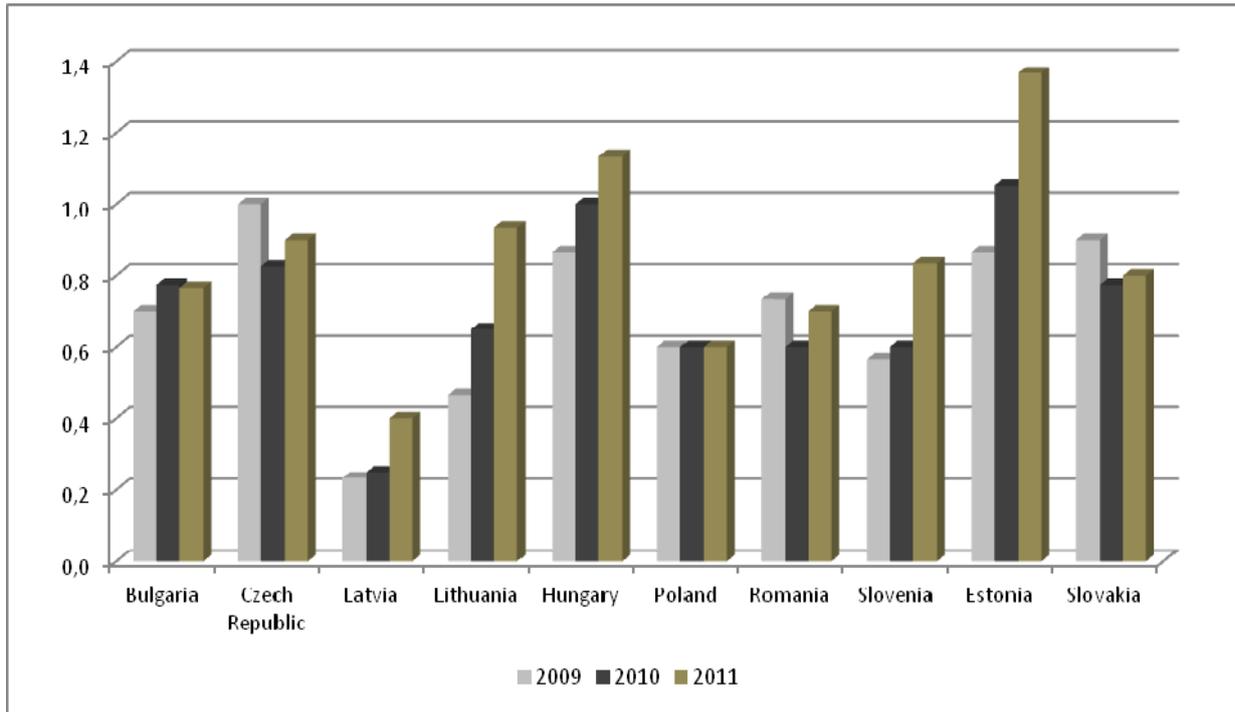
**Figure 4. Unemployment Rates in the NMS (15-64 years)**

Source: EUROSTAT Database - Unemployment rates by sex, age groups and nationality (%) [lfsa\_urgan]

