Dealing with Immigration in the Context of EU Enlargement: the Case of Transitional Provisions

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Thesis submitted in partial fulfillment of the requirements for the degree of
Master of Science in the Department of Political Science
in the Graduate School of Duke University
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ABSTRACT

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Abstract

This analysis addresses the issue of immigration in the context of the European Union enlargement. Focusing on the use of transitional provisions, it attempts to explain why and when EU leaders give workers from new member countries access to their labor market. Building on the observation that EU leaders seem not to obey the spirit of the law, I gauge the importance of domestic political stakes in the use of those provisions. The empirical results suggest that although EU leaders implement and repeal provisions based on economic circumstances, political factors do intervene in the decision-making process. The findings suggest that those political drivers are institutional rather than electoral. The paper also contributes to the broader field of European policy-making by emphasizing the role of national parliamentary systems in translating public attitudes towards the EU into policy.
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In 2004, 10 Eastern European and Mediterranean countries joined the EU, the single largest enlargement in terms of people and number of countries. It was also the first time that new joiners could be subject to transitional provisions, i.e. a temporary restriction of the free movement of labor. In anticipation of a surge in East-to-West immigration due to future EU enlargements, a clause granting existing EU member states the right to implement transitional provisions was added to the Treaty of Accession in 2003. Indeed, the 2004 EU enlargement was the first to bring economic and social heterogeneity within the union, with new member countries being half as wealthy as existing member states and causing the average GDP per capita in the EU to plummet by 9%. The following enlargement (2007) widened the wealth gap even more, with newjoiners Bulgaria and Romania becoming part of the EU with a GDP per capita of almost a quarter that of existing member states. Under such circumstances, the threat of low-paid (and often unemployed) Eastern European workers migrating to Western Europe was perceived to be significant enough to call for action on the part of the EU government.
1.1 In Need of a Theory of Migration Policy within Political Unions

There is an extensive literature dedicated to migration-related policy making (which also includes asylum seekers) and several of those pieces of literature focus on the EU policy-making. Most of those works, however, deal almost exclusively with migration from outside the Union (Kriesi et al, 2012, 2008; Guiraudon, 2000, 2003; Dancygier, 2010). In my view, there are two reasons that explain why so little work has been done on intra-EU policy making. The first one is that intra-EU migration policy does not require that EU members agree on a one-size policy that fits all 28 domestic situations. It lacks this bargaining aspect that EU scholars cherish. The second reason is that intra-EU migration has long been taken for granted since free travel across the union, as well as the freedom to work in any of the EU member states, had been unrestricted until 2004, making intra-EU policy making exogenous to national governments.

In the aftermath of the 2004 enlargement, most papers dealing with transitional provisions focused on the impact rather than the mechanism driving the use of those measures. Labor economists found that the use of transitional provisions prevented significant displacement effect in Western European nations (Kahanec et al., 2009) while migration-policy scholars concluded that in some countries that used provisions in a permissive manner (such as the UK or Ireland) public opinion voiced concerns over the impact of such lenient migration policies (Drew and Sriskandarajah, 2007). Nevertheless, it remains unclear whether those concerns were expressed politically through votes or whether they contributed to the more restrictive use of the provisions that was observed during later enlargements.

Furthermore, there is a real need for a theory that properly accounts for the use
of transitional provisions. Practically, the clause in the Treaty of Accession allows each existing member state to restrict access to their labor market for workers of a particular new member country for 2 years, extendable for another 3 years. Beyond this 5-year period, it is possible to extend the provisions for another 2 years “if there is evidence that labor flows had disrupted (or were threatening to disrupt) a country’s labor market” \footnote{Free Movement of Workers Report, European Commission, Brussels, 8th February 2006.}. Provisions only affect the right of citizens to work in another country and all the other “freedoms” granted by the single market (free movement of goods, services and capital), as well as free travel within the EU, remain applicable. In the spirit of the law, the use of transitional provisions by national governments must be driven by the necessity to smooth the integration of new member countries to protect potential disturbances on labor markets. However, the letter of the law is vague since it requires that the use of provisions be driven only by concerns over the domestic labor market after 5 years and does not mention any negative enforcement mechanism (punitive measures). Before this period, national governments are supposedly free to interpret the clause in the way that best fits their own interest. And indeed, countries varied greatly in their use of transitional measures. Concerning the group of 8 Eastern European nations that joined the EU in 2004 (aka as A8 countries), Ireland, Sweden and the UK chose to open their labor market as soon as 2004 while Germany and Austria implemented transitional provisions and did not repeal them until 2011. Besides those cross-country variations, there is also variation in the use of transitional provisions over time. For instance, Sweden has consistently opened its labor market to Eastern European workers as soon as they became EU citizens. Austria had the opposite but nevertheless consistent habit of restricting access to its labor market as long as possible (7 years in total). The UK, on the other hand, did not use the provisions for the 2004 enlargement but implemented them for both the 2007 and the 2013 enlargements. Finland is another example of a country
that is not consistent in its use of the provisions over time: it implemented them for
three years for the 2004 enlargement but not for the 2007 and 2013 enlargements.

In this thesis, I aim at improving our understanding of intra-EU policy making by
national governments. I argue that the classical arguments about migration policy
making by independent, fully sovereign states do not apply to intra-european mi-
gration policies because of the specificities of political unions. Besides the fact that
the use of transitional provisions is somewhat regulated by the clause in the Treaty
of Accession and must be officially justified after 5 years, national governments are
also constrained by their willingness to politically support the European project, of
which free movement is a fundamental pillar. The following subsection shows that
the case of the European Union challenges many accounts in the broader political
economy literature on immigration, be it purely economical or institutional.

1.2 How Transitional Provisions Challenge the Migration-Policy Lite-
erature

Transitional provisions have been created to make the EU enlargement more sustain-
able by smoothing the impact of the integration of new member states on existing
member countries. In the spirit of the law, the use of those provisions should only be
driven by the economic, social or political conjuncture, be it across countries or over
time. The literature on immigration has identified three ways in which host countries
may be threatened by an influx of migrants. In the following paragraphs, I show that
the case of transitional provisions challenges each of those three approaches and that
none can account for the observed variations in the use of the provisions.

The first one focuses on the economic and fiscal impact of immigration, and more
specifically on the domestic labor markets. This is indeed the official argument that
German and Austrian governments used in 2009 when they decided to extend transitional provisions for A8 countries to a total of 7 years (Groenendijk et al., 2010). But this is unconvincing in the face of their labor market statistics. Austria had a 5.8% unemployment rate in 2004, one of the lowest in the EU, which was similar to its 2009 level (5.3%) when it decided to extend the transitional provisions. On the other hand, Germany had a large unemployment rate (10.7%) in 2004 but similar to other countries such as Spain (11.1%) or Finland (10.4) that opened up their job market in 2006. In 2009, despite a rate of unemployment down to 7.7%, German leaders made the decision to extend the transitional measures for another 2 years. Therefore, in spite of an improvement in job market conditions, both the German and Austrian governments decided to implement transitional provisions until the very last moment.

One might argue that this can be explained by the fact that they expected the increase in labor supply to impact wages rather than unemployment. If wages are not rigid, an additional supply of workers will have the effect of reducing them instead of increasing unemployment, ceteris paribus. Such institutions as a minimum wage or powerful workers unions can make wages rigid to an increase in labor supply (Pouliakas et al, 2009). Germany did not have a minimum wage before July 2014, which could explain German leaders’ reluctance to opening their labor market to Eastern European workforce. Austria, however, has granted its workers a minimum wage since 2009 (already implemented in some sectors before that date). Unionization rates of both countries have remained close to 25% since 2000 (though slightly decreasing), which is higher than the OECD average and much higher than some other EU15 countries such as Spain (15% in 2004) and France (8%) that opened up their job markets before them, exposing themselves to the negative effect of immigration on wages. As Figures 1.1 and 1.2 below show, neither unemployment nor union density seems to be a significant predictor of repeal of the transitional provisions.
No clear pattern emerges that could explain why some countries repeal transitional provisions sooner than others or why they are not consistent in their use of transitional provisions over time.

