FROM JOB SEARCH TO SKILL SEARCH: POLITICAL ECONOMY OF LABOR MIGRATION IN CENTRAL AND EASTERN EUROPE

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ABSTRACT

This dissertation analyzes labor migration patterns in Central and Eastern Europe (CEE) during the transition and after the accession of these countries to the EU. It addresses the question of why there has been a substantial variation in the degree of labor migration between CEE countries with very similar wage levels and living standards between these countries and the West – with high rates of migration from the Baltic countries, Poland, and Slovakia and lower rates among the workers from the Czech Republic, Hungary and Slovenia. The dissertation makes a strong case that economic factors alone, as proposed in the neoclassical framework, fail to explain the diverse migration patterns across the CEE countries. While wage differentials elucidate why people seek employment in the West and are a starting point for any investigation of migration, they are unable to explain why workers from CEE economies migrate to different degrees. Through analyzing CEE migration patterns in the context of the complex economic and social changes that the countries experienced during the transition from socialism to market economies, this dissertation builds a conceptually more accurate and empirically valid model.

To that end I adopt a political economy approach and merge aspects of migration theories with literatures outside migration field, namely transition literature, labor market research, and welfare state studies, in order to develop an analytical approach that is able to study migration at macro- and micro-levels jointly. The workers are conceptualized as *embedded* in their home environments and structural and institutional variables in their societies affect their decisions to migrate or to stay. The research framework tests two factors that were excluded from the studies that estimated the expected migration flows from CEE prior to the enlargement: the impact of structural change and the role of welfare systems and state policies. These variables are analyzed in a framework that compares across countries and over time, but are also tied closely to two migrant profiles which capture two types of CEE migration over time.

The empirical analyses show, first, that the pressures of economic change were distributed unevenly across countries and across populations within them and therefore induced some types of workers to seek migration as an exit option more than others,

producing different occupational profiles of migrants across countries and generating different rates of migration. Second, the countries with less generous welfare states faced higher shares of their workers leaving to work abroad. In sum, I find that the CEE countries in which the opportunity structures have been more extensive, generated either by economic structures that are more favorable to the skill set and the preferences of its human capital and/or generous welfare policies, experienced lower out-migration rates.

This interdisciplinary work contributes to the theories of migration and speaks directly to the most recent studies that have called to analyze migration as part of broader global processes and social change. The thesis carries out systematic comparative cross-national over time research about migrant sending countries and makes important steps in developing new ways of analyzing home countries' role in affecting migration.

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I would like to dedicate this work to my dear family. Ďakujem za vašu podporu!

DECLARATION

I hereby declare that no parts of the thesis have been submitted towards a degree at any other institution different from CEU. To my knowledge, the thesis neither contains unreferenced material or ideas from other authors.

Signature

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LIST OF ABREVIATIONS

AMR	Accession Monitoring Report
CEE	Central and Eastern Europe
EC	European Commission
FDI	Foreign Direct Investment
ILO	International Labor Organization
IOM	International Organization for Migration
ISCO	International Standard Classification of Occupations
NINO	National Insurance Number
LFS	Labor Force Survey
LMPs	Labor Market Policies
PPSN	Personal Public Services Number
SME	Small and Medium Enterprises
WRS	Worker Registration Scheme

COUNTRY ACRONYMS

EU2	Ireland and UK
EU3	Ireland, UK and Sweden
EU8	Czech R., Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia
EU10	EU8 and Cyprus and Malta
EU15	EU members prior to 2004 enlargement

CR	Czech Republic
ES	Estonia
HU	Hungary
LA	Latvia
LI	Lithuania
PO	Poland
SK	Slovakia
SL	Slovenia

IR	Ireland
UK	United Kingdom
DE	Germany
AT	Austria

CHAPTER 1

INTRODUCTION

1.1 Expectations versus reality: the empirical puzzle

The enlargement of the European Union (EU) to the Central and Eastern European countries (CEE/EU8)[1] in 2004 was accompanied by fears of an influx of labor due to significantly lower income levels and high wage differentials vis-à-vis the EU15. In order to anticipate East-West migration trends and to inform policy decisions, a see of studies prior to the enlargement attempted to measure the expected numbers of CEE migrants (e.g. Bauer and Zimmermann 1999; Dustmann et al. 2003; Boeri and Bruecker 2001; Krieger 2004; IOM 1998; Kraus and Swager 2000; Layard et al. 1992). The prevailing conceptualizations in this research were based on the neoclassical theory of migration and considered economic factors such as wages and income differentials as the main predictors of the behavior of migrants.

The estimates were based either on macro-level analysis which extrapolated data based on migration history of the main destination countries (Dustmann et al. 2003), or on the migration experience that was observed after the Southern enlargement of the EU (Bauer and Zimmermann 1999). A different set of studies relied on micro surveys and measured intentions to migrate (IOM 1998; Kraus and Swager 2000; Krieger 2004). While the latter set of works concluded different propensity to migrate across countries, the macro-level extrapolations typically did not factor in a potential variation in the sending countries and, partly for methodological reasons, assumed cross-country and over-time invariance (Dustmann et al. 2003, 47). On the other hand, these studies took into account differences in the receiving countries and anticipated that Germany and Austria were to attract greater proportion of the CEE migrants due to the shared border and previous history of migration. The actual estimates of the expected migration rates were fairly diverse but predicted relatively moderate migration from CEE to the EU15 (cf. World Bank

[1] Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia. I will be using abbreviations CEE and EU8 interchangeably to refer to these eight countries.

2006, 6-7). For example, Dustmann et al. (2003) anticipated that no more than 13,000 people would migrate annually to the UK from the CEE10[2] up to 2010 while Bauer and Zimmermann (1999) expected to leave from selected CEE countries[3] altogether three million people in the 15 years following the enlargement.

The actual policy decisions of the EU15 countries, possibly encouraged by the strong negative public discourse about the issue, resulted in selective liberalization of their labor markets. A majority of EU15 states used their right to impose transitory periods of varied durations and only three - Great Britain, Ireland and Sweden (EU3) - fully liberalized the entry of workers from all EU8 countries. This resulted in a marked diversion of migrant flows to the UK and Ireland.[4] Vis-à-vis these countries, the labor mobility patterns can be considered a natural experiment of the equalization of factors of production anticipated by the neo-classical theory of migration. In the absence of political barriers, workers from countries with lower wages are expected to move to countries where labor is paid more. By extension of this logic, *ceteris paribus*, the rates of mobility from CEE countries should not exhibit significant differences due to their relatively similar levels of living standards and wage differentials with the West.

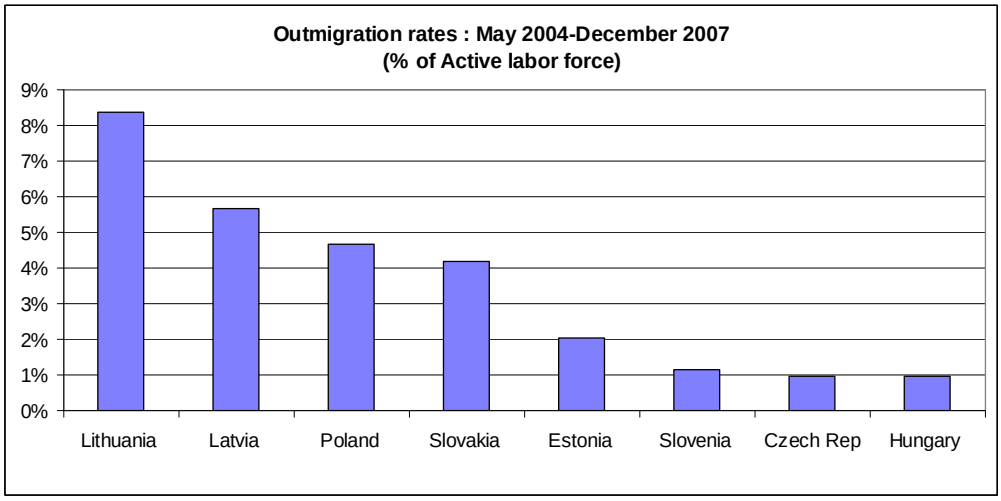
A posteriori evidence of actual post-accession migration patterns revealed that most of the analyses have proven imprecise in anticipating both volumes and significant cross-country differences. First, the number of individuals who decided to migrate was so high that the unprecedented influx significantly altered the migration landscape in Europe and was dubbed "one of the most spectacular migratory movements in contemporary European history" (Kaczmarczyk and Okolski 2008, 600). The available figures demonstrate that more than 1.2 million CEE citizens were attracted to British, Irish and Swedish labor markets between May 2004 and December 2007 alone. This figure, most likely still underestimated, contrasts the estimates of some of the most prominent studies presented above.

Second, the estimates have been unable to predict correctly the different rates of out-migration from the eight CEE economies to the EU3: the Baltic countries together with

[2] EU8 and Romania and Bulgaria.
[3] Poland, Romania, Bulgaria, Czech Republic, Slovakia and Slovenia.
[4] The three countries that opened up the labor market immediately after accession attracted CEE migrants to a different degree: the UK and Ireland attracted a magnitude of CEE migration while equally liberalized Sweden markedly less. The reasons for this will be briefly discussed in Chapter 3.

Poland and Slovakia sent much more labor relative to their active labor force than the Czech Republic, Hungary and Slovenia. More precisely, the outmigration rates vary from about 1% of active labor force in the latter three countries to over 8% in Lithuania (Figure 1.1). Interestingly, it is not the poorest CEE economy, Latvia, which experienced the greatest outflows, while the countries with very similar GDP levels at the time of the accession - Hungary, Slovakia and Lithuania - show markedly different outmigration rates. The fact that the countries with record high growth rates in the post-accession period (the Baltic countries and Slovakia) continued to experience significant outflows also goes against the conventional wisdom about the relationship between migration patterns and economic conditions and prospects. Importantly, when destinations other than the EU3 are taken into account, the cross-country variation in the outmigration rates is further amplified by significant outflows of Poles, Latvians and Lithuanians to Germany, Estonian self-employed in Finland[5] and the mobility of Slovak workforce to the Czech Republic and Hungary (Brenke et al. 2009; Hazans and Philips 2009; Divinsky 2007). The employment of Czechs, Hungarians or Slovenes in these other destination countries remained low.

Figure 1.1: Rates of outmigration to UK, Ireland and Sweden: May 2004-December 2007



Source: UK: Worker Registration Scheme – May 2004 – December 2007/Various Accession Monitoring Reports/Home Office. Ireland: Personal Public Service Numbers: May 2004 – December 2007/Department of Social and Family Affairs; Sweden: Residence Permits: 2004-2006, Tirpak (2007) and Swedish Migration Board for 2007 data. Active labor force - 2006. Eurostat. Author's calculations.
Note: See Figure 1.1A in the annex for a comparison with UK figures drawn from NINO data.

[5] When posted workers are taken into account, emigration from Estonia after accession exceeds that of Latvia (Hazans and Philips 2009, 265). This is the reason why Estonia is considered a high out-migration country.

The post-accession rates of mobility coincide with cross-country differences in net migration during the 1990s and before the accession.[6] While external factors such as family reunification after the fall of the communist regime, the Balkan conflicts in the 1990s or the start of the accession negotiations effected migration in all the countries (Kaczmarczyk and Okolski 2008; Wallace 2000; EC 2006), important variation has existed in net migration patterns. From the second half of the 1990s onwards, Latvia, Lithuania and Poland have consistently been net emigration countries, signifying a net loss of population. On the other hand, Czech Republic, Hungary and Slovenia have experienced net gains in immigration. Interestingly, two countries – Estonia and Slovakia – shifted from negative net migration rates in the second half of the 1990s to positive rates from the early 2000s (Table 1.2A in the annex 1). While these figures are subject to difficulties in measurement, they nevertheless point out clearly different migration patterns in these countries.

This empirical context offers intriguing evidence that runs counter to the dominant theories that have been developed in migration studies and applied to frame policy recommendations in the European Union and in the world more generally. The CEE sending countries experienced markedly different post-accession outmigration rates, regardless of equal access rights and limitations on behalf of the EU15 and relatively similar distances between EU8 and the favored destination countries. They also experienced different net migration outcomes throughout the transition. Against a common history of the socialist past and identical timing of EU accession, migration patterns in CEE offer a unique context to study migration in a comparative framework.

The variation in migration from countries with relatively similar living standards invites us to revisit an old question about the causes of migration as well as to think critically about the theoretical basis used for anticipating the East-West migratory flows. Different migration patterns prompt us to analyze how the sending countries contexts influence and shape migration trends and to seek factors that are able to explain them in their complexity. This fact calls for a reformulation of the traditional inquiry of the determinants of migration and forces us to incorporate not only an understanding of

[6] Net migration is defined and measured as the difference between the total change and the natural change of the population. If positive, it shows net gain of population, if negative, net loss of population due to permanent migration. Data are presented in Table 1.2A in the annex to this chapter. The unit in which the data are presented is 'per 1000 of population' to correct for different size of these countries.

mobility but equally of why people do *not* migrate and rather stay in their home countries, in spite of the economic incentives that higher wages offer (cf. Faist 2000; Recchi 2008). This dissertation therefore seeks to analyze the reasons that *make the workers from some of the CEE countries more prone to look for work abroad and others less.*

A common shortcoming of most of the pre-enlargement research was the fact that it failed to factor in existing and growing differences among the transition economies that are neither captured by varying income levels, nor are a sum of individual level migration preferences. The second deficiency is a missing variable problem, since the majority of studies failed to acknowledge macro-level structural and institutional variables as factors that directly impact the environment and context in which migrants carry out their decisions. This is largely a result of the theoretical and methodological approach inherent to the neoclassical theory of migration that simplifies migrant behavior as responding to wage (or price) signals. In addition, the theory homogenizes countries which tend to be distinguished only in terms of income levels or unemployment levels, which are taken as key predictors of the degree of attraction or repulsion of migrants. The theoretical underpinning of the neoclassical theory of migration has been criticized conceptually and disputed empirically (Arango 2000; Massey et al. 1998; Castles 2008a, 2008b; Castles and Miller 2009; de Haas 2008; Collinson 2009). However, due to its parsimony and the fact that it is able to derive a set of testable hypotheses, the neoclassical theory remains a dominant approach in academic and policy works.

This dissertation challenges the neoclassical approach that dominated the pre-enlargement research by adopting a broader analytical framework that combines a set of theories and literatures both within and outside the migration field. It proposes to understand migration as a dynamic phenomenon that is a part of broader global processes and changes. In addition, it views migrant decisions as embedded in particular economic and social environments and therefore responding to opportunities and constraints generated both intentionally and indirectly by the governments that have adopted different policies in response to transition challenges. The work identifies the relationship between economic and structural forces, the working of various (primarily but not only labor market) institutions and individual agency. In the context of CEE economies this justifies

concentration on the course of the political, economic and social transition that the region experienced in the last two decades.

The goals of this study are twofold. Its empirical aim is to explain differential migration patters across the CEE economies, to identify factors that have been overlooked and to operationalize and measure their explanatory clout. This is conducted hand in hand with a critical evaluation of the existent theories of determinants of migration. The dissertation proposes a more holistic approach to migration that combines broader economic and social rationale and is methodologically underpinned by interdisciplinary and multi-method approaches. In this way it offers new conceptual and methodological tools to research on migration determinants.

1.2. Summary of the argument and main findings

The argument of this dissertation begins with a critique of the neoclassical theory of migration. While wages and earnings are important individual level determinants of migration, anchoring migration research in the methodological and conceptual tools of the neoclassical theory overlooks sending (and receiving) states (structural and institutional) diversity and cannot account for migration patterns in their complexity. I aim to show that, in spite of its rigor, the neoclassical theory of migration is poorly equipped to provide reliable ways of analyzing and predicting migration in the CEE region. In the context of East-West migration patterns, relatively similar living standards and wage differentials between the East and the West attest to limited capacity of these factors to account for variety in migration patterns both before and after the EU enlargement. While wage differentials might be an important condition for labor migration to take place, they are neither necessary nor sufficient. I argue that suitable employment at home interacted with institutional factors, which help to mediate the impact of immediate or more long-lasting misfortunes in the labor market, can prevent migration even in the case of the existence of wage differentials.

In its core this work concentrates on analyzing and showing *how* sending countries' contexts influence and shape migration trends in substantive ways. The CEE economies are middle income countries with economic structures largely resembling advanced capitalist

economies. In addition, the transition region is unique in two aspects which differentiate CEE countries vis-à-vis typical migration countries in the developing world on the basis of which theories and concepts about migration determinants have been developed: a process of rampant structural change and the mediating effect of institutionally complex and relatively effective welfare systems. These two factors have not been systematically taken into account in the analysis of migration patterns in CEE.

First, the process of transition from state planning to a market economy took place with great speed and required complex economic restructuring that led to substantial labor reallocation across state and private sectors and across industries. The speed and comprehensiveness of the process was unprecedented. The challenge was even greater as the transition took place on the back of an increasing world-wide interconnection in the markets, technological change and globalization. The integration of the CEE economies to world markets initially produced serious skill mismatches in the labor markets, persistent unemployment rates, high youth unemployment and uneven development within countries. The effect of structural change can be best understood through the analysis of labor market dynamics and different forms of risks and opportunities that transition has produced on specific population groups. The pressures of economic change were distributed unevenly across countries and across populations within them and therefore induced some types of workers to seek migration as an exit option more than others. Labor market imbalances and mismatches between newly-emerged employment opportunities and skill structures inherited from the socialist regime, if not mediated, pushed people out of home labor markets to seek work abroad.

The second element which sets the CEE countries apart from the developing countries is the role of welfare systems in the region. The presence of developed institutional framework intervening in the skill formation and the functioning of labor markets makes the CEE countries distinctive from developing countries where social safety nets or education system are not sufficiently functional, if at all developed. The CEE states developed under socialism a specific set of policies which can be compared in their complexity to traditional Western welfare states and in the levels of spending exceed the latecomers to the EU (i.e. Spain, Portugal, and Ireland). Institutional setting both inside and outside of labor market can be of crucial importance for increasing the ability of labor to

adapt to a changing structure of production. Welfare provisions can be perceived as an investment into opportunity structures, affecting broader quality of life and thus shaping rationality of migration decisions. I will show that those CEE countries where social spending figures have been lower, unemployment benefit schemes less extensive and where labor market mismatches remained severe, experienced greater out-migration of their citizens. The states have been principal actors in creating and widening choices of potential and actual migrants indirectly through social and labor market polices and directly in their policies towards the outmigration from their countries once it takes a massive form.

In order to demonstrate a causal effect, it is crucial to elaborate the micro-level mechanisms through which the macro-level factors - the structural change and specific state policies - have impacted migration decisions at the individual level. This is achieved by forming a conceptual link between the key variables and two distinct prototypical migrant profiles that can be distinguished in the course of CEE migration history: hardship migrants and choice migrants. These two profiles differ in important demographic characteristics, their position in the labor market prior to migration and relative dependency on the domestic labor market and (therefore) on the welfare system. Migrants are conceptualized as *embedded* in their home environments and affected in their decisions to migrate or to stay primarily by structural and institutional variables in home societies. The profiles of migrants and structures of migration provide crucial hints for understanding better the underlying causes of migration.

In sum, during the process of restructuring and labor market adjustment, migration served as one of the options for dealing with labor market problems, imbalances, risks and insecurities. These labor market difficulties were mediated by sets of government policies that in some countries (or for some groups of workers) increased the array of available choices. Studying specific conditions of localities and taking wider range of migration determinants related to conditions and options in domestic labor market into account can help us to understand (and to predict) migration flows and their composition better than oversimplified neo-classical concepts. I found that the CEE countries in which the opportunity structures, generated either by economic structure more favorable to the skill set and the preferences of its human capital or by welfare policies, have been more extensive and better developed, experienced lower out-migration rates. After all, migration,

which implies leaving family and friends behind, is nearly always (at best) the second best option.

1.3. Research design and methodology

1.3.1 Defining labor migrant

Labor migration, generally defined as a cross-border movement for the purposes of employment in a foreign country, has been the predominant type of mobility in Central and Eastern Europe. Family reunification and ethnic and diaspora movements that were relatively common in the aftermath of the regime change became considerably less important from the mid-1990s onwards when mobility for work became the main reason to migrate. The international frameworks, notably the UN and International Labor Organization (ILO) Conventions, employ different definitions of a migrant.[7] In order to account for the temporary aspect of labor migration and intra-EU mobility, this work applies a broad definition which incorporates cross-border commuting for jobs, posted workers and seasonal workers.[8] I define a (labor) migrant as a *person who physically undertakes employment or remunerated activity in a country different to his usual country of residence*. Throughout this work the words *migrant*, *migration* or *labor mobility* will be used to refer to labor migration, unless explicitly specified differently.

1.3.2 Data problems and data sources

Quality data about migration in general and labor mobility within the European Union in particular are subject to problems of measurement, validity and reliability. These issues are serious in respect to data on permanent (registered) migration as well as in

[7] According to the United Nations Convention on the Protection of the Rights of all Migrant Workers and Members of their Families, a migrant worker is a person who is to be engaged, is engaged, or has been engaged in a remunerated activity in a State of which he or she is not a citizen. A "migrant worker" is defined by the ILO as a person who migrates from one country to another (or who has migrated from one country to another) with a view to being employed otherwise than on his own account, and includes any person regularly admitted as a migrant for employment (www.iom.int).

[8] Chapter 3 discusses in greater details in which contexts this mobility was dominant and addresses briefly the reasons and the implications of such type of mobility. The core of post-accession mobility, however, has been temporary and into regular employment (wage labor).

respect to more temporary, short-term or circular labor mobility. The EU countries use nationality or country of birth as criteria for identifying who is a migrant on their territory, which complicates comparability and raises issues of underreporting by migrants or the countries. Further, depending on the country, a migrant can be defined as a person obtaining the right of permanent or limited duration residence or as a person who registers in a population register and intends to stay for more than a specified period (which can vary from 3 months to one year). There are also differences in permit durations across countries for migration movements of the same type (EC 2006). Intra-EU labor mobility is due to the notion of free movement and Schengen rules even harder to trace and measure precisely. In general, there is a lack of consistency between data on migration flows and migration stocks and migration data are subject to major problems (Bijak et al. 2004; Zaiceva and Zimmerman 2008; Castles and Miller 2009, xviii).

The main sources of migration statistics are population registers, residence or work permits, censuses and surveys (household surveys and other surveys such as the International Passenger Survey). The main purpose of these sources, however, is often not the recording of migration flows or stocks (EC 2006). For post-accession migration, the most widely used data sources about EU8 migrants have been National Insurance Numbers (NINO) and Worker Registration Scheme (WRS) in the UK[9], Personal Public Service Numbers (PPSN) in Ireland[10] and Work Permit Schemes in Sweden which allow monitoring the numbers of incoming migrants and in the case of WRS collect their demographic profiles. To measure post-accession outmigration, this work will largely draw on these data sources.[11] Labor Force Survey (LFS) data are additional source of information that have been analyzed in a number of empirical studies about EU8 migrants and allow studying migrants on the individual level and compare them to majority population. The LFS were not accessible for the author during the course of the research

[9] WRS was introduced with the 2004 accession specifically to monitor the inflows of EU8 migrants into the country. On the exceptions and likely problems with the Scheme see Anderson et al. (2006).

[10] PPSN is a unique customer reference number for transactions between individuals and government departments and other public service agencies in Ireland.

[11] While these sources map aggregate trends on the country level, at the time of this research they were not accessible in the form of micro-level data. Municipal-level data from Workers Registration Scheme have lately become available recently for special research purposes and the purposes of local services planning. See: http://www.lga.gov.uk/lga/core/page.do?pageId=1095225.

but I will refer extensively to secondary resources that analyzed the LFS in destination countries. A set of individual level datasets about Slovak migrants will be analyzed as well.

1.3.3 Case selection and methodology

This dissertation employs controlled comparative analysis of the eight Central and European countries that joined the EU in May 2004. This is a universe of cases that controls for the common socialist past, the experience of EU accession and common set of policies on the side of EU15 in respect to free movement of labor when the countries joined the EU. Romania and Bulgaria, which acceded in 2007, already faced restrictions on their free access to the labor markets by the old EU members and for this reason cannot be directly included in the analysis, although they are certainly a part of a broader East-West migration landscape. The primary level and the unit of analysis is the country but the work makes a strong conceptual connection between macro level factors and micro-level behavior through a detailed analysis of migrant profiles that typify different migration strategies, opportunities and constraints formed by the macro-level structural and institutional determinants.

The above described difficulties of migration data quality and access and limitation of other indicators of interest (not migration related) in CEE especially in the 1990s have affected the choice of methodological tools and research design in this work. These constraints hindered the realization of, for example, an econometric analysis that would merge macro-level and micro-level data across the analyzed countries and overtime (i.e. multi-level method). Partly due to these data limitations and problems, I chose a multi-method research design.

A major part of the empirical analysis is based on systematic descriptive analysis of (available) macro-level data for all analyzed cases with the aim to trace changes in the independent variables. Here the work employs the logic and principles of Mill's method of difference – the most similar cases design. The countries are treated as present in two distinct categories based on their value of dependent variable which is the post-accession outmigration rate. The Czech Republic, Hungary and Slovenia as low outmigration countries form one group, while the Baltic countries, Poland and Slovakia as high outmigration countries fall into the second group. The analysis is carried out with the anticipation that the key independent variables should have different values in these two

groups. With the aim to bring the two key explanatory variables together and in order to provide a more detailed elaboration of the mechanisms through which the macro-variables function, a two-case comparison of the Czech Republic and Slovakia is carried out in the last empirical chapter. Rather than engaging extensively with migrant profiles, this part of dissertation concentrates on demonstrating the over time dynamics. I employ process tracing and both within case and between case comparisons.

The comparative framework is supported by both simple and more complex statistical methods. Due to the availability of unique survey data about Slovak actual and intended migrants after the accession, the case of Slovakia has gained relatively more empirical attention. These datasets are used extensively wherever suitable in order to refine the findings generated from the macro-level analysis and to cross-validate the inferences. At the same time, Slovakia is a good case of more robust initial test of the proposed two main explanatory variables because in both of these – rampant structural change and a major realignment of its institutional framework (i.e. welfare state) – it experienced significant shifts just prior to the EU enlargement.

The time frame of the analysis spreads over the period of transition up until the end of 2007. As presented in the figures earlier, more than three and a half years of post-accession migration is sufficient to distinguish significantly different trends in migration that were already visible in the pre-accession period. The decision to end the analysis at the end of 2007 is informed by the appearance of the world economic crisis, which significantly altered migration landscape. The effect of crisis on East-West migration patterns is in itself an interesting question but goes beyond the scope of this work and therefore will be addressed only very briefly in the concluding remarks.

1.4 Contribution

The contribution of this dissertation is fourfold. First, its major contribution lies in the proposition of a new framework for studying migration patterns which puts a much stronger emphasis than usually found in migration research on the sending countries' context and argues for a broader economic and social rationale in migrant decisions. The work provides evidence refuting the dominant neoclassical approach, suggests a set of

concrete alternative factors and makes relatively extensive steps in conceptualizing, operationalizing and testing them. This yields important implications for policy making about migration as well. In addition, the elaboration of migrant profiles in the CEE context is new and unique and can be viewed as an additional methodological innovation. It allows assessing the macro-level processes and outcomes hand-in-hand with the available micro-level evidence.

Second, through the empirical case of transition economies that have experienced rampant economic, social and political changes in the last two decades, this work hopes to contribute to the existent theories of determinants of migration in an interdisciplinary framework. It does so by integrating propositions of the existent migration theories with varied sets of literatures, such as transition literature, labor markets research, and welfare state literature that have not been interacting enough to generate useful hypotheses at macro and micro levels for explaining migration patterns. These additional literatures help to bring in factors not typically analyzed in migration research, to connect different levels of analysis and to establish causal relationship between macro-level factors and micro-level individual behavior.

Third, by almost exclusive emphasis on the sending countries, the dissertation makes important steps in developing new ways of analyzing home countries' role in affecting migration. While the role of the state (especially in political science) has typically been studies in the framework of "control, security and incorporation" (Hollifield 2008), the present work considers the indirect ways in which the states shape migration patterns, namely in the form of labor market policies and provision of social safety nets. I embrace the political economy approach which sees the working of markets and states in their interaction. It offers a broader and more complex line of inquiry and a look at the often unintended effects of different state policies on labor migration patterns.

Lastly, the thesis carries out systematic cross-national cross-time comparative research about migrant sending countries which have been absent not only in migration research about Central and Eastern Europe but also more generally. Relatively rare in migration studies has also been the use of comparative method in combination with statistical analyses, by now used extensively in the fields of political science, sociology and economics. The multi-method approach is therefore another contribution of this work. It

has enabled a joint analysis of migration patterns at the macro-level and migrant decisions at the micro-level and as an integral part of broader social changes and processes.

1.5 Structure of the dissertation

The thesis is structured in the following way. *Chapter 2* reviews critically the theories of migration in the context of the EU East-West flows. In the conceptual part it evaluates the state of the art of migration theories, highlights the difficulties that migration research is facing and suggests possible ways forward. The empirical section tests the neoclassical paradigm with the data of the post-accession labor mobility from the EU8 countries to the UK and Ireland. The results of the analysis support the conceptual critique of the neoclassical theory and emphasize the need to incorporate country-specific institutional and structural variables in the migration research and to analyze migration as part of broader global processes and socio-economic changes.

The main aim of *Chapter 3* is to give an empirical overview of migration trends and migrant profiles in CEE over the analyzed period. The chapter first identifies two distinct types of migrants and migration streams: hardship migrants and choice migrants. Then it develops the basis of how the effects of structural change and different welfare system policies can be read in the two different migrant types. The profiles represent heuristic tool for developing the connection between the macro-level factors and micro-level determinants in the following two chapters that test the two key explanatory variables separately.

Chapter 4 investigates empirically the effect of structural change on migration. It shows that structural change created different labor market imbalances across the CEE economies hence creating varied risks and opportunities for workers of different demographic and skill profiles. These imbalances take on sectoral, occupational and spatial dimensions and lead to different forms and degrees of labor market mismatches. These in turn induce some workers to seek migration as an exit option more than others, producing cross-country (and within-country) variation.

The role of states in shaping migration patterns is analyzed in *Chapter 5*. It argues that states have been principal actors in creating and widening choices to potential and

actual migrants indirectly through the welfare state policies and directly in their attitudes towards the outmigration from their countries. To this end it analyzes in detail the levels of social spending across countries and looks at different functions and policies of welfare system in relation to two migrant profiles.

Chapter 6 is the last empirical chapter. Through comparative analysis of the Czech Republic and Slovakia it brings the two explanatory variables together and shows how their interaction and particular timing produce strikingly different macro-level migration patterns. The chapter further teases out the mechanisms behind the effect of structural change and welfare systems and also deals with in-migration aspect into the region. *Chapter 7* recapitulates the main arguments, derives policy implications, outlines the limitations and proposes the ways to improve and extend the research.

