Preface

With the ongoing integration of Europe, national borders are losing more and more of their relevance. This holds true for the trading of goods, but also for the movement of capital and labour. Although labour has proved to be relatively immobile, it is possible to identify a number of important implications for the European labour market.

The completion of the internal market allows the citizens of the European Union (EU) – within some restrictions, which are being lifted step by step – to search for a job in any EU Member State. These new possibilities can prompt migration and thus affect the supply of labour in every single country in terms of sheer numbers but also in terms of available skill levels. In addition, one will find impacts on wages and employment in sending as well as in receiving countries.

But even without a significant degree of labour mobility does the opening up of borders generate significant effects on wages and employment? Cross-border investments sometimes go hand in hand with the closing down of old production sites, but definitely result in the opening up of new ones. The overall purpose is to reap growth and productivity gains, although the loss of jobs or wage cuts are unavoidable at times. The deepening of trade within the EU allows member countries to make better use of their specific advantages. This is followed by changes in gains of capital and labour, depending on the intensity with which these factors are used in the production of tradable goods.

These reaction chains make it obvious why topics like migration are an issue in which central banks definitely need to take an interest. Remittances are another aspect that central banks monitor closely. In some Central and Eastern European countries remittances are, after all, a substantial part of the national income, supporting the inhabitants in covering their basic needs, but also increasing domestic demand and, very often, house prices. At any rate, remittances are reflected in the current account, an economic indicator that is in general viewed very closely, especially in transition countries.

All these aspects are covered in this book, which is based on a conference held in Vienna in November 2008, organized by the Oesterreichische Nationalbank, on the topic ‘The integration of European labor markets’.

The conference was designed and the contributions were prepared in
relatively prosperous times, reflecting above-average growth prospects, which characterize countries in transition in general. In the meantime, the crisis that began in 2007 and escalated in autumn 2008 has reached more or less all regions in Europe, and the policy reactions of economic agents and institutions have been manifold. Although many are on their way to organize support or try to restore well-functioning markets, some propagate protectionism – which is definitely the wrong way to react. In other words, while the conference findings certainly reflect the pre-crisis perspective, they also highlight universal truths that today may be even more important than ever before.

At the same time, one has to acknowledge that, even in economically stable times, markets without borders do not just produce winners. There are also those who need special support in terms of education, training or subsidies for restructuring; without such assistance the whole project of a unified Europe would be jeopardized.

The contributions to this book add to the general debate of pros and cons of the opening up of European borders, with a special focus on labour market and migration, sometimes combined with trade issues. Overall they are a reminder that closing the borders would be more than a step back, reducing opportunities as well as decreasing income and wealth at least in the long run – and is therefore not an appropriate policy option.

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