

LABOUR FORCE MIGRATION IN THE CONTEXT OF THE FREE MOVEMENT OF PERSONS IN THE EU AREA. BENEFITS AND COSTS

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Abstract:

The free circulation of the labour force in the EU area has acquired new dimensions in the past few years, after the well-established EU Member States have opted, for a long period of time, for a restrictive policy as regards the free movement of the labour force. Realities such as: the global financial and economic crisis, the deficit of specialists in specific fields of some EU member states, as well as their excess in some other states, or more attractive working conditions offered in the more developed member states, from the economic point of view, in relation to the developing countries, but not only, seem to have contributed to a greater flexibility of migration policies and strategies in the EU area. In this paper, we strive to analyze the way in which the developments in the migration of the labour force have a positive or negative impact on the citizens of EU Member States in the context of the free movement of persons, in a period in which the economy of the European Single market is generically characterised by stagnation, instability or decrease. On the substance of those issues, of major importance for our study are the EU citizens who feel or not that they register an increase of the quality of life in relation to changes recorded by a series of macroeconomic and/or social indicators such as: Gross Domestic Product (GDP) per capita, Actual Individual Consumption (AIC) per capita, Unemployment rate, Guaranteed minimum wage, AROPE indicator, Immigration and Emigration Persons and/or Trade in services, which we will analyze below.

Key words: EU citizens, working conditions, capacities, competition, discrimination.

JEL Classification: J61, J71, K31.

1. Introduction

EU Member States go through a period of economic instability due to the global financial crisis which gave rise to some socio-economic disparities in relation to various endogenous or exogenous factors. In these circumstances, the EU has as objective the economic recovery and the improvement of the citizens' quality of life and it takes multiple measures in this respect. In the specialty literature has been often tackled the issue on the regional economic integration in the global context, regarded as a consistent beginning of development in the second half of the twentieth century. The Economic Integration is perceived as an important factor for growth, and, as a result, in the economic literature we identify various empirical theories and researches on the impact of the economic integration on the increase [Baldwin Robert E (1993) and (1995); Henrekson Magnus, Johan Torstensson and Rasha Torstensson (1996); Landau Daniel (1995); Walz Uwe (1998); Badinger Harald (2001) and (2005); Yanikkaya Halit (2002); Gao Ting (2005); Matthieu Bussière, Jarko Fidrmuc and Bernd Schnatz (2008) cited by Michela Martinoia (2011a)]. Both in the specialty literature [(Michael Fertig and Christoph M. Schmidt (2002); Sjeff Ederveen, Richard Nahuis and Ashok Parikh (2005) and (2007) cited by Michela Martinoia (2011b)], and in the strategic orientations of the EU [The European Commission. (2010a)], regarding the economic growth, special attention shall be given to regional development, to the labour market and its workers by facilitating the freedom of movement for persons, the increase of the labour mobility, services, goods and capitals. From other points of view, including works by Romanian authors address issues of concern in relation to those treated by us in this article [Ionel Bostan and Veronica Grosu (2010); Ionel Bostan (1999 and 2000)].

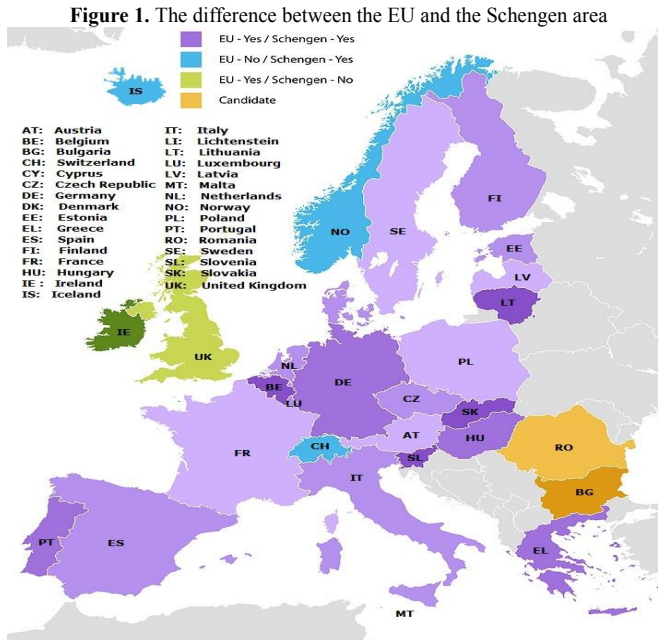
The free movement of persons and, in particular, the free circulation of the labour force in the EU area has gained new dimensions in the last few years, after the well-established EU Member States have opted, for a long period of time, for a restrictive policy as regards the free movement of the labour force. Over time, the results of these practices led to conclude that the restrictions of the free circulation of the labour force do no more than to contribute to the increase of cases of infringement of law to achieve the objective to work in another state that offers more attractive working conditions [Adelina Adinolfi, (2005)].