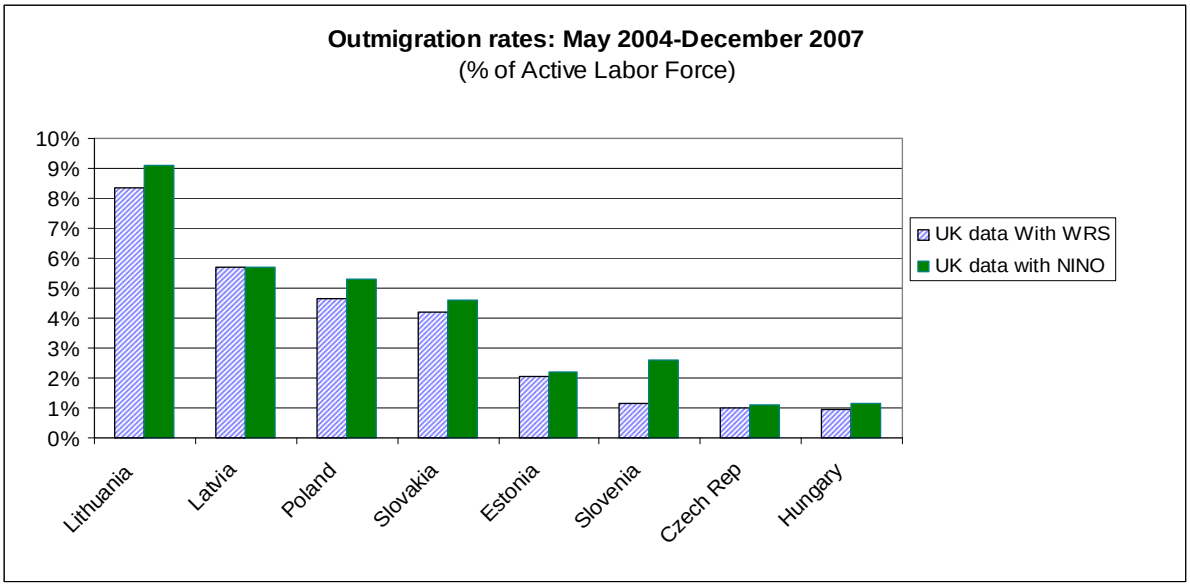
ANNEX 1

Table 1.1A: Post-accession migration flows to UK, Ireland and Sweden: April/May 2004-December 2007

	UK (WRS)*	Ireland	Sweden	Total per country	% Active Population (with NINO)**	% Active Population (with WRS)*	% Population 15-64
Czech Rep.	34,425	15,844	513	50,782	1.1	1.0	0.7
Estonia	6,815	5,696	1,502	14,013	2.2	2.0	1.5
Hungary	25,610	14,107	1,587	41,304	1.1	1.0	0.6
Latvia	37,190	28,080	1,034	66,304	5.7	5.7	4.2
Lithuania	73,070	56,842	2,824	132,736	9.1	8.4	5.7
Poland	505,905	263,425	19,119	788,449	5.3	4.7	3.0
Slovakia	78,350	32,520	491	111,361	4.6	4.2	2.9
Slovenia	700	292	169	1,161	2.6	1.1	0.1
Total	762,065	416,806	27,239	1,206,110	-	-	-

Source: Author's calculations based on: UK: *Worker Registration Scheme – May 2004 – December 2007/ Various Accession Monitoring Reports/Home Office. ** National Insurance Numbers - NINO data: Department of Work and Pensions, 2009. Nino data start from April 2004. Ireland: Personal Public Service Numbers: May 2004 – December 2007/Department of Social and Family Affairs; Sweden: Residence Permits: 2004-2006, Tirpak (2007) and Swedish Migration Board for 2007 data. Active labor force and population as of 2006. Eurostat.

Figure 1.1A: Outmigration rates to the UK, Sweden and Ireland with different UK data source



Source: See Table above. WRS - Worker Registration Scheme. NINO – National Insurance Numbers.

Table 1.2A: Crude net migration in Central and Eastern Europe

	1990-94	1995-99	2000	2001	2002	2003	2004	2005	2006	2007	2008
CR	-0.6	1	0.637	-4.207	1.204	2.527	1.824	3.539	3.381	8.123	6.887
ES	-14.4	-6.2	0.164	0.122	0.116	0.103	0.099	0.104	0.122	0.119	0.095
HU	1.8	1.7	1.631	0.951	0.348	1.536	1.797	1.712	2.116	1.449	1.631
LA	-8.7	-6.1	-2.319	-2.191	-0.784	-0.364	-0.467	-0.245	-1.071	-0.282	-1.122
LI	-5	-6.3	-5.802	-0.735	-0.569	-1.825	-2.798	-2.572	-1.431	-1.553	-2.298
PO	-0.4	-0.4	-10.66	-0.438	-0.469	-0.36	-0.246	-0.337	-0.947	-0.537	-0.39
SK	-1.4	0.4	-4.138	0.188	0.168	0.262	0.534	0.632	0.715	1.259	1.306
SL	-1.4	0.1	1.381	2.491	1.107	1.769	0.861	3.217	3.123	7.061	9.645

Note: Data up to 2001 are not comparable with 2002 and more recent data (change in methodology) but do show the trends that correspond to those identified in other works.

Source: Eurostat. The indicator is defined as the ratio of net migration plus adjustment during the year to the average population in that year, expressed per 1 000 inhabitants. The net migration plus adjustment is the difference between the total change and the natural change of the population.

CHAPTER 2

THEORIES OF MIGRATION: CRITICAL REVIEW

2.1 Introduction

Perhaps the last major instance when migration theories were put to use to provide policy recommendations was the enlargement of the European Union towards the eight Central and Eastern European countries in 2004. Prior to the enlargement, heated political debates took place in the West, largely driven by fears of welfare migration from East to West. Although these concerns were not substantiated in most research which attempted to predict East-West migration dynamics, the actual policy decisions resulted in selective liberalization of the Western EU labor markets with only three countries – the UK, Ireland and Sweden – fully liberalizing. Partly due to this selective liberalization, most of the pre-enlargement findings turned out to be very imprecise and did not manage to anticipate either the rates of migration or the differentiated dynamics at either the receiving or the sending end of the East-West flows. As shown in the introduction, the sheer numbers of those who decided to migrate in less than four years was much greater than anticipated. Even more importantly, the estimates were not able to predict different rates of out-migration from the eight CEE economies.

The assumptions that most of the studies were using to estimate future flows were faulty and led to imprecise conclusions. Most of these works were anchored in the neoclassical theory of migration which proposes wage differentials as the most important determinant of migration. While wage and income differentials arguably play a role in affecting migrant decisions, this chapter will show that the neoclassical theory of migration struggles to account for significantly different rates of outmigration from CEE *countries* which share relatively similar living standards and wage differentials relative to Western Europe. A concomitant goal of this chapter is to review critically all major theories of migration and to evaluate their strength and weaknesses.

The chapter has three parts. The first reviews the basic tenets of the theories of migration with the aim to explain the weaknesses of current migration theorizing and to

outline the proposed suggestions for advancing migration research. The second part offers empirical tests for the dominant neoclassical approach using real data of post-accession mobility from the EU8 to the UK and Ireland. After empirically refuting the neoclassical theory of migration, the third part proposes a new way to understand and analyze the determinants of migration in Central and Eastern Europe. I propose a new approach that recognizes the importance of country-specific institutional variables and different transitional paths, which have been overlooked in East-West migration research to date. I argue that migration in Central and Eastern Europe needs to be studied within broader global processes and must be evaluated as part and parcel of the transition from socialism which brought about socio-economic change and economic restructuring.

2.2 Current migration theorizing: critical summary

The research field of migration is multifaceted and offers multiple levels of analysis. Four different questions have been investigated in the field: the origins of migration; the directionality and continuity of migrant flows; the utilization of immigrant labor; and the socio-cultural adaptation of migrants (Portes 1999). Each of these areas can be analyzed at different levels and with different tools and requires individual attention. 'Mid-range' theories targeted on one or two of these areas have been more prevalent than an all-encompassing statement. However, devising a theory which can explain all these four aspects of migration remains the ultimate goal of migration theorizing (Arango 2000, Massey 1999). Most disciplinary assessments evaluate migration research as lacking theoretical advancement: while the empirical work is abundant, it is often either disconnected from the theories or used to confirm rather than to test, question or refine the existing theoretical propositions.

In the area of migration determinants research, there are currently a variety of theoretical models or perspectives which employ varying concepts, assumptions, frames and levels of analysis (Arango 2000). Because the majority of these theoretical models were developed from specific empirical observations, they often grew in isolation and are separated by disciplinary boundaries (Arango 2000; Castles 2008a). Modern migration literature (Massey et al. 1993; Todaro and Smith 2006; Faist 2000; Portes 1999) contends

that although these theoretical approaches offer different hypotheses, they need not be taken as mutually exclusive, but rather as complementary.

At present, the dominant theory in explaining causes of migration is the neoclassical theory with its underlying assumption that migration is stimulated primarily by rational economic considerations of relative benefits and costs, mostly financial but also psychological (Todaro and Smith 2006, 342). The theory has been subjected to criticism on conceptual (Arango 2000) as well as on empirical grounds (Massey et al. 1998). However, owing to its analytical rigor and its ability to propose a set of testable hypotheses and useful tools for analyzing not only the causes but also the effects of migration, it occupies a prominent position in current academic and policy-related research. The propositions of the neoclassical theory of migration were also used (almost exclusively) in the research which preceded the 2004 Eastern enlargement of the EU.

The newer theories of migration which reacted to the neoclassical theory arose as a response to the changing nature of the world. Since the 1960s a new form of post-industrial migration has emerged as a global phenomenon. While previously dominated by emigrants from Europe to former colonies, both the number and variety of sending and receiving countries increased and the global supply of emigration shifted from Europe to the developing world. Theories of migration, therefore, have to account for very complex migration regimes which encompass migration flows from industrializing to mature economies, reduced costs of transportation, cheaper and more rapid communication, increasing governmental intervention and a greater circularity of movements in an era of trade interdependence and globalization (Arango 2000; Massey 1999). Below I review the main propositions of the existing theories of migration determinants with the goal of identifying their basic tenets, problematic aspects and the way that they relate to each other.

2.2.1. Neoclassical theory of migration: macro and micro framework

The neoclassical theory understands migration to be driven by differences in returns to labor across markets. The most basic model originally developed to explain migration in the process of economic development in the works of Hicks (1932), Lewis (1954) and Harris and Todaro (1970) highlights that migration results from actual wage differentials across markets or countries that emerge from heterogeneous degrees of labor market

tightness. According to this theory, migration is driven by geographic differences in labor supply and demand and the resulting differentials in wages between labor-rich versus capital-rich countries. The central argument of the neoclassical approach thus concentrates on wages. Under the assumption of full employment, it predicts a linear relationship between wage differentials and migration flows (Bauer and Zimmermann 1999; Massey et al. 1993; Borjas 2008). More than 30% wage differential has been set as necessary for the gains of migration to override its costs (Mansoor and Quillin 2006; Krieger and Maitre 2006).[12] In the extended neoclassical models, migration is determined by *expected* rather than actual earnings and the key variable is earnings weighted by the probability of employment (Bauer and Zimmermann 1999; Massey et al. 1993).

Other adjustments and empirical tests to the model found that the linearity relationship in the wages-migration tandem does not hold and that both the degree of wage differential and the level of the country income matter. Similarly, the ability to migrate is associated with costs and therefore it is not the poorest individuals who migrate, nor the poorest countries which send the most labor (Faist 2000; Dustmann et al. 2003; de Haas 2008; Massey et al.1998). Observed migration patterns tend to be therefore hump-shaped: migration rates accelerate with the growth of country's wealth as more individuals or households are able to fund migration.[13] Then, as the country continues to develop, the emigration rates diminish and the incentives to migrate change. These points have been framed as a critique of the neoclassical theory but also as adjustments to the theory (that arguably better capture the reality of migration).

The neoclassical macro-level elaboration can be transferred to the micro-level model of individual choice and has been termed the human capital theory of migration (Todaro 1969). Introduced by Sjaadstad (1962), the human capital theory enriches the neoclassical framework by incorporating the socio-demographic characteristics of the individual as an important determinant of migration at the micro-level (Bauer and Zimmermann 1999). At the center of such analyses is a rational individual who migrates

[12] Income differentials (measured as GDP per capita) between EU8 countries and the EU15 average at the time of EU accession were greater than 30%.

[13] Whether this is the case for the CEE migration too is essentially an empirical question. The testing of the pure neoclassical model that is presented later in this chapter found that wage differentials squared (which models the hump shape relationship) is a significant predictor of post-accession migration patterns. More empirical testing is needed, however.

with the goal of maximizing his or her benefits and gains. Human capital endowments, skills, age, marital status, gender, occupation, and labor market status as well as preferences and expectations strongly affect who migrates and who does not. Heterogeneity between individuals is an important factor and different individuals in the same sending country demonstrate different propensities to migrate and would also choose different receiving countries (Bonin et al. 2008). It has been shown that the likelihood of migration decreases with age and normally increases with education level (Bauer and Zimmermann 1999). According to the human capital theory, therefore, migrants tend to be relatively (more) skilled because this, ceteris paribus, increases the chances of their success. Borjas (1987) investigated this assumption in respect to the immigrants in the US labor market and analyzed in particular the relationship between the income distribution and the skills of migrants. He found that immigrants from countries with a higher income inequality tend to be less skilled (negatively self-selected) than the average worker in both host and source countries. He argued that differences in earnings outcomes of immigrants with the same measurable skills but from different home countries are due to variations in political and economic conditions in the countries of origin at the time of migration (see also Chiswick 2000; Liebig and Sousa Pousa 2004; Fourage and Ester 2007).

Related to the neoclassical theory is the push-pull framework which continues to emphasize the economic context of the flow of workers (Bauer and Zimmermann 1999). Push-pull factors introduce relational aspects into thinking about migration and compose dyadic frames in which migration flows are studied empirically. As push and pull factors are largely a mirror-image of each other, the framework has been criticized for its inability to determine dominant factors (de Haas 2008).

The neoclassical theory of migration has been subject to a conceptual critique and rich empirical testing. While rigorous, it has been viewed as mechanically reducing migration determinants, ignoring market imperfections, homogenizing migrants and migrant societies and being ahistorical and static. It generally ignores the effects of home and host states and leaves out the importance of politics and policies, which are only considered as distortion factors or additional migration costs. Human capital theory has been criticized for presenting an overly optimistic view of migration which is not always a voluntary process to maximize gains. In their review of migration research within Europe

by different theoretical approaches Massey et al. (1998) found that a positive relationship between wage differentials and migration flows – while generally sustained – was by no means the strongest predictor of migration levels (p.132). Widespread dissatisfaction with neoclassical economic explanations and the push-pull framework led to the emergence of new theoretical perspectives which seek to analyze "an interplay of individuals, motivations and contexts" better than the neo-classical framework (Massey et al. 1998, 16).

2.2.2 New economics theory of migration

The new economics of migration (NEM) theory has come to challenge some of the assumptions of the neoclassical approach, offering a new level of analysis and different nature of migration determinants and it shifted the focus of migration research from individual independence to mutual interdependence (Stark 1991). The key argument is that migration decisions are not made by isolated individual actors but typically by families or households. Further, the decisions of migrants are influenced by a comprehensive set of factors which are shaped by conditions in the home country. As such, migrant decisions are not based purely on individual utility-maximizing calculations but are rather a household response to both income risk and to the failures of a variety of markets – labor market, credit market, or insurance market (Massey et al. 1993). Hence, migration in the absence of meaningful wage differentials or the absence of migration in the presence of wage differentials, does not imply irrationality but rather compels us to consider a set of other variables related to relative deprivation (a household performing relatively worse to other households will be readier to send a member abroad) and risk-aversion and risk-minimization of household income (Stark 1991; Stark 2003).

Introducing these concepts, Stark largely had in mind the risk aversion of poor households in developing countries where there are rarely institutional mechanisms present, such as government programs or private insurance markets, and therefore migration provides a meaningful strategy in dealing with different market failures.[14] Remittances play

[14] Risk aversion in the context of the NEM theory is conceptualized as the tendency of households to diversify their sources of income. Households (unlike individuals) are in a position to control risks to their economic well-being by diversifying the allocation of family labor. Sending a family member abroad, where wages and labor markets are weakly correlated with those in local markets, provides source of income when domestic conditions might be deteriorating (Massey et al. 1993).

an important and integral part in the new economics of migration research as they directly support the concept of household interconnectedness and the diversification of risk while analytically connecting the empirical study of the causes and consequences of migration (Taylor 1999). While being able to analyze in parallel the determinants and effects of migration, the NEM has been criticized for sending-side bias and for its limited applicability due to difficulties in isolating the effects of market imperfections and risks from other income and employment variables. Overall, the theory has not received much following or empirical testing. Essentially a social choice account, it has also been critiqued for overlooking dynamics within households (i.e. gender roles) and being too heavily future oriented (Faist 2000).

2.2.3 World systems theory

Historical-structural approaches to migration introduce very different concepts into understanding migration processes. Building on Wallerstein (1974), the world system theory links the determinants of migration to structural change in world markets and views migration as a function of globalization, the increased interdependence of economies and the emergence of new forms of production (Massey et al. 1993; Sassen 1988; Skeldon 1997; Silver 2003). The expansion of export manufacturing and export agriculture linked strongly to foreign direct investment flows from advanced economies to semi-developed or emerging economies has led to a disruption in traditional work structures and has mobilized new population segments into regional as well as long-distance migration. Capital mobility is hence a crucial factor for the world system theorists. The theory presents capital and labor mobility as interconnected and as two sides of one coin. While migration is a natural outgrowth of the disruptions and dislocations that inevitably occur in capitalist development and can be observed historically, the theory also brings in global political and economic inequalities.

Historical-structural approaches deny that individuals truly have free choice in making migration decisions and present them in more deterministic forms, as pressured into movement as an outcome of broader structural processes (de Haas 2008). The study of international migration in the recent years has lost a lot of the world systems or global development perspective that was present in the earlier works, perhaps also due to the fact

that it is difficult to derive a set of testable hypotheses and the character of this framework is strongly descriptive because it emerged as *ex ante* formulation of empirical facts (Favell 2008a; Bijak 2006).

2.2.4 Dual labor market theory

Dual labor market theory, like world system theory, links migration to structural changes in the economy but explains migration dynamics with the demand side (Massey et al, 1993). Developed by Piore (1979), dual labor market theory posits a bifurcated occupational structure and a dual pattern of economic organization in advanced economies. Duality unfolds along the lines of two types of organization in the economy, namely capital-intensive where both skilled and unskilled labor is utilized, and labor intensive where unskilled labor prevails. The theory argues that migration is driven by conditions of labor demand rather than supply: the character of the economy in advanced countries creates a demand for low-skilled jobs which domestic workers refuse to take up due to, for example, status. As immigration becomes desirable and necessary to fill the jobs, policy choices in the form of active recruitment efforts follow the needs of the market (e.g. managed labor immigration in the 1960s Europe).

The theory excludes sending countries and overemphasizes formal recruitment practices. It is unable to account for differential immigration rates in countries with similar economic structures. Empirical estimates are contingent on the distinction between primary and secondary sector, which is usually arbitrary, and therefore can lead to instable results. On the other hand, it provides an intelligent explanation for the coexistence of chronic labor demand for foreign nationals alongside structural unemployment in receiving countries (Arango 2000).

2.2.5 Network concepts – perpetuation of migration

The network theory of migration does not look at the determinants which initiate migration but rather at what perpetuates migration in time and space (Massey et al. 1993). Migrant networks which often evolve into institutional frameworks help to explain why migration continues even when wage differentials or recruitment policies cease to exist.

The existence of a diaspora or networks is likely to influence the decisions of migrants when they choose their destinations (Vertovec 2002; Dustmann and Glitz 2005). The network theory also helps to explain the reasons why migration patterns are not evenly distributed across countries, but rather how they tend to form so-called migration regimes (Faist 2000).

Network theory is closely affiliated to another approach known as migration systems theory, pioneered by Magobunje (1970). This theory's main assumption posits that migration alters the social, cultural, economic, and institutional conditions at both the sending and receiving ends and that it forms an entire developmental space within which migration processes operate (de Haas 2009b). While migration systems theory has its roots in geography, migration network theory is of sociological and anthropological origin (Castles and Miller 2009). Whereas network theory mainly focuses on the vital role of personal relations between migrants and non-migrants, migration systems theory goes further and stresses that migration restructures the entire societal – or "developmental" – context of the concrete spaces in which it takes place, both at the receiving and at the sending end (de Haas 2008). It suggests that migratory movements arise in response to prior existence of links between sending and receiving states, such as colonial ties, trade or investment flows (Castles and Miller 2009).

Conceptually similar to migration systems theory is the concept of cumulative causation put forth by Myrdal and further developed by Massey. It argues that migration is a self-perpetuating and self-sustaining phenomenon and identifies factors that contribute to this dynamic. The most important factors are networks but also a culture of migration, a perverse distribution of human capital and the stigmatization of jobs generally performed by migrants (Arango 2000; Massey 1999). While these theories can explain why migration perpetuates, they offer few insights into migration-undermining mechanisms and the decline of migration systems overtime (de Haas 2009b).

With the accelerating globalization of the last two decades, the above concepts have been further developed into the theory of transnational migration which conceptualizes the existence of transnational social spaces. It emphasizes multiple forms of migrant embedding who stay connected and actively participate in both home and host country political, economic, social and cultural environments (Bretell and Hollifield 2008; Portes

2001; Faist 2000). Rather than explaining the causes of migration, transnational migration research describes a new reality in the *modus* of migrating and integrating into host societies by proposing an emergence of dense networks across political borders created by migrants in search of economic and social advancement. The concepts of transnational migration have important implications for understanding forms of adaptation among 'transnational' migrants as well as the effects of migration on sending and receiving countries. Their novelty, however, has been questioned and the research within this framework also too often selects on the dependent variable.

2.2.6 Macro versus micro-explanations

Migration is the outcome of the behavior of individuals but equally it has an aggregate social form. Therefore, the levels of analysis of migration dynamics shifts from micro-level decision processes to forces operating on national or international levels (Table 2.1). The neoclassical theory of migration has both macro-level and micro-level elaborations but the main explanatory variable at both levels concentrates on wages and income differentials. The human capital theory of migration introduces heterogeneity into individual decision-making based on different predispositions and expectations. The new economics of migration, considered by some authors to be an elaboration of the neoclassical theory, brings in important conceptual and analytical modifications. Through its emphasis on households and family it highlights the importance of institutions and non-economic factors and hence brings in mezzo-level indicators and frames of reference. Dual labor market theory and world system theory offer a set of structural variables, derived primarily from national or international levels. The network theories operate across different levels of analysis.

The main distinctions in research approaches that focus on migration determinants are not concerned with the differences in the level of analysis (these are more present when disciplinary specificities are taken into account) but rather relate to the understanding of agency and the degree of contextualization. These differences have also been framed as a division between functionalists and structuralists (de Haas 2008). First, the neoclassical framework is based on individual decision-making processes, while structuralists emphasize how agency is affected by the macro-level social and economic processes which

constrain or enable international movement. As such, the former methodological and conceptual approaches have been criticized for using sets of unrealistic assumptions (e.g. full employment). The emphasis on structural factors, on the other hand, has been critiqued for postulating that individuals are 'automatons' responding to external stimuli (Skeldon 1997; de Haas 2008; Castles and Miller 2009). Second, while research in the neoclassical paradigm tends to homogenize, de-contextualize and is largely ahistorical, the other approaches emphasize the specificity of analyzed contexts. Table 2.1 summarizes different critiques that have been raised towards each theoretical approach and the concepts and variables that they propose for analyzing causes or perpetuation of migration.

The above review of theories shows that migration is a multifaceted, very complex and diverse phenomenon in which micro and macro-levels interact. This makes research conceptually as well as empirically challenging. The country dyads which emerge tend to create a unique matrix of macroeconomic, structural and policy elements. At the same time, micro-level factors vary according to a range of aspects, i.e. level of skills, occupation, social or marital status and age. The multifaceted nature of the phenomenon requires that the analyses are conducted on multiple levels and with methodological tools from more than one discipline (Massey et al. 1993; Mansoor and Quillin 2006; Castles 2008b; Collinson, 2009). A forceful separation of the levels of analysis and methodological paradigms has been seen as suboptimal, yet it has been the state of the art in current migration research. The presented theories are very rarely tested simultaneously and empirical applications shy away from setting down which factor is the most important in explaining a given migration pattern.[15] The existent research, prevailingly empirical, tends to be an 'application' of a theoretical approach with few attempts at theory development and theory building.

In addition to a range of critiques that have been raised in response to specific theories of migration, migration research as such suffers from a number of more general deficiencies. As the study of migration has advanced, the discipline has been challenged by a number of factors, some of which are inherent to its subject matter. First, the existent

[15] Unsurprisingly then, Massey et al. (1998) in their review of the applications of individual theoretical approaches found that all theoretical paradigms received some degree of confirmation in the works that used them.

theories generally ignore immobility and cannot explain a lack of migration. Second, most of the theories suffer from a receiving country bias and generally fail to engage sufficiently with factors in sending countries and how these combine to produce different migration outcomes. Third, migration theories have been unable to account for change and to explain migration processes overtime. Similarly, they fail to explain simultaneously the origins of migration and the degree to which it perpetuates or mitigates. Fourth, very little theory testing has been embedded in quality comparative work (cf. Favell 2008b; Hollifield 2008). Lastly, scholars noted that efforts at theory-building have hardly been cumulative – the relatively short history of theorizing about migration takes the form of "a string of separate, generally unconnected theories, models or frameworks, rather than a cumulative sequence of contributions that build upon previous blocks" (Arango 2000, 283).

The weaknesses outlined above represent theoretical or conceptual gaps and signpost potential avenues for improvements in migration theorizing. A series of methodological and analytical proposals for overcoming the challenges of migration research have been put forward in some of the most recent works which I review in the next section.

Table 2.1: Overview of theories of migration

Theory	Subject of analysis	Level of analysis	Pet variable(s)	Critique
Neoclassical theory of migration	*Determinants of migration*	Macro Micro	Wage and income differentials Probability of employment	Mechanically reduces migration determinants – exclusion of politics and policies. Assumes linearity – unable to explain differential migration, why people do not move, or why migration ceases before wage differentials equalize. Ignores market imperfections. Homogenization of migrants and societies. Static perspective.
Human capital theory of migration		Micro	Wages, economic benefits affected by individual characteristics	Overly optimistic (functionalist) view - migration is not always a voluntary process to maximize gains.
New economics theory of migration		Micro Mezzo	Wages and income distribution (relative deprivation) Institutional failures – credit market, labor market deficiencies	Critique of the neoclassical theory rather than a theory in its own right. Sending side bias. Limited applicability – difficult to isolate the effect of market imperfections and risk in migration decisions from other income and employment variables.
World system theory (historical-structural approaches)		Macro: global and international processes	Structural changes induced by the flow of capital	Only applicable at the global level. Explanation formulated *ex ante*, cannot be empirically tested.
Dual labor market theory		Macro: Nation state Mezzo	Labor demand Bifurcation of labor markets FDI State immigration policies and recruitment efforts	Receiving state bias – excludes push factors, formal recruitment practices overemphasized. Unable to account for differential immigration rates in different advanced economies with similar economic structures. Distinction between primary and secondary sector is usually arbitrary which leads to instability in empirical estimates.
Network theory	*Perpetuation of migration and/or directionality of flows*	Mezzo	Networks, diaspora	Conceptual framework rather than a theory. Networks can be exclusionary and undermine (not facilitate) migration.
Migration systems theory		Macro	Developmental space	Purely descriptive. Unable to account for decline of migration systems overtime.
Transnational migration		Transnational level	Transnational social spaces	Novelty of the concepts has been questioned. Research within this paradigm usually selects on dependent variable.

Source: Author. Based on Arango (2000), Massey et al. (1998) and de Haas (2008). See also Brettell and Hollifield (2008, 20) for a description of disciplinary differences in the levels of analysis.

2.3 New approaches and propositions for improvement

Proposals for advancing migration research theoretically have been put forward by different authors and range from propositions for interdisciplinary research and synthetic approaches to calls for connecting migration research to general social theory and analyzing it in the context of broader social processes and changes.

First, researchers have increasingly called for interdisciplinary dialogue (Massey et al. 1993; Favell 2008; Bretell and Hollifield 2000; Castles, 2008a) or greater interconnection between the analysis of the causes and consequences of migration (Stark 1991; de Haas 2008). 'Political economy' approaches to migration capable of such goals have multiplied in the recent past (Freeman and Kessler 2008; Collinson, 2009). The latest major interdisciplinary example is Menz's political economy of managed migration approach, where he analyses the interaction of economic structures, policies, legacies and institutional determinants in producing certain migration outcomes (Menz 2009). In addition to considering national, supranational and sub-national levels and different forms of migration (asylum seeking as well as labor mobility), his work is also a comparative analysis of six countries in the East-West context.

Second, scholars have also suggested combining the existing theoretical lines of thinking in order to advance our conceptual and empirical understanding of migration (de Haas 2007, 2008; Skeldon 1997; World Bank 2006, 15). For example, Skeldon (1997, 22) proposed combining the new economics of migration and network theory concepts, pointing out that family risk minimizing strategies are inevitably linked to existing networks. Bringing the theories together, Massey (1999) has suggested a synthetic theoretical account advocating that different migration determinants prevail depending on the level of development of a country and a 'phase' of country's migration cycle.[16] In a similar light de Haas highlighted

[16] Massey (1999, 50) suggest that: "During the initial phases of emigration from any sending country, the effects of capitalist penetration, market failure, social networks, and cumulative causation dominate in explaining the flows, but as the level of out-migration reaches high levels and the costs and risks of international movement drop, movement is increasingly determined by international wage differentials (neoclassical economics) and labor demand (dual labor market theory). As economic growth in sending regions occurs, international wage gaps gradually diminish and well-functioning markets for capital, credit, insurance and futures arise, progressively lowering the incentives for emigration. If these trends continue, the country ultimately becomes integrated into the international economy as a developed, capitalist nation, whereupon it undergoes a migration transition: net outmigration progressively winds down and the former sending nation

the work of Zelinsky (1971) who connected demographic transition to mobility transition, taking both as functions of the stages of development (in de Haas 2008; cf. Castles 2008a). Such 'transitional models' have been argued to be very useful in understanding how development processes are linked to specific forms of mobility and how mobility tends to rise rather than decline with development (de Haas 2007, 2009; Hammar et al. 1997).

Among the most recent reviews of migration theory and suggestions for innovation are the works of the Oxford school.[17] Their major message is the need to integrate migration studies more closely not only with the issues of development but also with broader questions of change, social transformation and economic integration. Both for theoretical reasons but equally for policy-related concerns, it is important to acknowledge that "*migration is not just an (unwanted) by-product [of development], but an integral part of broader processes of social and economic change and should therefore be considered as an almost inevitable outgrowth of nations' incorporation into the global economy*"(Massey 2000 in de Haas 2007).

Castles has invited scholars to consider Polanyi's concepts of social transformation and the embeddedness of the economy in society and integrate these into research on migration (Castles 2009a; Polanyi 2001). Globalization after the Cold War represents a major transformation which has resulted in different forms of social transformation in developed countries (erosion of the welfare state, the relocation of production) and developing countries (the intensification of agriculture, the erosion of local social orders, the emergence of shanty-towns within mega cities). The link between human mobility and global change can be established in the analysis of social transformations that are to be studied as "*local dimensions of global change*" (Castles 2008a). Migration research and any analyses of migration-development relations must be anchored in broader inter-disciplinary analyses of social structures and relations in the context of globalization. This requires finding ways to

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itself becomes an importer of labor." These propositions, in my view, require empirical testing. He seems to suggest, however, that there are similar types of institutions at similar levels of development which is far from being obvious as argued extensively by the varieties of capitalism literature (Hall and Soskice 2001). The synthetic framework also seems to have a limited applicability for middle-income countries with existent institutions, such as CEE. It is also unclear how the synthetic approach could be tested and falsified.

[17] This is how I dub the research on theories of migration from the International Migration Institute (IMI) and the Centre for Migration, Policy and Society (COMPAS) based in Oxford and represented particularly by the works of Stephen Castles, Hein de Haas and Sara Collinson. These ideas and the articles cited in this work have been published in the Special Issue of the Journal of Ethnic and Migration Studies on Theories of Migration and Social Change (2010: 36 (10)).

understand and analyze the links between macro, mezzo and micro level factors of change while acknowledging that global factors have different effects at the local and national level, as these are mediated by the presence of historical experiences and cultural patterns. In its basic concepts and suggested methodologies the Oxford school echoes suggestions expressed by Massey a decade ago (1999, 50):

> "[G]eneralizing across all theories I conclude that a satisfactory theoretical account of international migration must contain at least four elements: a treatment of the structural forces that promote emigration from developing countries, a characterization of the structural forces that attract immigrants into developed nations, a consideration of the motivations, goals and aspirations of the people who respond to these structural forces by becoming international migrants; and a treatment of the social and economic structures that arise to connect areas of out- and in-migration."