Beside wages and unemployment, other classical arguments pertaining to the economic impact of immigration could explain the variation we observe in the use of provisions. One way to absorb the depressive effect of immigration is to increase the production in sectors that use intensively the labor type that has become cheaper (Stolper and Samuelson, 1941). Such a shift in production is only possible in big, diversified economies and those sufficiently opened to trade so that the production surplus can be unloaded onto the international market. If an economy is not well diversified or is closed to international trade, it might not be able to cope with a surge in labor supply. It seems unlikely that this could explain why some states protect themselves against Eastern European immigration and some do not. Indeed, all EU15 economies are largely open to trade, be it with the rest of the EU or with the rest of the world. Furthermore, the size of the economy doesn’t seem to account for the variation in the use of transitional provisions: the UK, France and Germany, the largest economies of the Union, opened their labor market to A8 countries in 2004, 2008 and 2011 respectively. Many small economies opened their job market to A8 new joiners earlier than some bigger economies did: tiny Luxembourg repealed the provisions in 2007 and small Portugal and Ireland in 2006 and 2004 respectively. And even small economies such as Luxembourg have relatively developed agriculture, industry and services sectors, which makes it unlikely that a the degree of economic diversification explains the variation in the use of transitional provisions. Figures 1.3, 1.4 and 1.5 below show that there is no obvious relationship between the repeal of transitional provisions that applied to A8 countries and the share of GDP in each of the economic sectors.
Figure 1.1: Effect of unemployment on time before repeal (A8 countries only)

Figure 1.2: Effect of strength of workers union on time before repeal (A8 countries only)
To conclude, the quick checks carried out in the previous paragraphs show it is not obvious that economic circumstances (when taken separately) drive the use of transitional provisions. Besides the economic impact of immigration, national governments may also care for the impact on social order among the population. Dancigyer (2010) offers an interesting theory that accounts for immigration-related conflicts in several Western European countries and that could explain the willingness of some countries to repeal the provisions later than their neighbors. This theory suggests that conflict is likely to occur when there is a scarcity of jobs, housing or other material goods that leads to either conflict with natives or with the state. The type of conflict that these shortages entail depends on whether migrants have political leverage, such as the right to vote at local elections or a relative ease to acquire citizenship. If they do have this political leverage, they can voice their grievances towards political actors and be allocated the resources they lack, therefore competing with natives and entering in direct conflicts with them. If they do not have any political leverage, Dancigyer argues, they voice their concerns to the state by entering in direct conflict with the police.

In an attempt to apply Dancygier’s theory to the EU case, two specificities come to mind. First, EU citizenship grants its holders the right to vote in municipal elections in the EU member state where they reside. One might expect that this right to vote enables them to voice their concerns to local political actors in the polls if needed. But more importantly, any EU migrants can claim the same rights as natives to a number of resources, such as access to the job market, healthcare, education, public housing and unemployment benefits. Therefore, it seems that in situation of resources scarcity EU migrants will compete directly with natives and enter in conflicts with them. It remains to prove, however, that national governments have
**Figure 1.3:** Effect of strength of the services sector on time before repeal (A8 countries only)

**Figure 1.4:** Effect of strength of the services sector on time before repeal (A8 countries only)
considered the threat to social order when using transitional provisions. As seen in the previous paragraphs, job scarcity does no seem to account for the observed variation in the use of provisions, neither overtime nor across countries. As far as the scarcity of other goods is concerned, a methodological shortcut consists at looking at the degree of welfare state. In Dancigyver view, welfare states are more prone to conflicts since state actors are more sensitive than market actors to anti-immigration (conflicts with natives) and antistate (conflicts with police) activities. However, one might also expect the likelihood of conflict with the state to be lower in welfare states since the provision of scarce resources is cheaper in those countries than in states where the market provides them, especially for the low-income populations, such as migrants.

Whatever stand one takes about the impact of welfare on the likelihood of conflict, it doesn’t seem to be of significant help in explaining the observed variation in the

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**Figure 1.5**: Effect of strength of the services sector on time before repeal (A8 countries only)
Figure 1.6: Effect of state-provided welfare on time before repeal (A8 countries only)

use of provisions. As figure 1.6 below shows, there is a slightly negative relationship between the hourly cost of labor (a proxy for state-provided welfare) and the time before existing EU member states repealed provisions for A8 countries, but no clear pattern emerges.

Indeed, Sweden is the country whose hourly cost of labor is highest in the EU at 9.7 euros, France is a close second with 9.6 euros and Belgium is third with 8.8 euros. Those three countries repealed provisions for A8 countries in 2004, 2008 and 2009 respectively, despite similar levels of welfare. Italy and Greece both repealed provisions for A8 countries in 2006, but Italy had a significantly higher cost of labor with 6.8 as opposed to 3.9 in Greece. And as the provision of welfare by the state is stable over time, it definitely cannot explain overtime variations in the use of provisions by the same country. To be sure, this single observation doesn’t prove Dancigyer’s theory wrong when applied to the case of the European Union. Her argument is built on a general notion of economic scarcity that encompasses jobs and housing and that
cannot be reduced to state-provided welfare. In the lead-up to the EU referendum that took place in the UK in June 2016, many Eurosceptic politicians used the state-provision of welfare to non-British EU citizens as a cornerstone for their campaign to leave the EU. From the results of the referendum, we can undoubtedly say that Dancigyer’s argument is relevant to the British case. Despite few natives-migrants clashes, the resentment on the part of British nationals towards EU residents in the UK translated into policy through their decision at the ballot boxes to leave the EU. But as far as the use of transitional provisions is concerned, jobs and welfare scarcity alone cannot account for the observed variation, be it overtime or across countries.

The third and final approach taken by scholars focuses on the political threat induced by a permissive migration policy. Hollifield (2004) argues that the need for economic sustainability of immigration can conflict with liberal values held by national governments, values that are not necessarily shared by the opposition and the electorate. Beside concerns over the job market and social order, governments also care for political cohesion in the country (Weiner, 1993; Weiner and Russel, 2001). Existing theories aiming at determining parties’ positions on immigration do not yield clean-cut outcomes. Leftist parties may be split between protecting the interests of the working class as well as those of migrants. Right-wing parties are similarly hesitant between providing businesses with cheap labor and being pressured by a substantive part of their conservative electorate that has traditionally be anti-immigration. In Europe, right-wing politicians seem however more prone to restrictive migration policy in the lead-up to national elections (Kyung Joon Han, 2013). Only for European radical right parties a consensus was found. Scholars agree that they take a clear anti-immigration stance and successfully shift migration-policy towards the restrictive end of the spectrum (Kitschelt, 1997; Givens, 2005).
The case of transitional provisions exemplifies well the lack of clear position on immigration by mainstream parties. When the first provisions were used for the 2004 enlargement, none of the EU15 national governments was in a coalition with an extreme right party, apart from Austria (during the 2000-2007 chancellry of Wolfgang Schussel). Both the UK and Germany were run by center-left governments at that time (led by Labour’s Tony Blair and social-democrat Gerard Schroder respectively) but the UK chose not to implement provisions at all while the German government did. On the other hand, both Ireland and France were run by conservative governments in 2004 (led by Bertie Ahern in Ireland and Jacques Chirac in France) but the former did not implement the provisions at all while the latter repealed them as late as 2008.

It is clear that the existing theories related to the impact of immigration on the economy, social order and political cohesion cannot account for the observed variation in the use of transitional provisions and that a theory is needed to explain how national governments deal with immigration policy-making in a political union. Although I believe that national governments do take economic circumstances into account when making the decision to repeal provisions, I argue that political concerns at the domestic level play a significant role. The basis of this argument lays in the fact that intra-EU immigration is a very sensitive topic for mainstream parties and that political elites avoid taking a clear stance in favor of an open immigration policy for EU citizens. Especially in the lead-up to national elections or during time of widespread anti-immigrant sentiment in the population, it seems best for national leaders not to make the decision to open up the labor market. On top of popular pressure, the importance of eurosceptic parties in the domestic political arena may also impact the use of transitional provisions. This is even more important in the context of the EU where anti-immigration parties are also eurosceptic and turn the
issue of immigration into a broader issue of sovereignty. I develop this theory in the following chapter and identify a set of domestic political factors that I claim intervene in the decision-making process. I confront those factors against a theory of skill and sector-based economic calculations that leaders of EU countries are assumed to make when assessing the economic impact of immigration. The following paragraphs build on these arguments to design a decision-making process to repeal provisions based on economic, social and political components (chapter 3). I then design an empirical model to confront economic with political factors and gauge the importance of national politics in the use of the provisions. Chapters 5 is dedicated to the results of the model and the last chapter concludes.
A Theory of Intra-EU Migration Policy-Making

This chapter aims at propounding a theory that accounts for the way national governments set their migration policy vis à vis other EU member states. As free movement of labor is one of the key pillars of the European Union, this kind of policy has so far been limited to transitional provisions in the context of EU enlargement. However, if sovereignty over the movement of labor within the EU was to be given back to national governments, this theory would be an appropriate setting to study policymaking on this topic.