In the context of the data submitted and in the attempt to identify the effects of the more flexible new policies on the labour migration in the EU area, appeared this procedure of scientific research in which the benefits and costs of the member states and of the EU citizens are primordial.

2. The impact of the free movement of persons on the EU Member States

The free movement of persons is a fundamental right of citizens of the European Union (EU), guaranteed by its Treaties. This right is materialized in the area of freedom, security and justice, without internal frontiers. The elimination of internal boundaries requires a better management of external boundaries of the European Union, as well as the clear entry and residence of citizens in third countries, including through a common policy for asylum and immigration [The European Union (2014)].





The concept of free movement of persons has been enshrined at the signing, in 1985, of the Schengen Agreement, and then of the Schengen Convention, in 1990, which marked the abolition of boundary controls between participating countries [Jos Dumortier (1997)]. As an integral part of the legal and institutional framework of the EU, the Schengen cooperation has expanded gradually, in order to include nowadays most of the Member States, as well as certain third countries [The European Union (2014)], as results in the Figure 1.



Source: Webpage of MyVisaOnline Associates & Consultants (2014)

In our endeavour to study the impact that has on the EU Member States the free movement of persons in the single European market, at the beginning, we focus on the study ordered by the European Commission – „European Union citizenship – November 2012”, according to which approximately two-thirds (67%) of the EU27 respondents think that the free movement of persons within the EU area brings benefits to the economy of their state. In Table 1 are identified differently, in a socio-demographic analysis, mainly the opinions of the respondents, on the basis of sex, age, education, status on the labour market. Last but not least, have been taken into account the answers of respondents familiar with EU citizenship or not, as well as those of respondents informed or non-informed on the rights offered by the EU citizenship. In connection with the share of respondents (on various socio-demographic categories) who agree with the fact that the free movement of persons within the EU area would bring benefits for the economy of their state, the percentage interval recorded oscillates between 53 and 75%, as results from Table 1.

Table 1. Do you agree or disagree with the following statement:
Free movement of people within the EU brings overall benefits to the economy of your country.

	Total 'Agree'	Total 'Disagree'	Don't know
EU27	67%	30%	3%
 Sex			
Male	70%	28%	2%
Female	65%	31%	4%
 Age			
15-24	74%	24%	2%
25-39	68%	30%	2%
40-54	66%	31%	3%
55 +	63%	32%	5%
 Education (End of)			
15-	53%	41%	6%
16-19	62%	35%	3%
20+	75%	23%	2%
Still studying	75%	23%	2%
 Respondent occupation scale			
Self-employed	71%	27%	2%
Employee	70%	28%	2%
Manual workers	61%	35%	4%
Not working	65%	31%	4%
Familiar with EU citizenship			
Yes	69%	28%	3%
No	57%	39%	4%
Informed about rights as a citizen of the EU			
Informed	76%	21%	3%
Not informed	62%	34%	4%

Source: [TNS Political & Social, at the request of the European Commission (2013a)]

As regards the criterion of nationality of respondents within this study [TNS Political & Social, at the request of the European Commission (2013b)], is worth mentioning the fact that, every state participating to this study, through their respondents, appreciates in a percentage over 50%, with *Total Agree (TA)* that *Free movement of people within the EU brings overall benefits to the economy of your country*. For example, Romania (88%), Finland (79%) and Bulgaria (79%) occupy the first three rows from those who appreciate with *Total Agree (TA)* that the free movement of people within the EU would bring benefits to the economy of their country. At the opposite pole, appreciating with *Total Disagree (TD)* this fact, the states that occupy the first three places are Cyprus (46%), the Great Britain (45%) and Latvia (38%).