The works of Castles (2008a, 2008b), de Haas (2007, 2008, 2009a, 2009b) and Collinson (2009) define desired characteristics of conceptual framework. The main objective of theory formation should be an elaboration of such conceptual frameworks which would be able to provide a theoretical and methodological grounding for social science researchers examining migratory processes of all kinds. It should be comprehensive, holistic, capable of contextualizing specific migration experiences, suitable for analyzing relations between various socio-spatial levels, able to incorporate both structure and agency, while being both historical and dynamic (Castles 2008b). Collinson (2009) suggests that this could be achieved by combining a livelihoods approach with a relational political economy approach. This will enable scholars to capture "*the interaction of local-level factors immediately influencing people's migration decisions and strategies (linked to livelihoods) with a range of political, economic and social factors and processes affecting the agency of migrants (and non-migrants) that ultimately shape migration outcomes within specific contexts*." (p. 4)

These approaches aim at offering a more holistic understanding of the migratory process. They seek to reconcile the old structure-agency dichotomy and to re-theorize the links between individual or group human action and broader processes of change. They point to a changed world and the altered rules of organization of markets and politics, which in turn strongly affects the opportunities and risks that people take in different parts of the world.

The newer theoretical approaches have not been systematically applied to migration dynamics in Central and Eastern Europe (nor the post-communist region more generally or other world regions or countries). Research on the region has been dominated by the neoclassical theory of migration which has meant that many of the specificities of Central and Eastern Europe have been overlooked. Yet the experience of political, economic and social change brought about by the fall of the Berlin Wall and the accession of CEE countries to the EU are contextual factors that make the analysis of migration in the region a fruitful area for research. In the next part, I test the propositions of the neoclassical theory of migration empirically and highlight the theory's limited capacity to account for the differentiated nature of migration after the EU accession. I then outline the factors that make the region specific and at the same time good empirical territory for the application of pluralist approaches.

2.4 Theories of migration and the East-West migration

2.4.1 The theoretical basis of CEE migration research

In research on expected migration propensity from CEE after enlargement, the prevailing conceptualizations were based on the neoclassical theory of migration in its basic specifications and looked at the economic factors – wages, income differentials and probability of employment – as the main predictors of the behavior of migrants (Bauer and Zimmermann 1999; Dustmann et al. 2003; Boeri and Bruecker 2001; Layard et al. 1992). Alternatively they referred to individual-level surveys and framed their analysis with personal characteristics and intentions (Krieger 2004; IOM 1998; Bauer and Zimmermann 1999). In contrast to political debates which anticipated a flood of "guest workers and poverty refugees" into Western Europe (Sinn 2002), many estimates which were based either on micro surveys of the anticipated migration or on the extrapolations of economic and demographic data based on the experience from Southern enlargement in the 1980s argued otherwise and predicted moderate volumes of East-West labor mobility (IOM 1998; Kraus and Swager 2000; Bauer and Zimmermann 1999). Generally, however, the earlier a study was produced, the higher rates of migration from the CEE were anticipated and the predictions were relatively diverse (World Bank 2006, 6-7). With the notable exception of an

IOM study based on original survey data collected in late 1990s (IOM 1998), none of the studies were able to anticipate differentiated rates of outflows from different CEE sending countries. As the discussion in the first chapter demonstrated, the estimates were imprecise in both estimating the real number of migrants and in anticipating significantly different outmigration rates from the eight CEE countries that joined the EU in 2004.

There are many reasons that make forecasting migration trends difficult. The first is the quality of migration data as well as the quality of other data (wages, income, forecasts of GDP growth, etc.) used in the analyses. Unlike in other demographic phenomena (e.g. fertility), shocks in migration are common. Migration patterns are volatile and potentially subject to fast changes which are then difficult to predict or forecast (Bijak 2006). The second major reason is related to the theoretical framework applied; the neoclassical framework omits non-economic variables – demographic, sociological or political elements which play an important role in affecting the heterogeneity of migration processes (for more see World Bank 2006, 8). As outlined in the previous sections, the theory has been subjected to wide conceptual critique and empirical testing that have pointed out its limits.

While the objective difficulty (data quality) of migration forecasting is acknowledged, this work proposes that the pre-enlargement estimates failed also due to conceptual deficiencies of the theoretical approach on which they were based. Importantly, the figures of the post-accession labor mobility allow testing the neoclassical framework *ex post*, relying on the actual numbers about migration, wages and other important variables. The accession of the CEE countries to the EU in 2004 and the following migration flows approximate a natural experiment in the equalization of factors of production arguably more than other cases of migration dynamics. EU accession led to the cancellation of (labor) borders to EU3 and the relaxation of previous administrative barriers to the remaining EU15 countries. In the next section I test the ability of the neoclassical theory to account for the post-accession migration dynamics from EU8 countries to two major receivers of the East-West flows, the UK and Ireland.

2.4.2 Testing the neoclassical theory

The primary goal of this analysis is to test statistically the significance of wage differentials between the individual EU8 countries and the UK and Ireland (EU2) in explaining migration patterns at the country level after enlargement in 2004. I consider this

analysis an easy test for the neoclassical theory of migration which would predict equalization of the factors of production. The EU8 2004 accession allows testing the explanatory power of wage differentials in a cross-country context, controlling for the host country effect: administrative and legal conditions and economic factors for the entry of EU8 migrants to the UK and Ireland were identical and their relative distance to these two countries comparable. The EU8 countries joined the EU at a time of favorable economic environment and strong labor demand in the economies of EU2.

I propose two models that capture conceptual differences argued in this work: (1) a pure neoclassical model and (2) a country effect model. Under the assumption of full employment, the neoclassical theory predicts a linear relationship between wage differentials and the size of migration flows. In the extended neoclassical models, migration is determined by *expected* rather than actual earnings and the key variable is earnings weighted by the probability of employment. The neoclassical model can be written as:

(1) ***Migration rate = f (wage differentials, probability of employment)***

In my work I argue that analysis based on the neoclassical theory of migration is de-contextualized and oversimplified and that wage differentials cannot explains migration dynamics after EU accession across the EU8 countries which share relatively similar levels of living standards. The pre-enlargement estimates of migration potential often erred in failing to take into account differences in structural and institutional variation forming distinct socio-economic 'models' across the CEE countries. Alongside the neoclassical model I propose to test an extended country-effect model which introduces country dummies into the regression and aims at capturing the specific impact of different socio-economic regimes or the 'country effect' in the analysis. The extended country effect model can be generally specified as:

(2) ***Migration rate = f (wage differentials, probability of employment, country characteristics)***

2.4.2.1 Data

My dependent variable is measured as outflows of migrants from an EU8 country to the UK or Ireland in each quarter since June 2004 until December 2007. Migration data is based on information from the registration schemes in the UK (WRS) and Ireland (PPSNs) which give information about the flows of EU8 nationals who have come to these countries and registered on a quarterly basis. Such data sources are valuable as they correct measurement problems present in other migration data which are flawed due to different conceptualization and definitions of a 'migrant' (Bahna 2008). In order to control for the size of the country, migrant stock is corrected by the size of economically active population of a given sending country in a given year.[18] Log transformation of the dependent variables was conducted to achieve normal distribution.

Wage differentials are the main independent variable to be tested in the models. Wage data represent the quarterly average gross manufacturing wage collected from the national Labor Force Surveys, accessible through the LABORSTA database in national currencies for both sending and receiving countries.[19] In order to calculate wage differentials between an EU8 country and Ireland or Britain, wages were first re-calculated into Euros using the ECB official exchange rate at the end of a given quarter. This transformation allows endogenizing the potential influence of exchange rates, which is argued to be one of the intervening variables in migrant decisions. In order to control for inflation and to correct for price differences, wages in Euro were also corrected by the PPS index (Eurostat) to achieve comparative wages across all the analyzed countries. Wage differentials for each EU8-EU2 country pair and each quarter were then calculated as a quarterly average wage of an EU8 country as a proportion of the wage in Britain and Ireland in the same quarter. In order to simulate causality, data on wage differentials start a year earlier. As such, wage differentials in the third quarter of 2003 correspond to migration rate in the third quarter in 2004 and so on.

Most neoclassical estimations of migration tend to use income/GDP per capita differentials (Dustmann et al. 2003) or real growth (Zimmermann 1994). While income per capita is normally strongly correlated with wages, I use wage differentials for two important

[18] I follow Zimmermann (1994) or Dustman et al. (2003).

[19] "Statistics of wages usually relate to average gross money wages per wage earner expressed as average earnings. The series cover wage earners of both sexes, without distinction as to age." (LABORSTA)

reasons. First, they capture better both micro- and the macro-level economic dynamics in the sending countries and represent a more accurate measure of immediate disposable income. Second, wages are arguably a more tangible comparator for migrants when they compare benefits of migration. Gathering information about destination countries, migrants are interested in their potential earnings (and probability of employment) rather than in per capita income of that country.[20] While growth rates are an important signal of probability of employment in host country, the implications of high growth in sending countries on migration is dubious generally but also in the particular context of the post-accession flows tested here: the EU8 countries with the higher growth were sending more migrants rather than less.[21]

My observations are pairs of countries (or dyads) by quarters which were used in order to increase the number of observation and gain more statistical power for the analysis. Quarterly observations do not make possible the testing of other theoretically relevant variables which would capture the effect of structural or institutional factors in sending countries. This is due to the lack of sufficient variation in a studied time period or the unavailability of measurements on a quarterly basis. I therefore test the country effect by introducing country dummies and additional controls to deal with data dependencies (quarter dummies, target country and source country dummies). In order to deal with the serial autocorrelation problem resulting from over time data, I entered a lagged dependent variable which corrected the problem.[22] Following Zimmermann (1994, 91), the lagged migration variable also represents a "measure of persistence and network migration." The two models were run with and without time trend following a similar model specification in Zimmermann (1994).[23]

[20] GDP per capita, which measures economic production, has been criticized also more generally for not capturing well-being and not measuring inequalities within a country.

[21] Unlike GDP per capita, growth rates are available on quarterly basis and therefore could be tested empirically in the future, also perhaps incorporating data during the period of recent economic crisis.

[22] In models with a lagged DV variable, Durbin Watson d test tends to give biased results as the computed d value generally tends towards 2. I therefore also calculated Durbin-Watson h statistic which is considered a more appropriate large-sample test of first-order serial autocorrelation in autoregressive models (Gujarati 1988).

[23] Zimmerman (1994, 91) runs OLS regression analysis exploring the relationship between immigration from each recruitment-targeted country to Germany between 1960 and 1991. In addition to real GNP growth, he enters lagged DV as a "measure of persistence and network migration" and the time trend as "a proxy of unobserved variables operating in the sending and receiving countries".

In addition to the above variables, unemployment differentials were also entered into model specifications. Unemployment differentials between EU8 and EU2 are a measure of labor market difficulties in the sending countries. This variable would not appear in the pure neoclassical model specifications as these conceptually rather incorporate the probability of employment in the receiving country; in practice it is however often included as a substitute of employment probability or as a measure of labor market distortions.

The probability of employment in this particular analysis is controlled for by design: the legal access of all EU8 migrants to the UK and Irish labor market was the same. Even more importantly, using *ex ante* insights we know that the probability of employment was strong in both receiving countries. High labor demand in the target economies combined with clear motives to work on the part of the EU8 migrants have resulted in the fact that 84% of EU8 migrants who registered in the UK in the analyzed period were employed (Pollard, Latorre, and Sriskandarajah 2008, 30).[24]

2.4.2.2 Expectations and predictions of models

I propose two main specifications of the models which are summarized in Table 2.2. The first specification is based on the propositions of the pure neoclassical model. I propose to regress wage differentials on migration rates, while controlling for data dependencies and autocorrelation (lagged DV variable). The neoclassical model expects that wage differentials will be a statistically significant predictor of migration. The sign of the B-coefficient for wages should be negative: as the wage in EU8 country as a share of EU2 country rises (which means that the gap in the wages between the sending and receiving country becomes smaller), migration should fall.

The second model specification adds country dummies into the regression. Following my theoretical expectations, in the models where the countries are included wages should be statistically less, partly or not at all significant. While wage gaps explain why people in general migrate, it should not be a significant variable in explaining the variation in migration dynamics from the EU8 countries. Both model specifications are also estimated with and without time trend and unemployment differentials.

[24] The figures are based on Labor Force Survey, not Workers Registration Scheme. See also AMR (2008).

Table 2.2: Model specifications

	Dependent variable	Independent variable	Control variables	Country effect
Model 1: Neoclassical model	Migration outflows from EU8 countries to the UK and Ireland	***Wage differentials*** (Unemployment differentials)	Target country Source country Quarters (Time trend)	-
Model 2: Country effect model	Migration outflows from a EU8 countries to the UK and Ireland	***Wage differentials*** (Unemployment differentials)	Target country Quarters (Time trend)	***EU8 country dummies***

2.4.2.3 Results and discussion

I ran the OLS linear regression to test the effect of wage differentials on migration rates from the eight new accession states to Britain and Ireland (EU2) from June 2004 accession until December 2007. The results of the analysis, presented in Tables 2.3 and 2.4, generally confirm the predictions phrased above.

Table 2.3 presents the neoclassical specifications with and without time trend (Model 1A-1B) and unemployment differentials (Models 1C-1D). Results are relatively consistent across different models and show that wage differentials are a significant predictor of migration rate in the simple neoclassical model specifications (except in Model 1B). The additional significant predictors in all models are the lagged dependent variable which proxies the network effect and the quarter dummies (April-September). In Models 1A and 1B, source country dummy shows a significant effect. This effect disappears when unemployment differentials are entered in Models 1C and 1D. Model 1B stands out due to the insignificance of wage differentials. This suggests that over time (and not taking into account the existent unemployment differentials), wage differentials are a less significant predictor, other things being equal to the previous specification.

Table 2.3: OLS Results: Neoclassical models

	Model 1(A)	Model 1(B)	Model 1(C)	Model 1(D)
Constant	-0,028	-0,018	-0,123*	-0,115
Wage differentials	-0,852*	-0,529	-1,001**	-0,914*
Unemployment differentials			0,062***	0,059**
DV lag	0,930***	0,947***	0,898***	0,904***
Target country	0,012	0,009	-0,022	-0,015
Source country	0,016**	0,013*	0,004	0,006
Quarter 2	0,133***	0,139**	0,144***	0,145***
Quarter 3	0,150**	0,161**	0,179***	0,180***
Quarter 4	-0,054	-0,054	-0,032	-0,033
Time trend	-	-0,007*		-0,001
$R^{2\ adjusted}$	0,982	0,983	0,983	0,983
N	208	208	208	208
Durbin-Watson d statistics	1,946	1,988	2,015	1,992
Durbin-Watson h statistics	0,42	0,095	0,118	0,064

Note: *** - Significant at the 0.01 level, ** - Significant at the 0.05 level, * - Significant at the 0.1 level. All the controls except source country were entered as dummy variables. Target country: 0 –UK, 1 – Ireland; Quarters: relative to Quarter 1.

The country effect specifications are presented in Table 2.4. As expected, wage differentials lose statistical significance when country dummies are entered into models (with the exception of Model 2A) and also the coefficient changes its sign.[25] Similarly to the above models, there is a network effect and seasonal effect across all specifications. In Model 2C and 2D, unemployment differentials and target countries are also significant. The country dummies in these models attain significance at 95% or 90% level. In sum, wage differentials as a predictor of migration dynamics from EU8 countries to the UK and Ireland after accession lose significance when we enter country dummies which proxy country differences that explain different migration outcomes. Model 2A is an exception as wage differentials gain statistical significance at 90% and none of the country dummies are significant. This is, however, a model that does not control for time or differences in labor market inefficiencies.

[25] This is against the predictions of the neoclassical model but is in line with the literature based on pluralist approaches discussed earlier which have pointed out reversed relations between migration and development and argue that more development (higher or growing wages) can lead to more rather than less migration (de Haas 2007; Castles 2008a, 2008b). Chapter 4 will find a similar reversed sign in a different empirical context.

Table 2.4: OLS results: Country effect models

	Model 2(A)	Model 2(B)	Model 2(C)	Model 2(D)
Constant	0,000	-0,675	-0,955**	-1,090**
Wage differentials	-1,493*	0,523	0,424	0,962
Unemployment differentials			0,126**	0,109**
DV lag	0,846***	0,856***	0,835***	0,841***
Target country	-0,010	-0,078	-0,117**	-0,129**
Quarter 2	0,131***	0,132***	0,145***	0,144***
Quarter 3	0,157***	0,162***	0,196***	0,192***
Quarter 4	-0,036	-0,060	-0,033	-0,043
Time trend		-0,011**		-0,004
CR	0,024	0,340*	0,309*	0,395*
ES	-0,005	0,402	0,375*	0,484*
HU	0,064	0,401*	0,393**	0,481**
LA	0,090	0,623*	0,582**	0,725**
LI	0,181	0,665**	0,644**	0,772**
PO	0,273	0,611**	0,357*	0,478*
SK	0,188	0,612**	0,383*	0,523*
$R^{2\ adjusted}$	0,984	0,984	0,984	0,984
N	208	208	208	208
Durbin-Watson d statistics	2,012	2,021	2,058	2,057
Durbin-Watson h statistics	-0,11	0,193	0,53	0,52

Note: *** - Significant at the 0.01 level, ** - Significant at the 0.05 level, * - Significant at the 0.1 level. All the controls were entered as dummy variables. Country dummies: relative to Slovenia. Target country: 0 – UK, 1 – Ireland; Quarters: relative to Quarter 1.

All the regression assumptions were met in the performed analyses. In all country effect models, high collinearity (measured by VIF index) of country dummy variables and wage differentials appeared that was caused by adding the country dummies (there was no collinearity problem in any of the neoclassical models). In spite of the high collinearity, however, the country dummies were able to achieve statistical significance while wage differentials were not, and this was consistently so across three different model specifications (Models 2B-C).[26] Durbin Watson h test refuted the first-order autocorrelation with 99% certainty in all models. An alternative method for dealing with autocorrelation based on re-conceptualizing dependent variable as a change in migration from the previous quarter (first

[26] Collinearity can lead to inefficient estimators and Type II error (failure to reject the no relationship (null) hypothesis). Collinearity problem can typically be remedied by excluding one of the variables or getting more data. None of these are applicable for this particular analysis. First, the model is defined theoretically and none of the variables can be taken out. If we take out the country dummies (which cause the collinearity), we end up at the neoclassical model. Second, more data would mean extending regression into the period of economic crisis which would require re-thinking the theoretical and conceptual framework as well.

order differences) was also tested. The results and their interpretation are presented and discussed in the annex to this chapter for a comparison.

All the specifications were also tested with dependent variable measured as a share of overall population rather than economically active population to correct for potential biases in the composition of population across the countries in the region and the results are consistent with those presented in Table 2.3 and Table 2.4. In order to check for non-linear relationships, the neoclassical models were also tested with wage differentials squared and unemployment differentials squared to model the non-linear (i.e. hump-shaped) relationship: the significance levels and signs of the coefficients remained similar to the ones presented in Table 2.3 and therefore are not reported. In the country effect models, the results were dubious. The models were also tested with splitting the sample according to the target country. Interestingly, while the country dummies were consistently significant in the case of the UK sample, unemployment differentials (and not the country dummies) were significant in the Ireland sample.[27]

The shifts in significance levels of the key explanatory variables across different model specifications, while they can be interpreted, shadow the robustness of the econometric findings. While a number of the robustness tests were satisfying, in the future research a different statistical method could be tried that can handle the complicated data structure.

To summarize, the results of the regression which tested the importance of wages in explaining migration patterns from the EU8 to the EU2 have shown in the country effect specifications that wages are not a statistically significant predictor of migration dynamics in the cross-country comparative framework. Instead of wage differentials, the EU8 to EU2 migration dynamic after accession is better predicted by unemployment differentials which signal labor market difficulties in home markets, network effects and seasonal effects. The EU8 individual country dummies are statistically robust predictors of migration rates to the West after accession. These findings encourage us to 'unpack' the country effect and investigate further unique factors within the EU8 countries which can explain uneven migration patterns across the region.

[27] This in itself is an interesting finding and could be investigated further in the future research that could concentrate on the receiving countries more than is in the scope of this work.

2.4.3 Addressing other factors: proximity, networks and recruitment agencies

The above analysis has tested the neoclassical framework as the dominant approach applied to study and to predict East-West migration. There are three additional factors potentially contributing to explaining the cross-country variation in migration rates that I would like to address briefly and refute their ability to explain post-accession migration trends.

First, the neoclassical theory takes into account the costs of migration (monetary and psychological) into the analysis. One aspect through which this is factored in is by incorporating the geographical proximity between the developed and developing country as an additional variable. The distance between the EU8 countries and the UK and Ireland, however, are relatively similar and have been equalized by easy and more affordable access to cheap flights across Europe. Proximity to other EU15 countries that could substitute migration to other destinations also cannot be considered as an important explanatory factor: almost all high outmigration countries (as well as the low outmigration countries) border a EU15 country.

Second, the cross-country differences in migration rates may be due to the pre-existent networks that facilitated the coming of new migrants. It is important to emphasize that the post-accession migration to UK and Ireland was not network induced and these destinations were new destinations.[28] Prior to 2004, visas were required in order to enter these countries and were mostly used by au-pairs whose stay in those countries was, by definition, time-limited and controlled. While illegal migration was taking place, there is no reason to expect that it was taking place to a significantly different extent across the sending countries. With the exception of Poland, there was no sizeable diaspora from the CEE countries in the UK or Ireland either. Even in the Polish case, there is little evidence that the diaspora would facilitate the inflow of the post-accession workers. The network effect that was established in the empirical analysis should therefore be conceived in the post-accession perspective when high initial inflows in the aftermath of labor markets liberalization contributed to higher subsequent flows.

Third, recruitment and temporary employment agencies have become important players at the labor market over the last decade. The agencies grew rapidly in the CEE region

[28] This will be demonstrated in detail also empirically in the following chapter.

from the mid-2000s and have facilitated also cross-border employment.[29] Their role in greasing the wheels of migration is important especially for migrants in certain professions (for example, where the recognition of qualifications is more important) or with limited language proficiency (Currie 2007). Their emergence, however, is a response to increasing migration flows rather than their cause (Castles and Miller 2009). The surveys that investigated the sources of migrants' information also noted that employment agencies or other private mediators represented only a small share (Líška, Prušová, and Srnaková 2001). During the time of labor shortages that hit the CEE region after the EU enlargement, labor recruitment agencies, hired by big employers, were facilitators of the incoming migration to the CEE countries. Although these actors have not significantly affected migration rates, more research about their impact on migration flows and working conditions is needed (cf. Meardi 2007; Coe, Johns, and Ward 2008).

2.5 A new approach for studying CEE migration

The empirical analysis has shown that while wage differentials are a good *first* indicator through which to understand migration decisions at the *individual* level, they are clearly an insufficient factor for explaining the dynamics we have seen after Eastern enlargement at the *country* level. This is an important postulate *vis-à-vis* the theoretical approaches which were prevailingly used in the studies estimating migration potential from Central and Eastern Europe. This is imperative also in light of the policy debates which fuelled the fear of worker inflows from CEE above all over significant gaps in wages and income levels. The limited predictive or descriptive ability of neoclassical theory of migration to explain migration dynamics in Central and Eastern Europe and developments in theory discussed earlier invite us to search out a new approach to studying migration processes in the post-communist region. The existence of certain specific features of the CEE region further substantiates this need.

The CEE region is at present simultaneously a global economic semi-periphery and a regional political core (EU membership) with strong industrial foundations and well-

[29] The country that legalized temporary employment agencies first was the Czech Republic and did so only in 2004 (Coe, Johns, and Ward 2008).

educated and trained labor force. As such it offers a fertile ground for migration research not only in respect to testing the already established theories but also perhaps for advancing migration theorizing. The East-West migration processes also enable us to study labor movements in a comparative cross-country framework which facilitates to investigate broader systemic and international factors. It also makes possible to tease out the difference across the CEE countries and acknowledge diversity in the region that have been missed out from the CEE migration research almost completely.[30]

Importantly, East-West migration takes place within a specific legal and institutional framework of the creation of the European single market for labor. Migration in the EU cannot be regulated or controlled, once labor markets at the national level have been liberalized. The administrative and political barriers fail to exist and movement of labor can take place freely. Migration flows from the new accession states tend to be temporary, pendulum or circular rather than permanent (Dustmann et al. 2003; AMR 2008; Drinkwater and Eade 2007) which is a distinct characteristic of these flows.

A broader analytical approach seems to offer a better way of hypothesizing about the factors which can drive or inhibit migration in Central and Eastern Europe. Any new approach to researching migration in the region should view migration as *endogenous* and accept that migration dynamics play out according to a broader set of elements, epitomized in the socio-economic constellation of a particular country, such as job availability, skill structure, social welfare and working conditions. Such an approach would introduce a series of variables related to structural change and the impact of welfare systems on migration patterns in the CEE region. These two factors are important elements that set the CEE region apart from the contexts in which migration theory has been traditionally developed and studied. The existence of these two specific factors also raises question over the appropriateness of the application of theories developed in the framework of migration from developing to developed countries where wage differentials are likely to be more significant while other, institutional and structural variables, of lesser importance.

First, the process of transition from state planning to a market economy took place with great speed and required complex economic restructuring that led to substantial labor reallocation across state and private sectors and across industries. The speed and

[30] Here Galgoczi, Leschke, and Watt (2009) are a rare exception.

comprehensiveness of the process was unprecedented. The challenge was even greater as the transition took place simultaneously with increasing world-wide interconnection in the markets, technological change and globalization. I suggest that the experience of such dramatic structural change produced a new empirical reality to be studied by migration theories which were developed in very different contexts.[31] The effect of structural change can be best understood through the analysis of labor market dynamics and different forms of risks and opportunities that transition has produced. Focus on labor market imbalances and mismatches between newly-emerged employment opportunities and skill structures inherited from the old regime can provide useful analytical tools for identifying the profiles of people affected by the processes who represent a potential pool of labor migrants.

Second, the CEE countries inherited institutionally developed welfare systems. While the state in Central and Eastern Europe during transition retreated massively from the economy and the polity, the welfare state played an important role in the transition, not least as a mechanism to off set the negative consequences of transitional recessions (Boeri 2000). States generally have been active drivers and intermediaries of change, not only in welfare but also in industrial policy or in the approach to out-migration. Welfare provisions can be perceived as 'investment' into opportunity structures and into human capital, affecting broader quality of life and thus shaping the rationale of migration decisions. Determinants such as passive and active labor market policies, family support or good access to health care substantively affect everyday lives of people. Their accessibility or generosity can be considered as important institutional determinants of migration both in a direct form but also as tools for mediating the impact of transition.[32]

These variables have interacted in complex ways across countries in the region. Considering them analytically implies a new conceptual and methodological approach. It can provide interesting insights into understanding how different transitional paths – essentially

[31] Saying this, I partly echo Favell's urge that the US migration research tools and theories need to be completely rethought in the European context, which is specific due to "scale of these societies, the historical nature of nation building and migration, and the transnational context of the European Union" which ensures that European national cases are not directly amenable to the habits of analysis that work well in the US (Favell 2008, 264). Yet, I see the CEE countries as a distinct category within the European migration context due to the factors outlined above.

[32] This conceptualization of state responds to Hollifield's (2008, 194) contention that "[W]hat is missing from [the accounts of economist and sociologists] is a theory of the state and the way in which it influences population movements."

an outcome of the interaction of policy choices and economic and structural constraints of partly historical origin – have affected the behavior of individuals once the administrative barriers, such as visas and work permits, ceased to exist. These factors could be studied jointly through the investigation of migrant profiles *embedded* in their home environments and affected in their decisions to migrate (or to stay) by structural and institutional variables in home societies. I argue and demonstrate in the following chapters that a new approach to studying East-West migration is better equipped to explain migration (and non-migration) dynamics because it is able to treat migrant decisions as endogenous to broader structural and institutional changes which arise from the socio-economic environments of home countries.

ANNEX 2

Table 2.1A on the next page presents the results of the analysis that tests the pure neoclassical (Model 1A and 1B) and the competing country-effect models (Model 2A and 2B) with the dependent variable measured as the migration rate *change* quarter on quarter (first order differentials) and replicating the models presented earlier. The analysis was done to establish an alternative way to deal with the autocorrelation problem. Due to the change in the measurement of the dependent variable, the key independent variables were then also entered as change, that is change in unemployment differential and change in wage differentials quarter on quarter (q.o.q).

Overall, the neoclassical model results are consistent with the results presented in Table 2.3 and change in wage differentials is a significant predictor of change in migration share q.o.q. In the country effect models, wage differentials change remains a significant predictor and only two country dummies (Latvia and Lithuania) attain significance levels too. These results are different from those presented in Table 2.4 and provide less evidence for the argument presented earlier. Across all specifications, time trend and quarter four dummy (October-December) are significant. Unemployment differentials change are significant only in the country effect model but not in the neoclassical model.

The models, however, explain relatively small portion of the variance and residual plots signal heteroscedasticity. This points to the fact that the theories and variables proposed by the theories of migration and tested in the previous models aim at explaining differences in the levels of migration rather than differences in the change of rates of migration (especially in such short time periods as quarters). The models as presented here are therefore underspecified. Thus, although the re-conceptualization of dependent (and independent) variable helped to deal with the autocorrelation problem (see Durbin-Watson index) and also with the collinearity problem encountered before in the country effect models, it is not a suitable conceptualization for the study of the causes of migration as presented in this work. However, fine-tuning the analysis and engaging with the conceptual and theoretical implications of different measurements of dependent variable could be an interesting future project.

Table 2.1A: OLS results: dependent variable as change in migration

	Model 1A	Model 1B	Model 2A	Model 2B
Constant	0,031	0,049	0,066	0,092**
Wage differentials change	2,064**	2,102**	1,894*	1,940**
Unemployment differentials change	-	-0,077	-	-0,114*
Target country	0,008	0,010	0,008	0,011
Source country	0,003	0,002	-	-
Quarter 2	0,056*	0,003	0,059*	0,025
Quarter 3	-0,011	-0,026	0,001	- 0,035
Quarter 4	-0,147***	-0,146***	-0,143***	-0,141***
Time trend	-0,005**	-0,007**	- 0,005**	-0,007**
CR			-0,013	-0,013
ES			-0,034	0,038
HU			0,005	0,011
LA			-0,068*	-0,073*
LI			0,090**	-0,098**
PO			0,012	0,005
SK			-0,007	-0,011
$R^{2\ adjusted}$	0,218	0,221	0,245	0,256
N	208	208	208	208
Durbin-Watson	2,081	2,055	2,193	2,172

Note: *** - Significant at the 0.01 level, ** - Significant at the 0.05 level, * - Significant at the 0.1 level. All the controls except source country were entered as dummy variables. Country dummies: relative to Slovenia. Target country: 0 –UK, 1 – Ireland; Quarters: relative to Quarter 1.

CHAPTER 3

HARDSHIP MIGRANTS AND CHOICE MIGRANTS

3.1 Introduction

Who the migrants are is an important question in migration research. Migration studies generally acknowledge that individual characteristics, such as age, gender, marital status, education level and skills affect migration choices. While the neoclassical paradigm takes into account these micro-level characteristics, migrant profiles are seldom analyzed as an outcome of broader social processes and changes that affect particular types of people in the home countries and produce opportunities for some and constraints for others. The aim of this chapter is to look at the micro-level attributes of CEE migration between 1989 and 2007 and analyze in detail typical characteristics and behavior of migrants that have been leaving the CEE economies at different stages of the development of these countries.

This chapter proposes to treat migrant decisions as endogenous to broader structural and institutional changes which have shaped the socio-economic environments in which people make migration choices. I argue that the relationship between individual level characteristics and migration patterns is context dependent. Workers are embedded in their home environments and a decision to migrate or to stay is produced by an interaction of individual-level characteristics and macro-level factors which are not only economic but also political, social or institutional. Such analysis of migrant profiles can help us to recognize the underlying causes of migration which in turn can have important implications for better understanding of determinants of migration other than wages. Methodologically the chapter aims at connecting macro-level patterns with micro-level characteristics of migrants.

