

**The Strategic Importance of New Member States in the Recruitment of
Knowledge Workers to Western Europe**

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ABSTRACT

In order to develop stronger, and more transparent patterns of mobility in the European Union, individuals must see the value in moving, have opportunities to do so, and be supported by organizational strategies and practices. The main purpose of this exploratory research is to study these organizational strategies, in particular the strategic importance of the European Union's new member states of Eastern Europe on the recruitment of knowledge workers to Western Europe. The findings, based on in-depth interviews with 34 human resource leaders and consultants from 16 firms within the European Union and Switzerland, suggest that the new member states hold little strategic value in the context of recruiting knowledge workers back to Western Europe, and that organizations may be overlooking a strong and untapped source of talent.

INTRODUCTION

2006 was designated as the “European Year of Workers’ Mobility” by the European Commission, highlighting the importance of geographic and job mobility to the European Union. One key purpose behind this year-long initiative was to inform citizens of the advantages and opportunities of living in other regions or countries of the European Union, and to provide them with access to information that could facilitate regional or cross-border movement (Krieger and Fernandez, 2006). Also important was to expand the dialogue between the public and private sectors on issues of mobility, to exchange “good practices”, and to promote further research on geographic as well as job mobility within the European Union (European Foundation for the Improvement of Living and Working Conditions, 2006). The intent behind this initiative was to attempt to reduce the barriers that are associated with geographic mobility within the European Union (European Monitoring Center on Change, 2006). A key theme of the “European Year of Workers’ Mobility” was that greater mobility is associated with better jobs and higher incomes (Krieger & Fernandez, 2006). For the first time, issues of mobility and workers were considered in such a way to include the needs and perspectives of both employees and employers in the European Union (European Commission, 2005).

Geographic mobility has strong historical ties in the European Union. Perhaps at its most basic level, economic integration, supported by geographical mobility of European citizens, is believed to help safeguard peace within and among the member countries. The 1950 Schuman Declaration, named after the French Minister of Foreign Affairs Robert Schuman, foresaw a Europe where war was “not merely unthinkable, but

materially impossible” because of an integrated European economic base (EurActiv.com, 2005). The importance of mobility can also be traced to one of the foundations of the establishment of the European Union, which is the freedom of movement across nations. As early as 1957, the Treaty of Rome articulated one of the first contemporary visions of free movement of citizens within the European Union.

Along with helping to ensure peace in Europe, free movement has many additional benefits. First, a geographically mobile workforce will contribute to strengthening the economic viability of the European Union. Zimmerman (2005) attributes mobility to “fast economic adjustment and growth” (p.425) and conversely blames labour inflexibility for Europe’s sluggish economic growth and employment woes. Greater geographic mobility will also enable employees to move to areas of higher wage opportunities, resulting in greater economic prosperity (Kunz & Leinonen, 2004). According to studies by Smith, DeNew and Zimmerman (as cited in Papapanagos & Vickerman, n.d.) labour mobility is closely linked with the development of trade between interacting economies. Economic theory suggests that workers are motivated to move to areas where they are most productive, and can command the highest wages, resulting in the most efficient allocation of human capital and enhancing the economic prosperity of a given region (Tassinopoulous and Werner, 1999).

Another reason that mobility of the European workforce is beneficial is that mobility also provides greater opportunities for citizens of less developed countries, such as the new member states (NMS), to experience the quality of living and higher wage rates enjoyed by more developed Western European countries. In 2000, the average gross domestic product (GDP) per person for the ten new entrants to the European Union was

only 38% of the average of the fifteen existing members (Piracha & Vickerman, n.d.). Upon entry into the European Union in 2004, this percentage rose to 46%, however, it was still substantially below the EU15 (Lespoir, 2004). It has been predicted that lower standards of living as well as high unemployment in Eastern Europe may cause greater movement to the west as soon as free movement is actually realized (Maniak, 2006). In 2004 it was suggested by then European Commissioner for Economic Affairs Pedro Solbes that in order for the new member states to achieve the same standard of living as the EU15 it would take a minimum of 20 years. For Poland in particular, it may be closer to thirty years given its large population, which is about double that of the other nine new entrants combined (Lespoir, 2004). To further underscore the disparity, Turnock (2000) predicted that “even in 2025 Eastern Europeans’ incomes will only run at half the levels prevailing in the West”. (p. 81)

The European Union’s goal is to become the most competitive knowledge based economy in the world and geographically mobile knowledge workers are one very important component in furthering this goal. This study’s specific focus on knowledge workers is especially significant given their substantial role in helping the European Union become a more competitive knowledge economy. Brinkley and Lee’s (2006) observation about the dissemination of knowledge across Europe underscores the importance of geographic mobility.