With the aim to understand what influenced the answers of the respondents of *Total Agree (TA)* or *Total Disagree (TD)* regarding the „Free movement of people

within the EU brings overall benefits to the economy of your country.” [more precisely, we deal with the 6 states which occupy the first three places in *Total Agree (TA)* and respectively, *Total Disagree (TD)*], we have made an analysis of the main macroeconomic and/or social indicators which may have influenced the respondents’ answers expressed according to the data in Tables 2 and 3.

We deemed as relevant to our analysis the EUROSTAT data related to indicators such as: *Gross Domestic Product (GDP) per capita*, *Actual Individual Consumption (AIC) per capita*, *Unemployment rate*, *Guaranteed minimum wage*, *AROPE indicator*¹, *Immigration and Emigration Persons* and *Trade in services*. The time marks from our analysis were not selected arbitrarily, but, on the one hand we have chosen the year when the study „European Union citizenship” was conducted, 2012, and on the other hand, we have opted for the year 2007, year in which two of the Member States which are in the Top 3 States Totally Agree (Romania and Bulgaria) have become members of the EU. We believe that the time interval between 2007 and 2012 can be considered to be an optimal period of time for our analysis.

Table 2. The main macroeconomic and/or social indicators of some EU member states - Top 3 State TA/TD -

EU member state	Total „Agree”/ „Disagree” %	GDP - EUR -		AIC - EUR -		Unemployment rate %		Guaranteed minimum wage EUR/month		AROPE indicator %		Immigration Persons	Emigration Persons
		2007	2012	2007	2012	2007	2012	2007	2012	2007	2012		
Period of time	Nov. 2012	2007	2012	2007	2012	2007	2012	2007	2012	2007	2012	2007-2011	2007-2011
Total „Agree” - „Free movement of people within the EU brings overall benefits to the economy of your country.” - Top 3 EU States													
Romania (RO)	88% TA 10% TD	42	50	46	50	6,4	7,0	115,27	161,91	35,3	47,3	Not available	Not available
Finland (FI)	79% TA 18% TD	118	115	103	116	6,9	7,7	N/A	N/A	22,4	7,4	136.959	62.816
Bulgaria (BG)	79% TA 17% TD	40	47	40	49	6,9	12,3	92,03	138,05	51,3	41,1	Not available	Not available
Total „Disagree” - „Free movement of people within the EU brings overall benefits to the economy of your country.” - Top 3 EU States													
Cyprus (CY)	46% TD 51% TA	94	92	95	97	3,9	11,9	N/A	N/A	23,3	27,3	88.030	40.906
United Kingdom (UK)	45% TD 52% TA	118	106	134	114	5,3	7,9	1314,97	1201,96	12,8	18,2 ^b	2.840.464	1.802.980
Latvia (LV)	38% TD 60% TA	57	64	61	63	6,1	15,0	172,12	285,92	19,2	22,4	19.311	58.660

^b break in time series

Source: Adaptation according to Eurostat data 2007, 2012.

¹ People at risk of poverty or social exclusion by most frequent activity status (population aged 18 and over).

Table 3. Trade in services, 2007 and 2012 (1) - (EUR 1 000 million) - Top 3 State TA/TD -

EU member state	Total „Agree”/ „Disagree” %	Exports		Imports		Balance	
		2007	2012	2007	2012	2007	2012
<i>Period of time</i>							
Nov. 2012							
<i>Total „Agree” - „Free movement of people within the EU brings overall benefits to the economy of your country.” - Top 3 State EU</i>							
Romania (RO)	88% TA 10% TD	6,9	7,6	6,5	7,1	0,4	0,5
Finland (FI)	79% TA 18% TD	16,8	21,2	16,4	22,1	0,5	-0,9
Bulgaria (BG)	79% TA 17% TD	4,8	5,7	3,6	3,3	1,2	2,4
<i>Total „Disagree” - „Free movement of people within the EU brings overall benefits to the economy of your country.” - Top 3 State EU</i>							
Cyprus (CY)	46% TD 51% TA	6,4	6,2	2,7	2,8	3,7	3,4
United Kingdom (UK)	45% TD 52% TA	211,1	221,9	147,0	140,4	64,1	81,5
Latvia (LV)	38% TD 60% TA	2,7	3,5	2,0	2,0	0,7	1,5

(1) Preliminary figures for 2012 are based on annualised quarterly data: data for individual countries concerns exports to the rest of the world.

