

Migration and the Austrian Labour Market in an Enlarging European Union

August Gächter, 2006-07-03

Immigration has been making an important contribution to the population

In Austria, post-war labour recruitment abroad started in the summer of 1961. The initial scale was very small and confined to the construction industry. What began with about 1,800 workers for part of the year reached about 226,000 workers on annual average in 1973. Efforts at reducing the number led to a low point of about 150,000 in the mid-1980s. Throughout the 30 years until 1991 the data on immigrant employment remained poor in quality if they existed at all.

When Austria joined the European Economic Area, at the beginning of 1994, out of a total population of about 7,930,000 about 665,000 did not have Austrian citizenship, and another roughly 500,000 had been naturalized since the end of the war. Thus, at this time, about 14.7 per cent of the country's resident population consisted of persons who had not had Austrian citizenship at birth, including 8.4 per cent without Austrian citizenship at the time.

In December 1997, Austria became part of the Schengen area, after having been involved in the making of the Schengen Agreement and the making of the attendant regulations from the very beginning in 1985.

At the time of the most recent census, in mid-May 2001, Austria had almost exactly 8 million inhabitants, out of which almost exactly 1 million had been born abroad.

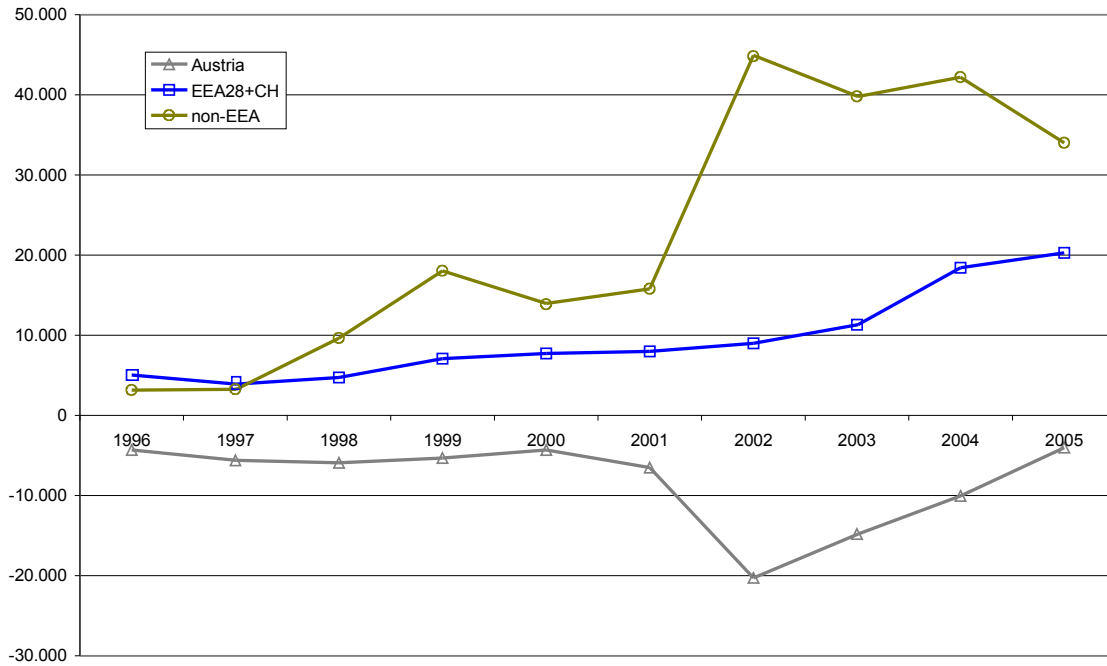
By mid-2006, the population was approaching 8.3 million, including a non-citizen population of about 825,000 and a naturalized population of around 770,000, both of them together constituting about 19.2 per cent of the resident population. In Vienna, with 1.6 million inhabitants far and away Austria's largest city, this share exceeds 30 per cent.

At the beginning of 2006, about 38 per cent of the population without Austrian citizenship had one or the other post-Yugoslav citizenship with Serbia at 17 per cent providing the largest share and the rest being divided for the most part between Bosnia and Croatia. Turkish citizenship made up 14 per cent. German citizens contributed 12.8 per cent, other old EU citizenships 5.8 per cent, and new EU citizenships of the 2004 enlargement 9.5 per cent. 6.5 per cent of the population without Austrian citizenship were citizens of Asian countries, 2.6 per cent of African countries, 2 per cent of American countries, and another 2 per cent of Australia, the Pacific and unknown countries or were stateless. This distribution represented considerable change since the end of 1994, when nearly 46 per cent had held a post-Yugoslav citizenship, and more than 20 per cent Turkish citizenship.

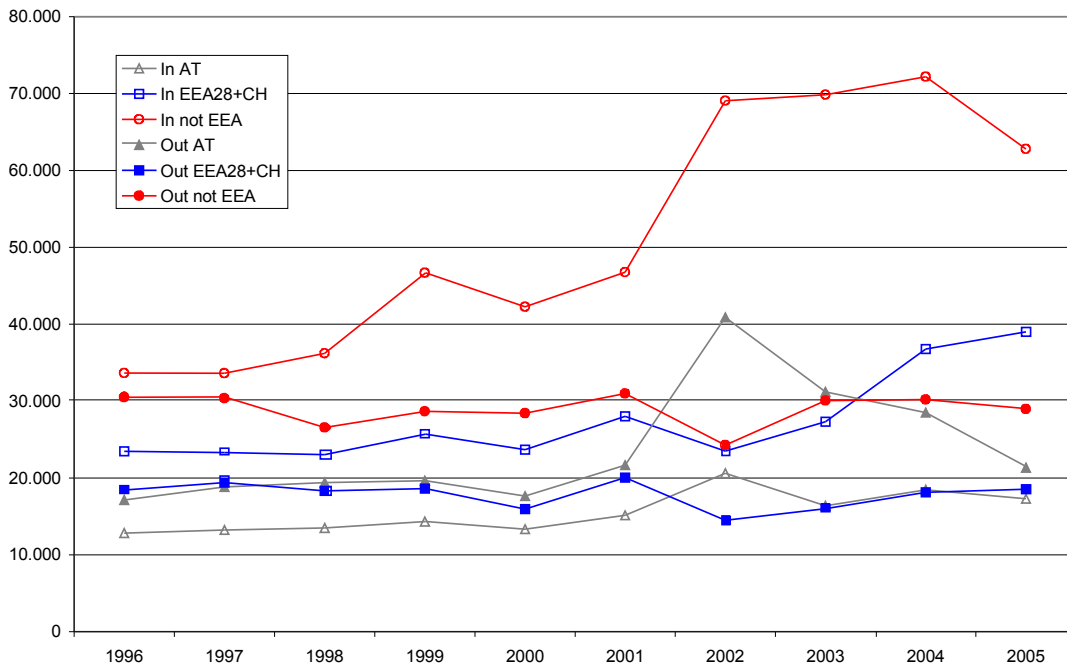
Recent trends in immigration

Net migration – the difference between arrivals and departures – has been increasing over the past ten years. This was especially true for non-EEA citizenships where net migration went from about 3,200 in 1996 to 15,800 in 2001, then nearly tripled to 44,800 in one year, from which level it declined to 34,000 in 2005. These ups and downs primarily reflected changing numbers of arrivals rather than of departures. Only the 2002 peak is in part owed to fewer departures than usual.