Recent works about migration in CEE have established that a new profile of migrant in the West has emerged after the accession of these countries to the EU, marking a change in typical characteristics of people leaving the region during the 1990s (EC 2008a; Kaczmarczyk and Okolski 2008; Kahanec and Zimmermann 2009). Synthesizing findings of these studies with other data about CEE migrants, I establish two structurally different patterns of migration and two prototypical migrant profiles: *hardship migrants* and *choice*

migrants. These differ in important demographic characteristics, preferred destination countries, their position in the labor market prior to migration and relative dependency on domestic opportunities, determined by combination of demographic aspects and external institutional factors related to restricted versus liberalized labor markets. Summarizing the main distinctions briefly, migration before accession was mostly *hardship migration* of mainly middle-aged workers made redundant in transition with the aim of getting any job, while migration after accession is more a *choice migration* of mainly young and educated labor market entrants with the aim of enhancing individual opportunities upon return. Both migration streams share a temporary character of mobility and a lack of reliance on host country welfare structures. Most importantly, both types of mobility are underlined by structural factors inherited from the period of economic restructuring and materialized in the form of severe labor market imbalances and mismatches in home labor markets. The young migrants are presented as 'choice' migrants because the range of opportunities in respect to the pre-accession migrants are wider both at home and abroad. The essence of their 'choice', however, is marked by difficult labor market prospects at home.

How has structural change induced migration of two very different migrant profiles? Which elements of domestic welfare systems have induced or impeded migration of two distinct profiles? These are the questions which this chapter begins to address at the conceptual level. The chapter consists of two main parts. The first reviews and synthesizes extensive empirical evidence about migrant profiles and migration patterns over the period of transition and after the EU enlargement. A wide-range of secondary data is cross-validated with own analysis of survey data of the Slovak post-accession migrants after which I inductively single out two distinct migrant profiles. The second part of the chapter develops conceptual links between the established migrant profiles and the two main variables: the experience of structural change and the role of welfare systems. It concentrates on teasing out differentiated forms of the interaction between structural and institutional variables and migrant profiles and derives implications for the next two empirical chapters of the dissertation.

3.2 General trends and new destination countries

Labor migration from the CEE economies has been present throughout the whole period of transition but has taken unprecedented magnitude since 2004. The first chapter established variation in migration dynamics across time and across the CEE economies which, however, has been affected by some common external factors. The fall of the communist regime marked the initial upsurge in migration across the CEE region driven by family re-unification and ethnic or diaspora movements as well as an explosion of general cross-border mobility. The flows in Europe were also affected by the conflicts in the Balkan countries and elsewhere (Caucasus, Afghanistan) and were characterized by often semi-legal economic activities disguised as tourism (Wallace 2000; Hönekopp 1997). The period of the second half of the 1990s was marked by a steep decline in the scale of emigration and then a subsequent rise at the break of the millennium which came together with the start of the accession negotiations to the EU in 1999 (Kaczmarczyk and Okolski 2008; Wallace 2000; Hönekopp 1997).[33] A further significant increase in the outflows from the high-migration potential CEE countries – Poland, the Baltic countries and Slovakia - took place after 2004. A major European Commission report on employment and migration emphasized that a higher propensity for labor mobility in the last decade is not solely a matter of East-West flows but has been the case in Europe (and the world) more generally (EC 2008a).

The post-accession East-West mobility, however, has altered the EU migration landscape significantly through new directionality of flows and their magnitude. While Germany, Austria, Russia or the New World countries (US, Canada and Australia) were typical destinations during the 1990s, the recent mobility of EU8 and EU2 (Romania and Bulgaria) migrants created new intra-EU immigration countries, such as Ireland, the UK, Italy or Spain (EC 2008a; Kahanec and Zimmermann 2008). Since 2004, Ireland has seen the greatest intake of new intra-EU movers relative to its population size. Close to one third of recent EU10 migrants in absolute terms went to the UK (32%), followed by Spain (18%) (EC 2008a).

These trends are reflected in Table 3.1 which captures frequency of EU working-age citizens resident four years and less in a receiving country by nationality (in %). It

[33] Decline in net migration in the second half of the 1990s relative to the early 1990s has been a trend present in the EU more generally. See: EC (2006, 4).

demonstrates that EU8 and EU2 nationals in EU15 countries were among the most dense nationalities in 2007. While Polish, Slovak, Latvian and Lithuanian citizens dominate the top ranks among the British and Irish immigrant populations, the composition of recent labor migrants in Spain and Italy has been equally altered through the inflow of Romanian and Bulgarian workers. Interestingly, in spite of imposing restrictions on the entry of EU8 citizens to its labor markets, both Germany and Austria have also seen a rise in the share of CEE workers in the labor force which points to a limited effect of transition periods in these countries (EC 2008b; Pollard, Latorre, and Sriskandarajah 2008; Brenke and Zimmerman 2007; Brenke, Yuksel, and Zimmermann 2009). The system of transition periods and their duration is shown in Table 3.1A in the annex to the chapter.

Table 3.1: Recent intra-EU movers in EU receiving countries, 2007 (%)

Frequency of EU working age citizens resident four years and less in receiving country by citizenship

(% of all EU citizens resident four years and less in receiving country)

Receiving country	# 1 Sending country (%)		# 2 Sending country (%)		#3 Sending country (%)		#4 Sending country (%)		#5 Sending country (%)	
UK	49	PL	6	SK	6	LT	5	FR	4	DE
Ireland	46	PL	12	LT	10	UK	5	LV	4	SK
Spain	59	RO	13	BG	7	PT	6	UK	5	IT
Italy	72	RO	13	PL	3	BG	3	DE	2	FR
Germany	32	PL	11	NL	9	FR	7	BG	6	AT
Austria	42	DE	15	PL	11	RO	8	SK	6	HU
EU 27	26	PL	19	RO	7	DE	6	UK	5	FR

Source: Eurostat and EU LFS, annual data. In EC (2008a, 118).

The next sections will describe the shifts in several aspects of migration flows before and after the accession related to profiles of migrants. I begin with the pre-accession trends and then review the more recent migration to the new destinations that liberalized their labor markets: UK, Ireland and Sweden.

3.3 Who are the (new) CEE migrants?

3.3.1 Central European migrants before the enlargement

Before accession to the EU, the countries of relative proximity to the East: Germany, Austria or Finland were the most important destinations for Central European citizens. The mobility of people for work in the 1990s was commonly characterized by significant difficulties in gaining official access to the labor markets in destination countries. Labor migration was happening in controlled systems and was based on the existence of bilateral agreements set up mainly between Germany and the CEE countries. The agreements were launched as preventive measures on the side of Germany to regularize and legalize flows which were expected to take place in any case (Menz 2009). A relatively complex system of different immigration programs was developed which stipulated quotas or occupational preferences for incoming labor migrants, curbed the duration of stay in order to avoid permanent settlement and encouraged social security attachment in home countries (Wallace 2000; Hönekopp 1997; Menz 2009).[34]

The existence of these employment bilateral agreements was unique; while Germany became a major immigration country for CEE migrants, the programs helped to regulate the flows while relieved the labor market pressures in the sending countries. A significant proportion of inflows to Germany, however, took place outside these programs, through resettlement of ethnic German migrants and their families. Still, work abroad lasting less than three months was often disguised as tourism. Importantly, a significant share of especially Polish labor migrants to Germany were self-employed. This has been a tool of migrants to avoid restrictions imposed on immigrants in wage employment during the 1990s and also in the framework of the post-accession transition periods (cf. Meardi 2010). The 'contingency contracts' in agricultural employment, special contracts for highly skilled migrants and free operation of some services (IT, consultation companies) remained a legal avenue of employment in Germany also after the EU enlargement when the transitional periods were in effect (Brenke, Yuksel, and Zimmermann 2009).

[34] For an overview of seasonal migration from selected CEE countries to Germany in 1993 - 2004 see Table 3.2A in the annex. For more recent data on total migration flows see Brenke, Yuksel, and Zimmermann (2009, 115), for older figures see Hönekopp (1997).

The CEE migrants in Germany, Austria and other European states did not resemble the migrants of previous generations of guest workers (Wallace 2000). First, they were drawn into different industrial sectors, typically not into big industrial enterprises. Second, they continued to pay social security contributions in their home countries. The latter factor is linked to the character of labor mobility to Germany which was not at all connected with permanent resettlement but was – similarly to the post-accession flows – typical of temporary and/or seasonal flows. More favorable destinations for permanent emigration from CEE during 1990s were the geographically distant countries of the 'new world' - the US, Canada, New Zealand or Australia, perhaps reflecting historical origin of permanent resettlement (IOM 1998).

The 1990s CEE migration consisted of two different segments of migrants. The CEE workers were attracted (mostly) to Germany, despite relatively high unemployment there, mainly into a low-skilled seasonal type of work, especially in construction and agriculture (males) and domestic services and cleaning (females). At the same time, however, part of migration before accession consisted of a highly educated segment of skilled migrants and the issue of brain drain from the CEE countries was put on the policy and research agenda (Wallace 2000; Morawska 2002; Balaz, Williams, and Kollar 2004). This diversification of migration types was partly a result of the institutional frameworks established between the countries which targeted low-skilled as well as trained and highly skilled labor, but it also responded to structural forces. Wallace (2000) argued that a post-industrial type of migration materialized whereby large Western cities draw in migrants into 'dual' labor markets characterized by prosperous centers of capital and high quality business and administration jobs on one hand and low-tier irregular or low-skilled dirty jobs on the other.

Analyzing the case of Poland, which has been the greatest sending country to Germany, Brenke and Zimmerman (2008) argue that the flows from Poland to Germany during the analyzed period generally consisted of people with middle levels of education. Further, Polish immigrants in Germany were older which can partly be associated with more widely spread knowledge of German language among older generations. In relation to education levels of Polish migrants, Kaczmarczyk and Okolski (2008) find a changed selectivity of migrants: migrants with vocational education (to Germany) prevailed before the accession. This structure was retained after accession but was accompanied by an increase of

migrants with post-secondary levels of education (to UK and Ireland). The authors also conclude that Polish migration prior to accession was predominantly network-induced when existent networks and institutional (often bilateral) arrangements facilitated flows to mainly Germany while after accession migration was primarily labor-demand driven (cf. Morawska 2002). Both before and after accession, migration dynamic has been similar in its 'transient' and short-term nature. For example, it has been estimated that only 40% of immigrants were still living in Germany 10 years after their arrival and less than 35% after 25 years (EC 2006).

The general tendencies argued in the literature for the Polish case emerge also from the survey of Slovak potential migrants before accession. The difference in the structure of migration according to different destination countries is evident from the survey conducted in 2001 (Gergelová, Líška, and Prušová 2002).[35] The most important destination of Slovak potential migrants in 2001 was Germany which would have attracted nearly two fifth of the respondents, followed by Austria and the 'new world' countries with over a fourth of respondents and the Czech Republic with more than 20% of potential migrants going there. The UK was attractive only for about 14% of respondents. Table 3.2 displays age and education structure of potential migrants by preferred destination country.

Table 3.2: Slovakia: Main destination countries by age and education, 2001

	Which country would you consider for work? (in %)			
	Germany (n=177)	**Austria** (n=121)	**Great Britain** (n=63)	**Italy** (n=54)
Age				
18-24	35.6	24.8	58.7	29.6
25-39	36.6	40.5	30.2	44.4
40-54	26.6	30.6	9.5	20.4
55-64	2.3	4.1	1.6	5.6
Education				
Primary	18.6	21.5	23.8	24.1
Lower secondary*	33.9	34.7	12.7	40.7
Upper secondary**	41.8	33.9	41.3	24.1
Tertiary	5.6	9.9	22.2	11.1

Source: Gergelová, Líška, and Prušová 2002. Note: n = number of respondents considering to work in this country. * - No maturita. ** - With maturita.

[35] The survey about migration intentions was carried out on 1400 respondents in November 2001. 455 respondents answered positively to the question: "*Do you intend to travel abroad for longer than one month in the future?*" and hence qualify as potential migrants.

Great Britain stands out from the other three more traditional destinations by being attractive to a significantly higher share of below 24 years old potential migrants and significantly higher share of people with tertiary education. Germany, Austria and Italy would have attracted primarily the age cohorts between 25 and 55 years of age and with secondary education. Interestingly, but in line with the observations of Wallace (2000), Slovak migration in the pre-accession period was on the intentions level as much (if not more) a domain of highly educated/skilled people than of the less educated/skilled people. More than half of those employed in banking and insurance sector answered yes to the question on future travels, followed by nearly 50% of those employed in construction and IT systems that answered positively. Among the least prone to migrate were (protected) public employees in civil sector and education and research and those employed in transport and telecommunications (Gergelová, Líška, and Prušová 2002).

A large segment of out-migration from the Baltic countries also took place within the framework of bilateral agreements with the EU countries. In addition to this, however, emigration especially from Latvia and Estonia has been fueled by discriminatory policies towards the Russian speaking population. These policies have affected their access to certain jobs within the labor market (i.e. public sector jobs) and, after accession, led to formal exclusion of 'non-citizens' from free mobility right (Hughes 2005; Fihel, Kaczmarczyk, and Okolski 2006; Ielvs 2008). As an outcome, a significant out-migration took place from these countries to the former Soviet Union during the 1990s. Hazans and Philips (2009) estimated that two fifths of pre-accession migration took place to then countries outside of the European Economic Area. Compared to national population, those migrants were significantly more skilled than workers heading to Western Europe or those who stayed. After the enlargement, the non-citizens were excluded from the free mobility rule until the 2007 decision of European Council that allowed them to move freely within the Schengen area (Meardi 2010). Partly reflecting this dynamic, Hazans and Philips (2009, 269-271) find a different shift in pre- and post-accession migration structure from the Baltic countries than the one described earlier for Poland or Slovakia. On average, the post-accession flows from the Baltic countries consisted more of manual workers and fewer highly skilled workers and students than the pre-accession flows.

In sum, most of the pre-enlargement migration from Central and Eastern Europe was directed towards 'traditional' destinations for CEE migrants such as Germany and Austria or Russia. People who migrated to these countries were typically middle-aged with secondary, often vocational, education. Self-employment was a common channel of migration. A proportion of these flows were ethnically underpinned outflows from the Baltic countries. Migration in the pre-accession period generally retained transient, short-term and temporary character of mobility for work rather than for resettlement. CEE migrants in the West remained institutionally connected to home countries via social security system rather than became welfare users in host countries. A share of migration consisted of highly skilled and well educated stream of migrants.

3.3.2 Central European migrants after the enlargement

The next subsection reviews the profiles of post-enlargement migrants to the UK, Ireland and Sweden. Rich literature has sprung up which studies characteristics of post-accession migrants, especially to the UK. I draw mainly on the data available through the Accession Monitoring Reports (AMR) based on the Worker Registration Scheme (WRS) and the secondary literature which has analyzed the Labor Force Survey (LFS) data and other survey data.[36] For the analysis of the Irish case, I rely on the Irish 2006 census data of the Irish Central Statistical Office. The analysis of Swedish data draws solely on secondary sources.

3.3.2.1 EU8 migrants in the UK

Between May 2004 and December 2007, striking fourth fifths of EU8 workers in the UK were between the age of 18 and 35, out of which 43% was the youngest generation of school and university graduates below the age of 24. The 2007 UK Labor Force Survey found that 58% of EU8 citizens in the UK were married, cohabiting or in a civil partnership. A male to female ratio based on WRS information shows a slight prevalence of males (57:43) (AMR 2008; Pollard, Latorre, and Sriskandarajah 2008). Migrants from the EU8 are predominantly

[36] Drinkwater, Eade, and Garapich (2009) find that it is possible to compare migrant characteristics of EU8 migrants in the WRS and LFS, such as gender, age and location, as the two data sources provide very similar information.

skilled or highly skilled, having finished secondary or tertiary education in a great majority of the cases. A recent survey of 900 EU8 migrants conducted in the UK revealed that 30% had a graduate degree and additional 22% had an undergraduate level of qualifications (Pollard, Latorre, and Sriskandarajah 2008).

A marked feature of post-accession migration has been a major misfit between the level of educational attainment and the jobs that EU8 migrants in the UK have. In the majority of cases they find employment in jobs below their qualifications, paid worse and of lower quality and tend to work in sectors such as administrative work, tourism, construction, agriculture, elderly care, entertainment and domestic work (Favell 2008a; Meardi 2007a; Woolfson 2007; Doyle, Hughes, and Wadensjö 2006; Lillie and Greer 2007). The largest share of recent EU8 migrants works in elementary occupations, which is a far larger proportion than migrants from South Asian or African countries (Jayaweera and Anderson 2008). The educational attainment acquired at home therefore does not reflect migrant's earnings. There is an inverse relationship between attained education and jobs: those with vocational education normally perform equivalent occupations while migrants with tertiary education qualification are more likely to take on jobs in elementary occupations (Pollard, Latorre, and Sriskandarajah 2008, 37). For earlier cohorts of EU migrants, however, Drinkwater, Eade, and Garapich (2009) find that relatively large proportion works in high or intermediate occupations and there is also a small percentage of managers and professionals amongst EU8 migrants who had arrived between 2000 and 2003.

Given the predominance of low-skilled employment, it is not surprising that relative to other non-EU immigrant groups the earnings of EU8 migrants in the UK are among the lowest, controlling for demographic characteristics (Clark and Drinkwater 2008; Drinkwater, Eade, and Garapich 2009; Blanchflower and Lawton, 2008).[37] The empirical research has found that the occupational variable explains well the different levels of earnings also between EU8 migrants and other EU workers in the UK (Drinkwater, Eade, and Garapich 2009). The level of English language is another important determinant of the earning outcomes which, together with the length of stay, affects upward mobility in the British labor market (Pollard, Latorre, and Sriskandarajah 2008, 38; Blanchflower and Lawton 2008;

[37] Drinkwater, Eade, and Garapich (2009, 172) in their analysis of LFS data find that average hourly earnings for recent Polish and other EU8 migrants are around £6 which is consistent with the information in the WRS.

Clark and Drinkwater 2008; Dustmann and Weiss 2007). Although English language has a genuinely causal effect on earnings and employment, recognition of qualifications might play an equally important role. It has been argued that the mismatch between the acquired skill levels and earnings of EU8 migrants can be understood in the context of their 'strategies', which are short-term with the aim to spend or invest the earnings at home rather than abroad. Migrants therefore do not invest into English language skills or other skills that would enhance their chances at the host country labor market (Clark and Drinkwater 2008).

In spite of the relatively worse earnings outcomes, employment levels among the EU8 migrants are very high. The employment rate of 84% in December 2007 illustrates that the vast majority of post-enlargement migrants have come to the UK to work. The figure is higher than the percentage of UK nationals in working age in employment (76%) and is one of the highest among all foreign nationals living in the UK. Out of the employed, 86% are working as employees and 14% are self-employed. Recent EU8 migrants are much less likely to be union members than natives (Pollard, Latorre, and Sriskandarajah 2008; Blanchflower and Lawton 2008). This, however, is no longer the case when we take into account the sectors of employment (Anderson, Clark, and Parutis 2007).

In 2007, over half of those registered with the WRS were in temporary employment but differentiation occurs along sectoral lines: while the agricultural and business, administration and management sectors employ high proportions of temporary workers, a majority of employees in hospitality, catering and manufacturing have permanent positions. A significant majority work in factories and warehouses as operatives and packers. Different regions in the UK have attracted migrants into varied occupations: more than twice as many migrants registered to work in hospitality and catering in London than in other regions. East Anglia prevailed as the most popular region for people registering to work in agriculture and employment in food, fish and meat processing prevails in Scotland (Pollard, Latorre, and Sriskandarajah 2008; Blanchflower and Lawton, 2008). Interestingly, relative to the UK nationals, the EU8 migrants after accession are over-attracted to manufacturing sector, where the employment share is nearly three times greater, surpassing 30%. Hotels and restaurants and construction sector have attracted another more than 20% and more than 10% EU8

migrants respectively (Pollard, Latorre, and Sriskandarajah 2008, 35).[38] In terms of sectoral employment, EU8 migrants are different in respect to other migrant groups: those from African countries are far more likely to be found in health and social work and South Asian countries are more dispersed across industrial sectors (Jayaweera and Anderson, 2008).

Preferences of EU8 migrants are higher for short-term mobility than for long-term migration, which means that the majority of EU8 migrants do not intend to stay in Western Europe permanently. While the WRS data indicates that almost three fifths of migrants do not intend to stay longer than three months, other data sources found that only over 18% of the interviewed migrants intended to stay less than three months (The Cronem Survey in Drinkwater, Eade, and Garapich 2007).

All these figures can be re-interpreted in terms of 'transformations' that the inflow of EU8 migrants has had on the composition of UK immigrant population. In addition to pulling up the employment levels and educational levels of UK immigrants generally, the post-accession migration to the UK transformed the age and gender profile of the EU8 migrants towards the prevalence of males while females used to prevail before and also significantly shifted the age of EU8 immigrants downwards (Pollard, Latorre, and Sriskandarajah 2008). Along with other evidence, this seems to suggest that migration to the UK was not network or diaspora induced and is line with the hypothesis about the 'novelty' of migration flows to the UK after accession.

3.3.2.2 EU8 migrants in Ireland

Useful information about EU8 migrants in Ireland can be drawn from April 2006 country census (CSO 2008). The census, conducted on a de-facto basis, assessed everyone who was present in Ireland on the census night, but of the non-Irish nationalities only those who declared that they are residents of Ireland were assessed. This might have led to undercounting of those who for tax or other purposes did not want acknowledge their resident status in the country.[39] The census is nevertheless likely to provide the most precise

[38] WRS and LFS data give different information about employment of EU8 migrants across sectors. This is due to the fact that the WRS data does not cover self-employed who are not required to register and therefore it underestimates sectors such as construction.

[39] For example, there was an additional 10,126 Polish visitors in Ireland on census night who declared not to live there at the time (CSO 2008). This number is peculiarly high. It can be perhaps assumed that those who had

estimate of the number of EU8 nationals in Ireland. It allows us correcting for those who had returned home which cannot be detected from the UK data, for example.

Polish, Latvian and Lithuanian nationals were among the most numerous in Ireland in 2006 which was a significant rise compared to the last census in 2002. Demographic profile, average age, employment levels and type and levels of education of Lithuanian and Latvian immigrants to Ireland were largely similar to those described for Poles. I therefore provide a detailed description for the Polish migrants and highlight differences where it is analytically interesting.

According to the census, almost 90 per cent of all Poles living in Ireland arrived in 2004 or later. The average age was 27.5 years (29 years for males and 25 for females) and 70% were between the age 20 and 35. The Baltic immigrants in Ireland are on average older than Polish workers (Hazans and Philips, 2009). Almost two thirds were single. Most Polish migrants were living in Polish-only households and the non-family households dominated. A very significant 59% of married males and 18% of married females were not living with their spouse at the time of the census. About one per cent of Poles were with an Irish partner (0.5% for males and 2.5% for females).

More than a quarter of those aged 15 or over had completed third level courses at the degree or higher level, another third had completed upper secondary education. A quarter of Polish males with tertiary education had a degree in engineering, manufacturing or construction. A third of Polish females with university education had a degree in social science, business or law.

The majority (84%) of Poles were at work, mainly as employees while only a very small share was self-employed. Over half of males were in construction and manufacturing, and half of all females worked in shops, hotels and restaurants. The employment concentrated mainly in the lower socio-economic groups with only 9% classified to the top three highly skilled occupational categories. The predominant occupations were sales assistants (7%), building laborers (6%), cleaners and domestics (5%) and carpenters and joiners (4%) (CSO, Ireland, 2008). Over 40% of all migrant nationality groups find employment in construction and manufacturing. Similarly to the UK case, sectoral allocation

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just arrived or had not registered in PPSNs for tax and other reasons did not want to declare that they are not 'officially' part of the Irish system.

of EU8 migrants in Ireland is distinct from the other immigrant groups and from the national workforce (Doyle, Hughes, and Wadensjö 2006; CSO 2008).

Barrett and Duffy (2008), who analyze the integration of Ireland's immigrants into the labor market, note of a remarkable change in Ireland's in-migration patterns.[40] Ireland has been known for the fact that in the past it attracted an immigrant population with a significantly higher education than the native population. In respect to EU8 flows, Barrett and Duffy (2008:616) find that the exceptionally high-skilled nature of Irish immigration noted in earlier studies is being weakened as a result of increased immigration from the new member states. The change of national origin in the immigrant mix towards the new EU member states is reflected also in the change in occupational attainment of immigrants in Ireland in general. Hence, those immigrants who arrived more recently from Central and Eastern Europe have lower occupational attainment than earlier arrivals, although their educational attainment is similar to Irish nationals. This shows a misfit between the types of jobs and the level of education of recent arrivals to Ireland.[41] In sum, in Ireland similarly to the British case, EU8 migrants tend to take on low-skilled and low-paid work in spite of their relatively strong educational backgrounds.

3.3.2.3 EU8 migrants in Sweden

Considerably fewer data sources and studies are to hand about the post-accession labor flows to Sweden. From the three countries that liberalized their labor markets, Sweden attracted the lowest number of migrants in absolute terms, although it also experienced a notable increase, especially from the Baltic countries and Poland (Wadensjö 2007; Zaiceva and Zimmerman 2008; Gerdes and Wadensjö 2009). Among the factors explaining this, language, fewer available vacancies, high degree of public sector employment and labor market regulation could be considered.

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[40] The Irish economy started to boom in the mid-1990s and experienced the highest growth rates in Europe, being dubbed the "Celtic tiger". As a consequence, the labor outflows were reversed and net inflows began. Initially, the composition of immigrants consisted of roughly equal share of non-Irish immigrants and Irish emigrants returning to Ireland. The shares have gradually shifted to about 20% Irish and the rest non-Irish inflows towards the end of the 1990s. A further acceleration of inflows took place after the country liberalized its labor market for the CEE countries from May 2004 (Barrett and Duffy 2008; Menz 2009). In April 2005, the foreign born populations reached 6.3% compared to 3.2% in April 1996 (Doyle, Hughes, and Wadensjö 2006).

[41] It has also been hypothesized that most of the earlier Irish immigration were corporate transfers which explains the exceptionally high skill-mix of the earlier immigration flows.

The available figures from 2004 pointed out that, generally speaking, the composition of EU8 migrants by industry followed relatively closely the composition of the Swedish population. Relative to Swedes, there is an overrepresentation of EU8 nationals with higher education and under-representation of those with primary and lower secondary education levels (Doyle, Hughes, and Wadensjö 2006). These older figures suggested that the composition of EU8 migrants in Sweden is different than the composition of EU8 migrants in Ireland and the UK. They should be taken with caution as the data is from 2004 and therefore most likely describe EU8 migrants who had arrived to Sweden already before the accession.

Indeed, analyzing more recent data from 2006, Gerdes and Wadensjö (2009) find that immigrants from the new member states have a lower employment rate than those born in Sweden, but there is no evidence that the cohorts of new labor migrants would be over-represented in the Swedish welfare state schemes. Those born in EU10 countries earned more than those born in Sweden. New immigrants from EU10 were overrepresented in agriculture and construction and underrepresented in public administration and education sector (Gerdes and Wadensjö 2009).[42]

In sum, the profiles of typical EU8 post-accession migrant can be characterized as a person who is young, most of the time below the age of 35, well educated, primarily single, employed in wage labor but in a job below formal qualifications in sectors such as manufacturing, construction, agriculture and low-skilled services, hence earning comparatively much less than other migrants or domestic population, and not intending to stay abroad permanently but rather short-term.

3.3.3 Slovak post-accession migration: continuity and change

The previous section has established the main characteristics of migrants from Central and Eastern Europe based mostly on secondary sources of data and the available studies. This section aims to cross-validate these findings with survey data of Slovak migrants collected in 2007. The dataset allows bringing the previous analysis of migrant profiles before and after accession analytically together through investigating migrants across

[42] Data include Cyprus and Malta.

both more traditional and more recent destination countries with the aim to see how they differ.

While the survey is not representative of the whole population, detailed micro data about migrants is relatively rare and not easily accessible. It represents a valuable source and can be used for identifying trends and patterns while it measures realized migration rather than intentions. The survey gathered information about 743 people of Slovak nationality who had worked abroad, collected between May and November 2007. Data was collected in two ways: through a questionnaire published at the EURES portal and other portals related to life and work abroad and in the form of interviews by the EURES employees in the regional Labor Offices who approached the respondents based on professional links (Hanzelová, Kostolná and Kešelová 2007). 57% of data was collected via the first method and the remaining share with the second method.[43]

Table 3.3 presents the results of a descriptive analysis, showing cross-tabulated differences for different indicators across the countries where the respondents were working. A chi-square test was performed demonstrating that differences between groups across all indicators are statistically significant. This, however, needs to be interpreted with due caution due to the low cell count which can bias the results. Six destinations of interest to this study are presented which are a mixture of traditional destinations (Germany, Austria) and new destinations (UK and Ireland). Two bordering countries, Czech Republic and Hungary, are included as well. While the Czech Republic is a traditional destination for Slovak migrants, Hungary has become a new destination that grew in importance after liberalization of labor markets in 2004, especially for the Hungarian speaking minority on the Southern Slovak border.

[43] It is not clear whether the interviewees had returned to Slovakia or not but the only data that this is likely to affect more significantly is the length of stay of the migrant.

Table 3.3 : Slovak migrants by country of destination, 2007 (%)

	Total n=743	UK n=212	IR n=124	CR n=80	DE n=64	AT n=64	HU n=17	Other[44] n=183
Gender (X2=0.000***)								
Male	57.7	59.7	60.5	73.8	57.8	35.9	35.3	56.0
Female	42.3	40.3	39.5	26.3	42.2	64.1	64.7	44.0
Age (X2=0.001 **)								
18-24	23.6	19.4	20.0	23.4	15.6	17.6	23.1	21.5
25-34	57.5	64.5	51.3	51.6	42.2	23.5	47.3	52.9
35-44	11.8	11.3	18.8	20.3	21.9	41.2	19.8	16.7
45 and more	7.1	4.8	10.0	4.7	20.3	17.6	9.9	8.9
Status (X2=0.001 **)								
Single	57.5	66.5	65.3	43.8	56.3	42.2	35.3	55.5
Married	31.9	25.5	28.2	40.0	32.8	40.6	58.8	32.4
Divorced	6.2	3.8	2.4	11.3	10.9	12.5	0.0	6.0
With a partner	4.4	4.2	4.0	5.0	0.0	4.7	5.9	6.0
Length of stay (X2=0.001 **)								
Less than 1 year	45.4	42.0	34.7	47.5	43.8	39.1	35.3	59.3
More than 1 year	54.6	58.0	65.3	52.5	56.3	60.9	64.7	40.7
LM status before leaving (X2=0.012 **)								
Employed	48.8	50.0	55.6	42.5	46.9	62.5	35.3	42.5
Unemployed	25.7	23.6	18.5	35.0	28.1	17.2	58.8	28.2
Student	15.9	15.1	15.3	17.5	18.8	10.9	0.0	18.8
Self-employed	6.9	8.0	9.7	2.5	3.1	4.7	0.0	8.3
At home	1.3	2.4	0.0	0.0	1.6	4.7	0.0	0.6
Maternity leave	1.3	0.9	0.8	2.5	1.6	0.0	5.9	1.7
Education (X2=0.018 **)								
Primary	1.2	1.4	0.8	0.0	0.0	0.0	11.8	1.6
Secondary	68.0	67.5	62.9	75.0	76.6	68.8	52.9	67.0
Tertiary	30.8	31.1	36.3	25.0	23.4	31.3	35.3	31.3
Education/job skills misfit (X2=0.000***)								
Same	49.7	36.2	46.9	78.6	51.8	55.8	53.3	52.7
Higher	6.3	4.6	3.5	8.6	12.5	9.6	0.0	6.8
Lower	44.0	59.2	49.6	12.9	35.7	34.6	46.7	40.4
Sector of employment abroad (X2=0.000***)								
Agriculture	5.7	5.6	1.8	0.0	10.7	7.7	0.0	9.6
Food	7.1	11.7	8.0	1.4	3.6	1.9	0.0	6.8
Industry/Manufacturing	18.0	17.3	10.6	42.9	8.9	3.8	66.7	16.4
Construction	12.9	7.1	19.5	21.4	7.1	7.7	6.7	16.4
Wholesale and retail	5.2	3.6	10.6	7.1	8.9	0.0	0.0	3.4
Hotels and restaurants	19.1	15.7	26.5	2.9	32.1	19.2	13.3	21.2
Transport	6.8	11.2	6.2	8.6	3.6	0.0	0.0	4.8
Education and research	3.7	3.0	6.2	2.9	1.8	3.8	0.0	4.1
Health care and services	7.1	9.6	0.9	8.6	10.7	15.4	0.0	4.1
Other social services	6.6	6.6	8.8	4.3	1.8	7.7	6.7	7.5
Domestic help	7.6	8.6	0.9	0.0	10.7	32.7	0.0	5.5

[44] Other category entails all the remaining EU countries: Netherlands (32), Italy (22), Spain (20), France (19), Switzerland (16), Denmark (15) and Belgium, Finland, Island, Cyprus, Greece, Sweden and Luxembourg below 10 people.