The arguments outlined below fit into two categories (economic and political) that encompass a broad range of factors that influence policy-making on intra-EU migration. Those factors could be organized differently but it is important to put emphasis on political factors because they best account for the specificities of the EU, as opposed to the broader literature on immigration that assumes states to be sovereign over this issue. The first subsection therefore focuses on the economic determinants. It is greatly inspired by the existing literature on the economic impact of immigration and EU member states are assumed to differ from other countries only with regard to the theory of optimum currency area. The second subsection
brings up the most novel ideas of this theory compared with the existing literature. I explain that eurosceptic parties in the EU can gain political leverage in the domestic political arena by politicizing EU-related policies into an issue of national sovereignty.

2.1 A Skill- and Sector-Based Assessment of Immigration

As shown in the introduction, there seems to be no link between the repeal of transitional provisions and the general level of unemployment and wages in the economy. However, the academic literature on immigration suggests that policy-makers may take a more detailed look at the labor type of both the immigrants and the native population in order to assess the economic impact of immigration. The skill-focused study of immigration is based on the idea that immigrants might be recruited because they are willing to perform tasks more cheaply than do natives, competing with them and sometimes leading to a displacement effect. But for any impact on wages to occur, the skill set of migrants must match that of native workers. In other words, skilled or unskilled immigrants threaten only natives who have the same set of skills.

Empirically, the theory has proven true. In the US, where immigrant workers are less skilled than their native counterparts, the job prospects of unskilled natives have been negatively affected by immigration (see for instance Levine, 2010; Card, 2001, 2005). Using US data from the early 1990’s, Caramota (1997, 1998) finds that a 1% increase in immigrant composition in an occupation leads to a 0.8% decline in weekly wages for unskilled native workers but only 0.5% for native workers of all skill type. At the European level, Pouliakas et al (2009) find that unskilled immigration does widen the skill wage premium, i.e. affects unskilled more than highly skilled natives. Therefore, policy-makers should expect Eastern European immigrants to
impact native workers of the same skill type and that the overall impact of immigration depends on the skill composition of the host economy relative to that of the incoming migration wave. Based on 2005 data about intra-European immigration, Kahanec and Zimmermann (2010) find that EU immigrants are usually as skilled as natives, apart from immigrants working in Germany and France.

But the general composition of skills among immigrants is not the only economic factor that EU governments may take into account. What follows logically from the literature on skill types is that all economic sectors won’t be equally impacted by the migration wave if they do not have the same skill composition. Indeed, food, catering and hostelry are unskilled-labor intensive sectors, while financial services rely heavily of skilled white-collar workers. Therefore, unskilled immigration should impact food, catering and hostelry much more than it affects workers in the financial industry. The other way round, an increase in high-skilled immigration will affect financial services much more than it will affect the food and catering industry.

Beramendi et al (2015) find that immigrant labor is particularly concentrated in a small set of industries in Europe, such as accommodation and food or household goods and service production, that is to say with predominantly unskilled jobs. This can be explained by the fact that migrants might not be able to compete with natives in occupations that require a strong command of the local language and culture (Peri and Sparber, 2009), usually highly skilled sectors such as education or management. This concentration might also be due to a snowball effect, with immigrants using their network to find jobs in their host country and finding a position in the same industry as their fellow immigrant workers. Such ”network” effect has been especially studied at the geographical level, with immigrants tending to be much more geographically concentrated than natives (Chiswick et al., 2002). Those findings
suggest that European policy-makers assessing the impact of labor movement within the EU should pay attention to both the skill type and the economic sectors in the migrants’ population and in the host country.

This said, one specificity of some European countries is that they share a common currency whose regulation is entrusted to a single central bank based in Frankfurt, the ECB. According to the optimal currency area literature, labor mobility is a necessary condition for currency unions to be successful (Mundell, 1961). Since there is a single monetary policy for the whole currency union, adjustments to economic shocks must occur through migration of labor. The literature on the optimal currency area theory is large and many scholars have assessed the importance of labor mobility within currency unions by comparing the United States and the European Union (see for instance Fahri and Werning, 2014). In the United States, where there is no language barrier to free movement of labor, residents of a crisis-hit state can move to another state where unemployment is lower and balance out the impact of a negative shock. On the other hand, the European Union is not considered an optimal currency area because of language and cultural differences that restrict labor mobility. As far as transitional provisions for the 2004 and 2007 enlargements are concerned, national governments may have understated the importance of labor mobility: Slovenia and Slovakia were the only two A8 countries that joined the Eurozone before the maximum 7 years of implementation of the provisions (in 2007 and 2009 respectively) but their citizens were not treated any differently from other A8 countries’. In the light of the Eurozone debt crisis, one might expect Eurozone governments to be more sensible to the idea of labor mobility when dealing with intra-EU migration policy-making.
2.2 National Stakes in European Politics

This section of the theory focuses on the influence of domestic political factors on intra-EU migration policy-making. I explain that eurosceptic parties in the EU can gain political leverage in the domestic political arena by politicizing EU-related policies into an issue of national sovereignty. To do so, I use an institutionalist approach (Freeman and Kessler, 2008) and focus on the roles of party systems and electoral arrangements. The specificity of the European Union as a political project resides in the fact that national governments were united in their willingness to push for more European integration. Except the very liberal UK, national governments across the EU have been ideologically positioned around the center as either Christian or Social democrats. Those pro-Europeans parties are generally favorable to state-provided welfare and support intra-EU immigration, be it because of their pro-European sentiment or the belief that young and active migrants contribute positively to (Western European) ailing pension systems. Radical right-wing parties, on the other hand, have resisted the EU project in its current form and have preferred their own project of a “Europe of nations”. Until recently, they have never managed to become a driving force in national governments (except Austria) and had little influence on EU policy-making.

But as European integration went further, radical right-wing parties across Europe have learnt how to make the most of their nationalist ideological position. They have learnt how to politicize such issues as financial redistribution or immigration in the EU as popular concerns for national sovereignty and identity (Hooghe and Marks, 2009, 2012). Since valuing cultural homogeneity is a good predictor of attitudes towards immigration, as opposed to individual economic indicators, it is not surprising that nationalist parties have been able to mobilize masses of people against
intra-EU immigration in recent years. Kriesi et al. (2008, 2012) provide empirical evidence that radical right-wing parties have been most successful at mobilizing on immigration issues in Europe, especially among low-skilled people who traditionally support restrictive immigration policies.

Furthermore, it would be simplistic to posit that only anti-immigration parties would take a clear stance in favor of restrictive intra-EU migration policies. The rise of populism across Europe does not stem only from resentment towards immigration and many eurosceptic parties are ideologically located on the left side of the political spectrum. In Southern European countries where the European Commission is held responsible for disputed austerity measures, support for populist parties such as Greek Syriza or the Italian Five Star Movement has surged in recent years. Independent of their position on immigration, I assume that those parties’ anti-EU sentiment may lead them to vote against further EU integration.

I set my theory in the context of a government led by a pro-European party (a situation that fits most EU member states, apart from Austria in 2000-2007 and Greece today) and in which the majority in the national parliament is also held by a coalition of pro-European parties. Beside economic factors, pro-European parties also take into account the views of interest groups and the public when addressing intra-EU migration policies. More specifically, they are sensitive to anti-immigration sentiment among the population and trade-unions whereas they are pressured to implement permissive policies on the part of businesses and the European Commission.