Net migration by citizenship

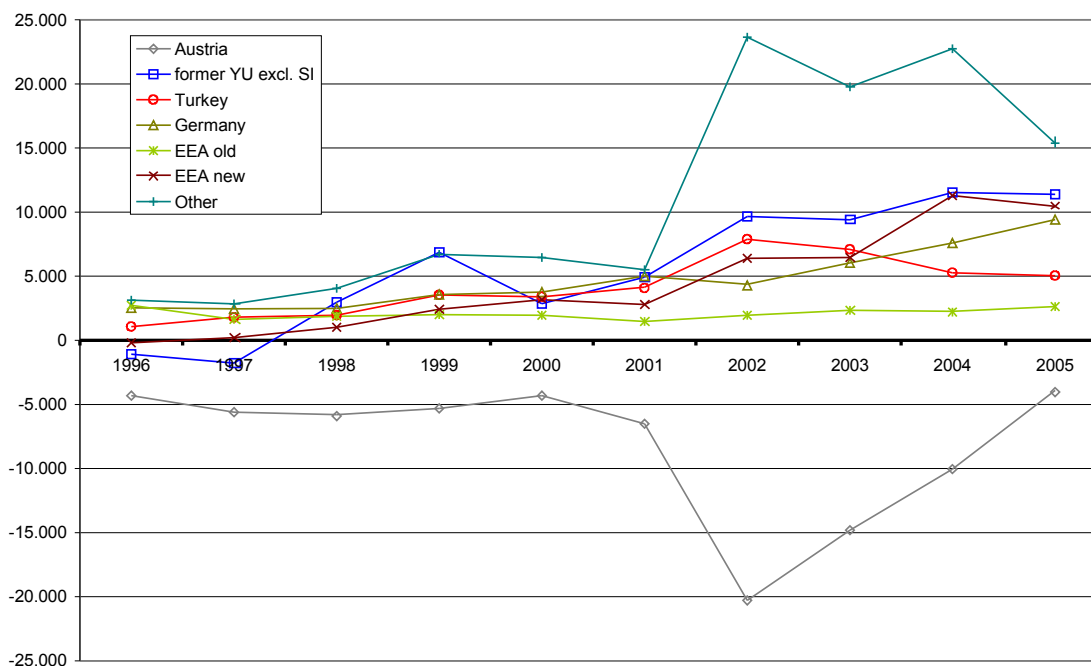


Gross migration by citizenship



While net immigration from outside today's EEA tended to decrease after 2002 it increased from within the EEA (including Switzerland) more rapidly than before. This was partly owed to citizens of the countries joining in 2004 and to German citizens but very little to citizens of other old member countries.

Net migration by citizenship



Net immigration by citizenship

	Austria	former YU excl. Slovenia	Turkey	Germany	EEA old incl. CH	EEA new incl. RO+BG	Other	Total
1996	-4,306	-1,084	1,068	2,536	2,730	-200	3,136	3,880
1997	-5,603	-1,772	1,777	2,454	1,634	205	2,842	1,537
1998	-5,913	2,972	1,959	2,482	1,869	1,023	4,059	8,451
1999	-5,313	6,857	3,542	3,572	2,006	2,426	6,697	19,787
2000	-4,315	2,851	3,394	3,763	1,959	3,168	6,452	17,272
2001	-6,502	4,921	4,071	5,009	1,471	2,793	5,511	17,274
2002	-20,283	9,650	7,876	4,286	1,947	6,392	23,639	33,507
2003	-14,802	9,406	7,091	6,040	2,338	6,458	19,766	36,297
2004	-10,039	11,306	5,270	7,598	2,194	11,290	22,746	50,582
2005	-4,030	11,383	5,038	9,414	2,635	10,448	15,367	50,255

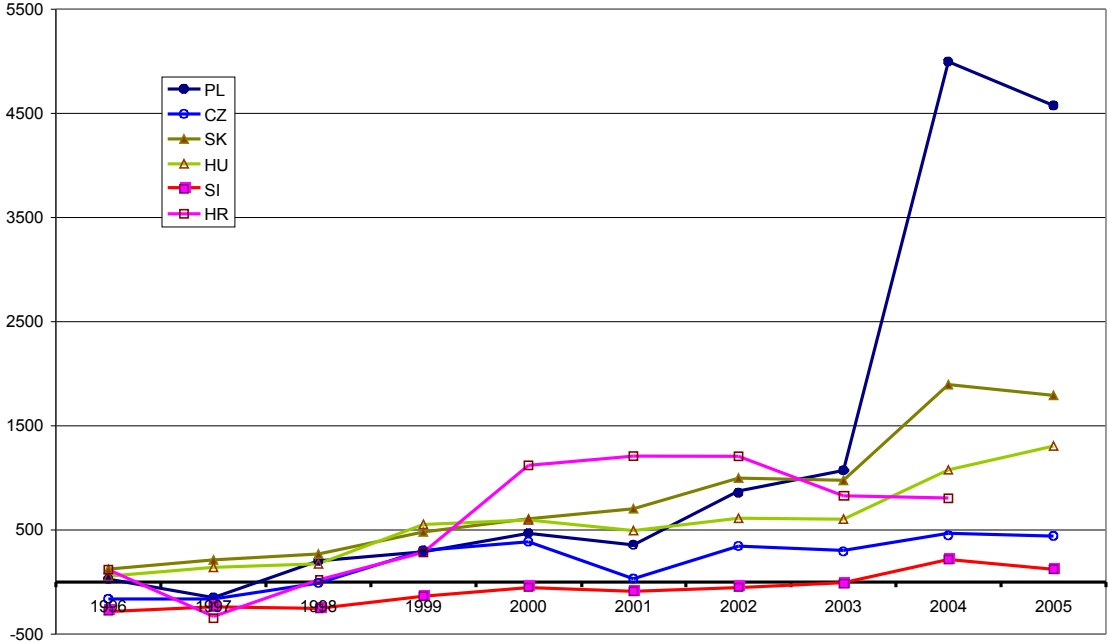
Source: Statistics Austria. Classifications and computations by the author.

Among non-EEA citizenships net immigration from the former Yugoslavia (excluding Slovenia) has been tending to increase while net immigration from Turkey rose until 2002 but then declined. In almost all years the greatest net gains were obtained from the immigration of Other non-EEA citizens. This has been especially true since 2002 when Russian citizens formed an important part of this category (one fifth in 2005, one quarter in 2004, one seventh in 2003). Ukraine has consistently been contributing about 700 to this category.

Migration from near-by new members and from Croatia

Net migration between Austria and Slovenia was negative in all years except 2004. From 2000 to 2002, Croatia seemed to emerge as the most important local origin of net immigration but this was reversed in 2003 when Slovakia and Poland were again the most frequent citizenships among the six countries. Generally numbers have been very small and partially negative. Until 2003, even the total for all six countries paled in comparison with another neighbouring country, i.e. Germany.