Source: Adaptation according to Eurostat data 2007, 2012

After a careful reflection on the values recorded by the indicators to which we have referred we remark the following aspects:

- At the level of the *EU States – Top 3 Total Agree* of/*for Free movement of people within the EU brings overall benefits to the economy of your country*, the trend is positive for the values of most indicators of our analysis. However, there are also figures which are not gratifying at all for the citizens of these states:

- As regards the *GDP*, Finland registers a decrease of 2,5% in 2012, compared to 2007, and the values of this indicator for Romania and Bulgaria are smaller than ½ of the value of that from Finland and the United Kingdom, even if it registers increases in 2012, compared to 2007.

- The increase of the *unemployment rate* is not pleasant, but we believe that this aspect determines most of the citizens of these states to hope that they could access jobs in other EU member states.

- *The AROPE indicator* which increases, in the case of Romania, affects in a negative manner a part of the citizens of this state and, also, encourages them to hope that the free movement of persons, services, goods and capitals will contribute to the increase of their welfare.

- The superior number of *persons who immigrated* in Finland, compared to the persons who *emigrated*, makes us think that the Finnish citizens are satisfied with their level of living and that persons who migrated to Finland brought a positive contribution to the economy of this state.

Finally, we appreciate that the citizens of these states, although they record various losses, and on the whole not all of them feel the increase of the quality of life, consider that the free movement of persons at the EU level contribute to the economic growth of their state. Of course, on the background of the freedom of movement for persons, an important role plays also the free movement of services which contributes to the augmenting of figures on the import and export of services, values presented in Table 3 for each of these states (Romania, Finland and Bulgaria). Even if the global economic and financial crisis did not bypass them, on the whole, these states record a slight increase of the exports, the balance between exports and imports being positive, with the exception of Finland in 2012 which registers a slight decrease (of 0,9).

If we have in view of the fact that in 1995 Finland has become EU member state, we can appreciate that these approximately 20 years, with all the benefits and advantages which it brought to Finnish citizens, have contributed to the positive value

identified in the study, in the judgments of respondents. It is also possible that the respondents' opinion to be influenced by the effective freedom of movement in the EU area, regarding the number of persons who have emigrated (62,816 citizens) and/or who have immigrated (136,959 persons) from/in this state during the period 2007-2011.

Last but not least, we appreciate that in the expression of the opinion „Total Agree” of/for free movement of people within the EU brings overall benefits to the economy of your country, a major contribution had other national factors, of a cultural nature, specific to the internal environment of Finland, Romania and Bulgaria.

- As regards the group of *EU states – Top 3 Total „Disagree” of/for Free movement of people within the EU brings overall benefits to the economy of your country* [Cyprus (46%), United Kingdom (45%) and Latvia (38%)], we think that the values registered in the year 2012 compared to those registered in 2007, for the indicators analyzed, have contributed to the greatest extent to the increase of the number of persons who consider that the free movement of persons in the EU area does not contribute to the growth of the economy at the level of their state because:

- *GDP* registered smaller values in the year 2012, compared to the year 2007 for the three states. We tend to believe that the citizens of these states sanction the process of free movement of persons in the EU area and they do not take into account the effects of the global economic and financial crisis.

- *The unemployment rate* is also increasing, at the level of the three states, from where we draw the conclusion that they do not want on the territory of their state new immigrants who could constitute their rivals concerning the jobs. In the United Kingdom, from 2005 until 2012, is also reduced the value of the *guaranteed minimum wage* (expressed in euro) even if its value is still significant. This fact seems to have effects on the level of the *AIC* also, value which decreases in 2012, compared to the value obtained in 2007.

- *AROPE* indicator registers increases in all the three states in *Top 3 Total „Disagree”* in a context in which the number of the immigrants which enter in 2007 until 2011 on the territory of Cyprus and of the Great Britain is very important (88.030 and 2.840.464), compared to the number of emigrants (40.906 and 1.802.980).