Reason for leaving (X2=0.000***)								
Could not find work in SK	16.8	13.9	14.9	30.4	15.3	9.8	47.1	15.3
Wanted to earn money	48.0	48.8	51.2	41.8	42.4	68.9	17.6	45.3
To improve foreign language	10.3	19.4	9.9	1.3	1.7	4.9	5.9	9.4
To gain work experience	5.1	4.0	6.6	3.8	8.5	0.0	17.6	5.3
To travel and get to know the country	2.5	2.0	3.3	0.0	1.7	1.6	5.9	4.1
To live outside of SK	8.3	9.0	8.3	5.1	16.9	8.2	0.0	7.1
To follow the partner	7.2	3.0	5.8	11.4	13.6	4.9	5.9	10.0
To study	1.7	0.0	0.0	6.3	0.0	1.6	0.0	3.5

Source: Dataset from the Institute for Research of Labor and Family, Bratislava. Author's analysis.
Notes: X2 = chi square statistics: *** - Significant at the 0.01 level, ** - Significant at the 0.05 level,* - Significant at the 0.1 level. To be interpreted with caution due to empty cell problem and possibly biased results.

The analysis reveals patterned heterogeneity among migrant groups across different destinations. In line with the evidence presented in the subsection 3.3.2 for post-enlargement migration generally, Slovak migrants in the UK and Ireland, which are the new post-accession migration destinations, are also very young, predominantly single and well educated. Significantly more often than is the case for the other countries, they have employment in jobs that require lower qualifications. The sectors of employment are relatively well spread, with a small predominance of industry in the UK, construction in Ireland and hotels and restaurants in both of these countries. Previous labor market status at home before leaving is more than in the case of the other destinations a mixture of employed, unemployed, students and self-employed. The motivations of migrants to work in these countries are driven primarily by the desire to earn money but significantly more than in the other cases also by the intentions to improve a foreign language.

Compared to this, the profile of migrants going to Germany and Austria is very different, although important distinctions exist between these countries too. Migration to Austria is predominantly driven by (higher) earnings (nearly 70% of respondents) and this fact is interlinked with the fact that over 60%, the highest share among all emigrant groups, were employed before going to Austria. At the same time, nearly 60% of Slovak migrants in Austria were above 35 years old and over 40% were married. Migration to Austria is strongly gendered, which is mirrored in the most frequent sectors of employment in Austria: domestic help, hotels and restaurants and health care and services.

Reasons for leaving to work in Germany range between earnings incentives (42%), wanting to live outside of Slovakia (17%), not being able to find work at home (15%) and following the partner (13%). Similarly to Austria, it is migration of married, middle-aged but has a relatively equal gender distribution. In addition to nearly 47% who were employed, a relatively large proportion of migrants to Germany were previously unemployed or studied. Nearly 80% had finished secondary education. The largest number finds employment in hotels and restaurants, followed by work in agriculture, health care services and domestic labor. Perhaps the most surprising finding about Slovak migration to Germany (and Austria), different to what previous studies about migration to these countries suggested, is that it has not flown so much into the industrial sectors or construction but rather to (low-skilled) services. However, due to the method of gathering the data, the survey is likely to underestimate the highly skilled migration and corporate transfers, which could be a relevant stream of migration especially in the automotive sector.

Industrial redundant labor in Slovakia is largely attracted to two neighboring countries – the Czech Republic and Hungary, the new destination of Slovak migrants. Nearly 67% and 43% of Slovak migrants in Hungary and the Czech Republic are employed in industry respectively, with an additional over 20% working in construction in the Czech Republic. Migration to the Czech Republic and even more so to Hungary is much more often than in the cases of the other destinations a solution for people who were unemployed: 35% and 60%of those who had gone to work in the Czech Republic and in Hungary respectively were unemployed before leaving. The Czech Republic has attracted mainly people with secondary education. The degree of fit between the levels of education and the levels of skills required at the workplace reaches nearly 80% which is considerably more than in the case of any other destination country. This could be attributed to a common education history and structure leading to immediate recognition of qualifications as well as the match between the skill profiles of Slovak labor and labor demand in the Czech Republic.[45] A large share of migrants in Czech Republic and Hungary are married and come from all age groups. The most pronounced reason for working in Hungary was the inability to find work at home and earnings were a much less important determinant. Over 30% of Slovak migrants in the Czech

[45] This will be examined in greater detail in Chapter 6.

Republic went there because they were not able to find work at home, although 40% declared that they wanted to earn money and over 11% were following a partner.

In sum, it is clear that the profile of Slovak migrants in 2007 differs very much when analyzed across different destination countries. Migration to the UK and Ireland is a domain of young and educated who leave for a variety of reasons in order to maximize (individual) opportunities and potential gains from such behavior. In their case, both pull (wage, language) and push (lack of suitable work) come together in inducing them to work abroad. On the other hand, migration to two neighboring countries, the Czech Republic and Hungary, is more distinctively pushed by the lack of working opportunities at home and wage levels play lesser importance. This type of mobility should be viewed in the context of these people dealing with labor market difficulties and the risk of joblessness at home. The premise advanced by Kaczmarczyk and Okolski (2008, 621) that international mobility before the accession was the domain of the unemployed, whereas in the case of the post-accession mobility, an individual's status within the labor market was of relatively lesser importance seems to be confirmed for the Slovak case as well.[46]

3.4 Migrant profiles

The above analysis revealed important findings in respect to the forms and types of migration that took place from Central and Eastern Europe between 1989 and 2007. These migration patterns can be described by continuity and change alike with different broad motives for out-migration for work arising over-time and across profiles of migrants (cf. Kaczmarczyk and Okolski 2008). On the basis of the empirical evidence presented in the paper it can be suggested that two structurally different patterns of migration exist and two relevant migration streams from Central and Eastern Europe can be identified. They are summarized along different dimensions in Table 3.4.

[46] I assume that the profiles of Slovak migrants to traditional destinations (Germany, Austria and Czech Republic) and Hungary as we see them in 2007 have traveled across transition. This seems to be a safe assumption, in line with the findings about pre-accession migrants presented in subsection 3.3.1.

Table 3.4: Change and continuity and migrant strategies in Central and Eastern Europe

	HARDSHIP MIGRATION	CHOICE MIGRATION
Destination	Geographically closer Countries with bilateral agreements in 1990s	Geographically further away English language
Institutional arrangement	Facilitated via institutional arrangements Restricted	Unrestricted
Reasons for mobility	Dealing with labor market problems and risks Mostly 'push': - Lack of *any* work at home - Ethnically based outflows from Estonia and Latvia Vocational skill overflow	Improving individual opportunities at home labor market upon return Both 'push-pull': - Lack of *good* work (wages and working conditions) at home - Simultaneous labor market demand in UK and Ireland (availability of work) Brain overflow
Migrant profile	Middle-aged Redundant industrial labor Medium-level skills: secondary/vocational education Married and with family obligations	Young Lack of work experience Well educated: tertiary or higher secondary education Single
Strategy	Household strategies	Individualistic
Duration	Short-term, temporary	Short-term, temporary
Timing	Primarily before accession but continues after the accession in the form of migration between the countries in CEE	Primarily after accession but present before as well in the form of high-skilled migration to Germany or the New World
Type of employment abroad	Medium-level skilled jobs - Industrial sector/manufacturing - Construction Low-skilled jobs in services (domestic, hotels and restaurants)	Low-skilled low-paid jobs - Temporary admin. work, agriculture, services - Manufacturing High skilled jobs for highly skilled/educated who left before transition
General common characteristics	Relative to the EU population, employment in industry, manufacturing and construction significantly prevails. Stay institutionally embedded in home countries via social security systems. Mobility has always been prevailingly temporary/short-term in nature.	

Source: Author.

3.4.1 Hardship migrants

The first stream of migration, the hardship migration in search of *any* work, can also be colloquially termed as 'poverty export' from Central and Eastern Europe. It prevailingly occurred before EU accession, driven by the administrative arrangements between the countries bordering the CEE, but has continued also since. It has been characterized by mobility of middle-aged people with an inferior position in the labor market in terms of employment status and acquired skills. Prototypically it could be described as migration of labor that has become redundant over the process of transition in industry (Poland, Slovakia) and agriculture (the Baltic), often residing in regions that have lagged behind. For these people, migration has been a strategy to deal with structural problems at the labor market. Ethnically-based outflows which have taken place extensively from Estonia and Latvia fall into this category of migration as well. Individuals are found in family households and have personal as well as institutional (homeownership, membership in the social security system) ties to homeland, which is one of the reasons why this type of migration acquired temporary or pendulum nature for work rather than for resettlement. This type of migration took place extensively from the Baltic countries, Poland and Slovakia during 1990s and/or early 2000s, producing differences in net migration between these countries and Czech Republic, Hungary and Slovenia. It has continued after the accession in the form of migration from underdeveloped to prosperous regions within the CEE countries.

3.4.2 Choice migrants

The second stream of migration, choice migration in search of *better* work, has characteristics of brain drain or brain waste as it consists of mainly young and well educated, usually single CEE migrants to the UK and Ireland who find employment in low-skilled and according to the Western standards low-paid jobs. A major motivation for their mobility is not necessarily a lack of employment but rather a lack of good jobs in terms of expected salaries, working conditions or a match between qualifications and the existent work opportunities. The decision is more individualistic and aimed at improving individual opportunities at domestic labor market upon return. They are presented as 'choice' migrants because their opportunities compared to the pre-accession hardship migrants are wider both at home and abroad. The essence of their 'choice', however, is marked by difficult labor

market prospects: choice migrants resort to migration as a delay strategy before entering adverse domestic markets.

Some scholars link this mobility also to brain overflow, implying that the human capital endowment of younger cohorts improved significantly during transition while conditions in rural or more backward areas have not been able to provide suitable opportunities (Kaczmarczyk and Okolski 2008). It has also been strongly affected by the labor market demand in the UK and Ireland. It has been facilitated by the liberalization of movement of labor after accession but it existed also before in the form of highly skilled migration. This type of 'new' mobility has been found to attain significantly different rates across the eight new accession states when significantly more choice migrants have been leaving from the Baltic countries, Poland and Slovakia.

3.5 Conceptual framework: migrant profiles and contextual factors

The above analysis has established that migration of relatively older and less educated migrants with previous work experience and inferior position in the labor market has been hardship migration induced largely by the inefficiencies in home labor markets characterized a lack of work (unemployed) or a lack of suitable work (mis-fitting qualifications). Compared to that, migration of young and well educated migrants which occurred (mainly) after accession is to a greater extent choice migration to improve individual opportunities. The choice migrants' propensity to migrate, however, is also largely underlined by structural factors inherited from the period of structural change and materialized in the form of qualification and preference mismatches in home labor markets. These two profiles are similar in several other aspects. First, significant shares of CEE migrants have been attracted to industrial work in manufacturing and construction both before and after accession. Second, migrants from CEE have not relied on welfare systems of host countries but have rather stayed institutionally embedded in social security systems in their home countries. Lastly, the mobility from CEE has generally retained temporary and short-term nature.

These two migrant types should be considered 'prototypical' examples which in reality might interact and overlap. For heuristic purposes I treat them as distinct, anticipating that the profiles of migrants and structures of migration can provide us with crucial hints for

understanding better the underlying causes of migration. This is achieved through conceptualizing migrants as *embedded* in their home environments and affected in their decisions to migrate or to stay by structural and institutional variables in home societies. As migration is in effect a labor market related action, the impact of macro-level variables can be best understood through a more complex lens that views labor markets in the context of structural changes that the region experienced and acknowledges the effect of state policies on behavior of individuals in the labor market.

First, the link between migrant profiles and the effect of structural change can be best understood through the analyses of labor markets which concentrate on studying which specific groups of people within the countries have been affected. The pressures of economic change were unevenly distributed across countries and across populations within them and therefore induced some types of workers more than others to seek migration as an exit option. Therefore, focus on labor market imbalances and mismatches between newly emerged employment opportunities and skill structures endowed from old regime can provide a useful analytical tool for identifying the profiles of people who represented a potential pool of labor migrants. Because the degree of the impact of the transition varied across the eight countries and restructuring affected diverse occupations and sectors, the effect of transition on migration should be reflected in the cross-country variation in the number of migrants and their occupational and sectoral profiles.

Second, the institutional setting both inside and outside the labor market can be of crucial importance for increasing the ability of labor to adapt to a changing structure of production. Throughout the course of the transition, welfare systems played a crucial role in helping the human capital adjust. Under the conditions of rampant structural change, passive and active labor market policies and reforms of the curricula more in line with labor market needs represent important tools for mediating labor market changes. In addition to passive and active labor market policies, factors such as family support or accessible health care and education represent forms of 'indirect income' which are likely to affect decisions of (potential) migrants when they make judgments as members of (future) families.

The ways in which the outcomes of structural change have affected hardship and choice migrants vary and so do the parts of welfare systems that are likely to be important in influencing migration patterns. This follows from the distinct degree of dependency on

domestic opportunities between the two migrant profiles, which is determined by a combination of demographic characteristics and the political context of pre- versus post-accession migration rules. Importantly, a greater dependency on the domestic labor market by hardship migrants in turn implies relatively greater dependency on domestic welfare structures and institutions which have the potential to aid individuals to adjust to labor market changes and handle labor market related risks.

I suggest that *hardship migrants* have been induced to migrate from countries more heavily affected by labor market imbalances, demonstrated by the lack of employment opportunities and the mismatches between the skill endowments of population and the emerging jobs. In addition, people would be migrating more from those countries where labor market institutions in the form of unemployment insurance schemes and active labor market policies were used less extensively. Family status of hardship migrants implies that more extensive family support or health spending are likely to impede migration of this type of migrants. These represent indirect wages as well as insurance and influence a broader quality of life. These factors are important for migrants who make their decisions not as individuals but as members of families, and are more strongly embedded in the home society both through family ties, home ownership and attachment to welfare structures.

The *choice migrants* turn to migration as a strategy to delay entering adverse labor markets at home. Migration potential seems to be stronger in the countries with weaker ties between qualifications of graduates and the available jobs either in terms of qualifications, wages or quality of work. They often turn to migration as a way to improve their standing in domestic labor markets upon return because migration can demonstrate a set of skills important to employers (such as improved language skills). Migration represents a choice between staying at home and taking on unsuitable employment or migrating and taking on low-skilled employment. Importantly, given the high risk of youth unemployment in most of the EU8 countries, unemployment benefits schemes available in the instance of a lack of immediate employment after graduation or other programs helping the youth to enter the labor market, play an important role. They widen the choices available to young people in home labor markets and hence decrease the migration pressure. These propositions are summarized in Table 3.5 and will be tested in Chapter 4 and Chapter 5.

Table 3.5: Migrant profiles, structural change and welfare system

	Hardship migrants	Choice migrants
Structural change		
Lack of employment	**X**	-
Labor market mismatch	**X**	**X**
Skill	**X**	**X**
Preference	-	**X**
Welfare system		
Unemployment benefits	**X**	**X**
Labor market policies	**X**	**X**
Family benefits	**X**	-
Public services		
Health care	**X**	-
Education	-	**X**
	↓	↓
Migration	Decision dealing with present situation	Future oriented decision

Source: Author.

The economic opportunities and the workings of welfare system policies cannot be easily separated and it is the combination of their effects that produces for different individuals a range of opportunities. The next two chapters nevertheless set out to test these factors separately in a cross-country comparison. What I expect to find at the country level in relation to two key factors can be summarized as follows. First, the countries with fewer labour market problems and greater match between the economic structures and human capital endowments should experience lower outmigration in terms of fewer hardship migrants but also fewer choice migrants. In addition, there should be a link between who out-migrated and who was affected by labour market imbalances the most. Second, higher stringency in welfare benefit levels and eligibility will encourage more outmigration of both hardship and choice migrants, but through different functions and mechanisms. A less generous welfare system is a weaker source of direct and indirect income and therefore generally offers fewer alternatives which help to deal with labor market risks and foster labor force adjustment to new skill demands.

3.6 Conclusion: typologizing migration

This chapter has identified the main characteristics of migrants leaving the Central and Eastern Europe before and after accession in order to conceptually outline the ways in which these could be connected to broader contextual macro-level factors. Two migrant profiles, generated on the basis of a wide range of micro-data, were proposed as a heuristic tool that will help testing the effect of macro-factors together with the micro-level evidence.[47] The workers are conceptualized as *embedded* in their home environments and affected in their decisions to migrate or to stay by structural and institutional variables in home societies. In this sense the profiles are valid across the analyzed countries; the differences in country-level migration patterns are produced by an interaction of individual-level characteristics and macro-level factors. While the macro contextual factors shape migrant profiles and affect cross-country differences in migration rates, they impact the two profiles through different mechanisms. In the following chapters I concentrate on further specifying and testing the forms of the interaction between structural and institutional variables and migrant profiles.

Importantly, the profiles presented here have arisen inductively from the real data itself. Perhaps the greatest contribution lies in their ability to describe attributes of CEE migrants in a dynamic over time perspective and to synthesize a range of cross-country trends into succinct categories. The two profiles capture continuity and change in CEE migration patterns: both profiles existed before and after accession but their dominance changed over time. Their elaboration is done with the explicit aim of thinking about migrant characteristics as a mirror image of macro-level and structural forces. In that sense they go beyond categorizing migrants based only on their predominant motive of stay (learners, travelers, target earners, lifestyle emigrants), major national orientation (returnees, emigrant, transnational migrant, global nomad), legality (legal or illegal), or other factors that have served as the basis for typologizing migrants in mainly sociological literature (e.g. Düvell 2006b; also Garapich 2007 in Drinkwater, Eade, Garapich 2007; Smith and Favell 2006).

Migrant typologies have become an indispensable element of migration sociology. In

[47] A similar analytical outcome could be perhaps accomplished by conducting multilevel statistical analysis which technically enables to bring together different levels of analysis and test them simultaneously. This, however, is not possible due to the lack of comparable cross-country and overtime data that such analysis would require. These techniques have not been widely used in the context of migration studies about determinants of mobility. An exception is the work by Fourage and Ester (2007) who, however, have taken survey data on potential mobility and not data about realized mobility.

recent years, a policy practice has increasingly resorted to the preparation of country migration profiles which synthesize the available evidence about migration from and to a given country and typically include a summary of migrant profiles. While in their synthetic nature these are similar to what has been conducted in this chapter, they are seldom analytical or developed in cross-country frameworks.[48] Sociological or anthropological literature could take issue with the simplification of migrant profiles as suggested here, but a more ethnographic work is beyond the scope of this project.[49] This literature also highlights the importance of life course transitions in affecting migration decisions. The findings of these works are not in contradiction to this study: they strive to generate inferences only about individual level decision making and cannot add much to explaining the country level outcomes. Still, choice migrants more so than the hardship migrants could be thought of in the framework of the life-course migration. This work, however, puts forward the importance of contextual factors that shape the living and working environment in which individual migrants make their choices.

Overall, traditional categories still largely anchored in post-colonial or guest-worker models seem to be ill-fit for the context of East-West migration in a number of ways. Similarly, the concepts used in the studies that concentrate on intra-EU migration within the older EU members (Recchi and Favell 2009; Favell 2008a) or which theorize the lifestyle migration specific to individuals in the developed world (Benson and O'Reilly 2009) are unable to capture the dynamics of migration from CEE economies. While the first set of literature theorizes migration from developing to developed countries curbed by political barriers, the second set of works highlights the increasing importance of non-economic factors in migration patterns of people in rich countries. Arguably, East-West migration lies in between these scenarios and might be *sui generis* (cf. Recchi 2008; Favell 2008b). The next two chapters investigate two factors that make the CEE region distinctive: the impact of structural change and the role of welfare systems, and their relationship with the migrant profiles established above.

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[48] For the examples of country migration profiles see: IOM policy outputs (http://www.iom.hu/regpublications.html) (URL: August 29,2010) or CARIM research notes: (http://www.carim.org/index.php?callContent=502) (URL: August 29,2010).

[49] To date, ethnographic and more qualitative works about CEE migrants have been relatively scarce but growing (e.g. Düvell 2006a; Cyrus and Vogel 2006; Journal of Ethnic and Migration Studies Special issue on The New Face of East-West Migration in Europe: 33 (5), 2008).

ANNEX 3

Table 3.1A: Member states' policies towards workers from the new member states (2008)

Member State		Workers from the EU-8/EU-15	Workers from BG and RO/EU-25
EU-15	Belgium	Restrictions with simplifications	Restrictions with simplifications
	Denmark	Restrictions with simplifications	Restrictions with simplifications
	Germany	Restrictions with simplifications *	Restrictions with simplifications *
	Ireland	Free access (1 May 2004)	Restrictions
	Greece	Free access (1 May 2006)	Restrictions
	Spain	Free access (1 May 2006)	Restrictions
	France	Free access (1 July 2008)	Restrictions with simplifications
	Italy	Free access (27 July 2006)	Restrictions with simplifications
	Luxembourg	Free access (1 November 2007)	Restrictions with simplifications
	Netherlands	Free access (1 May 2007)	Restrictions
	Austria	Restrictions with simplifications*	Restrictions with simplifications*
	Portugal	Free access (1 May 2006)	Restrictions
	Finland	Free access (1 May 2006)	Free access, subsequent registration for monitoring purposes
	Sweden	Free access (1 May 2004)	Free access
	United Kingdom	Free access (1 May 2004), mandatory workers registration scheme for monitoring purposes	Restrictions
EU-10	Czech Republic	No reciprocal measures	Free access
	Estonia	No reciprocal measures	Free access
	Cyprus	-	Free access, subsequent registration for monitoring purposes
	Latvia	No reciprocal measures	Free access
	Lithuania	No reciprocal measures	Free access
	Hungary	Reciprocal measures (simplifications as of 1 January 2008)	Restrictions with simplifications
	Malta	-	Restrictions
	Poland	No reciprocal measures (17 January 2007)	Free access
	Slovenia	No reciprocal measures (25 May 2006)	Free access, subsequent registration for monitoring purposes
	Slovakia	No reciprocal measures	Free access
EU-2	Bulgaria	-No reciprocal measures	
	Romania	-No reciprocal measures	

Source: DG Employment in EC (2008b). * - Restrictions also on posted workers in certain sectors.

Table 3.2A: Seasonal workers in Germany by nationality, 1993-2004

Year	Total		Poland		former Czechoslovakia		Hungary		Slovenia		Other*	
1993	174,053	100.0	143,861	82.7	19,808	11.4	5,346	3.1	1,114	0.6	3,924	2.3
1994	149,394	100.0	136,659	91.5	7,404	5.0	2,458	1.6	601	0.4	2,272	1.5
1995	187,192	100.0	170,576	91.1	9,165	4.9	2,841	1.5	600	0.3	4,010	2.1
1996	215,162	100.0	196,278	91.2	9,646	4.5	3,516	1.6	559	0.3	5,163	2.4
1997	220,112	100.0	202,198	91.9	8,712	4.0	3,572	1.6	466	0.2	5,164	2.3
1998	203,981	100.0	187,690	92.0	6,987	3.4	2,878	1.4	342	0.2	6,084	3.0
1999	225,244	100.0	205,439	91.2	8,187	3.6	3,485	1.5	302	0.1	7,831	3.5
2000	258,062	100.0	229,135	88.8	11,810	4.6	4,139	1.6	311	0.1	12,667	4.9
2001	280,783	100.0	243,405	86.7	12,967	4.6	4,783	1.7	264	0.0	19,364	6.9
2002	301,269	100.0	259,615	86.2	13,445	4.5	4,227	1.4	257	0.0	19,364	6.4
2003	318,549	100.0	271,907	85.4	11,813	3.7	3,504	1.1	223	0.0	31,102	9.7
2004	333,690	100.0	286,623	85.8	10,969	3.3	2,784	0.8	195	0.0	33,119	9.9

*Bulgaria, Romania, Croatia

Source: Dietz, Kaczmarczyk 2006, Bundesamt für Migration und Flüchtlinge 2005 in Fihel, Kaczmarczyk, and Okolski (2006).

CHAPTER 4

STRUCTURAL CHANGE AND LABOR MIGRATION

4.1 Introduction

In transition from socialist to market economy, the countries of Central and Eastern Europe experienced rampant structural change characterized by the shifts in product markets, export markets, sectoral transition and vast labor re-allocation from state to private enterprises and from old to new sectors. These changes were unprecedented in their speed and scope and required major restructuring during which skill endowments and the ability of labor to adjust to the new modern economies became the key elements of a politically and economically successful transition. While their achievements in this process have been remarkable, the transition also produced persistent unemployment rates, high youth unemployment, serious skill mismatches in the labor markets and uneven development within countries. This structural transformation is too important and too unique to be left out from the analysis of labor migration in the region.

Theoretical expectations about the effect of economic restructuring on labor flows are not unidirectional and are closely connected to the global capital flows. The studies of migration based on the world system theory (Sassen 1988; Silver 2003) and dual labor market theory (Piore 1979) have contributed to the debate about interrelation of restructuring, structural change and migration by postulating that globalization of world markets and the expansion of export manufacturing and export agriculture lead to a disruption of traditional work structures and mobilize new segments of the population into regional as well as long-distance migration. The changes in the structure of economy and structural adjustments are likely to generate a pool of migrants while at the same time creating new opportunities and enhancing the absorption capacity for immigrant workers coming into the country. Although these dynamics have been tested in other world regions, developed and developing alike (Piore 1979; Arthukorala and Manning 1999; Manning 2002; Castles and Delgado Wise 2008; Anderson and Ruhs 2008; Anderson and Ruhs 2010; de Haas and Vezolli 2010), they

have not been studied in the context of transition economies.[50] A comparative study that would concentrate on understanding the possible connection between labor market imbalances created in the process of restructuring and international migration dynamics in the CEE economies is to this date missing.

This chapter develops a conceptual and empirical link between macro-level structural changes in the CEE economies and micro-level decisions of migrants. It builds on the concept of labor market imbalances as a central analytical tool that allows us to gauge the effects of vast and fast restructuring on workers' decisions to migrate for work abroad. Labor market imbalances can be generally described as under-performance of labor markets in the form of under-utilization of labor and/or labor market bottlenecks when the workers' profiles do not match the profiles of available vacancies in a given locality. The majority of studies of labor markets in transition economies have analyzed the adjustment processes as occurring within countries, typically across sectors (old to new, state to private) or in the form of internal migration. Little attention has been given to understanding the effect that the restructuring has on international labor adjustment or international labor migration. However, migration abroad can also be a possible option for dealing with labor market problems, imbalances, risks and insecurities caused by restructuring.

The chapter argues that different patterns of pre- and post-accession migration in the region can be explained through analysis of the impact of transition and economic restructuring on labor markets. It shows that labor market imbalances have differed across the CEE economies in their degree and form (occupational, sectoral and spatial). Transition clearly produced different risks and opportunities for people with different profiles across

[50] For example, Athukorala and Manning (1999) and Manning (2002) offer an empirical illustration for the countries in East Asia on their developmental paths between 1960s and late 1990s. The initial transition in East Asian economies from agriculture to manufacturing generated labor outflows in the earlier stages of industrialization. Facing labor shortages that development and restructuring brought in the early industrializers – Japan, Korea and Taiwan, the countries would initially export capital but essentially had to turn to importing unskilled labor from less developed economies in the region. This demand for mainly unskilled foreign labor was generated by upskilling, technological upgrading and a change in the attitudes of domestic population to low-skilled and low-paid jobs. The authors note of two additional parallel migration processes. First, some of the countries continued to see outmigration while experiencing migrant inflows, such as Korea or Japan. Outflows from these countries were induced by the export of FDI that required corporate transfers to the countries of investment. A second type of outflows, typical for the Philippines (or New Zealand), were again highly skilled but were not related to FDI flows. The outmigration of professionals and highly skilled was rather driven by imbalances in the supply and demand for skilled workers at home created by well developed higher education sector but a relatively underdeveloped economy and large wage differentials between the countries in the region (Manning 2002, 377).

these countries, across occupations and sectors within them and over time. In turn, these imbalances and labor market mismatches led some workers to seek migration as an exit option more than others, producing cross-country variation in the rates of outmigration. In addition to the scale of migration, the underlying labor market restructuring patterns and human capital endowments also resulted in differences with regard to the profiles of migrants from these countries.

In sum, those economies that experienced greater labor market problems (sometimes with ethnic underpinning) - the Baltic countries, Poland and Slovakia - saw greater outflows of workers during transition. These countries therefore typically had more hardship migrants than Czech Republic, Hungary and Slovenia. But the numbers of mostly younger choice migrants were also higher in the countries where transformation had been more radical, as the structural shifts resulted in scarcer employment opportunities matching their qualifications and labor market expectations Thus labor market structure and labor market problems can serve as a proxy to learn more about the profiles of those who represent the pool of potential migrants. Migration from the CEE region ought to be studied as part of the process of structural change and integration into world markets.

The chapter consists of three major parts. The first briefly describes the process of structural change and its effect on labor market adjustments. The second part presents empirical evidence about different nature of labor market imbalances across CEE countries and within them, analyzes dynamics of unemployment and employment along occupational and sectoral lines and compares these with characteristics of CEE migrants in the West. The third part introduces spatial mismatches and looks at the impact of structural change on migration patterns from different regions in Slovakia after the accession of the country to the EU.

4.2 From socialism to a market economy

Since the start of transition, a rich literature emerged seeking to explain labor market transitions, unemployment, job creation and job destruction in CEE (Nešporová 2000; Boeri 2000; Faggio and Konings 2001; OECD 1996; Sorm and Terrell 1999). The initial expectations about unemployment predicted a temporary rise, followed by a decline once the

markets adjusted (Boeri 2000; Jurajda and Terrell 2007). In reality, however, unemployment rose substantially very early on in all CEE economies (except the Czech Republic) and failed to decline until well into 2000s. Moreover, the employment rates in several CEE states stabilized at levels below the average of advanced economies. While these economies were growing since mid 1990s, it was a jobless growth which failed to bring substantial increases in employment levels and accompanying unemployment relief. Long-term unemployment and high youth unemployment turned into protracted symptoms of CEE transition. And yet by mid-2000s, the shortage of jobs was replaced or accompanied by the shortage of workers (World Bank 2007b). As an outcome of strong global and regional economic upturn and high growth rates, many CEE economies suffered from pressing labor and skill shortages which in some of the countries were further amplified by out-migration of labor force to other EU countries, somewhat paradoxically leading to imports of foreign labor. All this implied that many of the labor market problems were structural and more persistent than was initially expected and that transition had produced complex mixes of labor market imbalances and mismatches (World Bank 2002; Boeri and Terrell 2002; World Bank 2007b; Arratibel et al. 2007; Grajcar 2007; Bodnarova 2006, 476).

The key driver behind economic restructuring in CEE was foreign direct investment (FDI) which entered the region in the framework of privatization of state enterprises, absorbing a large fraction of workers released from the state sector, but also as green-field investment. Much of transition literature has argued for a beneficial impact of FDI on growth in CEE, emphasizing its role as a source of capital and technological and organizational knowledge (Mickiewicz, Radosevic, and Varblane 2000; Nowak and Steagal 2001; Sengenberger 2002; Bohle and Greskovits 2006; Liebscher et al. 2007). The penetration of the region by foreign capital was vast. Location decisions of foreign investors, liberalization of markets and trade, and global skilled-biased technological change were all crucial for the changing of the production structures, and generated new demands on human capital endowments (Druska et al. 2002, Sabirianova 2003; Anderson and Ruhs 2008).