Populist parties, on the other hand, see their influence on immigration policies limited to the number of seats they occupy in national parliaments. Radical-right parties will thrive with people’s resentment against migrants while I assume left-
ist eurosceptic parties to gain support with anti-establishment arguments only. As opposed to mainstream parties that are part of the government, they are not accountable to the European Commission and are less called upon by interest groups. But independent of the level of popular support they get, populist parties are limited by their small representation in the national parliaments. In majoritarian systems (in which only one member of parliament is to be elected per constituency), populist parties struggle to gain a level of representation that matches the number of votes they received nationally. This was exemplified in the 2015 general elections in France where the Socialist party withdrew 3 of its candidates to hinder the populist Front National party. On the other hand, they flourish in parliaments with a proportional or semi-proportional election system. Therefore, the ability of populist parties to turn popular support into policy-making power depends on the type of parliamentary system. Once they gain representation, they can either use their vote to shift the outcome towards a more restrictive policy or engage in vote trading (i.e. by offering their fellow MPs support on issues they favor in return for their vote in favor of a more restrictive outcome).

The next chapters apply this theory to transitional provisions and empirically gauge the influence of party systems on immigration policy-making. This is an excellent opportunity to do so since those provisions are one of the few restrictions to labor mobility put into place by the European Commission. I confront economic with political factors within a single decision-making process that I describe in the following chapter.

It is reasonable to assume that leaders make the decision to repeal provisions and open their job market when it is the least vulnerable for them to do so. I argue that leaders go through this decision-making process each year, from year 1 when they make the decision whether to implement the provisions and the following 6 years when they make the decision whether to repeal them. At the end of the 7 years, no decision has to be made since the repeal of transitional measures is forced by the EU. The decision-making process operates as follows: each year, governments gauge the state of their labor market and assess the economic threat of an increase in labor supply from Eastern Europe. Based on the economic calculations they made, they anticipate the political reaction that a repeal of provisions would cause and then make the decision to bring the bill to the floor of the parliament. At this stage, the final issue of the vote will be dependent on the political leverage acquired by populist parties.

First, leaders compare the average income earned by workers of a certain skill-
type in a certain sector both in their home country and in new member countries. All other things equal, a higher salary in the host country relative to a new member nation makes the host country a very attractive destination. The threat to native workers is even more important if the wage differential is large because the cheap labor supply will make the average wage in the host country drop dramatically. In those situations of large wage differential, it is likely that the influx of immigrants is big and that leaders refrain from repealing transitional provisions in order to protect their workers. One might expect liberal governments might be lobbied by pro-business organizations to lift up provisions but I argue that the political power of trade-unions and the public counteracts this effect.

**Hypothesis 1**: the probability that transitional provisions are repealed by a host country decreases in the wage differential between the host country and a new member country (for a specific skill-type and sector).

For simplification, I make the assumption that skills are sector-specific, i.e. are not transferable from a sector to another and that there is not spill over effect. That is not necessarily a far-fetched assumption: Iversen and Cusack (1998) show that unskilled blue-collar workers struggle to adjust to similarly unskilled service sector jobs because they lack social skills. Therefore, it is appropriate to posit that Eastern European workers in a specific industry will not be tempted to migrate to an existing member state because of attractive wages there in another industry than the one they belong to. In other words, migrants are assumed to "travel with their skillset and sector".

The theory outlined in the previous chapter also suggests that migrants will be deterred from migrating to a host country if unemployment is high there. The
assumption that skills are industry-specific entails that migrants will compare unemployment rates in the same sector at home and abroad, and for the skill group they belong to. Low unemployment in the host country makes it an attractive destination. On the other hand, a high rate of unemployment might not be sufficient to deter migrants from coming if they believe they can find a position thanks to their cheap labor cost. However, the labor cost of a migrant does not travel with them depending on the rigidity of wages in the sector. For instance, a strong workers union or a high minimum wage might rise the labor cost of migrants and make them not as appealing to employers anymore. Leaders may anticipate this reasoning and repeal transitional provisions only if the unemployment differential remains moderate (not too attractive) and if it exists labor institutions that make wages rigid to an increase in cheap labor supply.

**Hypothesis 2**: the probability that transitional provisions are repealed by a host country decreases in the unemployment differential between the host country and a new member country (for a specific skill-type and sector), dependent upon the rigidity of wages.

I assume that the decision-making process to repeal provisions is iterative. Every year, the composition of the labor supply changes because some existing member states open up their job market and workers from Eastern Europe have migrated, thus changing the size and composition of the labor force that stayed home. I make the assumption that the immigrant labor supply is limited because not every Eastern European citizen is willing to migrate. To be sure, new generations of workers join the labor force every year but European integration is supposed to bring economic growth and prosperity to new joiners. As time passes, socio-economic conditions and living standards should improve in Eastern European countries and the amount of
labor willing to migrate should diminish. This seems to be a fair assumption to make as the average economic performance of A8 countries has surpassed that of EU15 member states almost every year since 2000 (Figure 3.1).

Finally, I make the assumption that A8 workers settled down in an opened EU15 state will not move to another EU15 nation once this latter country has repealed transitional provisions. This might not be true at the micro-level but for simplicity I assume that leaders do not take this possibility into account when making a decision about transitional provisions. In other words, EU governments gauge the economic impact of immigration based solely on Eastern-European workers still living there.

Once the government has assessed the economic impact of a potential repeal of the provisions, it reflects upon the political implications of supporting a repeal of provisions. The first aspect taken into consideration is the anti-immigration sentiment among the population. Free movement of labor is a sensitive topic in many Western
European nations, especially in crisis-hit countries where resources are scarce. In those situations, I assume that for the sake of a leader’s (and his/her party’s) popularity, the smartest political move is to postpone the repeal of transitional provisions. In those instances, leaders are incentivized to transfer the responsibility of repealing the provisions to the next government or wait for the end of the maximum period (7 years) and put the responsibility for opening up the labor market on the European Commission.

**Hypothesis 3:** the probability that transitional provisions are repealed by a host country increases in public support for immigration.

Figure 3.2 below shows that there is no obvious link between public support for immigration and the repeal of provisions for A8 countries, which suggests that little support will be found for this hypothesis once non-A8 countries are included in the sample.

I also expect the effect of anti-immigration sentiment and on wages and unemployment to be amplified in the run-up to national elections. This has empirically been proven true for right-wing parties in the EU in the 80’s (Han, 2013) that toughened their stance on asylum policies in the lead-up to elections. While one might expect left-wing parties to be more at ease with their preferences for permissive immigration policy, I also posit that they soften their position when their electoral fortune is at stake. In other words, governments are less likely to submit a bill to parliament to repeal the provisions when a general election is coming up.

**Hypothesis 4:** the probability that transitional provisions are repealed by a host country decreases in the lead-up to national elections.
The third step occurs after the government brought to the floor the bill to repeal the transitional provisions. The success of the final vote to repeal is inversely proportional to the numerical strength of populist parties’ MPs. This strength has two sources, the first one being the anti-immigration resentment on which nationalist parties thrive (Hypothesis 3), and more generally support for their anti-EU position. The second source is the type of parliamentary system which impacts the way the number of votes translates into numerical strength in the parliament. In proportional systems, populist parties secure as many seats as the number of votes they got from the ballot boxes at the national level. In majoritarian systems, however, the number of seats that populists get is dramatically reduced since they need to win a constituency to get the corresponding seat in the parliament.

