

**Labour mobility within the EU in the context of enlargement and the functioning  
of the transitional arrangements**

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**Country Study: Ireland**

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**Abstract**

Ireland, along with the UK and Sweden, announced an immediate opening of its borders to nationals of the NMS that became part of the EU in May 2004. In the last decade the proportion of foreign born residents in Ireland has doubled to 15%. Many of these migrants come from the new member states. They tend to be relatively young and relatively well educated. However, at present they tend to work in low skilled employment in hotels, restaurants and manufacturing. The benefits that accrue to the Irish economy and the immigrants themselves should increase as they become more fully integrated and moved up the skill ladder.

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## **1 The Institutional Setting**

### **1.1 The institutional arrangements for recent migration**

Ireland, along with the UK and Sweden, announced an immediate opening of its borders to nationals of the 8 Eastern European countries, plus Malta and Cyprus, that became part of the EU in May 2004 (Employment Permits Bill, April 2003). This change applied to both new immigrants and to those that had already been working in Ireland before enlargement, and so was, in addition, effectively an amnesty for those previously working illegally.

Unlike the UK, the Irish government does not require accession state nationals to acquire special registration certificates after taking up employment. The primary means of monitoring the numbers of migrants is via the number of social security (PPS) numbers issued. In common with UK policy, the Irish government did introduce transitional arrangements with respect to the receipt of welfare benefits. The Habitual Residence Condition required that foreign nationals live in the Common Travel Area<sup>1</sup> for two years before being entitled to social assistance or child benefit.

With the accession of Bulgaria and Romania, given the previous large influx of migrants from the 10 new member states, Ireland introduced a seven-year transition period during which nationals from these countries would have to apply for work permits like non-EEA (European Economic area) nationals. It was however agreed that they be given preference over third country nationals in this regard.

### **1.2 Other aspects of the Irish labour market**

The Irish labour market is relatively unregulated and flexible compared to many other European economies. The benefit replacement ratio has been falling since the early 1980s (Nickell, Nunziata and Ochel, 2005) and is now comparatively low by international standards. Ireland has also substantially tightened the administration of benefits in recent years. Trade unions represent just over 40% of the workforce, with pay agreements being highly co-ordinated. It remains an attractive destination for foreign direct investment, especially in high value added sectors.

### **1.3 The Irish Economy: macroeconomic performance**

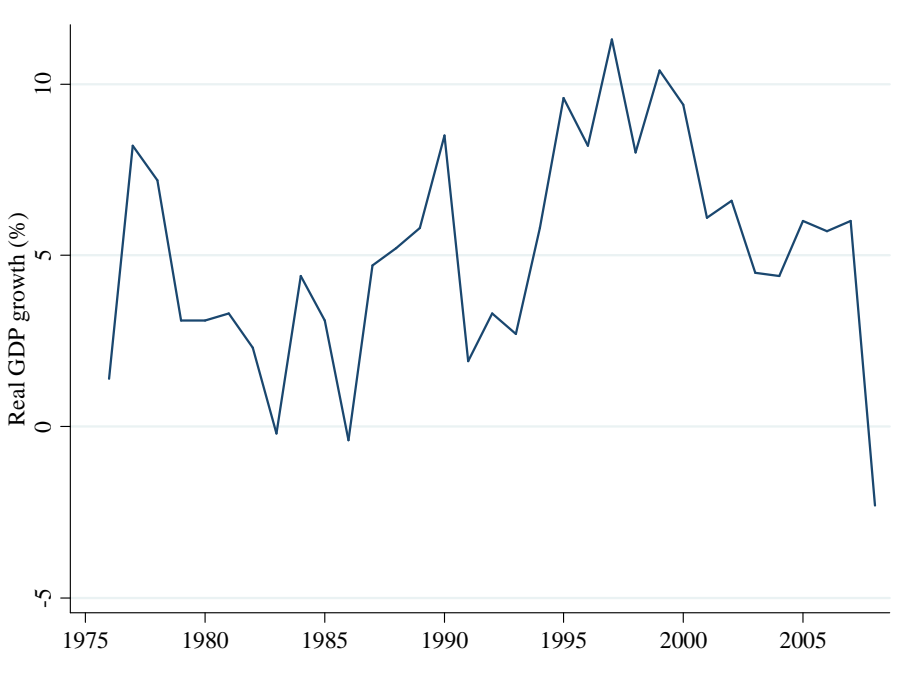
The mid-1990s saw a sharp upturn in the fortunes of the Irish Economy. Real growth rates of more than 8% of GDP were more than double that of any other OECD country (Figure 1). This generated a sharp increase in the workforce with total employment