The strength of its knowledge industries and *Europe’s capacity to diffuse knowledge across the totality of the economy are fundamental to its success* [italics added] and are key to lifting its growth of productivity to compensate for failing population growth and pay for its social model. p.3

Zimmerman (2005) further underscores the significance of geographic mobility to the European Union as a means by which to strengthen its competitive role in the global economy, “In particular, geographic labour mobility has been suggested as a strong instrument to foster fast economic adjustment and growth” (p. 425).

The 2006 Aho Report, named after the chair of the group who wrote the report, Esko Aho the former Prime Minister of Finland, concluded in reference to scientists in particular, that “ten percent of the workforce in each year should be moving, with as high a proportion as feasible engaged in cross border movement” (European Commission, Creating an Innovative Europe, 2006, p. 19). Further, to enhance the European Union’s competitive position in the knowledge-based economy, another key policy objective is to develop an Integrated European Research Area which can be facilitated by greater geographic mobility among European researchers (Krieger, 2006). As Zimmerman (2005) concluded to underscore the crucial role of skilled labour in the European Union, “Human capital is the ultimate resource of the 21st century” (p. 427).

In order to develop stronger, and more transparent patterns of mobility in the European Union, individuals must see the value in moving, have opportunities to do so, and be supported by organizational strategies and practices. The main purpose of this exploratory research is to study these organizational strategies, in particular the strategic importance of the European Union’s new member states of Eastern Europe on the recruitment of knowledge workers to Western Europe.

The term knowledge worker was originally developed by management scientist Peter Drucker in 1959 (Kuhn & McAusland, 2006). The concept of the knowledge worker as coined by Drucker is broad relative to its meaning in this study, and includes

those individuals who work with information, or who develop and use knowledge.

“Knowledge workers’ contributions to company performance largely take the form of intellectual contributions-something that companies cannot simply command or program” (Cheese, Thomas & Craig, 2007, pg. 2). The term knowledge workers, as used in this research is more narrowly defined, comprised of individuals who have university degrees equivalent to bachelors, masters or doctorates in science, information technology, or engineering and/or who work in jobs or with organizations in, or related to these fields.

This study reveals that organizations have a broad spectrum of differing perspectives on the strategic importance of talent from new member states, and vary substantially in how actively they engage in cross-border recruitment of knowledge workers from among the new entrants in Eastern Europe. The research ultimately suggests that organizations that do not purposefully recruit from this emerging talent pool may be failing to capitalize on opportunities derived from such recruitment.

This study contributes to both academic research and organizational practice. From the academic perspective, it fills a gap in the academic literature related to geographic mobility of knowledge workers in the European Union. There is little research that specifically links geographic mobility, knowledge workers, recruitment and the European Union. Nor is there any research on the strategic importance of the new member states as a source of talent to EU 15.

From a practitioner perspective, organizations in Western Europe profit from this research by having a framework by which to understand and evaluate their own positions regarding recruitment of knowledge workers from the new member states. They can

better ascertain if their recruitments strategies include, or should include, this still relatively untapped Eastern European pool of talent.

THE ECONOMICS OF MIGRATION

The economic underpinnings of migration provide a valuable basis by which to understand the potential movement of people throughout the European Union, and hence the opportunities availed to organizations to recruit knowledge workers, in particular from Eastern Europe to Western Europe. At its most basic level, economic theory proposes that individuals weigh both costs of leaving their home country and benefits to be received in the host country, and will make a move if the benefits outweigh the costs (Tassinopoulous and Werner, 1999). In order for people to move within Europe, the gaps between the countries in terms of wages and living standards would have to be sufficient to influence a move. Svetlik and Alas, in Larsen and Mayrhofer (2006) see flows of workers within the European Union occurring when there are “big enough differences” (p. 22) between the countries in such areas as wages, standards of living, quality of life, and availability of resources. They suggest therefore that after accession into the European Union, at least initially, there would be greater movement of labour from the new member states to Western Europe, than movement between countries in Western Europe. PricewaterhouseCoopers (2006) also reports that individuals from new member states are more motivated towards mobility for economic reasons, with about 60% driven by higher incomes, as compared to 37% of all European Union citizens. This movement from east to west is due to disparities in gross domestic product, unemployment, labour

productivity, and education levels between new and old member states of the European Union. Piracha and Vickerman (n.d.) report that the disparity of economic conditions between Central and Eastern Europe and the EU15 is greater than experienced in any previous EU expansion.