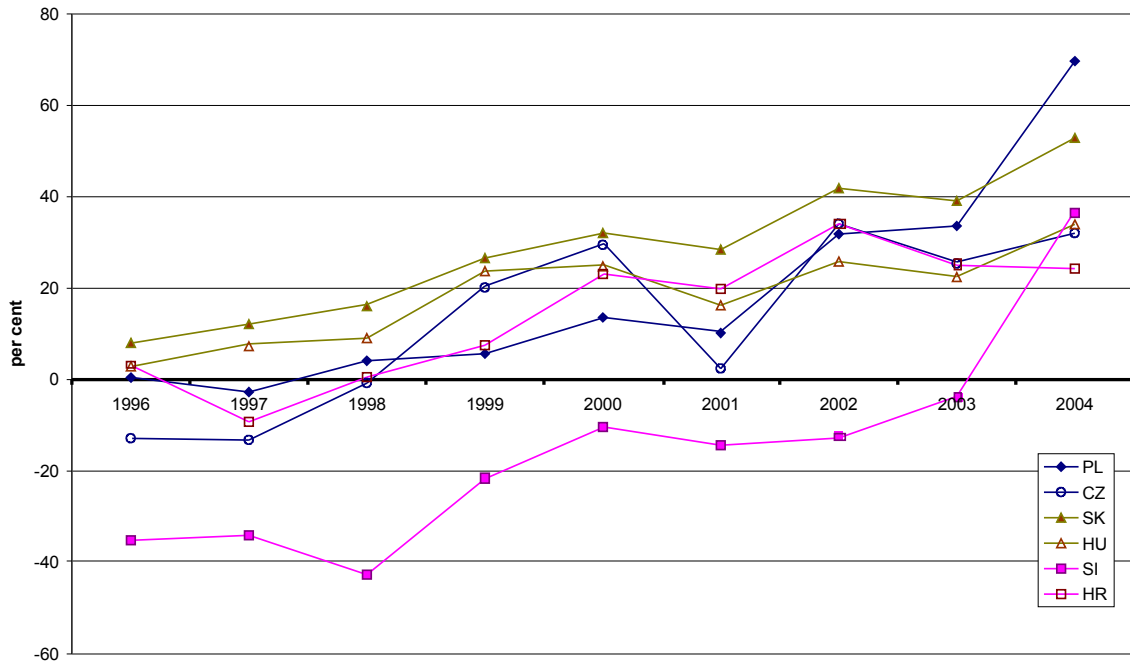
Net migration by citizenship



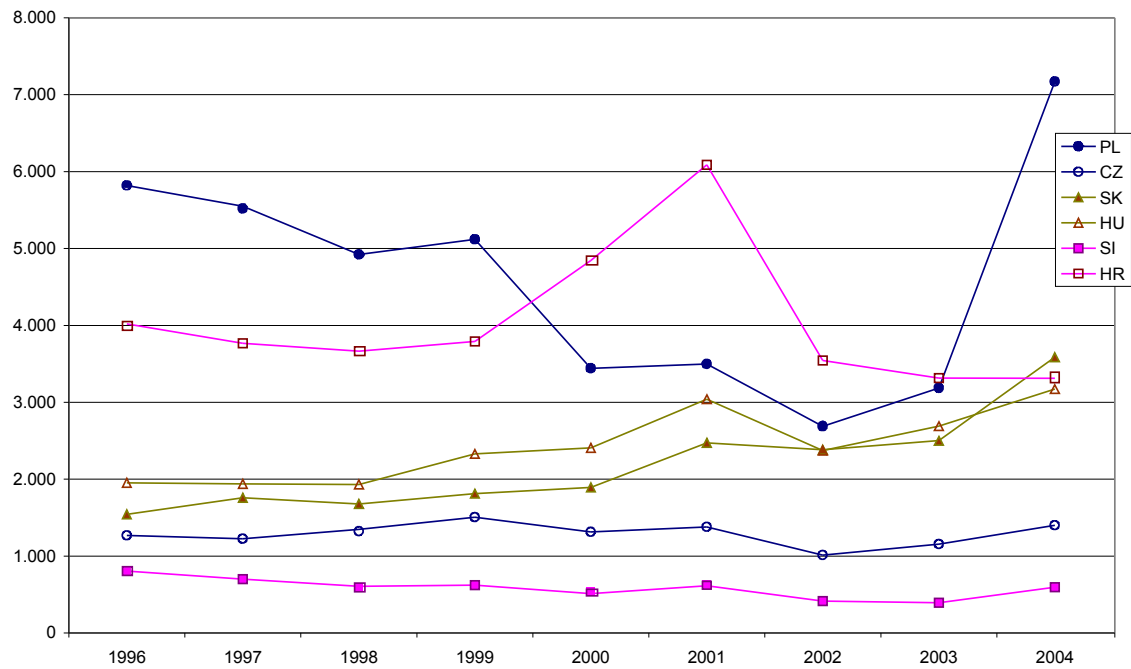
As was also true of German immigration but not for most others, the efficiency of migration has tended to increase. Over time, net migration became a larger part of arrivals. This has been true for all six citizenships except for Hungary after 1999. Slovak citizens have consistently been showing the greatest propensity to settle but even their share of net migration in arrivals has only been reaching about 40 per cent after it had been less than 10 per cent in 1996. Over the whole period from 1996 to 2004, 32 per cent of Slovak citizens arriving in Austria stayed, 20 per cent of arriving Hungarian and of Polish citizens, 14 per cent of Croatian and 13 per cent of Czech citizens.

Only the arrivals of Slovak citizens have been showing an unequivocally upward trend. The arrivals of Hungarian citizens clearly increased in 1999 to 2001, when the Austrian economy grew more than usual, but not before or after. The other four have been tending downward, the arrivals of Polish citizens the most until the leap in 2004.

Net migration as a percentage of arrivals by citizenship



Arrivals by citizenship



Migration of six citizenships into and out of Austria

Net migration	Poland	Czech R.	Slovakia	Hungary	Slovenia	Croatia	Total
1996	28	-163	124	57	-283	119	-118
1997	-149	-162	214	142	-238	-348	-541
1998	203	-10	269	175	-253	21	405
1999	291	303	482	553	-135	285	1,779
2000	468	387	608	597	-53	1,120	3,127
2001	357	33	704	494	-88	1,209	2,709
2002	856	345	998	613	-53	1,208	3,967
2003	1,071	293	977	604	-15	829	3,759
2004	4,997	448	1,897	1,078	217	804	9,441
2005	4,575	442	1,792	1,305	123
2004 deviation	3,711	207	941	483	194	-	5,536
Immigration							
1996	5,820	1,268	1,542	1,951	805	3,992	15,378
1997	5,521	1,225	1,758	1,939	699	3,766	14,908
1998	4,922	1,322	1,677	1,932	593	3,665	14,111
1999	5,120	1,505	1,812	2,328	622	3,792	15,179
2000	3,442	1,314	1,894	2,408	511	4,843	14,412
2001	3,497	1,380	2,473	3,039	614	6,087	17,090
2002	2,687	1,012	2,383	2,372	416	3,544	12,414
2003	3,186	1,154	2,499	2,691	393	3,315	13,238
2004	7,170	1,399	3,588	3,171	595	3,311	19,234
Emigration							
1996	5,792	1,431	1,418	1,894	1,088	3,873	15,496
1997	5,670	1,387	1,544	1,797	937	4,114	15,449
1998	4,719	1,332	1,408	1,757	846	3,644	13,706
1999	4,829	1,202	1,330	1,775	757	3,507	13,400
2000	2,974	927	1,286	1,811	564	3,723	11,285
2001	3,140	1,347	1,769	2,545	702	4,878	14,381
2002	1,831	667	1,385	1,759	469	2,336	8,447
2003	2,115	861	1,522	2,087	408	2,486	9,479
2004	2,173	951	1,691	2,093	378	2,507	9,793

Source: Statistics Austria. Classifications and computations by the author.

Few regularisations of residence upon accession to the EU in 2004

As shown above, fairly clear trends in net migration had been established between 1996 and 2003. It is therefore possible to estimate the deviation from trend growth that appeared in 2004 when four of Austria's neighbours and Poland joined the European Union. The deviation totalled about 5,500 that could be attributable either to off-trend immigration or to the regularisation of hitherto undocumented migration. Two thirds of the deviation accrued to Polish citizens, and about one sixth to Slovak citizens. The 2005 net immigration figures for some countries remained unusually high. Only time will tell which 2004 and 2005 values turn out to be deviations from trend or whether new trends are established as of 2004.

Employment growth 1998 to 2004

How much of this immigration has been showing up in the labour market? The answer is diverse. For German citizenship there is a close connection between immigration and employment, while for the others there are various ways in which the same is not true.

Private sector employment for at least one day per year grew by 135,481 between 1998 and 2004. Annual average employment grew by only 108,613.

- In 1998 to 2004, German citizens contributed 28 per cent to private sector employment growth, nearly as much as Austrian citizens did who contributed 29 per cent. The Other category contributed 26 per cent. Long-established source country citizenships, i.e. the former Yugoslavia and Turkey, contributed no more than 9 per cent, Polish, Czech, Slovak and Hungarian citizens (“New 4”) a mere 8 per cent.
- By far the largest contribution to the 1998 to 2004 growth of annual average private sector employment was made by Austrian citizens. They contributed 53 per cent of total growth. 20 per cent were contributed by the Other category, 18 per cent by German citizens, 7 per cent by Polish, Czech, Slovakian and Hungarian citizens, and 2 per cent by former Yugoslav and Turkish citizens.

This reflects a clear tendency, since the mid-1990s, of increasing the average number of employment days per year among Austrian citizens and a decline among citizens of other countries. At least partly this is due to new entrants to the labour market at first only working for part of the year.

Quite obviously these employment changes are severely at odds with the migration data reported above. The former Yugoslavia (including Slovenia) and Turkey provided 44 per cent of the net immigration but only 2 per cent of the additional days worked and only 9 per cent of the additional employees. Similarly, the Other category provided 64 per cent of the net immigration but a mere 20 per cent of the additional days worked and only 26 per cent of the additional employees. Polish, Czech, Slovak and Hungarian citizens made up 11 per cent of the net migration but only 7 per cent of the additional days and 8 per cent of the additional workers. German citizens, on the other hand, contributed 18 per cent of the net immigration and also 18 per cent of the additional days but 28 per cent of the additional workers. Austrian citizens, even more starkly, made a negative contribution of 37 per cent to net immigration but a positive one of 53 per cent to the additional days worked and of 29 per cent to the additional employees.