**Hypothesis 5**: the probability that transitional provisions are repealed by a host country is higher when the parliamentary system is majoritarian.
The final stage consists in the final vote of member of parliaments. The numerical strength of populist parties allow them to shift the vote outcome away from the repeal of provisions, trading their future votes on other policy issues if necessary. The Austrian example examplifies well the role of right-wing parties in using transitional provisions in a restrictive manner. Its Freedom Party has been part of a government coalition from 2000 to 2007 and almost gathered 50% of the votes in the 2016 elections. At the same time, Austria is the only nation that consistently implemented transitional provisions for the maximum period possible (7 years) for the 2004, 2007 ans 2013 enlargements. I am therefore confident that the decision-making process outlined above will prove true when confronted with the data in the next chapter.
In order to test the theory, I use a discrete time duration model to represent the probability of repeal over time (for a discussion of duration modelling in political science, see for instance Box-Steffensmeier and Zorn, 2001). This method helps model when an event occurs as a function of time-varying characteristics of units, which is appropriate for the iterative decision-making process outlined in the previous chapter. I chose to use a discrete time model as opposed to a continuous one because although national governments are free to make the decision to repeal the provisions anytime, I believe that they go through the decision-making process no more than once a year. Each observation corresponds to the triad country-new joiner-year \(ijt\), with the dependent variable Repeal being a dummy coded 1 if the transitional provisions are repealed by country \(i\) for new joiner \(j\) in year \(t\), 0 otherwise. In other words, the model computes the likelihood that provisions are repealed (1) given non-occurrence (0) up until that point. Data are coded as missing after the provisions are repealed.
4.1 Potential Economic Predictors

Each of the 2 hypotheses regarding the effect of economic factors on the probability of repeal will be tested using a set of 9 economic independent variables. This corresponds to the first step of the decision-making process when governments assess the impact of a potential repeal of the provisions.

The first hypothesis posits that a higher wage differential should have a negative effect on the probability of repeal. I compute the Wage gap for both unskilled and highly skilled workers in the 3 sectors (coded 1 to 3) of the economy that employ the most immigrants. I focus on those 3 sectors because of the network effect mentioned in the literature review: immigrants are most likely to find a job (and thus to migrate) in a sector if a member of their network already works there. I identify those 3 sectors using the methodology of Beramendi et al. (2015) and European Labor Force Surveys. For wage differentials (broken down by skill type and sector), I use data by the World Input-Output Database’ Social Economic Accounts (Timmer et al., 2015). Since the WIOD data are in local currency, I use the World Bank’s price level ratio of PPP conversion factors to convert local currencies in US dollars and balance out the price differences between countries. I use the definition of unskilled and highly skilled labor as provided in the WIOD dataset, which corresponds to the categories of people with educational achievements of the 0 through 2 (unskilled) and 5 through 8 (highly skilled) ISCED levels.

The second hypothesis posits that a higher Unemployment gap should have a negative effect on the probability of repeal in the absence of institutional wage protections, such as a powerful workers union or a minimum wage. I operationalize this idea by computing the differential in unemployment between the host country and the new member country for both skill types. Unfortunately, there is no historical
data available for all EU countries regarding the minimum wage so I only use trade union density to represent the level of rigidity of wages. Furthermore, there is a lot of heterogeneity in the minimum wage systems in the European Union so that any attempt to conduct a cross-sectional study of minimum wages is vain. I use OECD data to measure trade union density (at country level) and Eurostat historical data for unemployment rates.

4.2 Potential Political Predictors

This second set of predictors focuses on the political implications that a potential repeal of the provisions could have for the government, as well as the likelihood that populist parties gain representation in the national parliament and impede the repeal.

In the third hypothesis, I expect that probability of repeal to increase with public support for immigration (and thus decrease with anti-immigration sentiment among the public). I use data from a European Social Survey question which asked a panel of European respondents whether they believe that "it is generally bad or good for the economy that people come to live here from other countries". The Public support variable is built on answers to this question scored from 0 (bad for the economy) to 10 (good for the economy). As the survey is conducted every other year from 2002 through 2016, I compute the scores for the years 2005, 2007 and 2009 using interpolation. One might argue that this measure only capture the perceived threat of immigration from an economic perspective rather the general level of resentment towards immigrants. However, because transitional provisions apply to immigration within a culturally homogeneous Europe, I believe that the mere economic aspect of immigration captures what is at stake for the public regarding the repeal of provisions.
The fourth hypothesis posits that the probability of repeal diminishes in the lead-up to elections. The *Election* variable is a dummy coded 1 if a general election (president in presidential systems and head of government in parliamentary systems) occurs that year. This variable was coded manually using information found on the country-specific webpages of the Norwegian Center for Research Data.

Finally, the last hypothesis posits that the probability to repeal transitional provisions is higher in majoritarian system because it makes it harder for small populist parties to gain representation in the national parliaments. I expect it to be reflected in an increase in the probability to repeal transitions, either because anti-immigration MPs can cast their vote against the repeal of provisions, or because they have acquired political bargaining power through their representation in the parliament. I code the *Majoritarian system* variable manually based on a dataset provided by the University of Maryland.

### 4.3 Control Variables

A few control variables are necessary to incorporate the traditional determinants of immigration that Western European leaders may also take into account in their decision-making process. Most of those controls measure other aspects of living standards than wages and unemployment. Geis et al (2013) find that the quality of healthcare and education system are positive predictors of migrants’ destination choice. For lack of better measurement tools, they use *PISA test scores* to control for the quality of the education system. I use the exact same control in my analysis and expect it to have a positive effect on the probability of repeal.
Another set of literature identifies the degree of welfare state (social expenditures) to be a significant predictor of a migrant’s destination choice but with conflicting results. Borjas (1999) finds welfare benefits to be positively associated with immigration in the US but Geis et al. (2013) finds unemployment benefits to have a significant negative effect (in the USA, Germany, UK and France). However, both studies focused on the migrant’s decision making process and not on what leaders perceive the migrants’ decision making process to be. Unfortunately, as for the minimum wage, there is no available data for all EU countries regarding unemployment benefits. Therefore, I use the Labor cost data provided by Eurostat as a proxy for welfare benefits, although it doesn’t allow for a distinction between employers’ contributions towards unemployment benefits, retirement benefits or health care expenditures. This measure represents the amount of taxes and contributions paid by an employer for every hour worked by an average employee. As the data are measured every other year in the Labor Force Surveys conducted by the European Union, I interpolate the data for the years 2005, 2007 and 2009. I have no expectation regarding the sign and significance of this control variable.

Finally, some of the literature on immigration focuses on the cultural determinants that drive the choice of immigrants for their country of destination (Pedersen et al., 2008; Docquier et al., 2009; Mayda, 2010). All Eastern European countries that have joined the EU are predominantly Christians and language does not seem to be a discriminant factor because none of the Eastern European countries shares a language with any of the existing member states. Of course, English is the predominant language in Europe but German is also particularly prevalent in Eastern European countries. Therefore, I cannot see any consistent pattern that makes religion or language worth controlling for in the model. I acknowledge, however, that this might be a significant factor in future EU enlargements where predominantly
Muslim countries will join the union (Bosnia-Herzegovina, Turkey). Similarly, time zones and geographical distance are not relevant on the European scale. To be sure, Germany, Austria and Italy are the only Western nations that share land borders with Eastern European countries. Austrian leaders even used their geographical proximity with A8 countries as a justification for extending the provisions. Similarly, one might argue that Finland, Sweden and to some extent Denmark are also particularly vulnerable to Eastern European immigration because there are only separated from Baltic states by the Baltic sea. However, the Baltic sea is long and expensive to travel by ferry (at least 100 and 2 hours between Helsinki and Tallin). Therefore, geographical proximity only makes sense as a predictor of vulnerability to immigration for Austria and Germany and is not relevant to other countries in the data. I do not control for any cultural variable in this analysis.
5

Empirical Results

5.1 Duration Model

The original sample size was 550 but was reduced to 281 due to missing values for observations including some Eastern European countries. Based on this sample, the duration model yields mitigated results but validates some of the hypotheses. Table 5.1 below displays the coefficients for economic and political predictors and the corresponding standard deviations, obtained with maximum likelihood estimation. Note that the coefficients of a duration model outcome need to be transformed in order to compare the magnitude of the effect of each individual predictor. Like a logistic regression, the raw coefficients (displayed in the tables) give the changes in the latent propensity of event occurrence given non-occurrence up until that time point. The first difference (that is to say the change in the probability of repeal for a change in a predictor) is then derived from the raw coefficients.