With respect specifically to knowledge workers, they too are motivated to move across borders by better economic opportunities than they would have in their home countries. Yet other factors relating to intellectual activities are also perceived benefits, such as research and education opportunities, a climate of innovation, and expanding high-tech industries. (OECD Observer, 2002). Educational level appears to have a strong, positive impact on mobility (Tassinopoulous and Werner, 1999; Kunz, 2002). Higher education levels lead to greater mobility, with Krieger and Fernandez (2006) reporting that geographic mobility among highly educated citizens is about twice that of less educated citizens of the European Union. With higher levels of education comes greater access to information, the ability to discover job opportunities, and to ultimately secure a position in another country. Further, the higher the education, the more flexible and open-minded individuals may be (Kunz, 2002). Highly skilled workers, according to Krieger (2006) are much more mobile than their lower skilled counterparts. As a result, cross-border recruitment of knowledge workers, due to their relatively high levels of education and resulting openness to new adventures, may provide organizations with special opportunities.

The implication to organizations is that there is strong potential to attract knowledge workers from Eastern Europeans to the west, due to the promise of higher wages, greater professional opportunities, and better standards of living. However,

implicit in the economic principles that influence migration is the assumption that individuals can move relatively freely between countries in the European Union, which at the moment is not yet the case.

THE STATUS OF FREE MOVEMENT OF LABOUR

Although the European Union has placed great emphasis on the importance of mobility from not only an economic perspective, but most importantly as a basic human right of European citizens (Krieger, 2006), there continue to be limitations to free movement of labour among the member nations, especially movement between the new and old European Union members (Svetlik and Alas, in Larsen & Mayrhofer, 2006). A distinction between free movement and free movement of *labour* needs to be made. There are no restrictions placed upon European Union nationals with respect to free movement of citizens, meaning the ability to live or study in other EU countries. The restrictions invoked by some member states relate to the ability to *work*. Many of the EU15 have imposed transition periods of up to seven years for free movement of labour to be fully realized (Krieger and Fernandez, 2006).

The following discussion of transitional arrangements between new member states and the EU 15 was consolidated from the European Commission on Employment, Social Affairs & Equal Opportunities with the caveat that it is meant to represent the general situation of free movement of labour within the European Union. There are national laws and resulting transition rules that may incorporate quota systems, ease restrictions on certain classes of workers, provide full exemptions for certain professions,

and offer other specific opportunities or barriers. Reference to new member states in this section on free movement of labour refers to new entrants to the European Union in 2004 and 2007, with the exception of 2004 accession nations of Malta and Cyprus. The latter two countries are not subject to the restrictions of the other new member states.

During the transition periods, citizens of new member states are not precluded from working in the EU15; however, they would need to apply for, and be granted work permits in those countries that have not fully opened their borders. In the first two years after a country's accession into the European Union, the EU15 can invoke their national labour laws, not those of the European Union. After this initial two year period, the EU15 countries have the opportunity to evaluate their labour situations, and can extend restrictions for free movement of labour for another three years if they can prove that disturbances in their labour market were resulting, or could result, by removing barriers to work. In any event, after a total of seven years, no citizen of the EU would be required to have a work permit to gain access to the labour market in any EU country. Technically, countries will still be able to require work permits, but for statistical reasons only. Citizens of the ten member states admitted in 2004 will have unrestricted free movement for work by the year 2011, and citizens of Bulgaria and Romania, the countries admitted to the EU in 2007, by 2014. On a positive note, European Union citizens who are subject to these transitional work rules do have priority for jobs over workers in non-EU countries.

As reflected in Table 1, new member states admitted to the EU in 2004 are afforded total free movement of labour in ten of the EU15 nations, but continue to have some restrictions in Austria, Belgium, Denmark, France and Germany. Only Finland and

Sweden fully accept Bulgaria and Romania, admitted to the EU in 2007, with no restrictions to work.