On the basis of the data submitted, we believe that the citizens of the three states have enough reasons for concern which to a greater or lesser extent, make them conclude that the free movement of persons in the EU does not bring benefits of their economy.

And in the case of these respondents the factors of national nature have a major impact in the responses expressed. We have to take into account, however, that although they have the highest proportion of responses *Total Disagree (TD)*, these states, in a proportion of (60%) Latvia, (52%) United Kingdom and (51%) Cyprus, appreciate that they are in *Total Agree (TA)* with the statement *Free movement of people within the EU brings overall benefits to the economy of your country*.

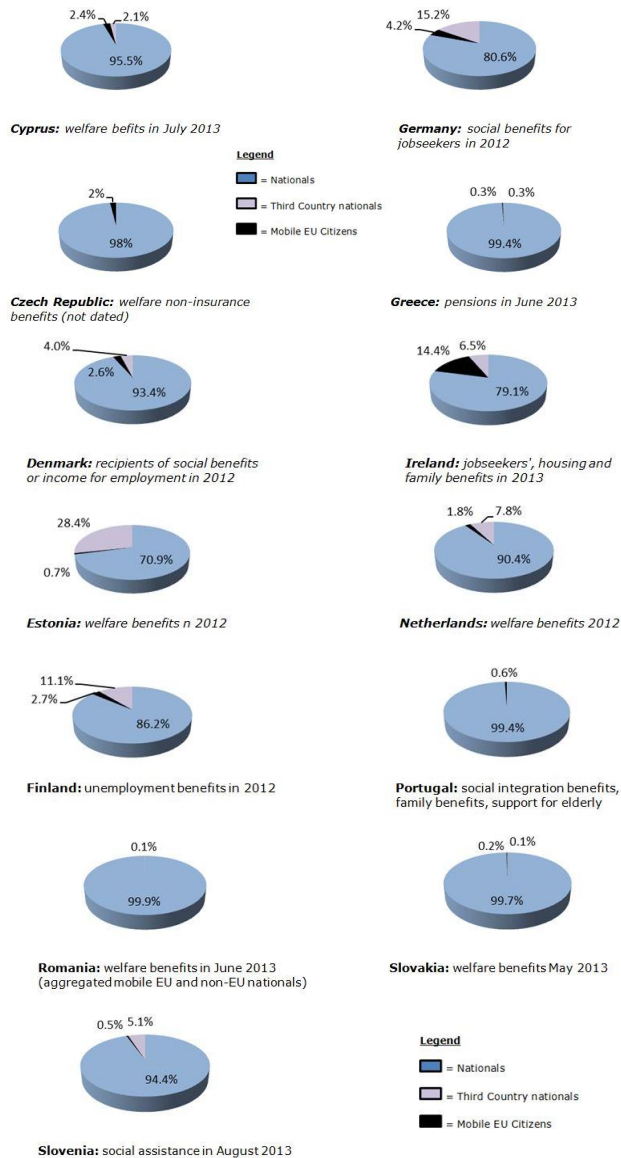
Generically, in the context of the data submitted, the impact of the free movement of persons on the EU member states is positive and actually consists in the economic benefits brought to the states, enjoyed by their citizens. And in the case of these states, we think that these benefits which the free movement of persons brings are also facilitated by the other freedoms of movement of the common market: the free movement of products, capitals and services.

3. The free movement of workers in the EU

The free movement of citizens, one of the pillars of the single market, central element of success, stimulates the economic growth, allowing people to travel, to participate to consumption and to work abroad, furnishing to companies a richer tank

of talents. The probability that these citizens exercise an economic activity is higher, as compared with the citizens of the host Member State, and their chances to depend on social allowances are lower [Persida CECHIN-CRISTA, Aurel MIHUT, Gabriel Ionel DOBRIN, Sorin BLAJ, (2013)]. In fact, the percentage of mobile EU citizens who may be eligible for social allowances is relatively low in comparison with the citizens of the Member States themselves and with those of third countries (Figure 2). In most of the Member States, the mobile citizens of the EU are mobile taxpayers for the system of social protection in the host country [The European Commission (2013a)].