Firstly, only 2 of the 6 Wage gap variables are significant. Those are the variables measuring the wage gaps for both unskilled and highly skilled workers in the third
Table 5.1: Duration Model

<table>
<thead>
<tr>
<th></th>
<th>Repeal</th>
</tr>
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<tbody>
<tr>
<td>(Intercept)</td>
<td>−6.30</td>
</tr>
<tr>
<td></td>
<td>(5.40)</td>
</tr>
<tr>
<td>Wage gap, unskilled, sector 1</td>
<td>−0.07</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
</tr>
<tr>
<td>Wage gap, unskilled, sector 2</td>
<td>−0.09</td>
</tr>
<tr>
<td></td>
<td>(0.08)</td>
</tr>
<tr>
<td>Wage gap, unskilled, sector 3</td>
<td>0.12*</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
</tr>
<tr>
<td>Wage gap, highly skilled, sector 1</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
</tr>
<tr>
<td>Wage gap, highly skilled, sector 2</td>
<td>0.05</td>
</tr>
<tr>
<td></td>
<td>(0.04)</td>
</tr>
<tr>
<td>Wage gap, highly skilled, sector 3</td>
<td>−0.08**</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
</tr>
<tr>
<td>Unemployment gap, unskilled</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
</tr>
<tr>
<td>Unemployment gap, highly skilled</td>
<td>0.07</td>
</tr>
<tr>
<td></td>
<td>(0.10)</td>
</tr>
<tr>
<td>Union density</td>
<td>−0.06</td>
</tr>
<tr>
<td></td>
<td>(0.07)</td>
</tr>
<tr>
<td>Election</td>
<td>−0.32</td>
</tr>
<tr>
<td></td>
<td>(0.36)</td>
</tr>
<tr>
<td>Majoritarian system</td>
<td>1.76**</td>
</tr>
<tr>
<td></td>
<td>(0.65)</td>
</tr>
<tr>
<td>Public support</td>
<td>0.07</td>
</tr>
<tr>
<td></td>
<td>(0.11)</td>
</tr>
<tr>
<td>PISA test score</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>(0.01)</td>
</tr>
<tr>
<td>Labor cost</td>
<td>−0.23**</td>
</tr>
<tr>
<td></td>
<td>(0.09)</td>
</tr>
<tr>
<td>Percent Correctly Predicted</td>
<td>76.51%</td>
</tr>
<tr>
<td>Null Model Correctly Predicts</td>
<td>74.38%</td>
</tr>
<tr>
<td>Log Likelihood</td>
<td>−142.09</td>
</tr>
<tr>
<td>Deviance</td>
<td>284.19</td>
</tr>
<tr>
<td>Num. obs.</td>
<td>281</td>
</tr>
</tbody>
</table>

***p < 0.001, **p < 0.01, *p < 0.05
sector employing the most immigrants. It is surprising that none of the coefficients for wage gaps in the two biggest immigrant-intensive sectors are not significant but that the third is. Two observations emerge from a perusal of the data: in 65% of cases, the first and second biggest employers of immigrant labor are the food and accommodation sector and people employed by households. In the third sector, however, those two activities account for only 30% of the observations in our sample. The first, second and third sectors employing the most immigrants also show significant differences in terms of wage gaps: in the two biggest employers of immigrant workforce, the median wage gap for unskilled workers is 8.1 and 6.9 US dollars respectively versus 10 US dollars for the third sector. The difference is even wider for highly skilled workers: the median wage gap between Western European and new member states is 9.9 and 7.1 US dollars for the first two biggest immigrant-intensive sectors and 14.1 for the third one. This suggests that EU leaders do not pay much attention to those sectors that employ the most people but rather to those in which the wage gap is wider, which would explain why only variables for sector 3 are significant. Surprisingly, the coefficient for the unskilled wage gap is positive, meaning that a greater wage gap for unskilled workers favors the repealing of provision. A potential explanation could be that there is strong institutional protections of unskilled workers as opposed to skilled workers: there are more blue-collar workers that are member of a union and they are the ones that are directly concerned by the minimum wage. On the other hand, the coefficient for the wage gap among skilled workers is negative, confirming that EU leaders seek to protect the population from a much cheaper labor force. Their wages are way above the minimum wage and therefore are not protected from a downward effect caused by immigration. This pattern is at odds with the literature that has clearly identified the low-skilled electorate as having stronger anti-immigration preferences compared with their high skilled counterparts. What the findings suggest is that pro-business interest groups have successfully lobbied
and secured a favorable policy outcome that will provide them with cheap, unskilled labor from Eastern Europe.

Secondly, the unemployment gap is not a significant predictor of repeal, be it for unskilled or highly skilled workers. One potential explanation for this can be that EU leaders assume that a broad wage gap is a sufficient incentive for Eastern European labor to migrate. However, there are many instances of country dyads in which the wage gap is small but the unemployment differential is important (both variables are uncorrelated for both skill types). This makes even more intriguing the fact that EU leaders seem not to pay attention to the unemployment differential in their assessment of the threat of immigration. Note that the Union density variable is not significant, which goes contrary to the expectations that EU leaders of countries with strong unions would feel that their workers are protected from a downward pressure on wages. This lack of significant effect can be explained by the fact that there is a clear downward trend overtime for union density rates in all countries in the sample. Because there is such a negative correlation between union density and time at the country level, it might be that the expected positive effect of union density on the probability of repeal (especially for cross-country variations) is zeroed out by the negative correlation of this variable with the time. An alternative explanation could be that when union density is high, they have sufficient political leverage to voice their traditionally anti-immigration views, so that this political power cancels out the positive effect of union density on the probability of repeal.

Thirdly, the type of parliamentary system is the only significant political predictor of the probability of repeal. This confirms the main argument on the theory, which is that independent from the level of anti-immigration resentment, eurosceptic parties can vote against the repeal of provisions and restrict European integration.
The coefficient for the \textit{Election} dummy is negative, as expected, but falls short of significance, suggesting that mainstream parties remain clear on their pro-European stance in the lead-up to national elections. Using an alternative measure and coding this variable as the number of years before the next election doesn’t yield more significant results. Finally, the level of public support for immigration is hardly positive and not significant at all. This suggests two implications: first, popular support for anti-immigration parties seem not to translate into a different policy outcome, confirming the importance of the parliamentary system as an barrier to populism. Second, this suggests that European integration and more specifically free movement of labor within the EU is a policy issue with which parties do not compromise based on public support for it.

Note that the \textit{Labor cost} control is significant and of the expected negative sign, meaning that welfare Western European states tend to postpone the repeal of provisions longer than others. This does not mean that governments perceive Eastern-European immigration as detrimental for the sustainability of their welfare systems but rather that they expect their electorate to be more sensitive to this increase in competition for state-provided resources.

To conclude, the results of the duration model seem to suggest that transitional provisions are indeed used when EU leaders deem necessary to smooth the integration of a new member country with a low-paid labor force. They seem to be particularly concerned with protecting skilled workers whose paychecks are not protected by institutions. National politics also play a role but not in the form of electoral stakes, as parties seem to be consistent in preferences for or against free mobility of labor in the EU. Rather, the type of parliamentary system seem to influence the use of transitional provisions. But to what extent? Has the effect of the political predictor a larger magnitude than that of economic predictors? Figure 5.1 presents the prob-
ability of repeal depending on the value of the wage gaps for unskilled and highly skilled workers in the third sector employing the most immigrants.

On figure 5.1 (unskilled workers) the probability of repeal increases in the wage gap but not in a linear way. There is very little change in the probability of repeal when the wage gap is negative (the host country has lower wages that the new joiner), which makes intuitive sense. EU leaders become sensitive to the wage gap when it becomes positive, but not in the expected way: the wider the wage gap for unskilled workers, the more they are prone to repealing the provisions. All other things equal, a host country with a wage gap corresponding to the 95th percentile (around 20 US$) is 40% more likely to repeal the provisions than another host country that would have no wage gap with the new member state (which corresponds to the 5th percentile). For high-skilled workers, on the other hand, the probability of repeal is decreasing in the wage gap, as expected. Figure 5.2 also shows that the relationship is steeper for highly skilled than for unskilled workers. Ceteris paribus, a host country with a wage gap of 37 US$ (the 95th percentile of the distribution of highly skilled wage gap) is 56% less likely to repeal provisions than another host country whose wage gap with the new member state is only -4 US$ (which corresponds to the 5th percentile). However, note that the relationship is steeper because there is a larger deviation around the mean for highly skilled wage gaps relative to unskilled wage gaps. Comparing the first differences in probability for both skill types based on absolute values instead of percentiles (a zero to 5 US$ variation for example) is not a viable alternative either because the relationships between wage gap and the probability of repeal are not linear.