Insert Table 1 Free Movement of Labour to EU15

Although 2006 was dedicated as the “European Year of Workers Mobility”, these temporary restrictions to free movement of labour, especially related to the new entrants to the EU, have been enacted because of perceived threats to national economies (Theil, 2004, Kunz, 2002). The fear of increased migration flows is not only a current phenomenon relating to the new Eastern European members of the European Union however, but can be traced back to the accession of Greece, Portugal and Spain in the 1980s (Kunz, 2002) when similar fears existed. The roots of fear go back even further, according to Walwei and Warner (1993):

When the idea of granting such freedom of movement for labour was originally discussed during the 1960s, fears were expressed that the market would be deluged with Italian workers. Yet this did not happen, and nor did the accession of the United Kingdom, Ireland and Denmark in 1973, nor again the granting of complete freedom of employment to Greek citizens in 1987, trigger off any waves of migration (p.9).

In the past, the transition periods to free movement of labour responded to fears among some EU member nations that their countries would be faced with a flood of immigrants, which in fact never materialized (Vandamme, 2000), nor is it anticipated that

a mass inflow of immigrants, particularly from east to west, will happen in the future (Ester, 2006).

The temporary transition agreements do prohibit totally free movement of citizens within the European Union for the purposes of work. These are country imposed barriers that organizations have little influence over. From an organizational perspective, it adds a level of complexity to the mobility picture because most of the EU15 countries have different transition agreements with respect to the new member states. Yet, as will become evident from the findings, these transition agreements seemed to have little influence on Western European organizations' intentions to recruit knowledge workers from Eastern Europe.

METHODOLOGY

The main purpose of this exploratory research was to understand the strategic importance of the European Union's new member of Eastern Europe states to the recruitment of talent to Western Europe, and to develop a theoretical framework that organization's can use to evaluate their own positions in recruiting knowledge workers from Eastern Europe. To accomplish the latter objective of "informing policy and practice" (Denyer and Tranfield, 2006), a qualitative research design was used. In particular, the tenets of Grounded Theory (Strauss and Corbin, 1998) which has emerged as one of the most rigorous and comprehensive research methodologies used in qualitative research (Haig, 1995; Creswell, 1998; Patton 2002) guided the data collection and analysis, and the development of the framework. Grounded Theory is designed to

build theory, when none previously exists (Strauss and Corbin, 1998; Martin and Turner, 1986), as is the case in this research.

The research was based on in-depth interviews with 34 individuals representing 16 organizations in the European Union and Switzerland. The organizations were either European (Belgium, France, Germany, Netherlands, United Kingdom) or United States headquartered, 44% and 56% respectively, with global operations. Over 90% (31) of the participants were European, the remainder (3) Americans. All but one was living and working in Europe at the time of the interviews, and they represented European operations in Belgium, the Czech Republic, France, Germany, Hungary, Italy, Luxemburg, Netherlands, Poland, Portugal, Switzerland, and the United Kingdom. The preponderance (31) of the participants had human resources, recruitment, staffing and/or global mobility responsibilities, with three speaking from an EU policy perspective. Titles of the participants ranged from vice president (3), executive director (1), senior director (3), managing director (1), director (7), manager (8), head (5), senior consultant (1), consultant (4), and researcher (1). All but three of the organizations have global name recognition, representing leaders in telecommunications, auto manufacturing, tier one supplier, chemical, technology solutions, and staffing industries, and employ knowledge workers as defined in this study as engineers, scientists and information technology specialists.

Data was collected through a combination of in-depth face-to-face and telephone interviews that took place over a six month period from August, 2007 through January, 2008. All interviews were conducted in English, and were audio recorded with the permission of the participants. Interviews were transcribed verbatim by the researcher.

Data was collected until saturation occurred, when no new data emerged within the constraints of both time and resources (Strauss and Corbin, 1998). Data analysis using Grounded Theory included the development of codes, concepts and categories (Allan, 2003) and then identifying relationships between them in order to develop the theoretical framework (Strauss and Corbin, 1998; Charmaz, in Denzin and Lincoln, 2000).

RESULTS

The research was framed in order to understand if firms view the new member states of Eastern Europe as important to their short and long term recruitment strategies for knowledge workers *needed in Western Europe*. There are a variety of different perspectives when considering the strategic importance of the new member states to the recruitment of talent to Western Europe, starting with the dominant view that the new member states do *not* have strategic recruitment importance.

New Member States are of No Strategic Value to EU15 Recruitment

With one exception, the respondents in this study reported that the new member states currently hold no strategic recruitment value in the context of recruitment of knowledge workers for positions in Western Europe. The following articulates very succinctly the dominant view that new member states of Eastern Europe are excluded from formal recruitment strategies.