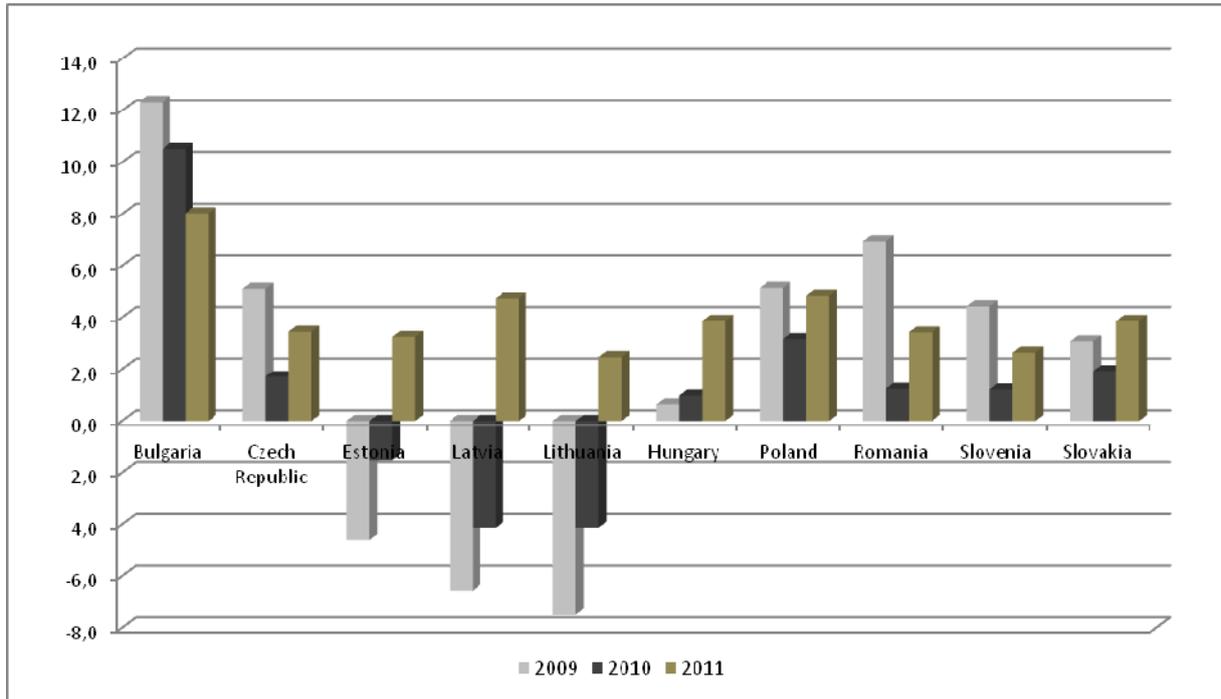
Figure 4 shows the unemployment rate in each of the NMS during the pre- and the post-accession periods. For most of the countries we see a dramatic fall in the unemployment rate, post accession . For countries like Poland, Bulgaria Lithuania and Slovakia unemployment rates fell by more than 63%, 58%, 54%, 44% respectively during the first four years of accession.

A fall in unemployment was coupled with an increase in the job vacancy rates in all these countries. Figure 5 gives the job vacancy rate (as calculated earlier) for the NMS for the last three years. The figure indicates that jobs vacancies in these countries have increased significantly. This could be due to two reasons. First, with the economy growing more jobs are created. And, second, with huge out-migration there is not enough labour to fill up the vacant posts.

**Figure 5. Job Vacancy Rates in the NMS (2009-2011)**



Source: EUROSTAT Database - Job vacancy rates (%), quarterly data - NACE Rev. 2 [jvs\_q\_nace2] Note: The job vacancy rate (JVR) measures the proportion of total posts which are vacant, i.e.,  $JVR = \frac{\text{number of job vacancies}}{\text{number of occupied posts} + \text{number of job vacancies}} * 100$ .

**Figure 6. Labour Cost Index - Wages and Salaries in NMS (2009-2011)**

Source: EUROSTAT Database - Labour cost index, nominal value - Quarterly data (Nace R2) [lc\_lci\_r2\_q]

These vacant posts, indicating excess labour demand have also increased labour costs in terms of wages and salaries. Figure 6 gives the labour cost index, in terms of wages and salaries in the industrial, agricultural and services sector over the last three years. The change in minimum wages is the most drastic. While it has remained more or less stable in Poland, Bulgaria and Slovakia, in Estonia, Latvia and Lithuania there has been a dramatic increase in the level of minimum wages.

## 5.2 Labour Vacuum in the NMS

While there appears to be an improvement in the labour-market conditions in the NMS, these countries are facing yet another problem which, many economists feel, could prove a hindrance to their growth. With an increasing number of workers opting to work in other European countries, these countries are now facing a dearth in labour supply.