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<sup>1</sup> Ireland, the UK, Channel Islands and Isle of Man.

growing by 25% between 1993 and 1998. Over the same period, the unemployment rate fell from 15.4% to 7.7%.

**Figure 1: Real GDP growth (%): 1975-2008**



Source: OECD

The performance of the Irish Economy, the “Celtic tiger”, has continued to be strong and sustained over the past decade, with growth rates exceeding 5% of GDP. This success is reflected in its strong labour market performance, with unemployment rates continuing to fall and remaining low by international standards since accession at between 4 and 5 % (Figure 2). Demand for overseas labour was strong before accession: Doyle et al. (2006) report that in the year before accession over 45,000 work permits were issued in Ireland.

The dramatic recent downturn in the world economy is however evident in the GDP growth figures for 2008, with GDP falling by 2.3 per cent.

**Figure 2: Irish and EU-15 Unemployment rates**



Source: Eurostat

The rapid growth in the Irish Economy has been facilitated by rapidly rising labour market participation over this period (Figure 3), which in part reflects the high participation of immigrant workers. Female participation, despite rising substantially in recent years, remains relatively low.

**Figure 3: Irish and EU-15 employment rates**



Source: Eurostat

## 2 Relevant data sources and limitations

### 2.1 Censuses

The primary sources of information on migrant stocks are the censuses that were conducted in 1991, 1996, 2002 and 2006. They contain detailed information on birthplace and nationality, employment status, and sector of work.

### 2.2 Quarterly National Household Survey (formerly Labour Force Survey)

More detailed socio-demographic information is available from the Quarterly National Household Survey (QNHS). This is a large-scale, nationwide survey of households in Ireland. It is designed to produce quarterly labour force estimates that include the official measure of employment and unemployment (ILO basis). The survey began in September 1997, replacing the annual April Labour Force Survey (LFS). Approximately 39,000 households are interviewed each quarter.

The nationality codings in the QNHS are however limited. Prior to 2005 it records: Irish, UK, Rest of EU, Other, American. From 2005 it records:

- Irish
- UK
- EU-15 (excluding Ireland and UK)
- New Member States

- Other
- American.

### **2.3 Personal Public Service Numbers (PPSN)**

PPSN numbers are derived from the Central Records System of the Department of Social and Family Affairs and the P35 files (employer end-of-year returns) of the Revenue Commissioners. Variables include: the date the PPSN was assigned, the nationality at that time, age and sex. They are useful for tracking *gross inflows* of migrants.