I have to be careful how I use the term strategy. No, from a general standpoint, meaning we don't say, 'wow, there's a rich source of educated talent or

technologically advanced talent, or whatever the criteria for talent may be, and saying there is an abundance of it in Eastern Europe that we want to bring back into Western Europe. Or there's a loss of talent from aging populations in Western Europe and so we need to fill that void with Eastern Europe. At that point it's not a reality, or I should say today.

This sentiment is echoed clearly in the data, as can be again be seen rather explicitly by the following excerpt. "For the type of work and the complexity of the technologies and so forth we don't look to Eastern Europe as the pool of talent specifically for those technologies if you will." This particular German manufacturing organization had even indicated difficulty recruiting engineers to fill open positions, yet despite a shortage of engineers, admitted a lack of strategy to recruit from Eastern Europe.

But we don't at the moment have a strategy to say we need ten more engineers, or twenty more, whatever, and we try to recruit them in Czech or Hungary or Poland, because we don't find them here in Germany.

This is not to conclude that organizations do not view knowledge workers from Eastern Europe as a possible *source* for talent, however strategies are not in place to capitalize on this source, as suggested by a French scientific recruiter.

I think in science they are. Yea I think in some of the countries, some of the fields they are viewing them as a source. Now when you talk about a long term strategy I'm not really sure as I said that many companies have developed a strategy yet but I think that people see that it is a good source.

The caveat of "at this point" was accompanied by several similar responses, such as "at the moment it [Eastern Europe] does not play a significant role", "at least not at

this stage”, “not yet” or “it might be” [in the future]. These qualifiers certainly imply the future possibility, however still do not suggest any strategies for cross-border recruitment from east to west. Yet, the need to look to the east is recognized, because it is becoming much more challenging for organizations in Western Europe to find qualified knowledge workers, and is predicted to become even more difficult in the coming years, when there will be greater waves of retirements which will require new sources of labour. “I think that it will be the case for the longer periods in the future because it’s very hard for us to find enough people with technical backgrounds for our plants, that’s becoming really very difficult”. However, the need to expand the recruitment net further, in particular even to the eastern countries in close physical proximity in Western Europe, is not yet, for the most part, backed by strategic recruitment plans.

It was even suggested that there is an active attempt *against* recruiting from Eastern Europe to Western Europe.

One of the issues that you do have is when you recruit in certain parts of the EU, there are huge personal preferences and the pressure is for people to move into the Western European countries because the pay scale and standard of living and so on are so much higher and we have to actively resist that on occasion. We recruit in Hungary for people to work in Hungary. The focus isn’t to recruit in Hungary for people to move to London or Paris.

In an attempt to understand this phenomenon more fully, organizations that had professed difficulties in hiring knowledge workers in Western Europe were asked directly, “why not then recruit in Eastern Europe”?

Reasons against Strategic Recruitment in the New Member States

A myriad of reasons emerged to explain the reluctance of organizations to recruit in the new member states of Eastern Europe, starting from the influence of organizational culture on recruitment.

That is more or less the culture. It's a little bit old fashioned, a lot of traditions and the people in the departments, in the offices, in the German offices really have the fear that they will lose their jobs when we are making the others too clever and that is a very big point. They are not really open for that. We don't want to recruit talent from cross border to let them work in Germany. And when you don't have the organization behind this policy, it will not work.

The reflection here from a automobile supplier is of rather a closed organization, one that does not support broadening its recruitment base outside of its home country of Germany. Even employees are concerned about bringing outsiders in because others might be "better" than they and may jeopardize their own jobs. Segalla et al., (2001) also concluded that in some cases there is a resistance by lower skilled managers to hire higher skilled candidates, emphasizing the role that self interest may play in the recruitment and hiring process.

From "tradition" in a cultural sense, we can move to "tradition" in the sense of 'this is how we always do things', s described by an automobile manufacturer.

To be frank that's a good question that I don't really know the answer to... Our planning has never been one of our strong points to be honest with you. We've always had a paradigm that says to be frank, we turn over two to three hundred people each year, we hire three hundred to four hundred people. That's the paradigm in which we've always worked, and many times we're still working, to be honest with you. And we continue to recruit from the same schools where we've been successful in the past. I would accept that sort of, you know, have we

been innovative or creative? No. But at the same time we have an established pattern that works for us.

The stability of human resource practices in Europe, as reflected in this statement, is reaffirmed by Mayrhofer and Larsen (2006). “For European HRM, absence of change and prevalence of stability at the country level seem to be the rule rather than the exception.” (p.7)

The problem of an ongoing quest for talent in Western Europe, where it is difficult to make progress due to relatively high attrition, coupled with an environment where growth is an imperative, is expressed below by a telecommunications firm.