For example, in the case of Poland, a majority of workers migrating to other EU countries are in the prime age group and these are mostly well educated. The enlargement has also strengthened the mobility of people from even remote areas who would otherwise not have had access to migration (Kaczmarczyk & Okólski, 2007). Thus there is a flight of human capital from the development sectors, creating a labour vacuum.

Similarly, in the case of Romania and Bulgaria, the relatively new entrants to the EU group, there has been a flight of labour from the relatively low-skilled sectors where working abroad is usually an easy option (FTa, 2007). This has created pressure on wages in the non-skilled sectors like hospitality and construction. A labour vacuum in these core areas is becoming a problem for the growth of these countries.

Labour shortage has consequently become one of the main concerns for trade and industry in these countries. The vicious cycle of out-migration, excess demand coupled with shortage in labour supply and wage pressure may drive economic growth in these countries into a downward spiral. To break out

of this vicious cycle and to address the problem of labour vacuum, these countries are opening their doors to third-world nations. While there exists opportunities in these countries which are yet to be explored and an improved labour market, a concerted effort has to be made by the relevant governments and the third world nations to improve ties and open up opportunities .

## 6. Case Studies

### 6.1 Polish Migration to the EU: Threat or Opportunity?

Poland and the other Baltic countries have undergone massive changes since the collapse of Communism. Prior to EU accession Poland's labour market was characterised by slow employment, low internal mobility and high unemployment (Dolvik, 2008). There existed the problem of disguised unemployment, where there was a large population of redundant labourers, especially in the agriculture sector, which kept wages down and economic growth to a minimum. The market-led policies of a capitalist economy were not sufficient to take the country out of its low-growth track, till the problem of surplus labour was addressed.

EU accession came as a boon to this essentially weak economy. Accession not only created avenues for surplus labour, causing unemployment to fall from an astonishing 20% in 2002 to 7% by 2008, it also created wealth in the form of international remittances. Migration from Poland happened at two levels – at a low skill level which caused redundant labour to be utilised and subsequently high skill migration, which enabled well qualified professionals to seek a career outside the country. While the removal of redundancy increased per capita income improving domestic labour market conditions, the country found itself facing another problem. Contrary to the difficulty of surplus labour, the country was now facing a labour shortage.

Labour mobility has also been coupled with the problem of lower participation rates. The younger active population (15-24 years) in Poland has spent a long time in education and thus will enter the labour market at a later stage, while the older generation (55-65 years) stand outside the labour market due to early retirement benefits. Thus the problem is to find labour with appropriate skills. An enterprise survey data done by the World Bank revealed that the problem of skill shortage in Poland has moved from 13<sup>th</sup> position to 1<sup>st</sup> position in the ranking of obstacles to growth of firms there. The most affected is the construction sector (34% of enterprises), followed by manufacturing (15%) and trade (7%) (WB, 2007). Poland has also been facing an acute shortage in highly-skilled professional sectors like that of Medicine and Education.

While Polish migrants pose stiff competition to Indian migrants in countries like the UK and Germany, the flight of these labourers have created new opportunities for Indian migrants in the country. While earlier Poland was never a preferred destination for migration, things have been changing. With efforts from the Government of both countries, there is a greater movement of skilled and unskilled labour from India to Poland. The Ministry of Overseas Indian Affairs is soon to sign a Memorandum of Understanding which will forge bilateral partnerships to expand the overseas employment market for Indian workers and streamline the migration of labour from India to Poland, mainly for the skilled professionals and also for workers in construction, agriculture and the services sector<sup>9</sup>. The labour regulations for hiring foreign labourers are also being softened to accommodate these newer migrants (HT, 2007).

Another area where Poland is witnessing significant immigration from India is education. The advanced quality of education, especially among technical subjects, has motivated several Indian

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<sup>9</sup> Bilateral Co-operation For Protection and Welfare of Emigrants, Ministry of Overseas Indian Affairs (<http://moia.gov.in>)

students to take up courses in Poland. Such migrants are also encouraged by the both governments and the visa rules for Indian students in Poland have been simplified (ET, 2007, December 27).