### **2.4 Work Permits**

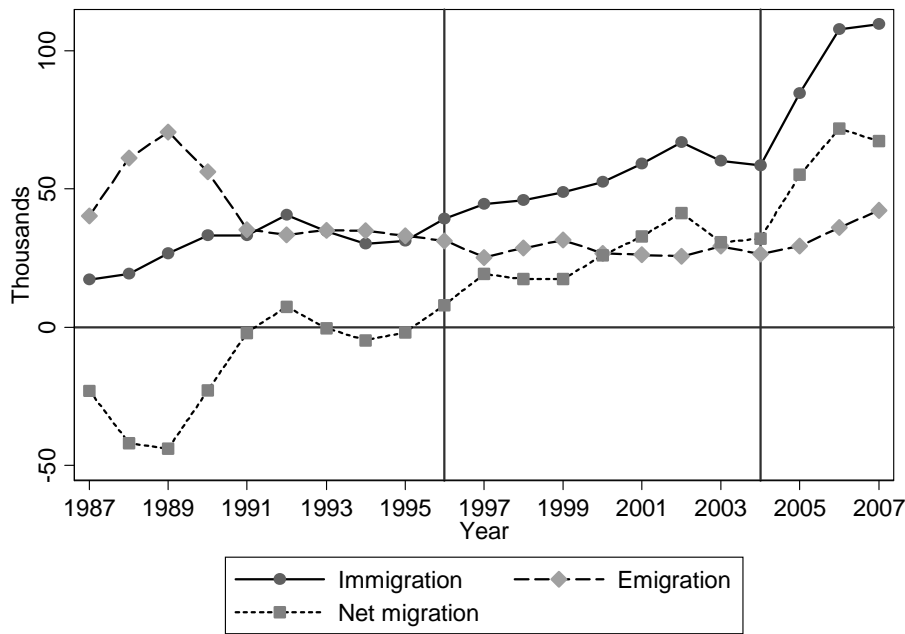
In general, a non-EEA national requires an employment permit to take up employment in Ireland and data on permits is collected by the Department of Enterprise, Trade and Employment. Although this does not apply to workers from the 10 accession countries, permits are required for workers from Romania and Bulgaria.

## **3 Patterns of labour mobility to Ireland**

### **3.1 Historic patterns of migration**

Ireland has a long history as a country of net emigration. Between 1861 and 1961 net emigration consistently exceeded the natural rate of increase of the Irish population. As a consequence, the population shrank from 4.4 million to 2.8 million over this period. Apart from a short period in the 1970s, this pattern continued until the mid 1990s, when Ireland became the last EU member state to become a country of net immigration. This was largely due to the increase in immigration, especially from the mid 1990s onwards, as overseas workers were drawn to a booming economy with a rapidly increasing demand for labour (Figure 4).

**Figure 4: Immigration and emigration, Ireland 1987-2007**



Source: Central Statistical Office; Dublin.

Some of this increase in immigration was as a result of Irish return migrants, whose numbers increased steadily until 2002, though as a proportion of immigrants their importance diminished over this period. Non-EU15 immigrants have seen the largest increase in proportionate terms.

The impact of this influx on the ethnic composition of the population has been dramatic. In 1991 only 6% of the population was foreign born, whereas by 2002 this had risen to more than 10%. Over this period the share of non-EU15 residents rose from 1 to 3%. By 2007 about 15% of people living in Ireland were born outside the country, 10% of whom were foreign nationals.

### 3.2 Stocks and flows of NMS migrants

Table 1 gives details of population migration into and out of Ireland from 2000 to 2008. Owing to data limitations, migration flows from the 10 Accession States are unavailable prior to 2005, and available only on a grouped basis subsequently. The dramatic influx of migrants from the new EU member states from 2004 can be seen. This has declined in the last year as the economic situation has deteriorated, but return migration to these countries remains relatively small.