The CEE economies inherited from the old regime relatively good educational systems, high levels of literacy rates and strong basis in vocational training. This legacy proved to be an initial asset, although there is growing skepticism about the real extent of this advantage. On the one hand, the average educational level in the socialist system was

comparable to advanced economies, although the relatively high number of workers with above-primary educational attainment was partly a by-product of the presence of lower vocational schools which offered one or two years of training in narrowly defined occupations up to the completion of compulsory education. The labor was nevertheless understood to be well-qualified, cheap and acquiescent, which was considered a major strength in the process of globalization (Nešporová 2000; Arratibel et al. 2007, Aslund 2007). In turn, human capital endowments were among the major attraction factors for foreign investors, especially in the second wave of FDI entry towards the end of 1990s and early 2000s (Janicki and Wunnava 2004; Wright and Lyle 2004, Jakubiak et al. 2008).

On the other hand, it gradually became evident that education systems were not flexible enough to be able to respond well to the newly emerging market needs. In the mid 2000s, the workers in transition states still possessed the skill profiles inherited from the old regime. The communist education system invested in narrowly based vocational training which produced skills not transferable across jobs, not least because most training was done within schools attached to specific enterprises which further strengthened the specificity of the acquired skills (Boeri 2000; Mertaugh and Hanushek 2005). Vocational and technical education developed for the needs of socialist industrialization had generated skills that were obsolete during transition due to sectoral and technological shifts described earlier. Among the new types of skills and occupations in demand were fields such as business and management, new state administration, technologically and IT skilled industrial labor in complex industries such as automotive, electronics and chemical industry, but also more generic skills such as knowledge of foreign languages, independent thinking or leadership skills. These new demands required curricular and structural changes which were in many countries delayed or incomplete as the more pressing issues gained priority in the reform agendas.[51] Deficiencies in skill production were present not only in curricula but also in teaching methods based on rote learning rather than active learning (Nešporová 2000, 81-83).

Transition increased the demand in highly skilled human capital. Due to the fact that the CEE economies generally had a lower share of people with tertiary education than the

[51] Adjustment of skills supply to labor market demand has been difficult not least due to the speed of the structural change, difficulties in predicting future skill needs and mixed extent of training offered by the companies themselves (German Chamber of Commerce 2006). Although cooperation between the governments and big employers in the area of training and education started to emerge gradually, it came rather late and has been of *ad hoc* rather than systematized nature still well into the 2000s (Hancké and Kureková 2008).

OECD average, the intake into tertiary education increased significantly. This led to the 'massification' of tertiary education, but often at the expense of quality. Limited changes in the tertiary education were often driven by ideological incentives as the processes of nation-building and EU accession called for the creation of new state administrations. As a result, reforms of education systems lagged behind both in the quality and type of skills that they invested in, producing human capital which has been joining unemployment registries rather than entering the labor markets (cf. Grajcar 2007).

In sum, during the transition new opportunities emerged for some, normally highly skilled, workers. Under the radical transformation especially older workers with long tenures in the socialist enterprises found it difficult to adjust to new production methods and to shift to new occupations or industries.[52] This 'disembedded' labor was unable to find employment under the new labor market conditions and became redundant. Boeri (2000, 55) concludes that "the specificity of skills inherited from the previous regime was a major obstacle to job creation in the new sector" because it made the matching of workers and jobs more time-consuming and costly for employers. Indeed, those with vocational education have generally accounted for dominant shares of the unemployed while those with even lower educational attainment have suffered from the transition the most.[53]

Importantly, the transition process resulted in significant differentiation among the countries in the region in terms of the predominant production profiles. By the time the CEE economies joined the EU, their production profiles had been altered and diverged which can be attributed to differentiated nature of the timing and type of FDI each of these economies received (Bohle and Greskovits 2006; Bandelj 2008; World Bank 2002; Mickiewicz, Radosevic, and Varblane 2000; Crespo Cuaresma et al. 2007). The Visegrad countries and Slovenia specialized in production and export of complex commodities (intensive in either physical or human capital or both) while the Baltic countries did not upgrade their export profiles relative to the beginning of transition and exported mainly basic commodities

[52] Non-employment benefits, specifically early retirement and disability pensions, played the role of 'exit contracts' for those who lost out completely in the transition, as their age and type of skills presented obstacles for skill upgrading and adjustment to the new system; these were used to different degree across the CEE countries (Boeri 2000; Terrell and Munich 1996; Ham, Švejnar, and Terrell 1998; Vanhuysse 2006).

[53] While none of these phenomena are peculiar to the transition and workers with vocational education and unskilled labor are generally more prone to unemployment and earning risk elsewhere too, the number of people with vocational technical qualifications in CEE is proportionally bigger than elsewhere, leading to a larger impact of the transition in absolute terms (See also Druska et al. 2002).

(EBRD 1999, 179; Greskovits 2005; World Bank 2007a). Such differentiation in the underlying economic structures is likely to result in different skill demands of the emerging jobs. Complex exports require medium skilled labor, generate skill upgrading and greater technological advancement and have strong spill-over effects into other sectors, including services. They therefore provide wider and better working opportunities, but also potentially lead to more mismatches. The basic sectors, on the other hand, need cheaper and mainly unskilled labor and generally offer lower quality of working conditions. It follows that the economies based on the production of complex commodities tend to provide better working opportunities than economies based on basic sectors. In addition to this, recent evidence has shown that complex sectors, i.e. manufacturing or electronics, have been the drivers of immigration into the Visegrad countries (Vavrečková et al. 2006; Večerník 2006; Gramata 2007).

Importantly, the selective spatial allocation of foreign direct investment led to uneven distribution of production capacities across the regions within these countries, exacerbating regional wealth inequalities (Smith and Ferenčíková 1998; Pavlínek and Smith 1998; Horvath 2004; Wisniewski 2005; Brown, Greskovits, and Kulscar 2007; Jurajda and Terrell 2007; Heidenreich and Wunder 2008; Medve-Balint, 2010).[54] Regions or localities with high concentration of heavy industries or with low diversity of economic production (single-industry towns) were hit especially hard by transition because their ability to adjust, partly due to skill specificity of labor or poor infrastructure, were very limited (Chase 1997; Boeri and Scarpetta 1995; Heidenreich 2003). Such regions would in turn suffer from high unemployment levels, long-term structural unemployment and a lack of emerging job opportunities. Generally across the CEE countries, the islands of wealth and prosperity have concentrated in the capital cities and the surrounding regions (Heidenreich and Wunder 2008; Williams 2009). In the environment of such varied returns to labor and uneven tightness of labor markets, the standard economic theory of migration would anticipate a trend towards equalization of factors of production and eventual leveling out of wages and unemployment. The intra-country labor mobility has been, however, very weak. Scholars who investigated this phenomenon emphasized high transportation costs and rigidity of housing markets as the

[54] In response to this differentiated schemes for FDI support emerged later in the transition to secure more even distribution of job creation and development within the countries. These were particularly successful in the Czech Republic (Jurajda and Terrell 2007).

main reasons of generally very low internal mobility in all CEE economies (Paci et al. 2007; Huber 2005; Arratibel et al. 2007; Jurajda and Maternová 2004; Fidrmuc 2005; Fazekas 2004). The fact that the pool of idle workers possessed redundant skills is an additional reason for their not moving to localities with more work within the countries; what they were able to offer in terms of their experience and qualification was not what was demanded at the labor market and therefore a potential relocation within the country was not attractive (cf. Fazekas 2004).[55]

In sum, labor market structure and labor market problems can serve as a proxy to learn more about the profiles of those who represented a pool of potential migrants. During transition some occupations and sectors have seen decline while others have grown in employment. This significantly affected workers whose skills and qualifications were shaped during the socialist regimes as well as the new labor market entrants. Migration represented an (exit) option to both types of these workers during transition but, as was discussed in the previous chapter, their decisions to migrate were motivated by different reasons of migrating. The next section discusses the hypotheses following from this discussion and introduces indicators that will be used to test them.

4.3 Hypotheses and indicators

The link between structural change and migration patterns in CEE will be in tested in three steps. First, labor market imbalances or structural tensions can be measured by aggregate figures of employment, unemployment or vacancies. As the first step, I therefore review general labor market conditions across the EU8 economies prior to accession. If these have an effect on migration, we should witness lower rates of outmigration from those economies that had more favorable labor market environment. For this part of the analysis I develop an index of labor market slack which combines a set of relevant labor market indicators comparable across countries and over time.

[55] Among the few studies that investigate intra-country migration in selected CEE economies more systematically is the study of Jurajda and Terrell (2007) who suggest that migration behavior has differed between high skilled and low skilled workers. The authors explain this by higher opportunity costs of not working of the highly skilled. According to their argument, in countries with extensive social security nets, low skilled have a disincentive to move.

Second, in order to grasp greater nuances in labor market structure, the analysis needs to move beyond country level aggregate figures and study imbalances within countries. For that I analyze changes in employment and unemployment patterns across occupations and sectors, using indicators such as relative occupational unemployment (over time), sectoral growth and decline and the share of employment and unemployment along occupations and sectors. This helps to identify those groups that have in relative terms been affected by labor market problems the most and can be then connected with the profiles of EU8 migrants in the main receiving countries. While very high shares of manufacturing employment of CEE migrants in the West point to the strong basis of vocational training in CEE, important differences between migrants from different CEE economies are also established. This part of the analysis establishes the link between those who were the most affected during transition and those who migrated the most, and highlights the relationship between migration and human capital endowments of the sending countries.

The third part of empirical material extends the occupational and sectoral analysis to the spatial dimension and studies the impact of the regions of origin on migration patterns from Slovakia which was one of the countries where the allocation of foreign capital exacerbated unequal opportunities within the country. This analysis concentrates on micro-data, looking at whether and how the profiles of migrants are shaped by the region that they come from. Through these micro-level tests I approximate the choice and hardship migration developed in the previous chapter. I anticipate that different socio-economic performance of the regions in Slovakia caused partly by the process of structural change (but partly inherited) will lead to different propensity to migrate and shape differences in the profiles of migrants.

Labor market data used in the above analysis goes as far to the past as the availability of data allows for the comparative analysis of the eight economies, which in most instances is only early 2000s. While the impact of structural change on migration should be ideally traced to the 1990s, when labor market restructuring was at its harshest, most migrant profile data is only available after the EU accession. This chapter will therefore give more space to explanations of post-accession migration. In doing so, however, I assume that labor market problems before 2004 were formative in affecting migration rates once the borders were liberalized, influencing also migration of young and educated people. This could be thought of as a hard test of the variable because the impact of structural change on choice migrants is

less obvious. The last empirical chapter (Chapter 6) will engage again with the structural change variable in a two country comparison where the mechanisms of the over time effect of foreign investment penetration and reshaping of economic structures on industrial labor will be flashed out in greater detail.

4.4. Macro-level empirical analysis

4.4.1 Labor market conditions in EU8

National level labor market data provide useful information about the performance of CEE economies. In order to assess the general labor market conditions and to compare them across countries and over time, I develop labor market slack index. It consists of five labor market related indicators which together aim to provide a proxy for the 'quality' of labor market in terms of the (lack of) job opportunities and structural problems. It helps to capture their complexity and multifaceted nature in one index which is easily comparable across countries and over time. The index simplifies the analysis for presentation purposes and is in that sense superior to detailed statistics on each individual indicator. The raw data is presented in Table 4.1A in the annex to this chapter.)

The labor market slack index includes a measurement of mismatch which is not traditionally presented in the works on labor market dynamics in the region but, in the context of the earlier discussion, is an important indicator that helps to estimate the degree of dissonance between labor demand and supply across occupations. It is calculated as variance of relative occupational unemployment rates.[56] Relative occupational unemployment rates U(i) are calculated from a number of unemployed in occupational category (i) as a share of the number of employed and unemployed in that occupational category {**U(i) = u(i)/[u(i) + e(i)**]}. Once these are calculated, they are combined with the variance of U(i) in nine ISCO 88 occupational groups is calculated to produce an index number. When unemployment rates of different occupations are similar, we can assume relatively similar demand and supply matching across these occupations. Greater differences in unemployment rates across occupational groups lead to higher variance and proxy higher occupational mismatch.

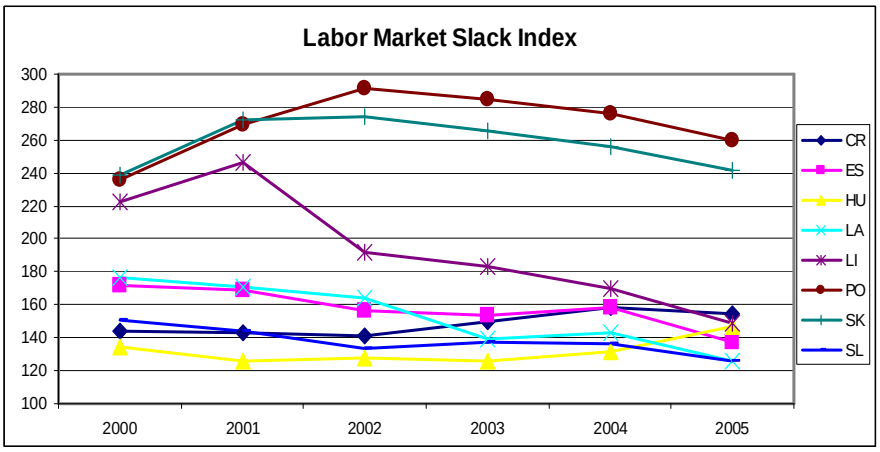
[56] A standard way to measure skills/occupational mismatch is with computing unemployment-to-vacancies ratio (U/V ratio) which shows the number of jobseekers per one job opening (Rutkowski 2007, 8; Padoa Schioppa 1991, 87; Obadic 2006). Education and occupation are the most frequently used dimensions for the analysis of skill mismatches. Due to data limitation (comparative over time and cross-country data), I estimate skill mismatch through variance of relative unemployment rates, following *(*Padoa Schioppa 1991).

After calculating the mismatch index, the labor market slack index (LMSI)[57] is estimated by the following formula, based on the data presented in Table 4.1A in the annex.

$$\textit{LABOR MARKET SLACK INDEX} = UR + 2*YUR + (100-ER) + LTU + MIS$$

where UR is national unemployment rate, YUR is youth unemployment rate, ER is employment rate, LTU is the share of long-term unemployed in total unemployment and MIS is the mismatch index. The indicators are weighted according to potential relevance for migration decisions. All these parameters are measures of labor market conditions of relevance for decisions of migrants and capture migration potential of unemployed, youth and employed. UR and LTU are indicators of labor market difficulties and lack of employment and are given equal weight. Given that the majority of migrants who left the countries after EU accession were of young age, youth unemployment has been given double weight. Employment rate subtracted from 100 measures underemployment and will be higher when employment to population ratio is low. It helps to capture the 'free' labor, including the inactive. Mismatch indicator captures occupation-related problems through measuring variance across nine ISCO occupational groups. Higher index marks worse labor market situation, lower index relatively better labor market conditions. Figure 4.1 presents the index calculated since 2000 to capture the condition of the labor market before EU accession until 2005 when data for all countries was available.

Figure 4.1: Labor market slack index



Source: All data from LABORSTA. Author's calculations. Note: Change in methodology in Latvia in 2002. Decrease in the Latvian index is driven by significant decrease in youth unemployment from 2003 which, however, could be connected to the change in methodology.

[57] The index has been inspired by the work of Kahancová, Kaminská and Visser (2008) who used the index for similar purpose, but it has been adapted to the relevance of this paper.

Labor market slack index reveals that in the early 2000s labor market conditions between CEE countries varied significantly: Hungary, the Czech Republic and Slovenia were the best performers, Poland and Slovakia the worst and the Baltic countries fared in between. This general standing of the countries persisted until 2003 when the Baltic countries started to catch up and essentially outperformed the Czech Republic, Hungary and Slovenia in 2006 (see Table 4.1A). It is clear that the performance of labor markets in the Czech Republic, Hungary and Slovenia, which have not seen mass out-migration to the West after the accession, was superior to other countries also prior to 2004. Simultaneously, the significant improvement in labor market indicators after 2004 in all out-migration countries has been partly caused by the fact that many people used the option of seeking employment abroad, either in the UK and Ireland which liberalized their labor markets or in the neighboring countries or regions with better and more abundant employment opportunities (e.g. increased migration of Slovaks from Southern regions to Northern Hungary). Therefore, a strong improvement in general labor market indicators in the countries with strong outmigration is partly an artifact of people exiting the statistics due to going to work abroad (Bodnarova 2006; World Bank 2007b).

While figures on the national level provide information about general performance of the economy, more detailed analysis across sectors, occupations, education levels or regions can reveal important within-country inequalities, which better describe the spatial-economic geography inside a given country. In the next subsections I therefore analyze first the occupational and then sectoral dimensions of labor market changes which are crucial for understanding the profiles of migrants in the West.

4.4.2 Outcomes of unequal restructuring: occupations and sectors:

In order to understand internal labor market dynamics better and to gauge the effects of different restructuring paths on skill levels and skill profiles *within* countries, it is essential to look at the performance of subgroups within the labor market. This part therefore takes a closer look at the inter-occupational and inter-sectoral dynamics within the studied countries.

The main indicator of interest is the relative occupational unemployment rate (already used in calculating the mismatch in the labor market slack index) which measures the number

of unemployed in occupational category (i) as a share of the number of employed and unemployed in that occupational category [**U(i) = u(i)/u(i)+e(i)**].

Table 4.1 presents two related measures of occupational performance: the share of unemployed and relative occupational unemployment rates in ISCO 88 categories. It provides a snapshot for the year 2004. The distribution of unemployed across occupations reveals which skill categories within a given country contained the most unemployed. Relative unemployment rates in different occupational groups show, on the other hand, how a certain group is performing within a given economy relative to the other groups. Combined, they help to estimate and grasp the differences in relative opportunities and risks of different occupations or skills within the CEE economies, and identify those groups which were the most disadvantaged at the time of EU accession (2004).

Table 4.1: Intra-occupational unemployment patterns, 2004 (%)

Occupation (ISCO 88)	CR	ES	HU	LA	LI	PO	SK	SL
SHARE OF UNEMPLOYED								
1. Legislators, officials and managers	1.4	2.8	1.8	3.7	1.8	1.4	1.0	3.2
2. Professionals	2.1	3.1	2.6	2.7	2.6	1.8	1.1	3.2
3. Technicians and assoc. professionals	8.0	7.7	6.3	6.3	6.3	4.8	6.0	6.3
4. Clerks	5.2	3.1	3.8	4.1	3.8	5.0	3.6	6.3
5. Service workers	13.8	15.6	14.4	13.7	14.4	12.3	10.0	11.1
6. Skilled agricul. and fishery workers	2.1	1.9	2.3	1.8	2.3	1.1	1.3	N/A
7. Craft and related trades workers	16.0	16.7	17.8	14.5	17.8	18.6	14.2	12.7
8. Plant operators and assemblers	11.0	13.1	10.9	10.3	10.9	6.9	9.5	19.0
9. Elementary occupations	17.6	14.2	15.2	17.4	15.2	10.9	21.5	9.5
RELATIVE UNEMPLOYMENT RATE								
1. Legislators, officials and managers	2.0	2.4	1.5	3.8	2.2	5.8	3.3	1.8
2. Professionals	1.8	2.5	1.2	2.8	4.8	2.9	3.4	1.7
3. Technicians and assoc. professionals	3.4	5.9	2.8	4.4	6.9	7.6	7.6	3.4
4. Clerks	5.6	7.2	3.9	9.0	7.0	14.3	10.5	3.2
5. Service workers	9.3	12.1	5.7	10.0	11.7	19.5	14.7	5.5
6. Skilled agricul. and fishery workers	9.9	7.2	4.6	3.3	1.8	1.7	19.0	N/A
7. Craft and related trades workers	7.0	10.1	5.5	10.5	11.5	21.1	13.2	5.5
8. Plant operators and assemblers	6.9	9.1	5.6	9.4	9.2	14.5	13.5	7.1
9. Elementary occupations	17.7	11.2	11.5	11.6	17.8	26.2	29.0	14.0
AGGREGATE UNEMPLOYM. RATE	8.3	9.7	6.1	10.4	11.4	19.0	18.1	6.1

Source: LABORSTA. Author's calculations.

In the year of joining the EU, only a few high-skilled persons (ISCO 1-3) were

unemployed in absolute as well as relative terms across all countries in the region. The negative effect of transition has been more significant for the medium and low-skilled occupations, but among these it has varied a lot across the EU8 countries in terms of relative unemployment and in absolute shares. The most affected were those skill categories which accounted for a large proportion of the unemployed, while having high relative unemployment rates. The prime examples of these are craft workers (ISCO 7) in Poland who suffered from high unemployment rate of over 21% and represented nearly 19% of all unemployed. Similarly affected were unskilled workers (ISCO 9) in Slovakia, among whom relative unemployment rate was the highest in the country (29%) and who accounted for a fifth of all unemployed. Clearly, situation of these occupational groups in these countries was dire. The medium-skilled industrial labor (ISCO 7 and 8) fared better in low out-migration countries but significantly worse not only in Poland and Slovakia but also in the three Baltic countries. Similar conclusion holds for the service workers in these countries. A relatively small share of the unemployed comes from the skilled agricultural workers, although the unemployment levels vary widely (from 1.8% in Lithuania to 19% in Slovakia).[58]

These figures demonstrate that, indeed, the relative standing of different occupational groups in the labor markets has varied widely across the countries and within them. Interestingly, the patterns distinguished for the year 2004 are quite stable over time. The over time comparison of relative occupational unemployment rates to the national unemployment rate shows that in all EU8 countries highly skilled occupations performed significantly better while in all countries the unskilled labor together with the youth performed the worst (Figure 4.1A in the annex).[59]

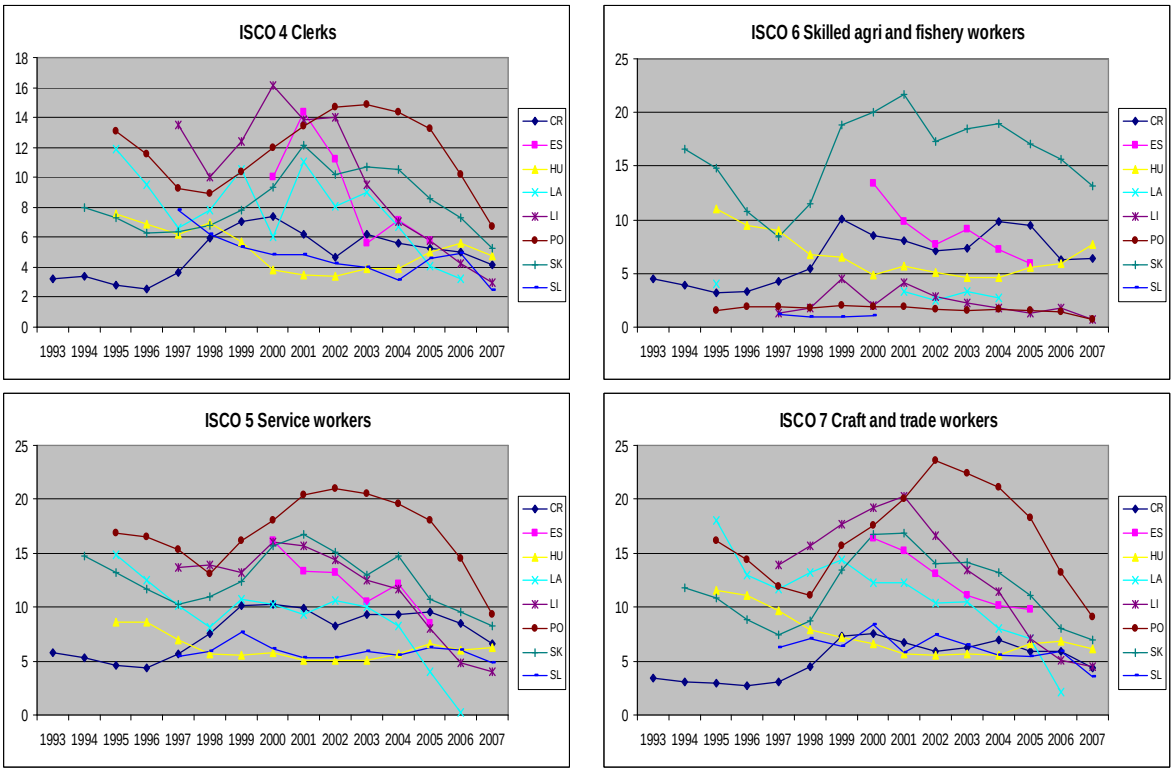
In order to capture better the differences in relative performance of occupational groups *across* different CEE economies, a set of graphs in Figure 4.2 maps over time relative

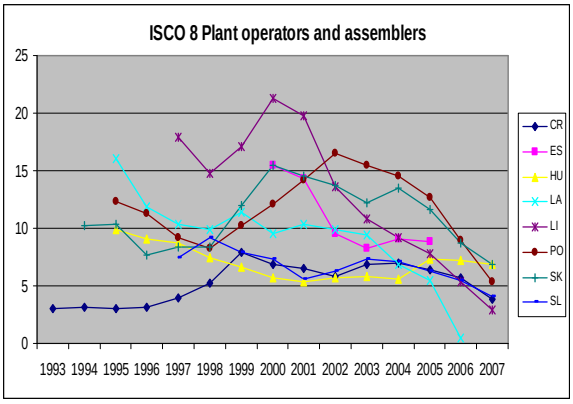
[58] Against the general decline in agricultural employment especially in the Baltic countries and Poland, this is partly surprising. It could perhaps be explained by the fact that these workers are located in rural areas which on the one hand generally suffer from higher incidence of unemployment but, on the other hand, provide for this particular skill group the opportunities for self-subsistence or self-employment, often supported by the governments and EU funds. This makes such labor less likely to show in unemployment registries. Given the importance of agriculture in these economies, it could also mean that the governments addressed this particular group with other targeted help, leading to a "better performance" in unemployment statistics.

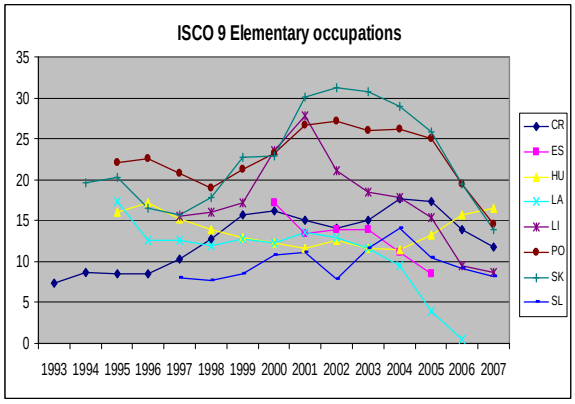
[59] Ratio greater than 1 indicates that a given occupational category has been affected by the incidence of unemployment higher than the national average (underperformance) and ratio lower than 1 indicates that it has performed better relative to the national average (over-performance). In addition to nine standard ISCO occupational categories, the graphs also present youth unemployment rates relative to the national average. See the annex.

occupational unemployment rates in selected occupations across the eight CEE economies (leaving out the highly skilled occupations). Several interesting observations emerge from Figure 4.2. First, since the late 1990s, the countries' performance has diverged and there appear to be two distinct groups: the performance of Czech Republic, Hungary and Slovenia in terms of relative occupational unemployment rates is relatively good and stable from early 2000s on, while in the other countries it worsens between the1990s and early 2000s and only starts to improve rapidly after EU accession. This is the case for all occupations except agricultural workers (ISCO 6) and the unskilled labor (ISCO 9). Second, relatively better within-country performance of an occupational group can still imply very high unemployment rate which can generate a pool of migrants and lead to cross-country differences in the actual migration rates. For example, while in Slovakia skilled manufacturing workers (ISCO 7 and 8) performed relatively better in the context of the national labor market (see Figure 4.1A in the annex), in the cross-country comparison the unemployment rate of Slovak skilled manufacturing workers has been among the highest in the CEE region.

Figure 4.2: Relative occupational unemployment rates for selected occupations







Source: LABORSTA. Author's calculations.

Sectoral data provides further information about the dynamics of change in labor markets as well as the current situation. Table 4.2 portrays employment across different sectors of the economy showing the share of employment in 2004 and the change in employment between 2000 and 2007 (index, 2000=100). Contrary to the trends prevalent in the advanced economies in the West, employment in industry still accounts for a high share of total employment in all EU8 countries, albeit to a varying extent. Manufacturing sector is the most significant employer in every EU8 country but employs significantly fewer persons in Latvia and Lithuania, where agriculture still figures prominently in the employment structure. Since 2000 the agriculture has shed labor everywhere in the region except Slovenia, but at the time of the EU accession it was still a very significant employer in Lithuania, Latvia and Poland. An important share of new employment was generated by services, but the types of services differed across countries. All throughout the region, business and real estate lending and hotels and restaurants sectors have grown, although these occupy relatively small shares in total employment. In the remaining service sectors no general regional pattern of expansion or decline can be established.

As already suggested by the discussion on structural change and development of export structures, CEE economies have seen different sectors rise and decline, which is the outcome of a combination of the initial structural profiles at the beginning of transition and the restructuring changes that followed. In sum, behind the overall employment growth in each CEE economy, there is a different pattern of sectoral change. Similarly to occupational structure, these sectoral patterns of change help us to identify at

the macro-level the groups of workers subjected to restructuring and the sectoral differences across the region.

Table 4.2: Inter-sectoral employment patterns

Employment structure by economic activity in EU8 countries, 2004 (% of total)								
	CR	**ES**	**HU**	**LA**	**LI**	**PO**	**SK**	**SL**
Agriculture, forestry and fishing	4.3	5.3	5.3	13.2	15.7	18.2	5.1	10.2
Mining, quarrying and turf production	1.3	1.3	0.4	0.2	0.3	1.6	0.7	0.6
Manufacturing industries	27.1	23.7	22.9	16.1	17.7	19.9	26.8	28.5
Electricity, gas and water supply	1.6	2.0	1.6	2.5	2.1	1.6	2.0	1.1
Construction	9.3	7.9	7.9	8.5	8.1	5.7	9.5	5.7
Wholesale and retail trade	13.4	13.4	14.0	14.9	15.9	14.5	12.0	12.7
Hotels and restaurants	3.7	2.7	3.8	2.5	2.3	1.7	3.9	4.0
Transport, storage and communications	7.7	8.6	7.6	9.4	6.5	6.0	6.5	5.9
Financial intermediation	2.0	1.3	2.1	1.8	1.0	2.0	2.1	2.3
Business activities/real estate renting	6.0	6.6	7.0	4.0	3.9	5.8	5.5	6.1
Public administration and defence	6.9	6.2	7.7	7.2	5.4	6.3	7.0	5.9
Education	5.9	9.2	8.5	8.1	9.8	7.7	7.4	6.9
Health and social work	6.9	6.3	6.9	5.3	6.9	6.0	7.1	5.1
Other community & personal services	3.9	4.8	4.3	5.9	3.9	3.2	3.9	4.2
Private households	0.1	0.0	0.0	0.3	0.3	0.1	0.3	N/A
Index of employment change in NACE category, 2007 (2000=100)								
	CR	**ES**	**HU**	**LA**	**LI**	**PO**	**SK**	**SL**
Agriculture, forestry and fishing	0.76	0.75	0.73	0.81	0.61	0.82	0.71	1.19
Mining, quarrying and turf production	0.77	0.76	0.76	1.94	1.71	0.85	0.66	0.57
Manufacturing industries	1.10	1.04	0.94	0.97	1.05	1.09	1.17	0.99
Electricity, gas and water supply	0.95	0.65	0.80	0.99	0.78	0.83	0.80	0.90
Construction	1.02	2.04	1.23	2.24	2.04	1.03	1.41	1.27
Wholesale and retail trade	1.00	1.11	1.09	1.27	1.31	1.11	1.16	1.00
Hotels and restaurants	1.16	1.15	1.17	1.41	1.24	1.21	1.56	1.09
Transport and communications	0.98	1.03	0.97	1.32	1.23	1.09	0.99	1.00
Financial intermediation	1.02	1.22	1.00	1.77	1.54	0.96	1.28	1.05
Business activities/real estate renting	1.33	1.24	1.38	1.65	1.75	1.79	1.60	1.53
Public administration and defence	0.95	1.15	0.95	1.18	1.13	1.23	1.01	1.11
Education	0.97	1.22	1.00	0.94	0.90	1.11	1.01	1.37
Health and social work	1.16	1.28	1.08	1.04	1.04	0.93	1.05	1.24
Other community & social services	1.10	1.20	1.11	1.21	1.25	1.01	0.95	1.29
Private households	1.50	n/a	1.32	1.32	2.79	2.00	2.10	n/a
Total employment growth	**1.04**	**1.14**	**1.02**	**1.19**	**1.10**	**1.05**	**1.12**	**1.11**

Source: LABORSTA. Author's calculations.