## 6.2 Romanian vs Indian Workers in Spain and Italy

Bulgarians and Romanians had visa-free access to the UK even before EU accession. Yet, while EU accession gave them free mobility across borders, they do not enjoy the same rights to work as the earlier EU-8 Eastern European countries such as Poland and Latvia. Often though employers overlook this fact and employ them in the same way as EU-8 nationals. A majority of Romanians in Italy are legal and work in construction, day-care and on night-shifts.

After accession far more Romanians moved to Italy than had been expected. Most were Roma or 'gypsies', who have a negative reputation in Italy. These migrants have been accused of criminal activities, which includes incidents of murder and robbery by Romanian Roma migrants. These created a stir in Italy, and called into question the free movement of people (FT, 2007, November 7). Of all the emigrant groups denied entry into or deported from the country, Romanians are the largest. Talks have been underway between the Governments of both countries to calm the situation.

Many Italians confuse the Romanian Roma with the entire Romanian population, which has also stigmatised the non-Roma Romanian population, thus causing Romanians to lose the trust of Italians. Indians, on the other hand, have long migrated to Italy. Coming, above all, from the Punjab, these migrants work in the agriculture and dairy sectors. As most of these migrants have a farming background the migrants tend to pick up work faster (NYT, 2011, September 7). Settled for several generations in different provinces of the country, Indian migrants are considered to be efficient and are widely trusted. This reputation has given the Indians an edge over the newer migrants from the NMS.

Though settled for several generations, the working conditions of the farm and dairy migrants have hardly changed. Often the farmers live in pitiable quarters, often provided free by the employers, they have long working hours and struggle against exploitation and racism (Thapan, 2011). They are hired for jobs that young Italians refuse (ChinaDaily, 2011, November 13). Thus apart from the threat from Romanian migrants, Indian migrants face a problem with regulatory policies in Italy regarding employment on Italian farms.

Thus, while Italy has offered a market for low-skilled workers, there exists an opportunity for highly-skilled workers, particularly in the IT enabled services sector. Though a large market, the Italian market had remained out of reach to the Indian IT sector due to certain entry restrictions. But with the recent EU crisis, the possibility of Indian outsourcing firms getting a strong hold on the Italian market has increased.

## 7. Conclusion

With EU Enlargement to the east, while EU countries have been debating the coexistence of variegated economies, there is also a fear emerging in Third World Nations, regarding their labour relations with the EU. Given the geographical proximity of these newly accessed states and their socio-cultural similarities, there is a concern in the traditional labour sending countries that they will lose out to these NMS in migration terms. India being one of the important labour-sending countries to the EU it naturally shares these fears.

The data suggests that there has, indeed, been a surge in immigration from the NMS to the traditional EU-15 countries. But whether these NMS migrants threaten to replace existing migrants is not clear. The distribution of migrants with respect to their skill profile and the sector of employment suggests a mixed situation. There are certainly some categories where Indian migrants who face competition from the NMS. But there are other areas where there is potential for Indian migrants to explore new opportunities. For example, the data given above shows that while NMS migrants will

compete with Indian labourers in Italy and Spain in the low-skilled sectors, competition is much less intense in the highly-skilled sectors. Similarly, a sectoral analysis shows that while Romanians will compete with Indian labourers in agriculture and manufacturing, in health and education Indians will remain the dominant group. In the UK, Indians dominate all sectors across all the skill levels, though Poles may eventually threaten this dominance .

The case studies on Polish and Romanian workers further suggest that it is not only the skill but also the reputation of the migrants which matter to the employer. Indian migrants have, over several generations, created a positive reputation, which give them an edge over these newer migrants.