Percentage contribution to 1998-2004 employment growth and net immigration by citizenship

	Austria	Germany	EU-new4	exYU + Turkey	Other	Total
Employees	28.9	27.6	8.0	9.3	26.2	100.0
Days worked	52.8	18.2	6.7	2.2	20.1	100.0
Net immigration	-36.7	17.9	11.0	44.1	63.7	100.0

Data source: Social Security Association and Statistics Austria. Classifications and computations by the author.

Legal obstacles may have played a role in bringing about this distribution of employment and population growth. Austrian and German citizens, of course, had free access to the labour market during the entire period under discussion. Indeed, from 1997, the Public Employment Service (AMS) assisted tourism employers, in particular, in recruiting staff from Germany. Within a few years a self-sustaining flow of migrant labour came into being. The AMS no longer needs to assist them. The Other category contains the asylum inflows. Asylum applications numbered nearly 200,000 over the period 1998 to 2005, although only an unknown part of these arrivals remain in Austria today. Asylum figures include families. Formerly Yugoslav and Turkish immigration, during this period, was largely driven by family formation and family unification. During the 1998 to 2004 period, legal access to the labour market became increasingly more open to family members and increasingly more closed to asylum applicants.

Private sector unemployment rates

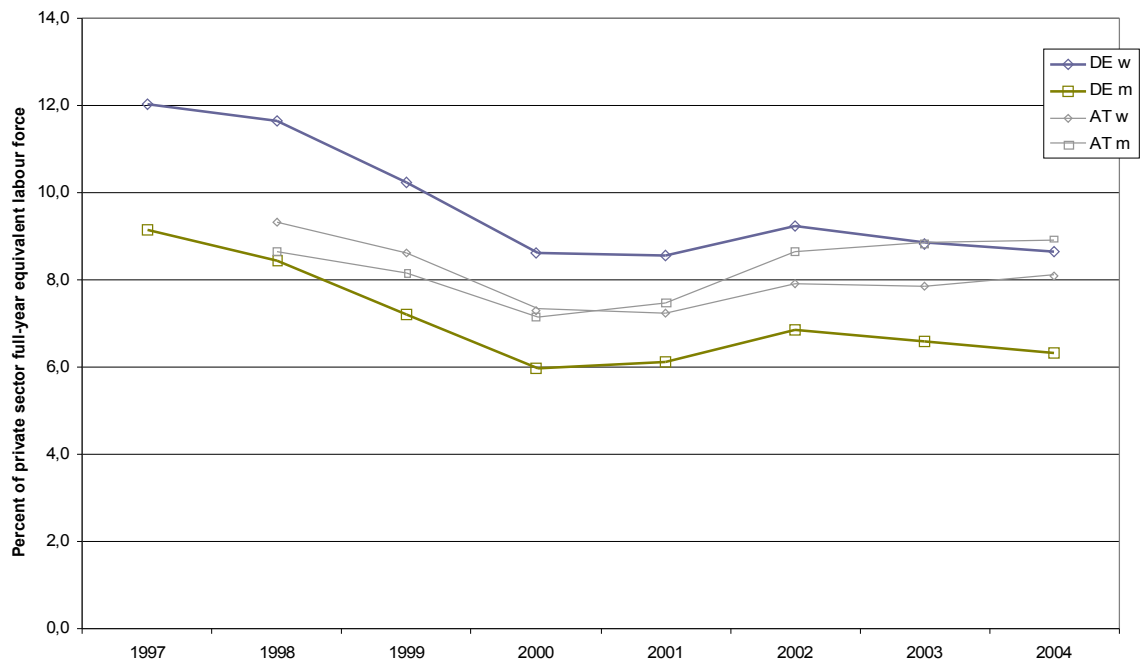
Generally unemployment in Austria has been rising over the past 30 years, though from a very low level and very slowly. While nationally the current levels of unemployment are regarded as catastrophic, governments and social partners in other countries hail very similar levels of unemployment as full employment and use them to justify liberal immigration policies.

In the figures below annual average registered unemployment is being put in relation to annual average private sector employment not including self-employment, apprentices, and employment for less than 13 hours per week. The period we look at has a few years of stronger growth in 1998 to 2001 but not since then. As time goes by, unemployment figures are increasingly diminished by trainings the unemployed are placed in. The unemployment rate of Austrian citizens behaves as expected. It declined as growth picked up, then rose briefly and remained largely unchanged after 2002. The only unusual aspect is the larger rise of the male unemployment rate as growth subsided.

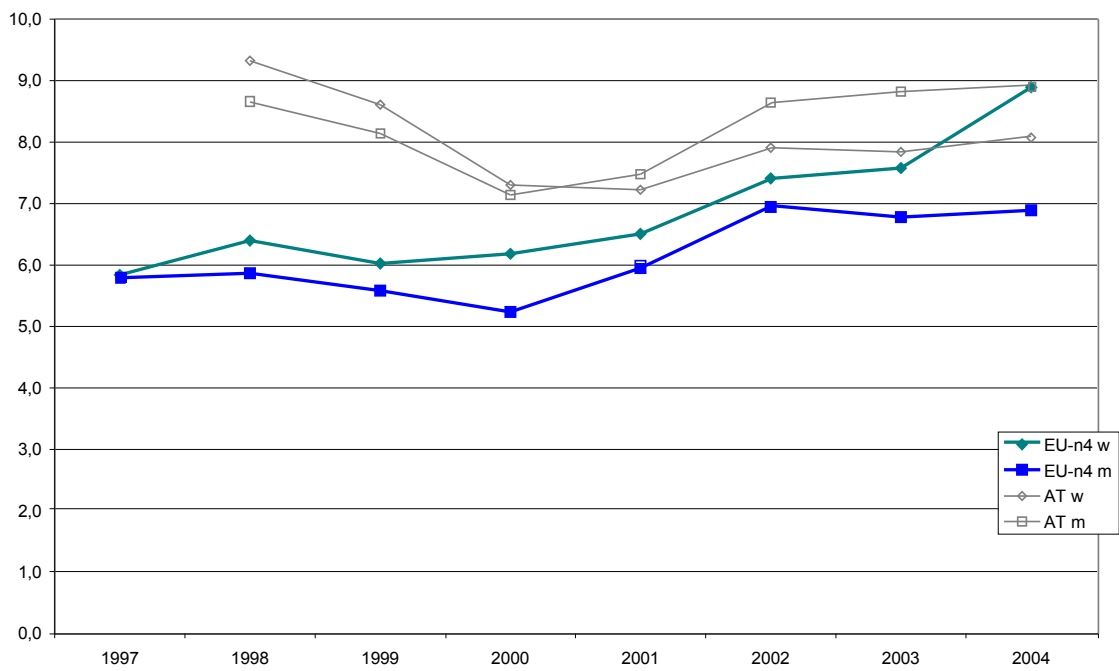
An interesting comparison is that between the unemployment of German citizens and of new member country citizens. While the unemployment rate of German citizens has been declining that of Polish, Czech, Slovak and Hungarian citizens has been on the rise. German immigration, until 2003, as will be remembered, was considerably more numerous than from these four new member countries.

The unemployment of Turkish and post-Yugoslav citizens rose remarkably after 2000. This was due in part to an opening of the labour market, from 8 June 2000, to the resident but previously excluded spouses and children. More than 10,000 found employment within nine months but the employment was often temporary. Even if they did not subsequently qualify for unemployment benefits they at least qualified for registration as unemployed. In this way a considerable part of previously 'invisible' unemployment became evident in the official data. In 2002 Turkish and post-Yugoslav citizen unemployment rose in parallel with Romanian citizen unemployment. This seems to be a real labour market effect for Romanian citizens, due to their status as recognized refugees, had had free access to the labour market. Interestingly, and inexplicably, the rise in Romanian citizen unemployment levelled off or was even reversed after 2002.