They are currently, and they have been for the past almost year, needing to employ an additional two to three hundred people. And currently what we find is that given the retention rate, the rate at which people leave, and getting new hires, there is no increase in numbers. There is this constant shortage of a couple of hundred people, a few hundred people. There is no real option that this will change unless we get people from elsewhere or you outsource. This shortage I think is fairly common all over Europe.

Yet, again, in probing further about the possibility of looking to Eastern Europe as a source of talent back to Western Europe, the resistance remains clear, however now due to certain perceptions about Eastern European societies.

...The reason why I know companies are somewhat reluctant to go there has to do with I would say the heritage of the former communist regimes. Although the world is changing rapidly, we as humans in terms of how we behave and how our societies are composed and are functioning, we see that there is slightly slower pace of change and we still see that a lot of the bureaucracy and sometimes even corruption, although that is really becoming less and less.

These perceptions can be even more specifically linked to differences in culture, and a lack of “fit” to explain the absence of interest in recruiting out of the Eastern Europe.

There are such big cultural differences between Eastern and Western Europe. Part of the hesitation is that they would not be an easy fit. The organizational style and ways of doing things is so different. Eastern European cultures are more traditional and hierarchical and much more comfortable with autocratic management styles. There is a tendency then for them to want to manage that way and be managed that way. If someone applied from Poland, great, but we are not actively looking. A majority of people would not fit. They may well fit in a larger organization that is very structured and very hierarchical when there's clear boundaries about whose on board, but this is an organization with loose boundaries between jobs and often people have to do things on their own initiative or be comfortable working with ambiguity and dealing with all the different nationalities here. And that doesn't fit as easily with some countries and nationalities. Is that a bias? Or just how it is?

There is evidence to suggest that cultural factors influence why some organizations do not see Eastern Europe as a strategic source of talent for Western European operations. Culture is reflected from two different perspectives; organizational culture of the west, and national culture of the east. This assertion is confirmed by Segalla et al. (2001) who note that hiring decisions are influenced by both the national European culture of the business as well as the organizational culture.

Yet on a more pragmatic level, one other point is noted and that is the contention that the high-level technical skills needed are not yet available in Eastern Europe.

There are less of the skills available given our market place in the technology, IT services, professional services market. There are fewer of the high end skills available in those economies because of where they've come from. You're very unlikely to find a technology architect, an IT architect in Budapest. You can't find

them in the UK, France, Germany. So the more highly developed the skill or experience you require the less likely you are to find it in that environment.

On the other hand it is believed that many of the sought after technical skills and capabilities are being rapidly developed in Eastern Europe, although they are not yet readily available as they are in Western Europe.

The Strategic Value of New Member States to EU15 Recruitment

Although the preponderance of the data indicated that organizations do not see the new member states as strategically important to recruit talent to Western Europe, one notable exception was discovered. Although this is the minority viewpoint, it is none-the-less strongly felt.

Yes definitely. I think it's clear... I think we are absolutely recognizing the value of those economies, and individuals in those as central to their growth strategies globally and I think we ourselves have recognized in the last, probably in the last 12 to 18 months that the scale of what we want and need to hire to sustain our business growth over the next three to five years, and the availability of that talent in their local, main markets, it is clear that talent is not going to be there to fulfill our needs. So we are now hiring to diversify our strategy to really include, or identify and include pockets of knowledge based on what we need to bring to the organization and have a strategy that encompasses setting up sites in these countries as well as simply just, as they used to, targeting individuals in those countries to come and work in one of a small number of core locations. So it's absolutely driving workforce planning strategy, strategic elements for companies like ours.

Only one (technology) firm in the study indicates that knowledge workers from Eastern Europe are an important source of talent to support the organization's very aggressive growth plans, and further that they are in fact part of an overall recruitment

strategy. Piracha and Vickerman (n.d.) support this viewpoint, and believe that Eastern Europe will help to alleviate labour shortages in the European Union. Rather than considering this one piece of data as perhaps simply anecdotal, or an outlier to be discounted or disconfirmed, it is important to recognize it's power as well, given that "phenomenon can be true even when it is infrequent and only exists at the margin" (Adler, 2008, p. 338).

The analysis to this point has made the case that the majority of the organizations in this study do not currently recruit talent from Eastern Europe to their western operations, nor do they have short or long term strategies to do so. It would be incorrect to assume from these findings, however, that knowledge workers from Eastern Europe do not play an important role in talent acquisition. Therefore the analysis now turns to where Eastern Europe *does* fit.