Figure 2. The effect of mobile EU citizens on the social system in 13 Member States



Source: Data provided by the Member States themselves [The European Commission (2013b)].

Within the European Union, the free movement of workers is guaranteed. As provided for in the Treaty on the functioning of the European Union (Article 45) [the Official Journal of the European Union (2008)], the free circulation involves eliminating any discrimination on grounds of nationality between workers from the Member States, as regards employment, remuneration and other conditions of work.

And yet, in accordance with the EU's social agenda [the European Commission (2013)], although it has been declared illegal since 1968, the discrimination on grounds of nationality of the workers in the EU who originate in another Member State of the Union is not even now tackled in practice as it should be. For this reason, many Europeans give up to work or to look for a job on the single market. Furthermore, the insufficient information (implicitly the insufficient sources/information means), the misinformation or the absence of guidance with regard to the access to the labour market of the EU Member States to which workers migrate, determines their discouragement to a certain extent. According to the same source, this reality is an additional concern for the period of crisis that we go through because the data indicate that the freedom of movement for workers is also beneficial for those who move to work in another country and for workers and employers in the host country.

We are witnessing this phenomenon of discrimination, although later, the secondary legislation of the European Union and the case-law of the Court of Justice have developed the principle of freedom of movement for workers, on the basis of which EU citizens have the right [the European Commission (2014a)]:

- to look for a job in another EU member state;
- to work in that state, without the need for a work permit;
- to reside in the state in question for this purpose;
- to remain in that state after the expiry of the period of employment;
- to benefit from the same treatment as the citizens of that Member State as regards the access to the labour market, the labour conditions and all the other social and fiscal advantages;
- to transfer certain rights related to the health insurance and social security in the State in which they are to be employed.

And yet, there are a number of restrictions applied for considerations relating to public security, public order, the protection of health and of eligibility for employment in the public sector. In the latter case, the Member States may restrict access to certain items in public administration, which can be occupied only by the citizens of that very country. Also, certain temporary restrictions apply to recent EU member states such as the case of Croatia, which has become a Member State on 1st July 2013. On the other hand, Croatia was the first State that has acceded to the European Union after 2007, the year in which Romania and Bulgaria joined the EU, states which had similar restrictions.

4. The migration of labour force in the EU area. Benefits and costs

The European employment strategy proposes to create more and better jobs throughout the European Union. It is guided by the Europe 2020 Strategy [the European Commission (2014b)].

Thus, concerning the free movement of persons/workers, in the Europe 2020 Strategy [European Commission (2010b)] regarding the economic growth, the EU includes several audacious objectives with a horizon of time until the year 2020, in areas such as employment, innovation, education, social inclusion and energy. In the field of employment, social affairs and inclusion are identified in the centre of attention a) the European youth, b) the agenda for new skills and jobs, as well as c) the European

platform against poverty and social exclusion. As regards the issue of youth, is stressed the granting of more chances to find jobs, and for that young people can be helped to acquire experience in other states and it is necessary to increase the quality of the European system of education and training. Also, through its strategy, the EU proposes the reform of the labour market through support granted to the European citizens for the acquisition of new professional skills, in order to create new jobs and to adapt the EU legislation in the labour sector. Last but not least, through the European Platform against poverty and social exclusion, the EU wants to stimulate work at all levels, so that at the end of the period for the implementation of the strategy, at least 20 million citizens should not suffer from poverty and social exclusion any more.

With regard to the benefits and the costs which the process of migration of the labour force in the EU area brings to a member state, the components of Table 3 are noticeable.