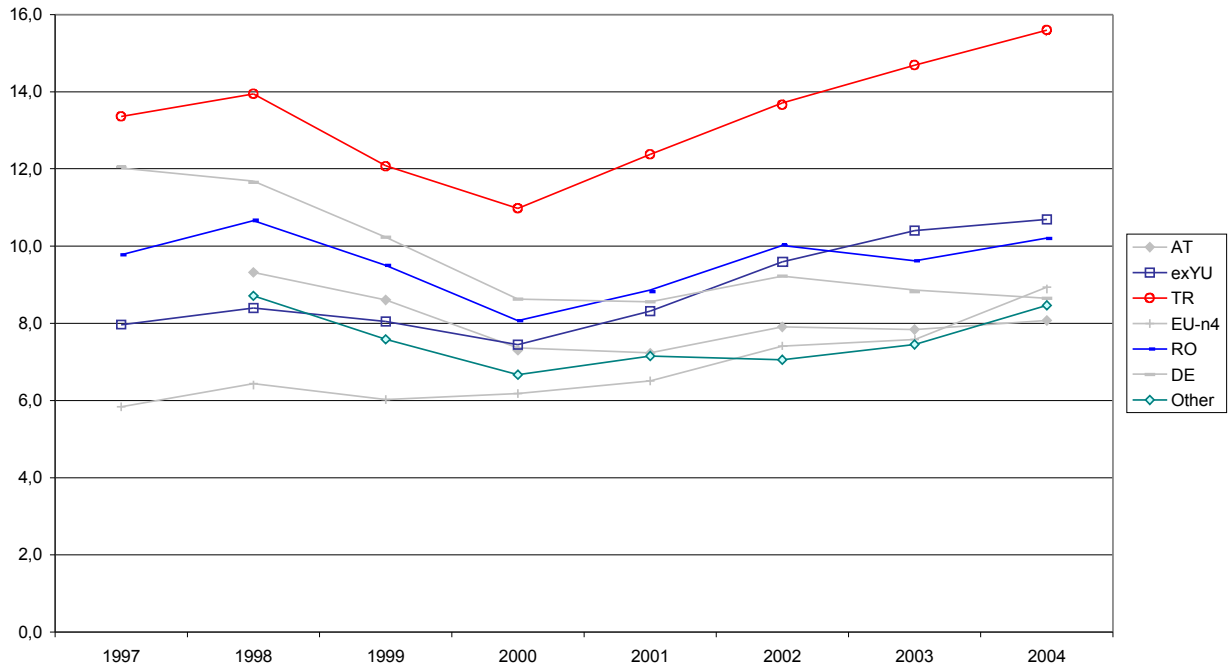
Private sector unemployment rates of German citizens and Austrian citizens, annual average



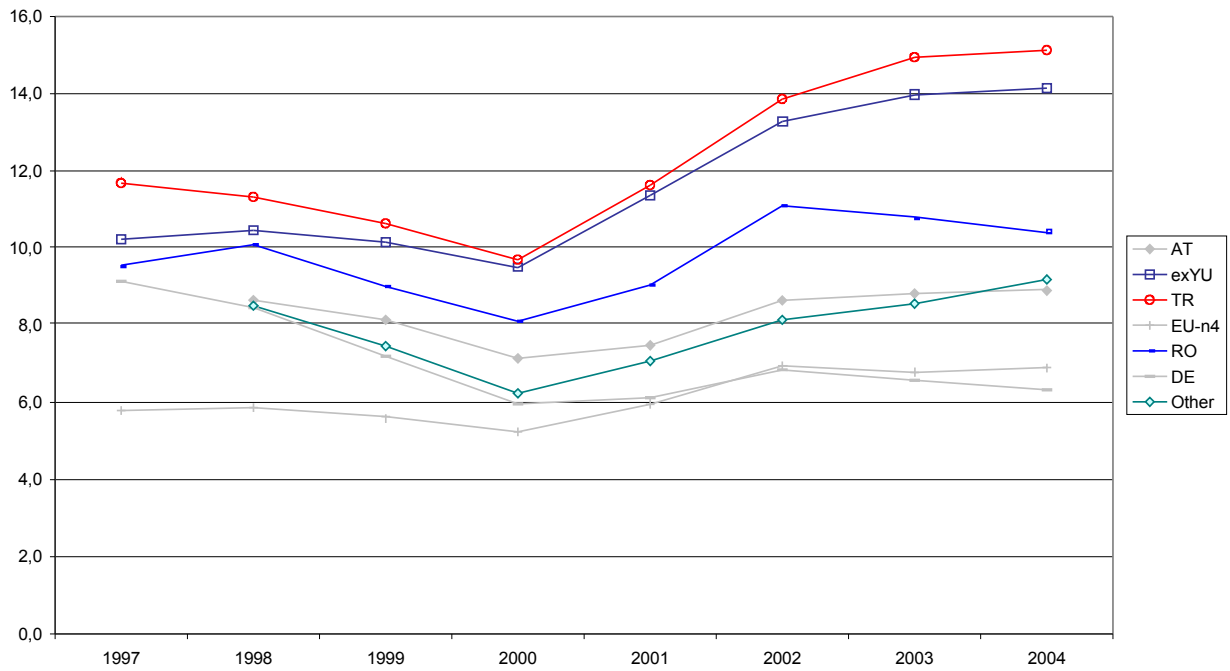
Private sector unemployment rates of citizens of four new member countries and of Austria, annual average



Private sector unemployment rates of females by citizenship, annual average



Private sector unemployment rates of males by citizenship, annual averages



A note on employment data

In Austria the Social Security Association (Hauptverband der Sozialversicherungsträger) provides three different measures of employment, none of them really satisfactory.

1. The annual average of employment relationships in the entire economy, excluding self-employment and employment for less than 12 hours per week or for less than about 330 Euros per month before tax. To emphasize, this is not a count of persons but of employment contracts. This dataset is not being used in the current study.
2. The number of persons employed for at least one day during the year, excluding apprentices, civil servants and self-employment, and excluding employment for less than 12 hours per week or for less than about 330 Euros per month before tax. Public employees on a private sector contract are included.
3. The number of days worked by the above persons in the course of a year. The maximum number of days per year is 360 rather than 365 or 366, since the Social Security Association treats every month as if it had 30 days. Dividing the number of days by 360 yields an annual average of private sector employment or the number of work-years for each year.

The data at points two and three were used above for the period 1998 to 2004. 2005 data were not yet available at the time of writing. Data prior to 1998 are not fully comparable.

Data derived from sample surveys, such as from the Labour Force Survey, would not serve for our purpose. In spite of being large the sample is too small to permit a breakdown by citizenship except for very broad categories.

To add a note on the migration data, they are available from 1996 but have also undergone mutations since then. Unfortunately these changes in definitions have been gradual and ad hoc. Statistics Austria has not been documenting them as fully as would be desirable. The data are based on the population register that has itself been under development. Its source data are provided by local registration offices. To get them to handle the system uniformly has been a challenge. The circumstances of the 2001 census are thought to have had a particularly strong influence on registrations and de-registrations, though some of the 2002 data and behaviour since then is also suspicious.

Educational levels of the immigrant population

Data from the 2001 census have made evident that immigration in Austria had become more educated over time. While about half the labour force with Austrian citizenship and born in Austria has a degree above compulsory school but below a high school diploma, 1960s and 1970s immigrants tended to have completed no more than five or eight years of schooling at best. More recent immigrant groups have tended to be made up of disproportionate shares with a high school diploma or better on the one hand and poorly educated people on the other, lacking the middle that is so typical of Austrian-born Austrian citizens.

Newer data than the census are not available, since the education of newly arriving immigrants is not recorded. This prevents us from looking at migration, education and employment over time. We are unfortunately confined to a single point in time.

Until about 1980, the educational achievements of settlers in Austria tended not to exceed compulsory schooling, which in Yugoslavia was eight years but only five years in Turkey. An unknown share had not completed compulsory schooling. The 1991 census showed that 73 per cent of the Yugoslav citizen labour force and 85 per cent of the Turkish citizen labour force had not gone beyond compulsory school, that this was more true of the women than of the men, and not substantially different from the values for the population 15 years and older. The same was true of no more than 28 per cent of citizens of formerly communist countries, 22 per cent of EU

countries, and 27 per cent of Austrian citizens. It was also true, though of 41 per cent of Other country citizens (Bauer 1996:421). In other words, at the time the educational levels of the largest immigrant populations were low, but the educational levels of then and later EU citizens were at least as good as those of Austrian citizens.