Global Sourcing

The new member states of the European Union play a strong role in organizations' global sourcing strategies, from both a labour and business perspective, as captured by the following.

A trend that the companies are following is that they are not really looking to Eastern Europe as a recruitment activity in great numbers yet, although it's starting to become a feature. What they are looking to do is resource the additional work and some of the challenges they face on work mode, into the Eastern European countries. So people are looking to see how they use Eastern European skills to set up engineering centers in Eastern Europe. We ourselves look to see how we can resource engineering activities into low cost countries. So as we have skill shortages, *instead of moving the people we tend to move the work* [italics added].

From an economic perspective, according to Krieger and Fernandez (2006) this view of mobility is seen as bringing “capital to labour” (p. 3) as opposed to bringing “labour to capital” (p. 4). For many organizations, Eastern Europe is seen to have good educational systems producing well educated and well trained professional staffs available at much lower cost than in Western Europe. The importance of labour cost reduction as the driver is reflected quite strongly below.

We also actively recruit into and within specific countries within the EU and this is part of our global strategy, this is not just the EU, around sourcing. We call it global sourcing, so sourcing the appropriate skills in the appropriate center based on their both their availability and *particularly* [italics added] their cost. Offshoring, we call it global sourcing. Ensuring we recruit and position the right capability based on the right cost base on a global basis. So we actively recruit, Hungary is one of the core centers. So in the EU we actively recruit staff into that environment, that lower cost economy to reduce the cost of the business that will make us more competitive. That’s slightly different, but that’s a core strategy for us.

Here the core strategy to support growth is not recruiting out of Eastern Europe, but recruiting in these countries to take advantage of a largely untapped skilled labour pool in low cost economies with less restrictive working conditions as compared to Western Europe. A different cause and effect relationship is reported by Berry (2006) who links a lack of professional mobility within the EU to firms’ propensity to outsource to Eastern Europe, implying that immobility is at least one factor leading to outsourcing.

So from a growth perspective it’s better to grow in those countries and hire your Italian or German, or French speakers or whatever other language in Romania because you’re getting them less expensively and also they tend to be.. they’ve got very strong education. It’s the same education as the rest of Europe but there

just are more of them now because they are largely untapped, so there's a better pool of candidates available there to choose from.

Organizations moving operations to Eastern Europe are also actively developing the workforces within those countries to build the skills and capabilities necessary for their operations. "It's more about building local capability from an economic business case, it's less about recruiting key talent out", according to one technology firm.

A unique perspective on geographic mobility is reflected in this concluding statement. "A positive by-product of geographic mobility is access to new talent. We have been capitalizing on these opportunities by setting up in new member states." What is important here is the view of the geographically mobile *organization* moving to Eastern Europe, as compared to the geographically mobile workforce.

CONCLUSIONS

Despite the current and predicted shortages of labour in Western Europe it is evident from the findings that a preponderance of the organizations studied do not view the new member states of Eastern Europe as strategic sources of knowledge workers needed in Western Europe, at least in the short term. They are very important, however in their global sourcing strategies to low cost economies.

Only one organization in the study considered the recruitment of knowledge workers from the new member states for work in Western Europe as strategically important. This was to support substantial organizational growth over the next five years.

And while the findings did suggest that the new member states may be a good potential *source* of talent, and did intonate somewhat tentatively the *possibility* of the future strategic importance of recruitment in Eastern Europe, there were no plans to do so. For the most part, the new member states were not seen as important to the short or long term recruitment strategies for talent needed in Western Europe. Before turning to the question of *why* this is so, it should be reaffirmed that the new member states play a very significant strategic role for organizations as destinations for outsourcing of operations to these lower cost economies. Driven by cost reductions, organizations view these countries very favorably because they offer highly skilled and well educated talent, at wages levels much lower than in Western Europe.