The paper also highlights the opportunities for Indian migrants following on from EU enlargement. Historically, Indians have preferred to migrate to certain EU destinations and to specific sectors of employment. With the new migrants flowing into these sectors of employment, Indian labourers with their years of experience and knowledge of the labour market, have the opportunity to explore other better-paying sectors. For example, with the EU loosening its out-sourcing norms, the ITES sector in countries like Italy could be the next major destination for India IT sector workers. Another area of potential opportunities is the newly accessed states themselves. Just out of the shadow of Communism, these emerging sectors have revamped their labour-market restrictions, allowing for foreign players to step in. These could be the next important destinations for the Indian IT and manufacturing sectors.

While newer opportunities are evolving in these countries, the concerted effort of their foreign ministries as well as Indian Government to improve ties between India and these countries cannot be denied. There have been efforts by the Indian Ministry of Overseas Indian Affairs and the Polish Ministry of Labour and Social Affairs to increase the movement of Indian labourers, both skilled and unskilled to Poland. Similar ties are being put together with other EU destinations as well.

In all these policy initiatives the safety and security of migrants usually takes a back seat. Be it the migration to the older EU destinations or to the NMS, the rights of the existing and new migrants have to be strengthened bilaterally. For example, Indians in the Italian farm and dairy sector often have a tough life and have strenuous working conditions. Ensuring migrants rights not only improves the working conditions of the workers, but also reduces illegal migration. Such rights protection are more important for the NMS where labour laws are still in their preliminary stages.

Another policy recommendation that is important, particularly in the event of EU enlargement, is that policy initiatives should not only facilitate greater mobility within the countries, but also mobility across sectors there. Indian migrants have much longer history of employment in the older EU countries. Thus given their experience and knowledge of the region it would be easier for them to rise up the economic ladder with appropriate policy frameworks.

To summarize, while the surge in NMS migrants to the older EU destinations may appear as a threat to the Indian migrants there, there is, in fact, no strong evidence of replacement of the Indian workers by NMS equivalents. Competition exists in few sectors and at few levels, and thus cannot be termed as a 'threat'. Moreover, this competition has created new avenues for Indian migrants and with appropriate policy frameworks, these opportunities will be profitably explored by the Indian migrants.

## **8. Limitations of the Study**

The paper gives an empirical illustration of pre- and post- enlargement mobility patterns within the EU. Given the fact that macro-economic data has long been a problem for the developing countries, and the NMS is no exception here, the biggest limitation of the study is the availability of adequate data, specifically for the NMS. For most of the Baltic States as well as for Bulgaria and Romania, initiatives have only recently been taken to streamline the macroeconomic data and to make them comparable with other EU states.

Another issue with data is the reliability of the official statistics. For example, the sudden influx of migrants in EU-15 post enlargement may not be new migrants. Rather they may be 'invisible' migrants who have registered with the authorities of the host country only after enlargement. While some of the errors of working with official statistics are indispensable, adequate care has been taken to understand the definition of the data and the methodology in collecting them. This is important when we want to compare similar variables across different countries. Also, the paper not only looks at the mobility of labour between two regions, but also at different aspects of mobility, like sector-wise mobility, changing education profiles and the nature of employment of the mobile labour, etc., as well as the changing labour market conditions of the countries. Thus the paper adopts a rigorous methodology by bringing several parameters into the same framework and analysing them together.

The third important limitation of this paper is the absence of a discussion on the effects of financial crisis of 2008-09 on mobility patterns within the EU. This arises due to the time frame adopted in the study. While this is largely driven by the availability of data, it is also driven by the fact that the study wanted to capture the immediate impact of the opening up of the labour market on the NMS. Incorporating the impact of the EU crisis on labour mobility, i.e., looking at pre- and post-crisis labour movement would require a different set of variables and tools which are beyond the scope of this paper.

Thus, this paper can be, at best, seen as a preliminary investigation of the issues of labour mobility of NMS and India, and its impact on development in the NMS, where there is a scarcity of both adequate data as well as literature. The research on the effects of EU enlargement on the economies of the NMS is still in an early phase. This study looks at the question from an Indian perspective.

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