

# Junior Migration Webinar

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## European Integration and the Trade-off between Offshoring and Immigration

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### ABSTRACT

Following the 2004 EU enlargement, Western European countries progressively and sequentially opened their labour markets to Eastern European workers. We use that event to provide evidence of substitution between employing immigrant workers and production offshoring in Europe. We combine data from the European Labour Force Survey with the World Input-Output Database and use an instrumental variable to tackle potential endogeneity in the trade-migration relationship. We find that, following the openings of labour markets, Western European sectors where Eastern European workers have a larger presence import less value added in intermediate goods from Eastern Europe (i.e. a measure of offshoring). This effect mostly concerns low skilled immigrant workers. We explain that once labour markets were opened, it became relatively easier for firms to import workers rather than goods and fill in labour market needs. This work is, to our knowledge, the first to provide evidence regarding the effect of the EU enlargement-induced labour mobility on European and global value chain. It also contributes to the literature by looking at the trade-migration relationship at the sector and occupation level.

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