How does the effect of wage gaps compare with that of the Majoritarian system variable? It seems that the type of parliamentary system is as powerful as the eco-
Figure 5.1: Effect of unskilled workers wage gaps on the probability of repeal (in the third sector employing the most immigrants)

Figure 5.2: Effect of highly skilled workers wage gaps on the probability of repeal (in the third sector employing the most immigrants)
nomic predictors identified by the model. All other things set to their median values, a country with a majoritarian system is 41% more likely to repeal the provisions that a country with a proportional system. The magnitude of the effect is similar to that of wage gaps for unskilled workers. This means that a country with a majoritarian system but high wages such as France is as likely to repeal provisions than a country with a proportional system but lower wages, such as Greece.

Before concluding on these results, there are two reasons to be wary of the duration model outcome. First, the percent correctly predicted is 76.5%, only 2 percentage points above the null model. Second, there is a risk that the estimates of the duration model are not efficient because the data sample spans only 6 years. As explained in the research design, such a short time period makes the asymptotic assumption unlikely to apply, despite the reasonable sample size (280 observations). This does not create concerns about the robustness of the coefficient estimates but rather about the efficiency. The next subsection addresses those concerns and presents the result of 3 logistic regressions that test the same theory but with a limited set of predictors.

5.2 Robustness Checks: Logistic Regressions

One of the shortcomings of this research design is the short time span. Indeed, data for the independent variables are only available until 2009, which means that the analysis is limited to provisions that can be repealed only between 2004 and 2009. This covers the 2004 (A8 countries as well as Cyprus and Malta) and 2007 (Bulgaria and Romania) enlargements. This small number of time points can be an efficiency issue, e.g. if a predictor has a small effect on the probability of repeal, it may be hard to detect with a small number of time points and a small number of observations. I will therefore perform 3 robustness checks in order to ensure that the estimates are efficient. I use logistic regressions that are very similar to the duration model in that they also model the probability of repeal with a binary dependent variable and
continuous precitors, but the notion of survival to time disappears from the analysis.

In the first logistic regression, the dependent variable is a dummy measuring whether provisions were repealed within the first three years (coded 1 in this case, 0 otherwise). The unit of observation is a country dyad and the dependent variables are the same as for the duration model, but averaged over the first three years of implementation of the provisions (or during the time of implementation, if repealed before 3 years). The Election variable is recoded based on whether a general election took place during the first three years of repeal. However, the number of observation is considerably smaller (84), therefore restricting the number of potential predictors. Using the Akaike information criterion, I select the best-quality model among all the models that include all the predictors deemed significant in the duration model as well as all the potential political predictors. Tables A.2, A.3 and A.4 in appendix display the results of each model.

The outcome of the first logistic regression partially confirms the findings of the duration model. Both wage gap variables are significant and of the same sign as for the duration model. The Public support variable remains insignificant. However, the type of parliamentary system loses significance while the coefficient of the Election variable becomes positive and significant. This suggests that EU leaders are more likely to repeal provisions in the first 3 years of implementation if an election occurs during this 3-year period. Note that this logit model correctly predicts 86.9% of the observations (15 percentage points above the null model), which is a better performance than the duration model.

In the second logistic regression, the dependent variable measures whether provisions were implemented at all. To be in line with the other models, I code the dependent variable 1 when policy makers choose the most permissive outcome (no
implementation at all). The predictors are the same as in the first robustness check. The outcome of this model yields satisfying results with regard to the theory and correctly predicts 82% of the observations, or 1 percentage points higher than the null model. The *Majoritarian* variable is very significant but its magnitude is smaller than in the duration model: all other things equal, the probability of repeal is 9 percentage points higher in countries with a majoritarian systems. Also in line with the duration model is the fact that the likelihood of repeal is independent of the occurrence national elections and public support for immigration, confirming that parties are consistent in their preferences vis a vis labor mobility in the EU. This model shows however that none of the *Wage gap* variables is significant, suggesting that when policy makers make the decision whether to implement provisions at all in the first place, they focus mostly on political factors. Another theoretical explanation is the idea that governments may struggle to make accurate predictions about the amplitude of the migration wave the first year. They may prefer to implement provisions and postpone the repeal to later times, when they can observe the effect of the repeal/no implementation of provisions in the neighboring countries.

The last robustness check is similar to the previous two but the dependent variable captures whether provisions were repealed within 5 years, that is before it is required to justify the use of provisions to the European Commission. The dependent variable is coded 1 if the provisions are repealed and 0 otherwise and the predictors are the usual ones. Here, the coefficient for the *Majoritarian* variable is of the expected sign but falls short of significance. The other political predictors are not significant either which is in line with previous robustness checks and the duration model. Also consistent with previous findings is the sign and significance of the economic factors: the probability of repeal increases in the wage gap for unskilled labor but decreases in that of highly skilled labor. This last robustness check also performs better than
the duration model with 90% of observations correctly predicted (versus 84 for the null model).

Overall, the logistic regressions confirm the duration model and the main arguments of the theory. Countries with majoritarian systems are more likely to repeal provisions than countries with proportional systems, although the effect is significant only for the duration model and one of the robustness checks. I also found that the level of public resentment towards immigrants and the occurrence of national elections do not drive the use of transitional provisions across all of the 4 models. Finally, the probability of repeal increases in the wage gap for unskilled workers but decreases in that of highly-skilled workers (the effect is significant for the duration model and two of the robustness checks). On this last point, it is important to note that minimum wage is not included as a predictor in any of the model, which is due to the lack of comparable and historical data on minimum wage across Europe, especially for those countries with sector-specific minimum wages. I believe that including it as a predictor would neutralize the apparent, negative effect of wage gap for unskilled workers.
Conclusion

The empirical analysis conducted in this thesis confirm the decision-making process to repeal provisions and more generally supports the theory of intra-EU policy making. Although national governments pay attention to the economic impact of immigration, they give equal weight to domestic political factors. Interestingly, the findings suggest that mainstream parties remain insensitive to the mood of public opinion on this controversial topic, including when their electoral fortune is at stake. Instead, the driving force behind the use of provisions seem to be populist, eurosceptic parties who gain significant political leverage in parliaments with a proportional representation system and are able to shift policy-making towards the restrictive end of the spectrum.

In regard with European integration, the findings have interesting implications. On the one hand, pro-European, mainstream parties push for further integration, regardless of the public opinion on this issue. On the other hand, nationalist and eurosceptic parties politicize the topic by turning it into a matter of national sovereignty and mobilize increasingly larger portions of the electorate. So far, majoritarian systems have allowed mainstream parties to engage in governing coalitions without them: apart
from Greece’ Syriza, there is no current example of populist government in Western Europe. But they are gaining power and political leverage in national parliaments, as exemplified in the UK with the referendum organized by the pro-European Conservative government in response to the popularity of anti-EU arguments among the public.

The main contribution of the findings regarding the future of the EU lays in the assessment of the importance of electoral systems in voicing anti-EU arguments. The empirical results make it clear that for transitional provisions the impact of parliamentary system is at least as large as that of economic factors. Since it is constitutionally difficult to modify parliamentary systems, two solutions are possible to escape the deadend of European disintegration. The first one is to reinforce the elite aspect of the European project and make it even more undemocratic, thereby making it unexposed to populist influence. There is serious concerns that this will amplify the anti-EU sentiment, propell populist parties to the center political stage and doesn’t make the European Union more sustainable. The other alternative favors more democracy and more leeway on the part of mainstream parties and the European Commission regarding European integration. This seems to be the only sustainable solution to make the anti-EU sentiment subside and divert the electorate away from eurosceptic parties.