In sum, the above analysis showed that different CEE economies have been affected by the process of economic transition very differently. Labor market conditions

across the CEE prior to or at the time of the accession varied not only in terms of general labor market performance but also with regard to performance of specific occupational groups and their relative standing to other occupations and skills within the country and across the countries. Overall, before the accession, Czech Republic, Hungary and Slovenia performed better, but other countries started rapidly catching up after accession. Labor markets were more stable and tight in the former group of countries, while the latter were still undergoing major adjustments and were in greater disequilibria overall (high unemployment rates) but also along specific occupational or sectoral lines. Across countries different sectors have experienced decline or development, leading to disembedding of different types of human capital. The analysis in this section therefore demonstrated that macro level occupational and sectoral labor market dynamics in the region clearly differed, and are likely to have led to different types of migrants leaving the EU8 economies. This proposition is investigated in the next section.

4.4.3 EU8 migrant employment: occupations and sectors

The previous section established that CEE economies have experienced varied restructuring paths during which some occupations and sectors have declined while others have grown in employment. An underlying assumption has been that workers in those occupations/sectors that have suffered relatively more or that have seen more instability are more likely to seek migration as a solution to their plight in the domestic labor markets. A direct link between structural change that took place in the region and migration patterns can be established when sectoral and occupational employment patterns of EU8 migrants are studied in broader context and compared to EU15 population or to the third country migrants in the EU. On a general level, finding high shares of CEE labor in manufacturing employment in the West would point to the link between restructuring and the strong vocational education basis in the CEE region. In addition to this, I expect to find different profiles of migrants from CEE economies depending on the type of structural change and human capital endowments of the country of origin. The workers from the Baltic countries should thus be more likely to get jobs in agriculture or industry, whereas harsh conditions for the medium skilled blue collar labor in Poland and Slovakia leads us to expect higher proportions of Polish and Slovak

workers in these types of professions. Such comparison is likely to shed some light on the relative importance of economic structures at the demand side versus that of the sending countries. This section hence analyzes the profiles of migrants in the West along occupational and sectoral lines. To this end, EU8 migrant structures are presented for recent EU8 migrants in EU15 (Tables 4.3 and 4.4) and then specifically for two major receiving countries after the enlargement – the UK (Table 4.7) and Ireland (Tables 4.5 and 4.6).

Table 4.3: Employment structure by occupation, 2004

	CR	ES	HU	LA	LI	PO	SK	SL	UK	IR	EU8 average 2004	Change in EU8 average 2007/2004	Total EU15 resident population 2007	Recent EU10* movers in EU15 2007
1. Legislators and managers	6.2	12.4	7.5	9.8	7.9	6.2	6.3	6.1	14.6	17.5	7.8	0.1	8.8	**2.6**
2. Professionals	10.6	13.2	13.4	11.6	17.4	12.8	10.6	13.5	12.4	17.3	12.9	1.1	13.9	**4.3**
3. Technicians & professionals	20.7	13.2	14.3	13.0	8.7	12.7	18.0	15.6	13.5	6.3	14.5	0.9	17.4	**5.2**
4. Clerks	7.9	4.3	6.1	5.9	4.1	6.9	6.3	8.9	12.5	12.6	6.3	-0.1	11.9	**4.4**
5. Service workers	12.3	12.0	15.5	14.3	11.5	11.5	14.2	11.2	15.6**	15.5	12.8	-0.1	13.9	**17.6**
6. Skilled agricultural workers	1.7	2.6	3.0	6.1	11.3	16.5	1.2	8.5	11.7	0.7	6.4	-1.7	2.5	**N/A**
7. Craft and trades workers	19.2	15.8	19.7	16.0	18.5	15.8	19.3	13.0	11.4	13.3	17.2	-0.4	13.6	**16**
8. Plant & machine operators	13.4	14.0	11.9	10.8	9.4	9.5	13.8	15.9	7.5	7.8	12.3	0.3	8.1	**18**
9. Elementary occupations	7.4	12.0	7.6	12.2	10.8	7.4	9.6	5.4	N/A	8.6	9.1	-0.1	9.9	**31**

Table 4.4: Employment structure by sector, 2004

	CR	ES	HU	LA	LI	PO	SK	SL	UK	IR	EU8 average 2004	Change in EU8 average 2007/2004	Total EU15 resident population 2007	Recent EU10 * movers in EU15
Agriculture, forestry and fishing	4.3	5.3	5.3	13.2	15.7	18.2	5.1	10.2	1.3	6.3	9.6	-1.5	3.4	**2.3**
Mining, &quarrying	1.3	1.3	0.4	0.2	0.3	1.6	0.7	0.6	0.3	0.4	0.8	-0.1	0.2	**n/a**
Manufacturing industries	27.1	23.7	22.9	16.1	17.7	19.9	26.8	28.5	13.5	15.3	22.8	-0.6	17.5	**25.3**
Electricity, gas, water supply	1.6	2.0	1.6	2.5	2.1	1.6	2.0	1.1	0.6	0.7	1.8	-0.3	0.7	**n/a**
Construction	9.3	7.9	7.9	8.5	8.1	5.7	9.5	5.7	7.8	11.2	7.8	1.6	8.3	**13.2**
Wholesale and retail trade	13.4	13.4	14.0	14.9	15.9	14.5	12.0	12.7	15.5	14.1	13.8	0.4	14.3	**12.1**
Hotels and restaurants	3.7	2.7	3.8	2.5	2.3	1.7	3.9	4.0	4.4	6.1	3.1	0.2	4.6	**13.3**
Transport &communications	7.7	8.6	7.6	9.4	6.5	6.0	6.5	5.9	6.7	6.1	7.3	0.2	6.1	**7.7**
Financial intermediation	2.0	1.3	2.1	1.8	1.0	2.0	2.1	2.3	4.2	4.5	1.8	0.1	3.3	**n/a**
Business activities/real estate	6.0	6.6	7.0	4.0	3.9	5.8	5.5	6.1	11.3	8.4	5.6	1.0	10.6	**9.4**
Public admin. and defence	6.9	6.2	7.7	7.2	5.4	6.3	7.0	5.9	6.9	4.8	6.6	-0.1	7.4	**n/a**
Education	5.9	9.2	8.5	8.1	9.8	7.7	7.4	6.9	9.0	6.4	7.9	-0.3	7.1	**2**
Health and social work	6.9	6.3	6.9	5.3	6.9	6.0	7.1	5.1	12.0	9.7	6.3	-0.3	10.7	**6.3**
Other social and personal serv.	3.9	4.8	4.3	5.9	3.9	3.2	3.9	4.2	5.6	5.1	4.3	0.0	4.9	**4**
Private households	0.1	0.0	0.0	0.3	0.3	0.1	0.3	N/A	0.5	0.4	0.2	0.0	1.3	**2.1**

Source: LABORSTA. Author's calculations. Last two columns: EC, 2008: 129-130 (based on EU LFS). Notes: * - Recent movers defined as EU10 citizens resident in EU15 country four years and less. Includes Cyprus and Malta. The figure for service workers in the UK includes category ISCO 9 – elementary occupations. **skilled agricultural workers AND elementary occupations.

Table 4.3 shows employment structure by occupation for each EU8 economy, the UK and Ireland in 2004 and compares it to the profile of recent EU8 migrants ("recent EU10 movers")[60] in EU15 in 2007 as well as to the structure of the EU15 labor force structure. This allows us to identify similarities and differences between EU8 economies, EU8 migrant labor employment (as an aggregate category) and the receiving labor markets (the UK, Ireland and EU15). 'EU8 migrants' as an aggregate category in fact represent mainly workers from the high outmigration countries.

In line with the findings of the analysis of relative occupational unemployment rates of highly skilled workers (ISCO1-3), recent EU8 migrants are underrepresented among highly skilled occupations relative to domestic employment structure as well as relative to EU15 resident population. This is the case first of all due to the fact that highly skilled human capital with previous work experience tends to migrate less as demand for highly skilled workers during the transition was high and increasing across the region. Secondly, young EU8 migrants in the West with little or no previous work experience are unlikely to get jobs in better ranked positions but rather become employed in low-skilled, low-paid jobs. The latter factor is well demonstrated by the fact that nearly one third of recent EU8 migrants in EU15 work in the elementary occupations, a share three times higher than that of the unskilled employment in home labor markets. Indeed, the underutilization of human capital from EU8 countries has been widely documented in the research about CEE migration and was discussed at length in the Chapter 3.

Another important finding is the fact that a sizeable 34% of EU8 migrants are employed in blue-collar medium-skilled jobs (ISCO 7 and 8). The share of labor in ISCO 7 (craft workers) matches well the structure of employment at home. However, the EU8 migrants are significantly overrepresented in the ISCO 8 occupational category (plant and machine operators) vis-à-vis the resident EU15 population and also in respect to average employment share in home labor markets. This seems to fit well with the expectation that the restructuring that the countries experienced, and which affected disproportionately industrial sectors, would generate migrants with human capital with strong vocational basis.

[60] Figures include Cyprus and Malta. Outmigration from these countries has been low and therefore it is safe to consider these figures as describing primarily EU8 migrants.

Occupational distribution of EU8 labor is in line with the sectoral structure of employment of EU8 migrants in the West (Table 4.4). Relative to the structures of receiving economies (EU15, UK and Ireland), EU8 migrants as a group get drawn to a much greater extent into the manufacturing industry. This is, however, proportional to the manufacturing employment shares in home economies. Allocation in the construction sector and hotels and restaurants sectors, on the other hand, is higher relative to both receiving countries' structures and the shares in domestic employment. This is not surprising given that these are traditional migrant labor sectors dependent on highly flexible, cheap and seasonal labor. In addition, skills in the hospitality industry can be acquired quickly in the form of on-the-job training and this sector tends to provide demand for student employment. It would therefore be the sector where many overeducated EU8 migrants would seek and find employment (cf. Anderson et al. 2006, 36).

The figures from Irish census data (Table 4.5 and 4.6) and UK Worker Registration Scheme (WRS) (Table 4.7) provide useful information about the differences in occupational and sectoral allocation of migrants from each EU8 countries separately and compare them to domestic labor force or to other immigrant populations in the host country.

Table 4.5: Ireland: EU8 immigrant labor and domestic labor by broad occupational groups (%), 2006

	CR	ES	HU	LA	LI	PO	SK	SL	EU8 average	Irish
Farming, fishing and forestry w.	1.4	2.6	1.6	7.0	3.9	1.5	1.5	0.9	2.6	4.7
Manufacturing workers	19.4	22.6	16.4	20.1	19.6	21.0	18.2	8.2	18.2	11.7
Building and construction w.	11.7	14.3	15.4	17.9	20.3	20.3	14.9	13.6	16.1	8.4
Clerical, managing and government	5.8	5.1	8.1	3.1	3.4	4.7	4.7	8.2	5.4	18.8
Communication and transport w.	5.3	6.1	4.9	5.9	5.9	6.3	5.4	8.2	6.0	5.7
Sales and commerce workers	11.3	13.3	9.1	9.8	9.5	10.1	10.7	11.8	10.7	14.1
Professional, technical and health w.	6.2	2.2	5.4	1.9	1.8	4.7	4.0	15.5	5.2	16.8
Services workers	23.2	19.8	22.9	13.3	14.0	15.5	23.0	13.6	18.2	10.2
Other workers	15.7	13.9	16.3	21.0	21.7	15.9	15.1	15.5	16.9	9.6
All occupations total	4,229	1,827	2,868	10,672	19,114	52,144	7,377	110	-	-

Source: Irish CSO. 2006 Census data. Author's calculations. People aged 15 and over. Slovenia seems to stand out in its structure but due to very few cases – only 110 migrants – the results are unreliable.

Table 4.6: Ireland: Immigrant labor force by sector (%), 2006

Economic activity	Ireland 2006			
	Irish Nationals	EU15*	EU10**	Rest of world
Agriculture, forestry and fishing	5.3	1.6	**3.9**	2.0
Mining and quarrying	0.4	0.1	**0.4**	0.2
Manufacturing industries	13.1	14.9	**21.4**	11.7
Electricity, gas and water supply	0.7	0.5	**0.2**	0.2
Construction	11.7	4.4	**20.8**	8.3
Wholesale and retail trade	14.4	9.7	**17.0**	11.7
Hotels and restaurants	4.3	14.2	**16.5**	17.0
Transport, storage and commun.	6.1	7.0	**3.7**	3.6
Banking and financial services	5.0	6.4	**0.9**	2.8
Business activities and real estate	9.6	24.3	**9.0**	12.9
Public admin. and defence	6.3	1.5	**0.2**	1.4
Education	7.7	6.1	**0.6**	3.1
Health and social work	10.8	5.7	**2.4**	20.8
Other community & pers. services	4.5	3.7	**3.1**	4.3
Private households	N/A	N/A	**N/A**	N/A

Source: CSO (2008). *Notes*: * Excludes UK and Ireland. ** Includes Cyprus and Malta.

The Irish census data capture all EU8 nationals present at the territory of Ireland at the time of the census, not only the post-accession migrants. Nevertheless, other studies have established that a majority of EU8 migration in the country dates from after May 2004 (EC 2008). Table 4.5 presents distribution of EU8 immigrant labor force by broad occupational group and nationality and compares them to the Irish labor force. The occupational groups do not match the ISCO classification and are organized into 'sectoral occupations' (rather than skill levels), and as such are not directly comparable to the earlier analysis. Overall, Ireland is relying on foreign labor in building, construction and services, which are traditional migrant labor sectors, but also in manufacturing. The EU8 migrants, however, dominate the manufacturing and construction employment where they on average outperform other European migrants in Ireland by about 3%. Latvians, Lithuanians and Poles have especially high shares of workers in manufacturing and building and construction jobs – over 40%. Latvia and Lithuania have higher shares of workers in agricultural jobs.

Table 4.6 presents immigrant labor force in Ireland from different regions by sector. It reveals perhaps most clearly that migration patterns seem to be affected by both demand but equally, if not more, by the supply factors. EU8 migrants differ significantly from Irish population, EU15 migrants in Ireland as well as the third-country migrants in Ireland. A booming construction sector has attracted over a fifth of all EU8 migrants in Ireland, which is a significantly higher proportion than among the other immigrant groups. On the other hand, EU8 migrants do not get attracted to the health and social work sector which seems to be the domain of the third-country migrants. Human capital endowments of EU8 workers transpire through concentration of workers in the manufacturing sector – over one fifth of EU8 migrants in Ireland work in manufacturing. These shares closely correspond to the endowments in EU8 domestic labor markets.

A somewhat different picture of employment structure is offered in Table 4.7 which shows the distribution of employment of migrants arriving to the UK between May 2004 and December 2007. The WRS is one the few sources that provide information about sectoral employment of migrants from EU8 countries by nationality after accession, but unfortunately its sectoral classification does not correspond to the NACE classification presented earlier. Self-employed, people in legal employment 12 months

before the launch of the Scheme and au-pairs were not required to register. The figures therefore underestimate the sectors with high share of self-employment, such as construction. Due to a noted non-compliance with the Scheme, it also underestimates the real number of EU8 migrants in the UK (Anderson et al. 2006, 96-97). It should also be kept in mind that the data capture information about the migrants' first job and do not incorporate re-registrations and subsequent changes in employment which, however, have been taking place (Anderson et al. 2006).

The data show that there has been a notable diversity in terms of the initial sectors of employment across the EU8 migrants. A majority become employed within administrative, business and management services. This is a general category which indicates white-collar work where temporary working arrangements prevail. This hinders any strong conclusions on skill profiles in this category. However, it does indicate a greater concentration of migrants from the high outmigration countries – Poland, Slovakia, Latvia and Lithuania – in these temporary and unstable jobs, normally provided through employment agencies. It is also likely to encompass the migrants with little or no previous work experience, such as fresh graduates. Interesting inferences can be made in relation to the distribution of migrants across the remaining sectors. Generally speaking, the Baltic countries, especially Latvia and Lithuania but also Estonia, have higher shares of employment in agriculture and food, fish and meat processing. This is in line with the previous evidence which showed that these countries employ significant shares of population in these areas at home. Given that the sector has experienced decline in employment levels, it is not surprising that some of the labor market tension has been relieved through outmigration to similar jobs abroad. On the other hand, migrants from the Czech Republic, Hungary and Slovenia show higher employment shares in both low and high-skilled services: hospitality and catering, health and medical services and wholesale and retail services. As discussed earlier, blue collar workers suffered much less in these countries, which results in service sector employment showing higher shares. Overall, however, the rates of migration in this group have been significantly lower than from the other CEE countries.

Table 4.7: Employment in the UK in top 10 sectors by nationality
(cumulative total May 2004-December 2007, in % of total)

	CR	ES	HU	LA	LI	PO	SK	SL
Administration & manag. services	31.8	31.9	29.5	38.6	37.2	41.1	44.3	26.3
Hospitality & catering	27.8	21.1	35.3	13.0	15.5	18.8	22.1	32.5
Agriculture activities	6.9	11.5	3.7	24.1	20.5	9.1	6.7	1.8
Manufacturing	7.0	10.2	4.7	8.1	7.7	7.7	6.6	7.9
Food/fish/meat processing	3.9	6.0	1.8	6.9	6.3	5.0	4.6	1.8
Health & medical servic.	6.8	6.0	7.1	1.7	2.7	4.6	5.0	7.9
Retail & related services	5.5	4.9	5.9	2.5	3.3	4.6	4.5	11.4
Construction & land servic.	4.0	3.3	4.2	2.9	4.2	4.5	3.1	3.5
Transport	3.0	2.9	3.9	0.8	1.4	3.2	1.4	3.5
Entertainment & leisure servic.	3.3	2.4	3.9	1.3	1.2	1.4	1.9	3.5
Total applications (in thousands)	34,425	6,815	25,610	37,190	73,070	505,905	78,350	700

Source: AMR (2008). *Notes*: Data captured registered workers rather than number of applications made. Initial applications only (not the re-registered workers).

In sum, the above data demonstrated that after accession EU8 migrants in the West were distinguished by specific profiles, different from the workers from EU15 as well as from the other migrant groups. Skill endowments inherited from the old regime and utilized differently across the CEE economies are also reflected in the varied cross-country composition of CEE migrants. I suggest that the significant shares of EU8 migrants employed in the manufacturing industry and construction (or semi-skilled blue-collar occupations) and in agriculture should be read in the context of the effect of restructuring and sectoral shifts that these countries experienced. The workers have been pushed to find employment in the West due to the mismatches between their skill profiles and qualifications and the existent jobs. This is especially true for migrants from those EU8 countries that have gone through extensive structural problems in the labor market.

4.4.4 Addressing (some) critique

This analysis has implicitly suggested that skill profiles developed in home economies in CEE are transferred and utilized during the immigrant employment in the West. This assumption goes partly against the general knowledge about employment outcomes of the recent EU8 migrants after the accession, who have been reported to get employed mainly in low-skilled low-paid jobs. At the same time, the evidence gathered here has very consistently shown that high proportions of EU8 migrants were attracted to

manufacturing and construction sectors and to medium level skilled occupations. This holds for recent movers in EU15 but is also the case for EU8 migrants in Ireland. The figures about the structure of EU8 migrants in EU15 could be shaped by migration to Germany which has attracted workers with vocational skills. It therefore seems to be the case that a large share of EU8 migrants with tertiary education are attracted to *low-skilled service sector jobs* – due to the characteristics described earlier such as temporariness, seasonal availability and few skill pre-requisites. This seems to be confirmed by the WRS data about EU8 migrants in the UK and similar evidence was found by Anderson et al. (2006, 36). At the same time, it appears that a significant share of migrants who leave after acquiring some work experience (or training) at home would target sectors such as manufacturing but perhaps take on lower-end jobs within these sectors. In sum, while the utilization of skills gained at home is limited, it does take place to some degree.

The second question which could be raised in response to the analysis presented above is whether the sectoral earnings differentials between each EU8 economy and the receiving country could explain these variations in the migrants' profiles. To this end I calculated sectoral earnings differentials between EU8 countries and the UK.[61] These are presented, together with sectoral earnings levels, in Tables 4.2A and 4.3A in the annex.[62] The figures show that while Slovenia and Latvia stand at the opposite ends, sectoral wage differentials are very diverse. For the argument presented in this chapter, it is important to look at the differentials in the manufacturing sector. The wages in manufacturing and construction are generally lower but in none of the countries are these wages the lowest. At the same time, we have seen major proportions of EU8 migrants attracted to the West to work in these industries. It is therefore rather a combination of the strong demand in manufacturing or construction in the receiving countries *and* of the oversupply of such labor in the sending countries that explain why migrant workers of these profiles migrate. Abundant supply of labor in these sectors can also explain why the wages in manufacturing and construction have been generally lower throughout the transition. In

[61] Wages for Ireland or EU15 average were not available.

[62] In order to proxy differences in earnings, I use data about average gross annual earnings in 2004 and calculate the share of sectoral earnings in each EU8 country relative to the sectoral wage in the UK in 2007 (earlier figures not available). Data on gross earnings do not take into account different levels of social security contributions and taxation, but they are presented in PPP to correct for different purchasing powers. The lower the number, the higher the gap between the sectoral wage in the EU8 country and the wage in the UK.

other words, sectoral wage levels in the sending countries are *an outcome* of structural change (although wage setting is a complex process conditioned by many factors). In sum, while differences in wages might partly explain migration rates from CEE in terms of overall tendencies (e.g. Slovenia has sent relatively less labor than Latvia), wages alone cannot account for different profiles of EU8 migrants in the West and the structuring of migration presented above.

The analysis of labor market imbalances presented in earlier sections could be carried further. Several other measures and proxies, such as the analysis of vacancies across occupations and regions, have been used in the literature about structural change and labor market mismatches (see for example Boeri 2000; Rutkowski 2007; Padoa Schioppa 1991; Boeri and Scarpetta 1995). Their application in this study is hindered by the lack of time series and other data limitations. Potential analysis of micro-level data about migrants represents an alternative way of studying the effect of structural change on migration decision. To the best of my knowledge, these are not available in a form which would allow carrying out cross-country and/or over time comparative analysis of the sort introduced so far in this chapter.[63] However, these can be available for single countries. In the next section I will utilize the individual level data on migrants and introduce spatial dimension to analyze the effect of structural change on migration patterns from Slovakia.

4.5 Micro-level empirical analysis: migration from Slovakia

Slovakia is a good case for the analysis of the spatial impact of structural change on migration patterns for two reasons. First, the country is infamous for stark differences between the Western versus the Central and Eastern regions in the country. In poor and lagging regions, the conditions were worse initially due to less favorable structure of production (greater reliance on agriculture and heavy manufacturing) but these regional inequalities were exacerbated by an uneven entry of foreign direct investment to the country, especially since the late 1990s. The transition generally resulted in greater

[63] Jurajda and Terrell (2007) get the closest to considering migration and skills interaction as forms of labor market adjustment but they consider intra-country mobility, not international labor migration. Their analysis is, however, limited to only 4 transition economies and they also struggle with the lack of micro-data on the issue.

restructuring in the non-Western regions where it was more costly in social terms. Most economic prosperity has concentrated in the capital city of Bratislava and the Western part of the country: in 2004 when the country joined the EU the differences in regional unemployment rates ranged from 8.3% in Bratislavský region to nearly 27% in Banskobystrický region located in the central Slovakia. Due to persistent unemployment problems, people are known to have migrated for work especially (but not only) from the Eastern and Central part of Slovakia. While some migration flows took place within the country, the international flows have been dominant. These did not cease but rather increased during the time of high aggregate growth rates since mid-2000s when the country began to suffer major skill and labor shortages.

The second reason for this section's focus on Slovakia is the availability of micro-level data. I use two datasets to evaluate the importance of the region of origin on outmigration decisions and migration patterns. The first dataset is a survey carried out among the graduating students in 2006 about their intentions to migrate for work abroad. The analysis concentrates on studying the significance of labor market performance and structural change indicators at the regional level on propensity to migrate vis-à-vis regional earning levels as the main competing explanatory factor, controlling for the individual characteristics. The second dataset is a survey of actual Slovak migrants collected in 2007. This analysis will concentrate on seeing whether and how the profiles of migrants are shaped by the region that they come from. Through these micro-level tests I approximate the notions of choice and hardship migration developed in the previous chapter.

Both analyses assume that the regions, measured at the NUTS3 level, represent micro-economies which have the capacity to affect migration decisions. This is justified in the context of the administrative changes to the organization of regional governance structures induced by the EU accession process at the end of 1990s.[64] I anticipate that different socio-economic performance of the regions in Slovakia, partly caused by the process of structural change and partly inherited, should lead to different propensity to migrate and result in different profiles of migrants. I will show that the underlying causes

[64] NUTS regions became the statistical units on the basis of which a number of regional policies are conducted, i.e. regional development, cohesion policies, investment promotion, etc.

for migration of people living in a region with abundant working opportunities are different than the reasons for migrating of people based in depressed localities.[65]

4.5.1 Propensity to migrate among university graduates

With the available data about intended migration of graduating students in Slovakia collected in 2006, I seek to test how significant is the net effect of regional-level structural change variables on propensity to migrate from different regions in Slovakia. I use logistic regression with clustered standard errors on a dataset that merges macro (regional level) and micro (individual level) data. This quantitative approach helps to model migration as a decision that is carried out by individuals who are embedded in specific environments which influence opportunities and constraints. This helps to test one of the major conceptual arguments of this dissertation.

The dataset enables testing the effect of structural level variables on a very specific group of Slovak population – young people with tertiary education. In this way, the dataset approximates the choice migrants – young and educated people leaving to the West after liberalization of labor markets in the UK and Ireland. While young people with tertiary education are likely to compete at the national rather than regional labor market, it is reasonable to expect that students' perceptions about their employment chances and prospects are strongly shaped by the experience and situation of their parents who are embedded in specific regional labor markets.

[65] Only a few studies have investigated *international migration* from (or to) different regions within the CEE economies. Among the exceptions are Fihel and Okolski (2009, 203) who in their study of Poland establish that the most strongly affected by the post-accession outflows were the underdeveloped regions of eastern and southern Poland, especially the medium-sized and small towns and villages, mainly involving the male population of prime age. Kaczmarczyk and Okolski (2008, 610) found in a Polish cross-regional comparison that migration loss was the lowest in Mazowieckie region with the capital city Warsaw and the greatest in Podkarpackie region in the remote south-east corner of Poland. The propensity to move was higher from less urbanized and more backward regions, especially before accession, and migration was strongly related to the level of economic development in the regions. After 2004, however, the composition of places of origin of Polish migrants altered: while before accession there was a clear prevalence of migrants from rural areas (deprived regions), immediately after the enlargement there was a rise in migrants from urban centers and the impact of the place of origin on migration decisions generally weakened. However, there has been a general tendency of overrepresentation of migrants originating from rural areas (relative to the respective resident population) and to a lesser extent from medium and small towns.

4.5.1.1. Micro-level data

The survey was collected in May-June 2006 among the graduating students in Slovakia with the intention of identifying brain drain potential, push factors and barriers of potential mobility. It covered 16 higher education institutions in Slovakia with the master level students (graduate level) representing 72.1% and the bachelor level (undergraduate) students 24.2% of the respondents. Different fields of study were widely covered. The total sample consisted of 802 graduates but only 769 cases contain information on all individual level variables used in the analysis.[66] Distribution of individuals in the dataset was uneven across different regions and the region of origin was not used as a sampling criterion - data was collected on the level of the higher education institutions. 67% of the respondents studied in the region other than the region of permanent residence. Descriptive statistics for the individual level variables that will be used in the analysis are presented in Table 4.4A in the annex. In addition to two demographic controls – gender and marital status, I will also use the variable in which the respondents were asked whether they believe there is work available for them in Slovakia after finishing their studies. This question allows me to proxy the perceived prospects in domestic labor market, which has been suggested as a potential factor affecting the decision to migrate (Cielinska 2008).

4.5.1.2 Macro-level data

The analysis of regional level data assumes that the eight NUTS3 regions in Slovakia can be considered micro-economies. Table 4.9 gives an overview of the macro-level regional performance figures, showing averages between 2001 and 2005 in order to capture average performance in the years before the EU accession and before the survey was conducted among the graduating students in 2006. The selected regional indicators operationalize different theoretical propositions that stem from the neoclassical theory of migration (earnings) on the one hand and the less orthodox migration indicators on the other hand. The two variables approximating structural change, cumulative FDI stock and change in the share of industrial employment, are the most important competing

[66] The remaining cases were deleted.

variables. I use cumulative foreign capital stock in 2005 (rather than average flows in 2001-2005) to capture overall development of investments throughout transition.[67] Degree of change in the share of industrial employment on overall employment from 2001 to 2005 approximates the degree of change in employment structure in the economy. The remaining regional level indicators are related to labor market performance (unemployment rate), general economic performance (average net nominal earnings, balance of primary income, social benefits as share of disposable income) and relative position of the region within the country (regional GDP as share of country GDP). More specifically, unemployment rate measures the degree of labor market slack in the regional economy. Regional GDP as a share of the country GDP is a measure of the distribution of country's wealth across regions and a measure of inequality. Balance of primary income is a proxy for the ability of the region to provide employment and generate economic activity (market income)[68] and should be inversely correlated with social benefits as share of net disposable income that measures the degree of dependency of a region on state transfers. The data reveals great diversity across the eight regions (Table 4.8).

A correlation matrix of regional level variables provided important insights in deciding which regional level variables to include in the models (Table 4.9). There are very strong and significant relationships between several measures of general economic performance, relative positioning of regions and some of the structural change variables: the average net earnings are very strongly and significantly correlated with the balance of primary income, FDI stock, regional GDP share and social benefits as share of disposable income. This suggests that factors like regional earnings levels are strongly affected by the FDI stock and that lower ability to generate market income (balance of primary

[67] Correlation between FDI cumulative stock in 2005 and 2004-2005 average FDI flows (longer time series not available) is strong and significant (0.961, $p<0.01$) suggesting that there is not too much of a difference between these variables.

[68] Primary incomes are considered to be a very important indicator of regional accounts, as they indicate the ability of residential households to generate incomes either as entrepreneurs, employees or receivers of property incomes. Low primary incomes of resident households show dependence of a given region on the support from state or international bodies. They are a marker of less developed regions, and point to necessity to introduce measures oriented towards improvement of working conditions, creation of new working possibilities and support of entrepreneurial activities.

income) or higher dependence on state transfers (social benefits as share of disposable income) are projected in the average net earnings and vice-versa.

High correlation between these variables means that replacing average earnings with FDI stock should generate similar statistical effect on the dependent variable, although these variables measure different factors. Strong and significant relationship between average earnings and cumulative foreign direct investment stock in 2005 at the level of regions further implies that transnational capital has not only been the driver of marketization and structural change but that it is a good predictor of earnings at the regional level.[69] A different measure of structural change – change in the share of industrial employment - is not correlated with the average earnings. This allows entering this variable into the analysis together with average earnings.

[69] For convincing empirical evidence on the impact of FDI flows on regional level output in mid-2000s see Medve-Balint, 2010.