In an attempt to understand why organizations in Western Europe do not view knowledge workers from the new member states as being important to their recruitment strategies, this research will now be positioned within the context of the broader study in which it was undertaken. This larger study investigated geographic mobility and cross-border recruitment of knowledge workers across the entire European Union, and also within Western Europe. In this broader context, a number of barriers internal to the organization were discovered to impede cross-border mobility and recruitment, even within Western Europe itself. The same internal barriers to geographic mobility within countries of Western European in general appear to also influence recruitment of Eastern Europeans in particular. It can be inferred that the barriers may be exaggerated even further in the more focused consideration of strategic recruitment of knowledge workers from Eastern Europe for position in the west. For example, human resource leaders held a variety of individual perceptions, beliefs and attitudes about cultural differences between

Europeans; that certain cultures don't really get along well or don't "like" each other; that some culturally influenced management styles don't mix effectively; or that certain cultures are resistance to change, or are rigid and bureaucratic in their approaches. These individual attitudes, perceptions and beliefs among human resource leaders may in turn influence recruitment practices, and may even impede cross-border recruitment within the EU. Cultural differences between Eastern and Western Europeans are perceived to be even greater, influenced by the communist legacy in Eastern Europe. Due to these wider cultural differences it was suggested that Eastern Europeans may not fit into the Western European organizations, hence diminishing their strategic recruitment position.

Further, the broader research suggests that organizations in Western Europe are reluctant to venture outside of their own borders to recruit more broadly even in other Western European countries, due to a nationalistic orientation towards recruitment. The following illustrates the point very clearly, by an automobile supplier. "If we want an engineer in Germany, we will hire a German engineer". A general lack of interest in cross border recruitment within neighboring countries of Western Europe can be amplified even further when considering east to west recruitment, making it even more unlikely that Western European firms would recruit aggressively from Eastern Europe for knowledge workers.

The broader study also found that some organizations simply do not see the importance of cross-border recruitment within the European Union, and this therefore would track to the new member states as well.

One additional finding did emerge in the context of Eastern Europe and that was a lack of high level technical skills *throughout* Europe, including Eastern Europe. Even

organizations that were outsourcing some of their operations to the new member states and as such believed in the availability of strong labour pool also recognized that they need to help “grow” the talent pool in these countries by working with governments and universities in Eastern Europe.

In summary, organizations whose growth strategies lead them to recruit across borders in the European Union may extend their reach to the new member states as well. Conversely, organizations that do not currently have a strong focus on cross-border recruitment within Western Europe do not appear to be changing their existing strategies in light of the opening up of new labour markets in Eastern Europe. It can be construed that the organizationally imposed internal barriers to geographic mobility may even be stronger when applied to the recruitment of knowledge workers from Eastern Europe. Figure 1 depicts a framework of the variation of roles that the new member states play in the strategic recruitment of talent, ranging from very important, to not important at all.

Insert Figure 1 Role of New Member States in Organizational Recruitment Strategies

This exploratory research is critical to the understanding of cross-border recruitment strategies in the European Union, in particular as related to strategic recruitment of knowledge workers from Eastern Europe for positions in Western Europe. The academic literature is scarce in this area, therefore this study begins to open an important dialogue by examining the practices and intentions of sixteen organizations with headquarter or subsidiary operations in the European Union and Switzerland. While the research findings are not intended to be generalized further than the research group, there is no reason to believe that their responses are unique to other organizations either.

Future research needs to investigate more deeply why organizations do not recruit strategically in Eastern Europe, in light of a very competitive labour environment within the European Union, or simply to assure that the best talent is recruited. I suspect that the answer to why organizations are not actively recruiting knowledge workers from Eastern Europe may lead further into the organization's own self imposed barriers. While both the research and the literature affirm that EU and country related external barriers to mobility do exist, for example the legal and administrative barriers and longer term transition agreements, there was no evidence to suggest that a lack of strategy for recruitment of knowledge workers was a result of these external barriers.

From an organizational perspective, those firms that can capitalize on attracting the best talent, regardless of its origin, will have a competitive advantage.

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Tables and Figures to insert in text

Table 1 Free Movement of Labour to EU15

EU15	2004 Entrants		2007 Entrants	
Member States	Free Movement	Restricted/ Permit	Free Movement	Restricted/ Permit
Austria		x		x
Belgium		x		x
Denmark		x		x
Finland	X		x	
France		x		x
Germany		x		x
Greece	X			x
Ireland	X			x
Italy	X			x
Luxemburg	X			x
Netherlands	X			x
Portugal	X			x
Spain	X			x
Sweden	X		x	
UK	X			x

2004 Entrants excl. Cyprus & Malta:

- Czech Republic
- Estonia
- Latvia
- Lithuania
- Hungary
- Poland
- Slovenia
- Slovakia

2007 Entrants:

- Bulgaria
- Romania

Source: European Commission-Employment Affairs & Work Opportunities, Enlargement Transitional Provisions, 01/29/08

Figure 1 Role of New Member States in Organizational Recruitment Strategies