Future research on this subject should aim at clarifying the preferences of eurosceptic parties as part of a governing coalition and not simply as anti-establishment challengers. The case of Greece’ Syriza suggests that the anti-EU arguments on which populist parties thrive do not hold long once they are confronted with interest groups. The case of Austria would also provide significant insights into EU migration policy-making if the Freedom Party wins the 2016 presidential elections. Beside policy preferences of eurosceptic parties, there is also a need to better understand the political stance of mainstream parties vis a vis the European project in general
and the free movement of labor more specifically. As radical right-wing parties gain power, it will be tempting for right-wing parties to form a coalition and it is unclear how this would affect their policy preferences regarding the European project. But this could also apply to left-wing parties whose members traditionally holds anti-globalization views. They as well could shift their policy preferences towards less European integration in an attempt to be more appealing to the electorate.
Appendix A

Measurements decisions and sources

- Wage gap: computed for both unskilled and highly skilled workers in the 3 sectors of the economy that employ the most immigrants, based on the Labor Force Surveys conducted by the European Commission. Data for wages in respective countries come from the World Input-Output Database Social Economic Accounts (Timmer et al., 2015), converted from national currencies to US dollars using the World Banks price level ratio of PPP conversion factors. I then subtract the average wage in the sending country from that in the host country. Educational achievements of the 0 through 2 ISCED levels are considered unskilled and 5 through 8 are considered highly skilled.

- Unemployment gap: computed for both unskilled and highly skilled workers using Eurostat historical data on unemployment in the respective countries. I then subtract the average unemployment rate in the sending country from that in the host country.
• Union density: I use historical data on Union Density from the OECD website.

• PISA test score: this measure of the quality of education systems cis measured by the OECD and data are available online for every other year: http://www.oecd.org/pisa/keyfi 2012-results.htm. I compute the data for the years 2005, 2007 and 2009 using interpolation.

• Labor cost: I use the hourly cost of labor for employers (i.e. taxes and other social contributions) by Eurostat as a proxy for welfare benefits. As the data are measured every other year in the Labord Force Surveys conducted by the European Union, I compute the data for the years 2005, 2007 and 2009 using interpolation.

• Election: binary variable coded 1 if a general election (president in presidential systems and head of government in parliamentary systems) occurs that year. I coded this variable manually using information found on the country-specific webpages of the Norwegian Center for Research Data: http://www.nsd.uib.no/polsys/en/

• Majoritarian system: binary variable coded 1 if the parliamentary system of representation in majoritarian, 0 otherwise. I coded this variable manually based on a dataset provided by the University of Maryland: http://econweb.umd.edu/ drazen/DataSets.html

• Public support: I measured anti-immigration sentiment among the population using data from the European Social Survey. I used answers to the question Is it generally bad or good for the economy that people from poorer countries in Europe come to live here on a 0 (bad) to 10 (good) scale.
### Table A.1: Summary Statistics

<table>
<thead>
<tr>
<th></th>
<th>Min</th>
<th>Median</th>
<th>Mean</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage gap, unskilled, sector 1</td>
<td>-23.4</td>
<td>9.7</td>
<td>7.7</td>
<td>27.1</td>
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<tr>
<td>Wage gap, unskilled, sector 2</td>
<td>-20.5</td>
<td>9.2</td>
<td>7.4</td>
<td>16.7</td>
</tr>
<tr>
<td>Wage gap, unskilled, sector 3</td>
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<td>11.5</td>
<td>11.0</td>
<td>30.1</td>
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<tr>
<td>Wage gap, highly skilled, sector 1</td>
<td>-42.6</td>
<td>12.8</td>
<td>13.3</td>
<td>51.8</td>
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<td>Wage gap, highly skilled, sector 2</td>
<td>-32.8</td>
<td>12.5</td>
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<td>32.8</td>
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<tr>
<td>Wage gap, highly skilled, sector 3</td>
<td>-38.3</td>
<td>17.2</td>
<td>16.4</td>
<td>43.4</td>
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<tr>
<td>Unemployment gap, unskilled</td>
<td>-46.9</td>
<td>-5.8</td>
<td>-8.2</td>
<td>37.8</td>
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<tr>
<td>Unemployment gap, highly skilled</td>
<td>-5.3</td>
<td>0.5</td>
<td>0.4</td>
<td>6.8</td>
</tr>
<tr>
<td>Union density</td>
<td>7%</td>
<td>29.6%</td>
<td>34.8%</td>
<td>78%</td>
</tr>
<tr>
<td>PISA test score</td>
<td>464.0</td>
<td>499.0</td>
<td>497.4</td>
<td>552.7</td>
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<tr>
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<td>0.6</td>
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</tr>
<tr>
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<tr>
<td>Majoritarian system</td>
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<td>1.0000</td>
</tr>
<tr>
<td>Public support</td>
<td>0.3</td>
<td>3.1</td>
<td>3.4</td>
<td>8.9</td>
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### Table A.2: probability of repeal within 3 years

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<th>Repeal within 3 years</th>
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<tbody>
<tr>
<td>(Intercept)</td>
<td>2.51* (1.28)</td>
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<tr>
<td>Wage gap, unskilled, sector 3</td>
<td>0.25** (0.09)</td>
</tr>
<tr>
<td>Wage gap, highly skilled, sector 3</td>
<td>-0.18** (0.06)</td>
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<tr>
<td>Election</td>
<td>1.69* (0.86)</td>
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<tr>
<td>Majoritarian system</td>
<td>0.65 (1.54)</td>
</tr>
<tr>
<td>Public support</td>
<td>-0.20 (0.23)</td>
</tr>
<tr>
<td>Labor cost</td>
<td>-0.41** (0.13)</td>
</tr>
</tbody>
</table>

Percent Correctly Predicted: 86.9%
Null Model Correctly Predicts: 71.43%
Log Likelihood: -32.38
Deviance: 64.75
Num. obs.: 84

***$p < 0.001$, **$p < 0.01$, *$p < 0.05$**
Table A.3: probability of no implementation at all

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<th>No implementation</th>
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<td>(1.34)</td>
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<tr>
<td>Wage gap, unskilled, sector 3</td>
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<td></td>
<td>(0.08)</td>
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<td>Wage gap, highly skilled, sector 3</td>
<td>-0.07</td>
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<tr>
<td></td>
<td>(0.06)</td>
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<tr>
<td>Election</td>
<td>1.38</td>
</tr>
<tr>
<td></td>
<td>(1.07)</td>
</tr>
<tr>
<td>Majoritarian system</td>
<td>4.93**</td>
</tr>
<tr>
<td></td>
<td>(1.57)</td>
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<tr>
<td>Public support</td>
<td>0.11</td>
</tr>
<tr>
<td></td>
<td>(0.18)</td>
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<td>Labor cost</td>
<td>-0.44**</td>
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<td></td>
<td>(0.15)</td>
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<tr>
<td>Percent Correctly Predicted</td>
<td>82.14%</td>
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<tr>
<td>Null Model Correctly Predicts</td>
<td>73.81%</td>
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<tr>
<td>Log Likelihood</td>
<td>-36.03</td>
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<td>Deviance</td>
<td>72.06</td>
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<tr>
<td>Num. obs.</td>
<td>84</td>
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</table>

***p < 0.001, **p < 0.01, *p < 0.05
Table A.4: Probability of repeal within 5 years

<table>
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<th>Repeal within 5 years</th>
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<tr>
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<td>3.34*</td>
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<td></td>
<td>(1.50)</td>
</tr>
<tr>
<td>Wage gap, unskilled, sector 3</td>
<td>0.33**</td>
</tr>
<tr>
<td></td>
<td>(0.10)</td>
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<tr>
<td>Wage gap, highly skilled, sector 3</td>
<td>-0.17**</td>
</tr>
<tr>
<td></td>
<td>(0.06)</td>
</tr>
<tr>
<td>Election</td>
<td>0.20</td>
</tr>
<tr>
<td></td>
<td>(1.03)</td>
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<tr>
<td>Majoritarian system</td>
<td>17.42</td>
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<tr>
<td></td>
<td>(1728.13)</td>
</tr>
<tr>
<td>Public support</td>
<td>-0.27</td>
</tr>
<tr>
<td></td>
<td>(0.26)</td>
</tr>
<tr>
<td>Labor cost</td>
<td>-0.29*</td>
</tr>
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<td></td>
<td>(0.14)</td>
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<tr>
<td>Percent Correctly Predicted</td>
<td>90.48%</td>
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<td>Null Model Correctly Predicts</td>
<td>84.52%</td>
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<td>Log Likelihood</td>
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<td>Deviance</td>
<td>52.69</td>
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<td>Num. obs.</td>
<td>84</td>
</tr>
</tbody>
</table>

***p < 0.001, **p < 0.01, *p < 0.05
Bibliography