A considerable part of this more highly educated non-citizen population was relatively new at that time.

- Most Polish immigration had occurred in 1981, and had remained heavily concentrated on Vienna. After 1985, it was complemented by Hungarian, Czech and Slovak citizens, but only a few thousand each. In 1990 and 1991 about 35,000 Romanian refugees were added. Each of these groups arrived in the interval between the beginning of the opening and the inauguration of the first stable post-communist government. The Romanian immigrants, in particular, were highly educated, arrived during an economic boom, but were very poorly received and had to face considerable adverse polemic.
- The German citizen population had been very steady from 1961 to 1981 but had grown by more than one third during the 1980s and continued to grow at the same speed in the 1990s.
- The Other population had also grown to some degree due to Iranian, Egyptian, and South Asian immigration. Iranians and Egyptians, like the Greeks before them in the 1960s, arrived largely as students but started small businesses of various kinds. Being admitted as students meant they had at least a high school diploma and a potential to achieve more, even if the potential was often not realized in terms of formal learning.
- Much less educated was the relatively numerous family unification immigration from Serbia of the late 1980s and early 1990s.

After the 1991 census and after the end of the Romanian immigration, the arrival of Bosnian war refugees started in April 1992. Upon arrival they were Yugoslav citizens but subsequently they became partly Bosnian and partly Croatian citizens adding to earlier immigration from Croatia but not from Bosnia. This immigration arrived during an economic downturn but because of its credible victim status was received well. Contrary to the facts it was also regarded as highly educated.

From 1998 a new wave of refugee immigration began resulting in almost 200,000 applications for asylum until the end of 2005. Its second half had a strong urban Chechen component with fairly high education but its earlier part, originating largely from Central and Western Asia and from Sub-Saharan Africa, also contained high levels of education.

The figure and table below show the educational levels of the various immigrant populations by country of origin. "Origin" here means they were either born in the respective country or were, in May 2001, citizens of that country, except in the case of Austria where both birth and citizenship were required for the category. EU-20 is the current EU without the Baltic States, Malta and Cyprus. "Higher" denotes at least 12 years of schooling concluded with a diploma, while "low" categorizes anything up to the completion of compulsory schooling. "Middle" is anything in between including especially formal apprenticeships of three or four years duration in the dual system of school attendance and on-the-job training. Those in the process of acquiring a middle or higher level education are included in the respective category.

- As is readily evident, the working age population of Austrian origin, in 2001, was dominated by middle level education and training. 52 per cent had completed or were acquiring such education and training. The other half was divided unevenly, with more than 26 per cent having completed no more than compulsory school and less than 22 per cent having acquired or being in the process of acquiring a high school diploma or better.
- In the population of non-Austrian origin the share of higher education was, at under 23 per cent, only slightly better. In this category nearly half the working age population had

completed compulsory school at best. This shows that immigration has been important in supplying a low-skilled workforce, but not exclusively so.

- If non-Austrian origin is broken down into EU and non-EU origins, the EU origin population turns out to be considerably more educated. Nearly 36 per cent had a higher education while the same was true of only 16 per cent of the non-EU population. Even at middle level the EU origin population outdid the non-EU population with 36 per cent versus 25 per cent. Nearly 60 per cent of the non-EU origin population had at best completed compulsory schooling.

The percentage distribution of the working age population across educational levels, census 2001

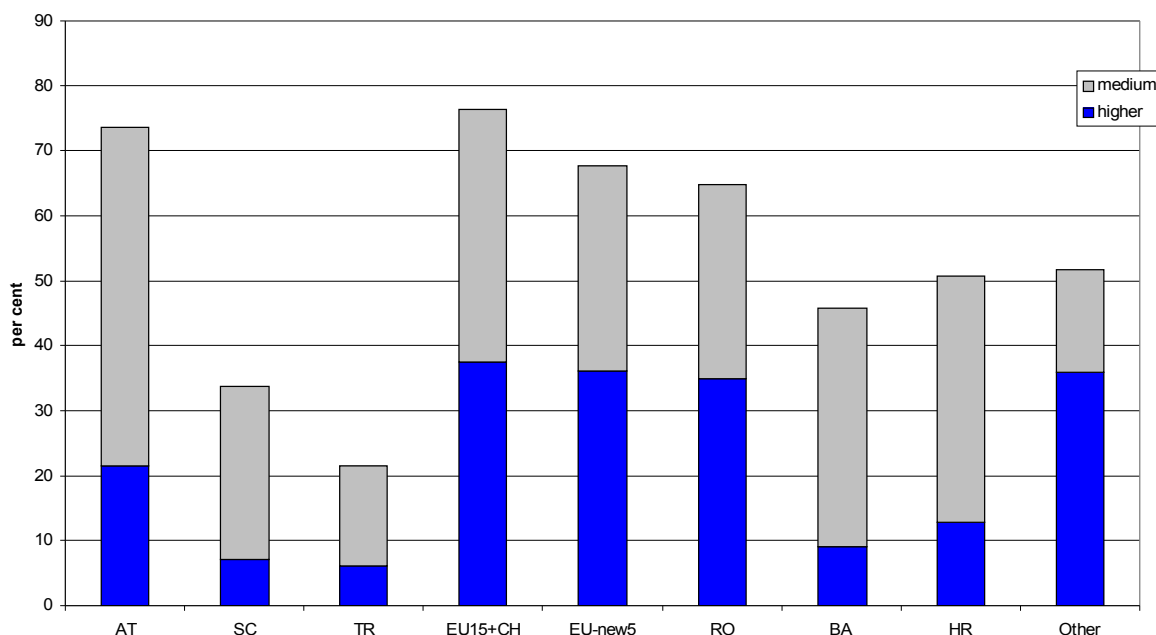
	Birthplace and 2001 citizenship Austria	Birthplace or 2001 citizenship not Austria		
		Total	EU-20	Other
Higher	21.5	22.6	36.9	15.9
Middle	52.1	27.7	35.9	24.5
Low	26.4	49.7	27.2	59.6
Total	100.0	100.0	100.0	100.0

Source: Statistics Austria. Classifications and computations by the author.

The figure details these findings further. Countries of origin are arranged roughly in order of immigration. The EU-15 origin immigration is hard to place having occurred partly in the 1940s and 1950s, and partly in the 1980s and 1990s. In very large part it is German. Likewise there is an 1970s immigration from Croatia preceding the 1990s arrival of Croatian refugees from Bosnia.

- As can be seen, there are four immigrant groups with greater shares of higher education than the population of Austrian origin, i.e. the old EU and the new EU origin populations, the Romanian origin population, and the population of Other origins. All four can be found in the range between 35 and 38 per cent higher education.
- There is a wide gap to the other four immigrant origin populations whose higher education shares range between 6 per cent and 13 per cent. Austrian origin – with its 22 per cent share – is right in the middle, distant from either of the two groups of origin countries.
- Turning to middle level education none of the immigrant origin populations surpasses the Austrian origin population. If we look at the two four-country groups, the one with much higher education and the other with little, their shares of middle level education are both spread out between about 15 per cent and just under 40 per cent. The Other origin and the Turkish origin populations have particularly small shares of middle level education, the old and new EU countries on the one hand and Croatia and Bosnia on the other have particularly high shares. Perhaps it was this relatively large share of middle level education that created familiarity and sympathy and made the war refugees so welcome.

Educational qualifications acquired by the working age population, or in the process of being acquired, by country of origin, roughly in succession of arrival, census 2001



It must be remembered that numerically the low-skilled Serbian and Turkish origin populations still dominate. All immigration to arrive after them was more highly educated than they were. Indeed, except for the Bosnian and Croatian war refugees of the 1992 to 1994 period, all subsequent immigration was on average more highly educated than the native Austrian population. This was especially true for the new origin countries of the 1980s and beginning of the 1990s, but to an important degree it is also true of the most recent – largely asylum – immigration from still other and more distant origin countries.

The earlier unskilled immigration had an important advantage in that it was recruited, usually informally. It was therefore employed from day one and retained stable employment in the long term. Later arrivals had to look for work themselves and were considerably less successful in staying employed for longer periods of time (Latcheva et al. 2006).