**Table 1: Estimated Population Migration (Thousand) by Migration Flow, Country**

<b>Net migration</b>	2000	2001	2002	2003	2004	2005	2006	2007	2008
United Kingdom	13.6	12.8	11.7	7.2	7.5	7.7	8.9	3.3	7.1
European Union 15 excl. UK and Ireland	6.2	4.7	6.5	5.3	10.2	6.2	7.8	10.9	2.9
United States of America	1.5	3.3	1.8	2.5	1.4	1.5	0.7	1.3	1.7
Rest of the World	4.5	12.0	21.4	15.8	12.8	6.7	7.5	6.7	2.6
NMS 10	..	..	..	..	..	32.9	47.0	45.1	24.1
<b>Outward migration</b>									
United Kingdom	7.2	7.8	7.4	8.6	7.1	7.9	8.8	10.1	7.0
European Union 15 excl. UK and Ireland	5.5	5.6	4.8	6.5	5	4.9	5.7	3.2	7.4
United States of America	4	3.4	4.8	2.8	3.9	3.3	3.3	2.9	2.2
Rest of the World	10	9.5	8.5	11.4	10.5	12.7	15.8	19.0	19.8
NMS 10	..	..	..	..	..	0.8	2.3	7.0	9.0
<b>Inward migration</b>									
United Kingdom	20.8	20.6	19.1	15.8	14.6	15.6	17.7	13.4	14.1
European Union 15 excl. UK and Ireland	11.7	10.3	11.3	11.8	15.2	11.1	13.5	14.1	10.3
United States of America	5.5	6.7	6.6	5.3	5.3	4.8	4.0	4.2	3.9
Rest of the World	14.5	21.5	29.9	27.2	23.3	19.4	23.3	25.7	22.4
NMS 10	..	..	..	..	..	33.7	49.3	52.1	33.1

Source: CSO, Ireland

Table 2 illustrates the number of PPS numbers allocated by nationality between 2004 and 2008. This demonstrates the preponderance of Polish and Lithuanians amongst recent immigrants. Note that the number of PPS numbers is a measure of the gross rather than the net inflow. However, it again illustrates the rapid rise in new arrivals from the NMS-10 since 2004 and the sharp decrease of arrivals in 2008 as the economic situation deteriorated.

**Table 2: Allocation of Personal Public Service (PPS) Numbers in Ireland**

	2004	2005	2006	2007	2008
Poland	25,104	64,718	93,609	79,816	42,554
Lithuania	11,368	18,707	15,917	10,728	6,443
Latvia	5,733	9,327	7,866	4,674	3,727
Slovakia	4,554	9,256	10,497	8,415	4,994
Czech Republic	3,045	4,503	4,407	3,838	2,762
Hungary	1,746	2,985	4,234	5,046	4,562
Estonia	1,630	2,011	1,286	648	572
Slovenia	64	76	98	72	87
Romania				14,525	6,762
Bulgaria				1,008	772
Total	59,249	112,623	142,366	128,721	73,235

Source: Department of Social and Family Affairs

According to figures collected in the census (Table 3), around 120,000 NMS-10 citizens were living in Ireland in 2006, with approximately three-quarters coming either from Poland or Lithuania.

**Table 3: Usually resident persons, males and females present in the State on Census Night, by nationality and age group, 2006**

	Total	0-14	15-24	25-44	45-64	65+
Total Irish	3,706,683	797,281	536,777	1,089,238	845,160	438,227
Non-Irish	419,733	52,500	75,687	219,281	57,181	15,084
EU25	275,775	28,695	51,826	137,788	44,921	12,545
Poland	63,276	4,790	17,665	36,464	4,213	144
Lithuania	24,628	2,778	6,728	12,987	2,064	71
Latvia	13,319	1,238	3,690	7,106	1,245	40
Slovakia	8,111	418	2,465	4,751	450	27
Czech Republic	5,159	356	1,292	3,171	320	20
Hungary	3,440	197	675	2,330	216	22
Estonia	2,272	198	764	1,135	169	6
Slovenia	130	10	26	86	7	1
Romania	7,696	1,024	1,156	5,068	424	24
Cyprus	60	5	10	31	11	3
Malta	139	17	15	66	31	10
<b>Total</b>	<b>4,172,013</b>	<b>860,496</b>	<b>618,465</b>	<b>1,320,551</b>	<b>912,301</b>	<b>460,200</b>

Source: Census, CSO Ireland

Note, that migrants from the new member states are slightly younger (median age 29) than the native population (median age 33) and much more likely to be of working age.