Table 4. Benefits and costs of the labour force migration in the EU area

<i>Benefits</i>	<i>Costs</i>
<ul style="list-style-type: none"> • the intensification of the competition on the labour market; • the qualitative and quantitative growth of the workers and of the work performed; • increasing the revenues to the consolidated budget of the State which receives workers coming from other EU Member States; • directing the savings made by workers to the State of origin for the purpose of carrying out investments or to ensure an additional financial support to the members of the family who remained in the country of origin; • adjusting the labour market between supply and demand in the sense of the migration of persons with different specialties from the areas in which they are in excess to those in which is registered a deficit; • levelling the unemployment rate on a unique labour force market in the EU area; • adjusting the instruments for the motivation of workers (without excess or deficit) on a labour market in which the supply and demand are in balance; • the know-how acquired/assimilated by the workers who return to their native country in the event that this phenomenon happens; • immigrants tend to get fewer social allowances than the citizens of the host State; • potential of national and EU economic growth; 	<ul style="list-style-type: none"> • the immigrants occupy jobs intended for the citizens of the host country; • members of the family of workers migrating to other States and in particular children who remained in the native country, are exposed to a psycho-social trauma; • the state from which the workers migrate will record losses in the general consolidated budget; • migrating citizens no longer contribute to the index of consumption in the state of origin; • is registered a process of aging of the population at the level of the state from which migrate the workers; • the states whose citizens are migrating face sometimes a deficit of specialists or unskilled labour force; • the process of brain-drain has as main results the loss of investments in education carried out by the state in which emigrate the elite specialists; • the competitiveness of the state from which migrate the highly-trained specialists decreases; • the state from which the trained and highly-trained human resource emigrated or emigrates becomes less attractive to investors and is faced with certain economic stagnations and/or even economic breakdowns;

Beyond the profits and losses which the free movement of workers brings to EU member states, we believe that it is important to highlight a few possible difficulties faced by citizens involved in the process of free movement in the single labour market of the European space. Among them, we mention, in addition to the discrimination on grounds of nationality of the EU workers and [the European Commission (2011)]: language barriers, family considerations, difficulty in finding an appropriate job, bureaucracy involved, cultural differences, cost of living, recognition of qualifications, lower social security standards, lack of information about the opportunities and tax implications. For preventing, controlling and eliminating these hindrances, we think that it is necessary to find solutions to assist citizens in the process of migration and to encourage them to

provide a maximum of professional efficiency and to contribute to the development of the society based on knowledge and innovation. Therefore, we consider that it can take steps to improve public services, both in the EU institutions and the institutions of the Member States in the development, delegation and decentralization of services.

5. Conclusions

At present we are witnessing a stream of migration of citizens of the less developed member states towards the more developed ones, with a more stable economy and which provide more attractive working conditions. On the other hand, more or less, the citizens of the states which are well quoted from the economic point of view, on the background of the diminution of certain macroeconomic indicators from various causes which we have mentioned in the preceding paragraphs, are reticent with regard to the acceptance of new immigrants in their state even on the background of EU policies, implicitly of the four freedoms of the European single market. We appreciate that in the case in which these barriers will not be exceeded, the discrimination of EU workers in relation to the national ones will expand. Of course, it should be made a thorough analysis of national cultural and socioeconomic factors which have a significant impact on the development of this reality and which are likely to contribute to reducing or stopping it.

It is necessary to undertake real and continuous measures for the prevention, refutation and even the elimination of the discrimination of EU workers in relation to the national ones through integrated programs implemented on the basis of policies and strategies of socio-professional equity. Similar measures should be taken with a view to assist citizens to reduce or eliminate the impact of difficulties as: language barriers, family considerations, difficulty in finding an appropriate job, bureaucracy involved, cultural differences, cost of living, recognition of qualifications, lower social security standards, lack of information about the opportunities and tax implications. With a view to prevent, refute and eliminate these impediments, we appreciate that it is necessary to improve or define policies, strategies and action plans to be implemented at the level of all EU Member States in a network designed specifically for non-discrimination and labour market balance with direct benefits for the EU worker. Additionally, in order to reduce unemployment and the AROPE indicator, we support the creation of some programs for the information and encouragement of the migration semi-directed towards areas in which there is a shortage of labour force in various professional levels and fields. Thus, the labour mobility between Member States contributes to the reduction of the non-correlations between the offered skills and the available jobs, on a labour market characterised by significant imbalances on the background an aging population.

As regards the impact of the migration of labour force in the context of the free movement of persons in the EU area, we appreciate that it can be identified to a large extent with the economic benefits obtained or to be obtained or only predicted as the case may be, from one Member State to another. It is obvious that the economic benefits lead or give rise to new social benefits.

Finally, in relation to the benefits and costs of the migration process of EU workers dealt with previously, we believe that they the Member States are gainers, as they are not losing their valuable labour force and which attract elite specialists and sometimes, even unskilled labour force depending on the demand of the labour market.

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