It is worth noting the degree of complementarity between the educational levels of Austrian-born Austrian citizens and the immigration derived part of the population. While half of the working age population born in Austria and having Austrian citizenship has completed degrees above compulsory school but below a high school diploma, immigrant groups tend strongly to have less or more education than this. This complementarity could justify opening the labour market but the government, the parties, and the social partners have remained unaware. In the labour market this complementarity may, in fact, be a disadvantage. The bulk of companies are small and medium sized and operated precisely by owners with this typical medium level of education. They tend to have little use for workers with more education than themselves. This can also be true of industrial employers. At least anecdotally there is evidence of immigrants having to lie about their education in order to be able to gain employment, and of being unable to continue in the company when found out.

As is apparent, immigration after about 1980 contained a much greater share of educated persons than during the 20 years before. Interestingly, in Austria nobody noticed. The reason is simple. Until the end of 2005, there was no monitoring of the education and skills of new arrivals at all, and from the beginning of 2006 it remains highly incomplete. With few exceptions immigrants

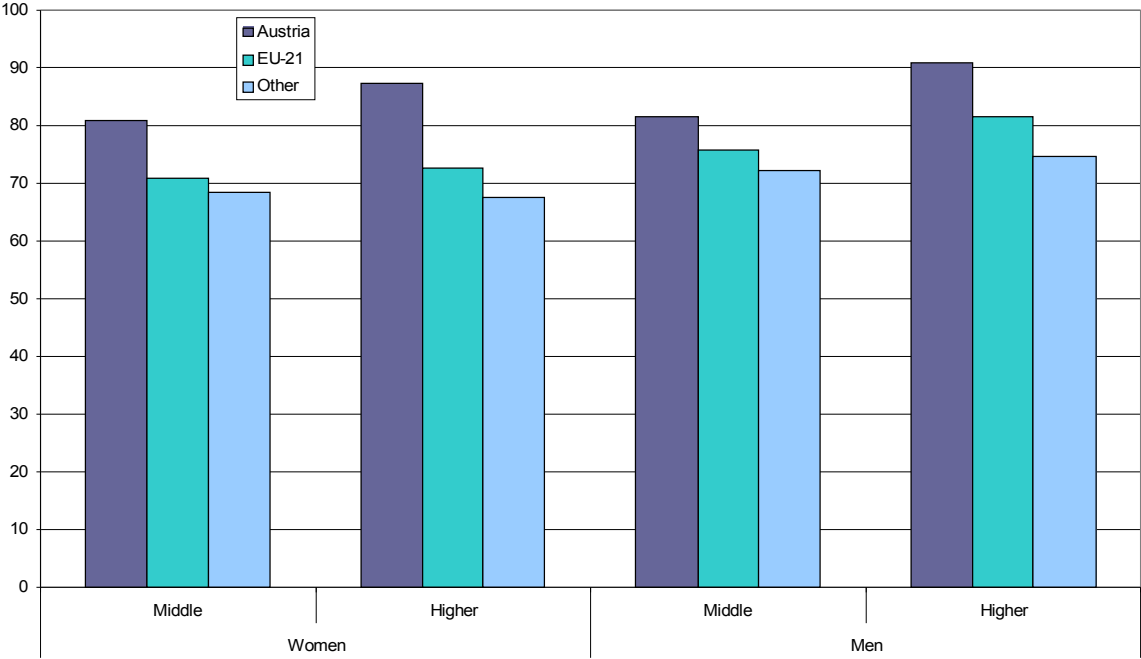
throughout the period continued to be regarded as bearers of deficits and as sources of nothing but cheap labour and a degree of fertility, all of these traits equally unwelcome.

What happened to all the education?

Much of the education immigration has been bringing to Austria has remained unused. Once again, the 2001 census affords a snapshot of the situation. There are two degrees of not using education in the labour market. The one is not to be employed and not even to look for employment, the other is to be employed but in an occupation not requiring as much education. The first of the two can be expressed by the labour force participation rate, the second one by the share of those working in an occupation adequate to their level of education. For both of these it is desirable to be as close to 100 per cent as possible. If we think they are both equally important we can add them up and divide them by two to arrive at an Education Utilisation Index (EUI) of particular groups. Below we restrict observations to the working age population but we include those in education in the active population and we include them in the adequately active category if they are studying for a degree not below one they already have.

Regardless of sex and regardless of the level of education the EUI is highest for Austrian citizens born in Austria, followed by the population originating from the EU-20 plus Romania (EU-21), and the population not originating from within the EU-21. The differences between the three origin groups are smallest among middle level educated men, and greatest among women with a high school diploma or better.

Education utilisation index by sex, level of education, and origin, census 2001



The gap between the EUI value and 100 is much less due to low labour force participation than to deskilling. Among the more highly educated women of all three origin groups working below their educational level accounts for about two thirds of the gap, a less than full labour force participation for only about one third. Among the men deskilling accounts for 70 and 76 per cent

of the gap in Austrian and EU origin, respectively, but for 89 per cent of the gap in the case of non-EU origin.

Variations in the Education Utilisation Index between individual origins are largely the result of variations in the extent of deskilling, not of differences in labour force participation. Statistically, over the eight non-Austrian origins we distinguished in the education section, there is a trend among the women with at least a high school diploma that the larger the EUI gap the larger the share of the gap being due to deskilling (linear r-square = 0.70, quadratic R-square = 0.78). The same is also true for the men, but here it is true even if Austrian origin is included in the regression (r-square = 0.80 regardless of linear or quadratic). Among populations with high school education or better the Romanian and Bosnian origins have particularly low EUIs. The same pattern does not hold for middle level education.

When the origin is Austria the EUI depends more on educational level than on sex, but the reverse is true for non-Austrian origins.

The deskilling issue emerges even more starkly when we ask how large a share of those with at least a high school diploma are employed in blue collar jobs requiring middle level education at maximum. The table below gives the percentages for each age group, for both sexes and for the three origin groups. In the case of Austrian origin the highest value – 5.4 per cent – is observed among males below the age of 25. This is considerably lower than the lowest value observed among the two non-Austrian origin categories where the lowest value is 7.8 per cent. In five of six cases in the table is the share of more educated workers in blue collar positions greater for non-EU origin than for EU origin. Only in the younger female age group is this not the case. In the two non-Austrian origin groups, both sexes, is the share greatest in the middle age group. This is the age group containing most of the Romanian and Bosnian immigrants and a large part of the Other category. The older age group contains the workers recruited from Yugoslavia and Turkey in the 1960s and 1970s.

The share of the labour force with at least a high school diploma working in
wageworker positions, by sex, origin, and age group, census 2001

	Women			Men		
	Austria	EU-21	non-EU	Austria	EU-21	non-EU
15 to 24	4.4	8.4	7.8	5.4	7.9	11.8
25 to 44	2.2	12.2	22.0	3.0	15.9	35.4
45 to 64	0.8	7.9	13.0	1.2	11.0	19.0

Source: Statistics Austria. Classifications and computations by the author.

Note: EU includes Romania but not the Baltic states, Malta, Cyprus, and Bulgaria.