### 3.3 Employment Patterns

Table 4 documents the ILO economic status of migrants and natives in autumn 2008. Migrants from the new member states have a very high participation rate (84%) both in comparison with Irish nationals (61%) and with other migrants (66%). The relatively high unemployment rate (10.1%) amongst NMS migrants is partly attributable to those looking for a job for the first time. However this rate has also doubled since autumn 2007 with the decline in the economic situation. Interestingly, in contrast to Table 1, Table 4 shows a small decline in the NMS-10 population, perhaps suggesting that some return migration has begun to occur following the decline in job prospects.

**Table 4: Estimated number of persons aged 15 years and over classified by nationality and ILO Economic Status, Sept-Nov 2008 (thousands)**

Nationality	Employed	Unemp.	In labour Force	Not econ. active	Total
<b>Quarter 4 2008</b>					
Irish nationals	1,736.0	137.3	1,873.4	1,188.8	3,062.2
Non-Irish nationals	316.0	33.3	349.3	126.8	476.1
of which:					
United Kingdom	51.8	5.0	56.8	39.5	96.4
EU15 excl. Ire & UK	33.7	3.5	37.1	11.7	48.8
Accession states (EU15 to EU27)	150.9	16.9	167.8	31.0	198.8
Other	79.6	7.9	87.5	44.6	132.1
<b>Total persons</b>	<b>2,052.0</b>	<b>170.6</b>	<b>2,222.7</b>	<b>1,315.6</b>	<b>3,538.3</b>
<b>Year on year changes</b>					
Irish nationals	- 68.2	+ 56.2	- 11.8	+ 35.0	+ 23.2
Non-Irish nationals	- 18.7	+ 13.3	- 5.4	+ 13.4	+ 8.0
of which:					
United Kingdom	+ 0.4	+ 0.9	+ 1.3	+ 3.2	+ 4.6
EU15 excl. Ire & UK	- 0.8	+ 2.3	+ 1.3	+ 3.3	+ 4.6
Accession states (EU15 to EU27)	- 16.8	+ 7.5	- 9.3	+ 5.1	- 4.2
Other	- 1.4	+ 2.6	+ 1.2	+ 1.9	+ 3.0
<b>Total persons</b>	<b>- 86.9</b>	<b>+ 69.6</b>	<b>- 17.2</b>	<b>+ 48.5</b>	<b>+ 31.2</b>

Source: CSO, Quarterly National Household Survey

Table 5 illustrates the preponderance of migrant workers from the NMS in hotels and restaurants as well as low skill manufacturing and construction. They are also slightly more likely than Irish workers to work shifts, evenings and weekends (Barrett and Bergin, 2007).

**Table 5: Sectoral Employment of NMS-10 nationals**

	<i>Irish Born</i>	<i>NMS-10 nationals</i>	<i>Other non-Irish</i>
Total	87.1	4.9	8
Hotels, restaurants	68.3	14.3	17.4
Financial, business	83.4	3.2	13.4
manufacturing	84.8	7.6	7.6
Construction	85.9	8.4	5.7
Wholesale, retail trade	87.4	5.7	6.9
Health, social work	88.3	1.1	10.6
Transport, communications	90.2	3.1	6.7
Agriculture	93.2	3.8	3
Education	94.2	0.4	5.4
Public administration, defence	97.3	0.2	2.5

Source: Census, CSO Ireland

Immigrants from the NMS have higher educational levels than Irish nationals (OECD, 2008), though they tend to be less well qualified than previous migrants. The occupational mismatch of these workers is relatively high, however, and they tend to work in jobs for which they are overqualified. Doyle et al. (2006) note that, although it is not possible to calculate hourly earnings separately for native and NMS-10 workers, earnings growth rates did decline in most sectors after accession.

## **4 Effects of labour mobility on the Irish Labour Market**

Academic research about the impact of migration on the Irish labour market is relatively limited.

### **4.1 The wage and employment effect on natives**

Barrett, Bergin and Duffy (2006) simulate the impact of migration from 1993-2003 on the earnings of natives, allowing the impact to differ by skill group. In this analysis they allow for the fact that many migrants are employed in occupations below their educational level. They find that, largely due to the high share of high skilled migrants over this period, the primary impact was at the top end of the skill distribution, compressing earnings. They also suggest that since these immigrants were complements for unskilled labour, they served to increase the demand for those at the bottom end of the skill distribution.

More recent immigration to Ireland from the new member states has, as noted above, been less skilled than earlier. Analysis by the OECD (2008) gives indicative evidence that wage growth has been depressed in those sectors that have experienced the highest inflow of NMS-10 migrants. They also present evidence that, possibly as a result, this had led Irish workers to move from those sectors.

Doyle et al. (2006) note that there has been a debate in Ireland about whether foreign workers are displacing native workers and receiving pay which is less than the collectively agreed rate. While there is significant anecdotal evidence, Doyle et al. (p.69) conclude that: "The statistical data that have been used to address the displacement issue are capable of different interpretations and further research is needed..."

### **4.2 Macro-Economic Impacts**

A number of studies have attempted to estimate the impact of immigration on GNP growth in Ireland. Barrett, Bergin and Duffy (2006) estimate that the immigrants that arrived between 1993 and 2003 increased GNP by between 3 and 3.7%, depending on assumptions regarding the impact on skilled wages. However this impact is small compared to the overall increase in the size of the economy.

In comparing the impact of recent migration across countries, Barrell, Fitzgerald and Riley (2007) also suggest beneficial impacts on Irish GDP (3.3%), though this amounts to only a 0.7% rise in GDP per capita in the long term.

### **4.3 Effect on Public Finances**

There has been no comprehensive study of the impact of immigration on public finances in Ireland. Ireland adopted similar restrictions as the UK for the receipt of social benefits. Foreign nationals were generally required to have lived in the Common Travel Area

(Ireland, UK, Channel Islands, Isle of Man) for at least two years before being entitled to social assistance. Barrett and McCarthy (2006) find that, in 2004, immigrants are half as likely to be in receipt of welfare benefits compared to equivalent natives. Given the preponderance of working age migrants from the 10 new member states, expenditure on healthcare and education is likely to be relatively small, especially as many of the initial migrants did not bring dependant children with them.

#### **4.4 Effects on Immigrants**

Barrett and McCarthy (2007) examine the relative earnings of migrants using the EU Survey of Income and Living Conditions for 2004 and 2005. They find that, after controlling for education and labour market experience, immigrants earn 18 percent less than equivalent Irish workers. For immigrants from non-English speaking countries this rises to 31%, with the earnings disadvantage of those from the 10 New Member States being as high as 45%.

Interestingly, Barrett and McCarthy (2007) find evidence that these gaps may be partly explained by lower returns to human capital for immigrants, with the more highly educated facing the biggest wage gap. This point is examined further in Barrett, Bergin and Duffy (2006) and Barrett and Duffy (2008) who use the Quarterly National Household Survey to examine the occupational attainment of migrants. They find strong evidence that immigrants are employed at lower positions in the occupational ladder than Irish workers of similar age and education. Further, this gap is particularly pronounced for workers from the New Member States, with little evidence of assimilation over time.

## **5 Summary**

In the last decade the proportion of foreign born residents in Ireland has doubled to 15%. Many of these migrants come from the new member states. They tend to be relatively young and relatively well educated. However, at present they tend to work in low skilled employment in hotels, restaurants construction and manufacturing. These sectors are likely to be particularly vulnerable to the current economic downturn, and the level of net migration is likely to fall, at least in the short run, as job opportunities dry up. However the stock of foreign born residents is likely to remain high, and the long-run benefits that accrue to the Irish economy and the immigrants themselves should increase as they become more fully integrated and moved up the skill ladder.

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