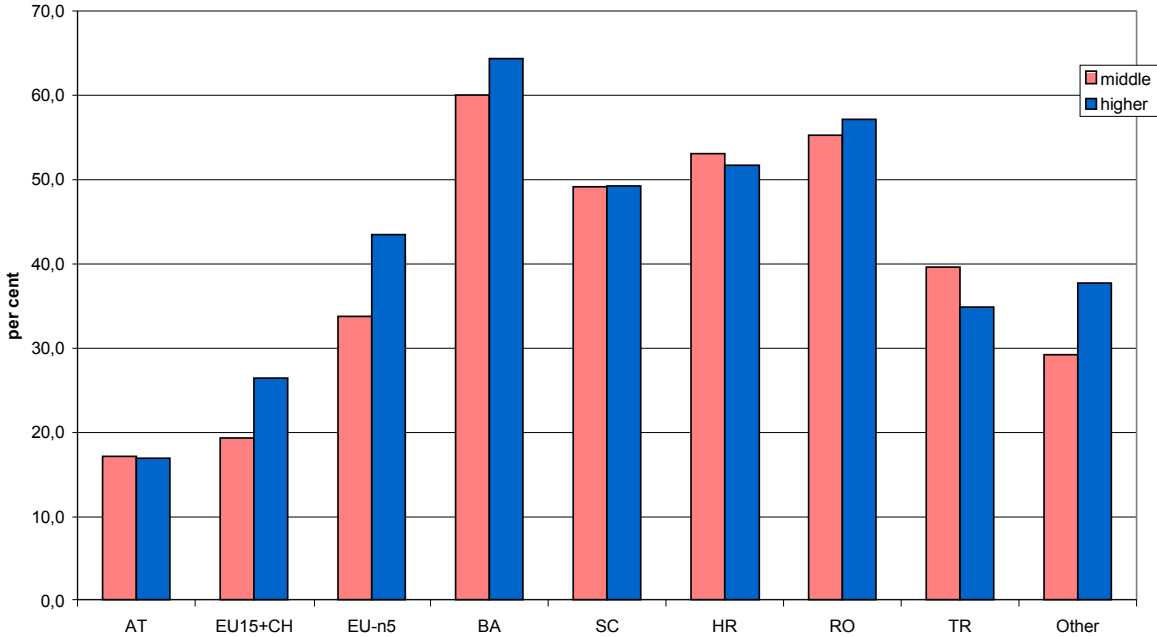
These are fairly substantial shares of workers that are being employed way below their educational levels. Furthermore, research in Vienna (Latcheva et al. 2006; Pötter et al. 2006) and in two smaller towns (Gächter 2005) has shown that chances of mobility into more adequate employment are negligibly small.

Distinguishing between university level, high school level, middle level, and compulsory level education and occupations it turns out that 48 per cent of the non-EU origin active population of working age with more than compulsory schooling were, at the time of the 2001 census, employed in occupations below their educational level or studying for degrees below a degree they already held. The same was true of only 27 per cent of the respective EU origin population and of only 19 per cent of the respective Austrian origin population. The two figures below show this same share – let's call it the deskilling share – for the two sexes, the two broad educational categories above compulsory education, and the nine origins. Some very high values of 50 per

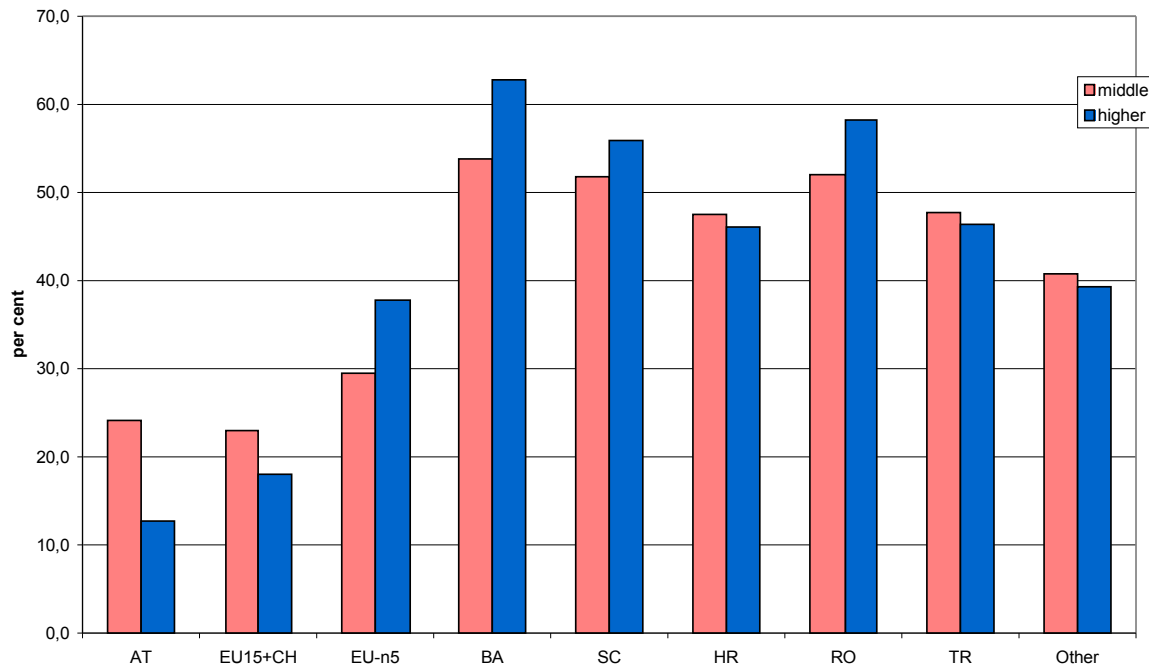
cent and more emerge. The populations of Bosnian and Romanian origin are the most deskilled. With some differences between the sexes the Serbian and Croatian origin populations with more than compulsory education follow. Among the men Turkish origin also shows very high shares of deskilling. This is less true of the Turkish origin women. Likewise it is more true of the Other origin men than of the women. On the other hand, among the five new Central European member country origins female deskilling is clearly more prevalent than male, and the more highly educated are more deskilled than the middle level educated.

Obviously, much education is being wasted. There seems to be a general expectation that countries with lower per capita incomes cannot provide good or useful education for their citizens. Consequently their certificates are neither honoured by the authorities nor by employers. The bias is so strong that no effort is made to set up an official body to collect information on origin country educational systems and contents and to provide this information to other parts of the administration or to employers. Nor is any effort made to create validation services that could conduct fair tests of knowledge and skills. This also works against non-immigrants who acquire skills on-the-job and will never have an opportunity to get to their skills certified. Finally, while there is a public debate about skills scarcities and the need for skilled immigrants no efforts whatsoever are being made to monitor the daily immigration for skills or to impart skills to new immigrants who may for various reasons not have had an opportunity to acquire them at home.

Women: Share of the active population with more than compulsory education engaged in work or studies below their level of education by level of education and country of origin



Men: Share of the active population with more than compulsory education engaged in work or studies below their level of education by level of education and country of origin



Let's also briefly look at the other component of the Education Utilisation Index, i.e. the labour force participation. Among the Austrian origin working age population there is a clear pattern of increasing educational levels to be associated with greater likelihood of being active. Those that made a greater investment in education are also more likely to use it or perhaps they acquired the education because they wanted to be active. Among immigrants this is not so clearly the case, as the table below shows. In the EU-21 origin population higher education does also provide the greatest activity rates but it is those with middle level education that have the lowest activity rates. On the other hand, in the non-EU origin population middle level education provides for activity rates as great or greater than higher education does.

The active share of the working age population, by sex, origin, and educational level, census 2001

	Women			Men		
	Austria	EU-21	non-EU	Austria	EU-21	non-EU
Compulsory	72.9	68.8	71.5	80.1	83.5	90.0
Middle	78.9	68.4	85.3	87.2	70.0	94.0
Higher	91.8	80.9	79.2	94.6	91.1	94.1

Source: Statistics Austria. Classifications and computations by the author.

Note: EU includes Romania but not the Baltic states, Malta, Cyprus, and Bulgaria.

Also noteworthy in this table are, perhaps, the usually greater participation rates of the non-EU origin working age population than EU origin.

Conclusions

Substantial immigration since the beginning of the 1960s has evolved from a poorly educated off-the-farm labour force to a mix of educational levels with a large share of higher education in the last 20 years. Much of this education has been and continues to be denied and devalued. Austria has become a country of substantial brain waste. There seems to be a demand for new immigrants with an education to work in occupations below their level of education.

Only a small part of the immigration has been originating from the new EU member countries. Most immigration continues to originate from outside the EU. From within the EU it is Germany that has emerged as an important new migration source. This was started by official recruitment and has evolved into a self-sustaining flow of labour migration. But as with the new member countries, this flow has increasingly been resulting in settlement. In spite of this and contrary to the experience of new member country citizens, German citizen unemployment rates have been declining.

German immigration of the 1998 to 2004 period has almost totally been turned into employment. This is less true of the immigration from new member countries and still less of the immigration from outside the EU.

It has to be noted that in spite of the obvious importance of immigration to Austrian society very little research, much less continuous research and monitoring, has been financed by the authorities and the social partners. Many questions remain unasked and much is unexplained and unknown.

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