Table 4.8: Regional performance indicators: 2001-2005 average

	Average Net Nominal Monthly Earnings (Euro) 2001-2005	Unemployment (%) 2001-2005	Change in industrial employment 2005/2001	FDI stock (cumulative SKK mil. 2005)	Balance of primary income (net, mil SKK) 2001-2005	Social benefits as share of disposable income 2001-2005	Regional GDP as Share on Country GDP (%)
Bratislavský	519.25	4.19	0.97	279,802	155,321	0.16	231.32
Trnavský	399.84	11.11	1.12	24,461	81,875	0.24	102.86
Trenčiansky	374.26	9.67	1.07	20,294	83,873	0.26	90.85
Nitriansky	363.69	17.98	1.02	13,255	93,678	0.28	85.95
Žilinský	374.80	12.96	1.00	25,862	91,617	0.28	81.08
Banskobystrický	363.23	21.59	0.85	10,754	82,164	0.31	82.15
Prešovský	337.66	19.96	0.98	7,086	86,168	0.32	60.19
Košický	402.78	21.67	1.03	35,506	95,159	0.31	89.03

Source: Slovak Statistical Office. FDI cumulative: SARIO (reports about FDI dynamics in each Slovak region).

Table 4.9: Correlations Matrix

	Average earnings	Unemployment Rate	Regional GDP on country GDP	Balance of net primary income	Social benefits as share of disposable income	Change in industrial employment	FDI stock cumulative
Average Earnings	1	-0.704*	0.975***	0.918**	-0.901**	0.018	0.956***
Unemployment rate	-0.704*	1	-0.744**	-0.609	0.919**	-0.359	-0.690*
Regional GDP/country GDP	0.975***	-0.744**	1	0.946***	-0.928**	-0.065	0.983***
Balance of net primary income	0.918**	-0.609	0.946***	1	-0.816**	-0.169	0.981***
Social benefits/disposable income	-0.901**	0.919**	-0.928**	-0.816**	1	-0.211	-0.872**
Change in industrial employment	0.018	-0.359	-0.065	-0.169	-0.211	1	-0.141
FDI stock cumulative	0.956***	-0.690*	0.983***	0.981***	-0.872**	-0.141	1

Notes: N=8. All data: averages for 2001-2005 period, FDI stock cumulative in 2005. *** - Significant at the 0.01 level, ** - Significant at the 0.05 level, * - Significant at the 0.1 level.

4.5.1.3 Suggested models and expectations

Different model specifications were tested performing logistic regression with clustered standard errors on a dataset that merged the presented macro-level regional figures and micro-level data. The question on whether the respondent is thinking about looking for work abroad after finishing his/her studies is used as dependent variable to proxy the propensity to migrate. Out of the whole sample, 43.8% of the respondents were not thinking about looking for work abroad, 23.9% were thinking about looking for work abroad in their field of study and at the university level position, 14.2% in a different field of study but for a university level position and 18.1% in a different field of study and not for a university level position. I dichotomize this variable as '0' for those not thinking to look for work abroad (43.7%) and '1' as those thinking to look for work abroad (56.3%).

The goal is to test the significance of regional level variables in addition to average earnings and controlling for individual level variables. Finding regional level indicators to be significant predictors of propensity to migrate in addition to individual level factors would confirm that regional economic performance and regional opportunities are important factors shaping the migration decisions of (young) people in Slovakia. The selection of macro-level regional variables – earnings, unemployment rate, change in industrial employment and cumulative FDI stock – represent key variables of different migration theories. Average earnings are the main migration determinant proposed by the neoclassical theory of migration. Unemployment rate measures labor market performance of a given region and I consider it a key variable of labor market slack of a given region. The change in the share of industrial employment on total employment proxies structural change. Finding the latter two variables significant in addition to or instead of average earnings would support theoretical expectations of this work about the theoretical and empirical importance of additional factors – other than wages – in affecting the propensity to migrate, related to labor market conditions and the impact of structural change. When replacing average earnings with FDI stock, I expect to find FDI stock significant because, as has been discussed, these are highly correlated.

In order to avoid multicollinearity, the models were constructed in a following way. The first model tests only the individual level variables (M1), while the following specifications test a number of regional level variables in different combinations (M2-M8). Model 2 (M2) adds average earnings, M3 unemployment rate, M5 change in industrial employment and M7 replaces earnings variable with FDI stock. M4, M6 and M8 differ from the previous models in leaving out the individual level variable about the perceptions about the availability of work in Slovakia in order to see if the effect of macro-level variables changes if we leave out personal expectations and perceptions about labor market performance and individual chances.

Intercepts were estimated in all models but are not reported. Due to the fact that regression with clustered standard errors is bounded in degrees of freedom by the 'number of clusters' which is in this case the eight regions in Slovakia, I do not test more than 7 parameters simultaneously. Table 4.10 presents the results for logistic regression with clustered standard errors. Standard logistic regression without error correction was also carried out; the results are presented in the annex (Table 4.5A).[70]

4.5.1.4 Results and discussion

Individual level variables show very consistent results across different models. Gender is not a significant predictor of propensity while being married decreases the odds of migrating approximately 7 times. The results for the 'work in Slovakia' variable which measures perceived prospects of finding a job in the Slovak labor market are also interesting. This variable is a significant predictor of odds of thinking about migrating for work abroad at 90% level and it decreases the odds of migrating by about 56%. This indicator does not attain significance in the first two models that do not test macro-indicators or only include earnings. This seems to suggest that the significance of personal perceptions of labor market chances are accentuated and brought out in the context of regional macro-performance.

[70] In that analysis, individual level predictors gain greater significance, while regional level predictors have lower significance. Logistic regression with robust standard errors was also performed but both coefficients and errors were identical with logistic regression with uncorrected errors and therefore the results are not reported.

All tested regional level macro-indicators are significant predictors of propensity to migrate among the graduating students in Slovakia. This is in line with the expectation that the regional performance significantly shapes the decisions of young people to migrate, although they might not be necessarily competing in the regional labor market but rather in the national labor market. Higher regional unemployment rate and higher degree of change in the share of industrial employment on total employment increase the odds of thinking about migration after graduating significantly and strongly. In fact, change in industrial employment is the strongest factor of all tested variables and increases the odds of thinking about migrating by more than 4 times when controlling for individual level determinants, unemployment rate and earnings (Model 5) and by nearly 11 times when controlling for individual level determinants, unemployment rate and FDI stock (Model 7).[71]

The results show that higher average earnings increase rather than decrease the odds of migration although the actual effect is small (a euro increase in average net nominal monthly earnings increases the odds of thinking about migration by about 0.005%). Similar effect – significant but relatively small – is true for cumulative FDI stock tested in Models 7 and 8. In line with expectations, FDI is a significant predictor of propensity to think about migration but, as was the case with earnings, not in the expected direction. This seems to suggest that for the potential young migrants, earnings have a positive and enabling effect on migration rather than a solely 'pushing' effect as argued by the neoclassical theory of migration. It is also in line with the expectations of the choice migrants' profile that suggests that reasons for migration of young and educated people are complex. Their mobility is inspired by school-to-work transition and the difficulties related to this process. The unexpected direction of the effect of cumulative FDI stock could in turn imply that although more foreign direct investment means more employment which should translate into less migration, it is not only the number of jobs but equally the match between the emerging employment opportunities and skill endowments of the graduating students that are important.[72]

[71] Let me emphasize that this is the case even though the students in the sample are from all fields of study, not only technical fields which would be more directly affected by the change in industrial employment.
[72] Alternatively, the unexpected direction of these coefficients could also be due to the fact that important differences and inequalities exist *within* the NUTS 3 regions.

In sum, the analysis showed that both individual and regional level factors matter in affecting the propensity to migrate. Marital status, perceptions about the ability to find a job in Slovakia and the degree of change in industrial employment have the strongest effect on shaping decisions about seeking work abroad after graduating. The role of individual's perceptions of own prospects of finding employment in Slovakia after graduating is strengthened when regional level indicators related to economic performance are taken into account. In addition to this, there is strong evidence demonstrating that regional performance in early 2000s in Slovakia is an outcome of the process of transition and the degree and the form of structural change, strongly shaped by the dynamics of transnational capital inflows.

Table 4.10: Logistic regression with clustered standard errors

	Odds (Exp. B) of thinking about migrating after graduation							
Odds ratio	**M1(B)**	**M2(B)**	**M3(B)**	**M4(B)**	**M5(B)**	**M6(B)**	**M7(B)**	**M8(B)**
Individual level								
Gender (1= female)	0.967 (0.835)	0.957 (0.789)	0.954 (0.777)	0.967 (0.840)	0.952 (0.770)	0.966 (0.835)	0.958 (0.796)	0.972 (0.861)
Marital status (1= not single)	0.141*** (0.000)	0.141*** (0.000)	0.141*** (0.000)	0.145*** (0.000)	0.139*** (0.000)	0.143*** (0.000)	0.142*** (0.000)	0.147*** (0.000)
Work in Slovakia (1= yes)	0.659 (0.107)	0.652 (0.103)	0.639* (0.084)		0.634* (0.079)		0.634* (0.078)	
Regional level								
Average net earnings (average 2001-2005)		1.002 *** (0.000)	1.004*** (0.000)	1.004*** (0.000)	1.005*** (0.000)	1.005*** (0.000)		
Unemployment rate (average 2001-2005)			1.038*** (0.000)	1.036*** (0.000)	1.050*** (0.000)	1.046*** (0.000)	1.057*** (0.000)	1.053*** (0.000)
Change in industrial employment (2005 over 2000)					4.543*** (0.000)	4.043*** (0.000)	10.84*** (0.000)	9.067*** (0.000)
FDI stock (Cumulative in 2005, SKK mil.)							1.000004*** (0.000)	1.000004*** (0.000)
N	769	769	769	769	769	769	769	769
Log likelihood	-512.539	-511.758	-509.565	-512.280	-508.83	-511.649	-508.909	-511.717
Pseudo R square	0.0282	0.0296	0.0338	0.0287	0.0352	0.0299	0.0350	0.0297

Note: p values in parentheses. ***- significant at the 0.01 level; ** - significant at the 0.05 level, *-significant at the 0.1 level.

4.5.2 Migration patterns from different regions

The above analysis tested whether propensity of graduating students to migrate differs depending on their region of permanent residence. It found that regional conditions have strong and significant effect on migration considerations of young individuals. This section seeks to complement as well as cross-validate these findings with a dataset on the actual migrants from Slovakia, which contains comprehensive information about demographics of the migrants, sectors of employment, countries of destination and patterns of employment. Such analysis seeks to understand whether and how the profiles of actual migrants are shaped by their region of residence in Slovakia. It expects to find that the underlying causes for migration of people living in a region with abundant working opportunities are different than the reasons for migrating of people based in depressed localities. Significant differences in the profiles of migrants and in the underlying causes of migration across different regions would provide additional confirmation of the general hypothesis suggested in this section. It anticipates that people from different regions in Slovakia have different propensity to migrate and different underlying reasons to do so, shaped by the inequality of opportunities and risks produced by transition in different regions of the country.

To this end I analyze micro-data on Slovak migrants collected in 2007 for the purposes of learning more about the wave of out-migration from Slovakia after accession to the EU. The data was collected in two ways: through a questionnaire published at the EURES web portal and other portals related to life and work abroad and through EURES employees in regional Labor Offices who served as interviewees and approached the respondents based on professional links (Hanzelová, Kostolná, and Kešelová 2007).[73] This analysis takes into consideration only those migrants who were interviewed by regional Labor Offices assuming that migrant's residence was in the region where the interview was carried out. Out of the total sample of 743 migrants, a sub-sample of 320 migrants with the information about their region of origin is available and analyzed by the method of cross-tabulation and chi-square test (X2) of difference. The results of the Chi-square statistics need to be taken with caution due to the empty cells problem but

[73] I conducted Chi-square test to see whether the two groups differ along the main demographic variables of interest. The group where the region of origin is known is on average older and there are more married or divorced people than the group of people where the region of origin in unknown. There were no statistically significant differences in gender and education levels across the two groups.

cross-tabulated distributions along different indicators are nevertheless informative and interesting.

Generally, Banskobystrický, Prešovský and Košický regions have been the losers of transition and have consistently suffered from high unemployment rates, low inflows of foreign direct investment and relatively limited employment opportunities (see again Table 4.8, last three columns), although the regional urban centers such as Banská Bystrica, Prešov or Košice have performed relatively well in the national comparison. Although there is no statistically significant difference in the reasons for leaving, the region of origin produces differences in migrants' profiles along several other indicators, namely age, marital status, length of stay, the country of destination and, most importantly – the sector of employment (Table 4.11).[74]

The results suggest different underlying causes of migration and different profiles of migrants from more depressed regions of origin. On average, migrants who have left from more depressed regions were more often unemployed before leaving, found employment more often in industry and construction (followed by work in hotels and restaurants and private household help), and indicated inability to find work in Slovakia more often as the reason for leaving than the migrants from other regions. They had also chosen less often the UK and Ireland as destinations and preferred more traditional migration destinations (Czech Republic and Austria). They were more often married than migrants from the other regions. Migration of older people above the age of 35 was quite frequent, especially in the case of Prešovský kraj.

All together these findings could be interpreted as suggesting that there has been continuity in migration dynamics from these regions, which has its origins in the early transition period and is related to massive and harsh adjustments during the transition, the lack of job opportunities and the mismatch between jobs and skill profiles of workers. Migration from more depressed regions therefore resembles 'hardship migration' carried out by some members of households in the situation of labor market risk. In sum, regional labor market conditions seem to affect the composition of migrants who are leaving.

[74] Merging the regions to two groups (low performance regions and high performance regions) could solve the empty cell problem but would also hide a lot of information.

Table 4.11: Structure of Slovak migration by region of origin, 2007 (%)

	Total	BA	TN	TR	NT	ZI	BB	PR	KE
Gender	(X2 = 0.380)								
Male	55.5	45.0	60.0	52.4	70.3	60.0	51.6	56.4	46.2
Female	44.5	55.0	40.0	47.6	29.7	40.0	48.4	43.6	53.8
Age	(X2 = 0.03**)								
18-24	16.6	20.0	20.0	19.0	10.8	14.0	22.6	20.0	15.4
25-34	51.3	30.0	60.0	47.6	73.0	54.7	51.6	32.7	56.9
35-44	15.9	10.0	20.0	4.8	5.4	19.8	16.1	23.6	15.4
45 and more	16.3	40.0	0.0	28.6	10.8	11.6	9.7	23.6	12.3
Marital status	(X2 = 0.05*)								
Single	50.6	60.0	20.0	52.4	67.6	51.2	64.5	41.8	40.0
Married	35.9	20.0	80.0	23.8	24.3	31.4	25.8	49.1	47.7
Divorced	9.4	20.0	0.0	19.0	5.4	12.8	6.5	7.3	4.6
With a partner	4.1	0.0	0.0	4.8	2.7	4.7	3.2	1.8	7.7
Length of stay	(X2 = 0. 000***)								
Less than 1 year	42.8	80.0	60.0	61.9	29.7	27.9	58.1	54.5	33.8
More than 1 year	57.2	20.0	40.0	38.1	70.3	72.1	41.9	45.5	66.2
LM status before leaving	(X2 = 0.828)								
Employed	49.5	55.0	40.0	57.1	59.5	52.3	45.2	41.8	45.3
Unemployed	26.3	25.0	20.0	28.6	13.5	22.1	41.9	30.9	28.1
Student	16.3	15.0	40.0	14.3	18.9	15.1	9.7	16.4	18.8
Self-employed	4.4	0.0	0.0	0.0	8.1	7.0	0.0	3.6	4.7
At home	1.6	5.0	0.0	0.0	0.0	1.2	3.2	3.6	0.0
Maternity leave	1.9	0.0	0.0	0.0	0.0	2.3	0.0	3.6	3.1
Education	(X2 = 0.808)								
Primary	1.3	0.0	0.0	0.0	2.7	1.2	0.0	1.8	1.5
Secondary	67.5	65.0	80.0	52.4	59.5	66.3	74.2	78.2	66.2
Tertiary	31.3	35.0	20.0	47.6	37.8	32.6	25.8	20.0	32.3
Sector of employment	(X2 = 0.037**)								
Agriculture	7.5	20.0	0.0	14.3	0.0	8.3	7.4	0.0	10.3
Food	6.1	5.0	0.0	0.0	8.6	4.8	14.8	6.5	5.2
Industry	16.3	10.0	50.0	19.0	14.3	10.7	22.2	26.1	13.8
Construction	12.9	10.0	0.0	0.0	17.1	19.0	11.1	13.0	8.6
Wholesale and retail	5.8	0.0	25.0	0.0	8.6	11.9	0.0	6.5	0.0
Hotels and restaurants	16.9	5.0	0.0	19.0	17.1	14.3	14.8	19.6	24.1
Transport	5.8	0.0	0.0	14.3	11.4	6.0	3.7	2.2	5.2
Education and research	2.4	10.0	0.0	0.0	0.0	3.6	0.0	2.2	1.7
Health care and services	7.8	15.0	0.0	9.5	17.1	4.8	3.7	2.2	10.3
Other social services	7.1	10.0	25.0	9.5	2.9	6.0	0.0	10.9	8.6
Private household help	11.2	15.0	0.0	14.3	0.0	10.7	22.2	10.9	12.1
Reason for leaving	(X2 = 0.574)								
Could not find work in SK	18.4	20.0	0.0	19.0	13.9	14.5	32.1	22.6	17.5
Wanted to earn money	52.1	70.0	60.0	38.1	41.7	62.7	53.6	52.8	41.3
To improve foreign language	7.8	5.0	20.0	19.0	5.6	7.2	3.6	3.8	11.1
To gain work experience	5.5	5.0	20.0	9.5	8.3	4.8	0.0	3.8	6.3
To travel/get to know country	1.6	0.0	0.0	0.0	2.8	2.4	0.0	0.0	3.2
To live outside of Slovakia	4.2	0.0	0.0	4.8	11.1	2.4	3.6	3.8	4.8
To follow the partner	8.4	0.0	0.0	9.5	13.9	4.8	7.1	7.5	14.3
Studies	1.9	0.0	0.0	0.0	2.8	1.2	0.0	5.7	1.6
Country of destination	(X2 = 0.000***)								
UK	30.6	50.0	60.0	28.6	43.2	38.4	22.6	7.3	29.2
Ireland	8.1	0.0	0.0	4.8	8.1	8.1	16.1	9.1	7.7

Czech Republic	15.9	0.0	0.0	9.5	16.2	17.4	12.9	29.1	12.3
Germany	9.4	0.0	20.0	14.3	10.8	10.5	3.2	10.9	9.2
Austria	8.1	30.0	0.0	0.0	2.7	9.3	19.4	1.8	6.2
Hungary	3.4	0.0	20.0	0.0	2.7	1.2	3.2	0.0	10.8
Other	24.4	20.0	0.0	42.9	16.2	15.1	22.6	41.8	24.6
N	320	20	5	21	37	86	31	55	65
Regional unemployment rate in 2004	**18.2**	**8.3**	**12.5**	**8.6**	**20.4**	**17.5**	**26.7**	**23.1**	**25.4**

Source: Dataset from the Institute for Research of Labor and Family, Bratislava. Author's analysis.
Note: X2 = chi square statistics: *** - Significant at the 0.01 level, ** - Significant at the 0.05 level, * - Significant at the 0.1level. To be interpreted with caution due to empty cell problem and possibly biased results. BA – Bratislavský kraj, TN – Trnavský, TR – Trenčiansky, NT- Nitriansky, ZI – Žilinský, BB – Banskobystrický, PR – Prešovský, KE – Košický kraj.

4.6 Conclusion

This chapter investigated the effect of economic restructuring and structural change on migration from Central and Eastern Europe. It drew conceptual and empirical links between different effects of economic transition on the people across occupations, sectors and regions on the one hand and migration dynamics on the other. The empirical findings of this chapter confirmed the expectations presented in the opening section. It demonstrated that due to variation in restructuring paths across the CEE region, labor market imbalances have differed in degree and form across the CEE economies, creating different patterns of employment and unemployment and varying risks and opportunities for workers of different demographic and skill profiles in different locations. This led to different rates of out-migration and resulted in different profiles of migrants from these countries. The countries with low out-migration after accession and with positive net migration throughout transition – Czech Republic, Hungary and Slovenia - were generally the countries which performed better on a number of labor market measures. On the other hand, countries that have suffered greater labor market imbalances and occupational mismatches just before joining the EU - Slovakia, Poland and the Baltic countries - have experienced much greater out-migration to the UK and Ireland after the accession as well as negative net migration rates during the transition.

The analysis of micro-data evaluated the impact of structural change on migration propensity and the profiles of migrants from Slovakia. Labor market conditions and indicators of the degree of structural change at the level of regions were significant predictors of propensity to migrate of graduating students, in addition to net regional earnings, individual level characteristic and personal perceptions about the ability to find

work in the country. Moreover, the composition of actual migrants leaving from different regions in Slovakia differed according to important demographic characteristics, the countries of destination and the sectors of employment abroad. Overall, the more depressed regions in Slovakia sent more migrants. Massive and harsh adjustments that the Eastern and Central part of Slovakia experienced during the process of transition carried over to post-accession migration dynamic as the employment potential remained relatively limited or was exacerbated by the mismatches between emerging jobs and the labor force qualifications. This suggests that structural change has been affecting migration patterns not only of those workers whose skills were made redundant in the 1990s (hardship migrants) but also of the young graduates that face difficulties in school-to-work transition (choice migrants).

The findings of this chapter have important theoretical and policy-related implications. Studying specific conditions of localities and their change over time and taking into account wider range of migration determinants related to labor market conditions and factors such as the match between employment opportunities and human capital endowments and skills can help us to understand (and to predict) future migration flows and their composition much better than the oversimplified neo-classical framework. In respect to earnings, it was found that for the graduating students in Slovakia higher earnings seemed to enable rather than inhibit migration. This suggests that the crucial factor is not (higher) wages but job opportunities that match the migrants' profiles in terms of skill requirements, preferences or location. They function as inhibiting factors of migration, even in the presence of high wage differentials. Indeed, the analysis of regional level data in Slovakia pointed out convincingly that regional earnings levels are an *outcome* of the process of structural change. Similar conclusions can be derived when looking at the sectoral wage differentials between EU8 economies and the UK. Moreover, differential earnings levels are unable to explain differential structures of migration or migrant profiles. All these aspects can be (better) understood when migration is analyzed in the context of social change and opportunities (or the lack thereof) that home states are able and willing to provide. This is a crucial finding for the ongoing debate on migration-development nexus. On the other hand, its implications are equally important for receiving states that increasingly try to manage and alter the patterns of incoming migrants to suit the needs of their labor markets.

This in turn implies that sending countries need to be given more attention than they have received in the recent research on patterns and determinants of migration. In

addition to structures and institutions on the receiving side, structural conditions in home countries are equally important in helping to understand who migrates, when and into which sectors and hence can broaden our understanding of migration structures, patterns and dynamics.

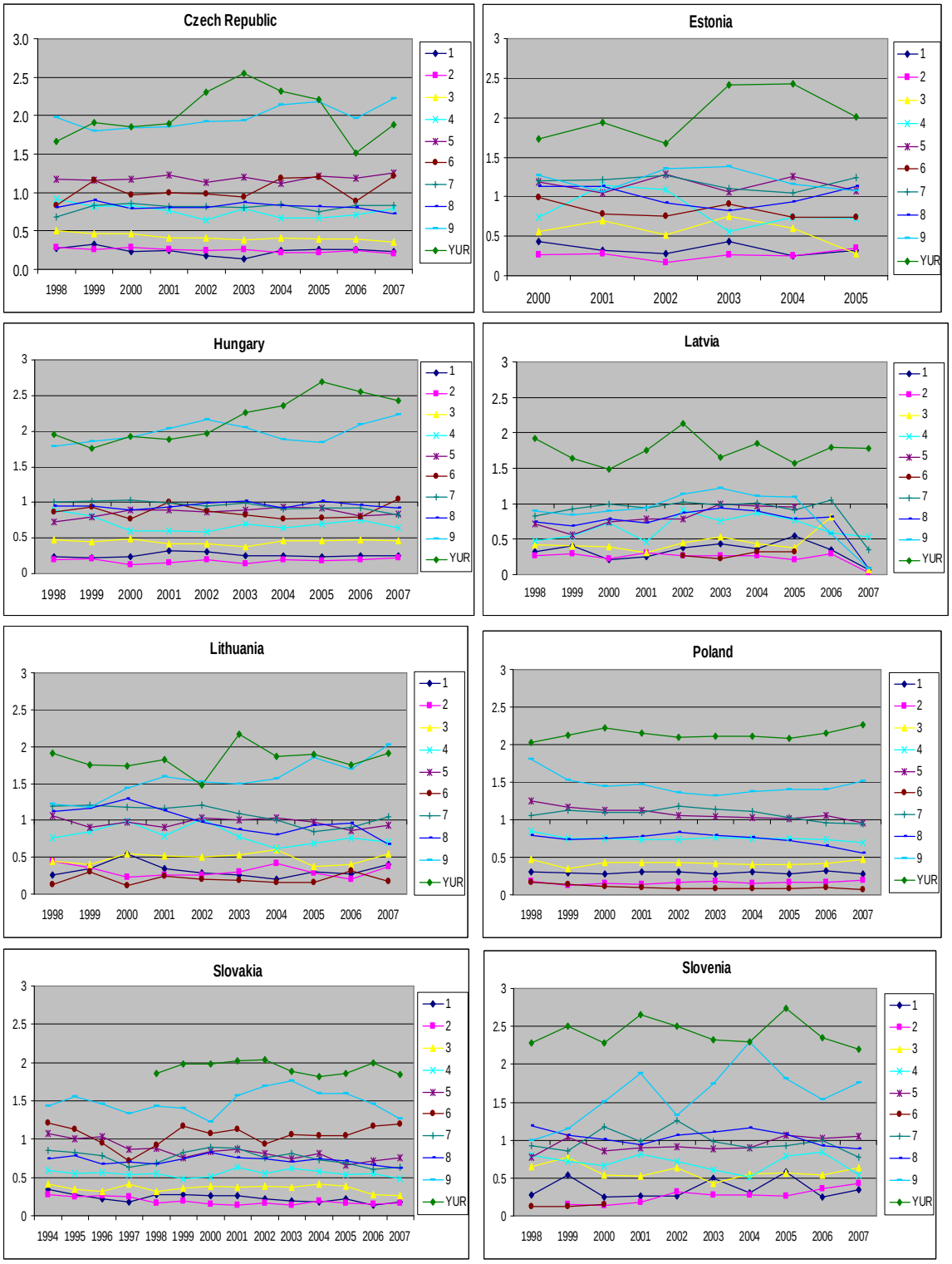
In the course of the transition welfare states played a crucial role in the CEE region in helping the economies and labor to adjust. Indeed, institutional setting both inside and outside of the labor market can be of crucial importance for increasing the ability of labor to adapt to the changing structure of production. Different CEE economies tried out very different types of policies towards these aims. The exact mechanisms through which these affected migration patterns in CEE and how they differed across the region is discussed at length in the next chapter.

ANNEX 4

Table 4.1A: Main labor market indicators: 2000-2007 (Source: Eurostat and LABORSTA)

	2000	2001	2002	2003	2004	2005	2006	2007
Unemployment rate								
Czech Republic	8.80	8.10	7.30	7.80	8.30	7.90	7.10	5.30
Estonia	13.6	12.6	10.3	10	9.7	7.9	5.9	4.7
Hungary	6.4	5.7	5.8	5.7	6.1	7.2	7.5	7.4
Latvia	14.4	13.1	12	10.6	10.4	8.7	6.8	6
Lithuania	16.4	17.4	13.8	12.4	11.4	8.3	5.6	4.3
Poland	16.1	18.2	19.9	19.6	19	17.7	13.8	9.6
Slovakia	18.6	19.2	18.5	17.4	18.1	16.2	13.3	11
Slovenia	7.2	5.9	5.9	6.6	6.1	5.8	5.9	4.6
Youth unemployment rate								
Czech Republic	16.3	15.4	16.8	19.9	19.2	17.5	10.7	10.0
Estonia	23.5	24.5	17.3	24.2	23.5	15.9	12.0	10.0
Hungary	12.3	10.7	11.4	12.9	14.4	19.4	19.1	18.0
Latvia	21.3	22.9	25.6	17.5	19.3	13.6	12.2	10.7
Lithuania	28.6	31.6	20.4	26.9	21.2	15.7	9.8	8.2
Poland	35.7	39.2	41.6	41.4	40.1	36.9	29.8	21.7
Slovakia	36.9	38.9	37.7	32.9	32.8	30.1	26.6	20.3
Slovenia	16.4	15.7	14.8	15.3	14	15.9	13.9	10.1
Employment rate								
Czech Republic	65.0	65.0	65.4	64.7	64.2	64.8	65.3	66.1
Estonia	60.4	61.0	62.0	62.9	63.0	64.4	68.1	69.4
Hungary	56.3	56.2	56.2	57.0	56.8	56.9	57.3	57.3
Latvia	57.5	58.6	60.4	61.8	62.3	63.3	66.3	68.3
Lithuania	59.1	57.5	59.9	61.1	61.2	62.6	63.6	64.9
Poland	55.0	53.4	51.5	51.2	51.7	52.8	54.5	57.0
Slovakia	56.8	56.8	56.8	57.7	57.0	57.7	59.4	60.7
Slovenia	62.8	63.8	63.4	62.6	65.3	66.0	66.6	67.8
Long-term unemployed								
Czech Republic	48.6	52.1	50.2	48.8	51.0	53.0	54.2	52.2
Estonia	45.8	48.5	52.4	45.9	52.2	53.4	48.2	49.5
Hungary	48.0	45.4	43.4	41.1	44.0	45.0	45.1	46.8
Latvia	57.8	56.1	45.3	41.4	43.8	46.0	36.5	26.4
Lithuania	48.7	56.3	53.5	48.0	51.2	52.5	44.3	32.0
Poland	46.1	50.2	54.7	55.9	54.0	57.7	56.1	51.3
Slovakia	54.7	58.6	65.2	65.2	64.7	71.9	76.3	74.2
Slovenia	61.4	60.3	55.6	52.8	51.5	47.3	49.3	45.7
Mismatch (variance of relative occupational unemployment rates)								
Czech Republic	18.9	17.2	15.3	18.1	24.5	23.8	14.5	11.4
Estonia	26.0	20.1	20.9	12.4	12.4	9.1	-	-
Hungary	11.3	10.0	11.6	10.4	9.3	12.8	17.5	19.8
Latvia	19.2	14.3	16.2	14.1	12.5	7.4	-	-
Lithuania	59.6	67.2	43.2	30.1	26.1	18.9	7.0	5.6
Poland	57.1	76.2	85.0	77.6	74.5	63.6	36.4	19.1
Slovakia	48.7	73.7	71.9	74.8	64.4	51.2	35.5	19.9
Slovenia	11.8	9.9	5.6	9.8	16.1	7.4	6.0	4.3

Figure 4.1A: Within country differences in (relative) occupational unemployment rates and youth unemployment rate



Source: LABORSTA. ***Legend***:1-Legislators, officials and managers; 2 – Professionals; 3 - Technicians and associate professionals; 4– Clerks; 5–Service workers; 6-Skilled agricultural and fishery workers; 7-Craft workers; 8-Plant operators and assemblers; 9-Elementary occupations; YUR–youth unemployment rate.

Explanation: Ratio greater than 1 indicates that a given occupational category has been affected by the incidence of unemployment higher than the national average (underperformance) and ratio lower than 1 indicates that it has performed better relative to the national average (over-performance). In addition to nine standard ISCO occupational categories, the graphs also present youth unemployment rates relative to the national average.

Table 4.2A: Earnings differentials: EU7* versus UK (%), 2004

	CR	ES	LA	LI	PO	SK	SL	Differential EU7 aver./ UK
Mining, &quarrying	28.1	18.5	13.9	20.2	40.4	25.4	42.3	27.0
Manufacturing industries	30.5	22.3	16.3	20.1	29.4	33.0	40.7	27.5
Electricity, gas, water supply	35.6	23.7	24.1	24.5	36.4	37.6	49.0	33.0
Construction	30.2	24.1	14.5	21.0	27.0	31.1	37.6	26.5
Wholesale and retail trade	39.3	29.4	18.5	24.7	38.0	43.7	54.0	35.4
Hotels and restaurants	29.2	25.2	17.8	21.3	36.6	35.6	57.0	31.8
Transport &communications	34.5	25.0	21.1	22.7	37.3	36.6	52.3	32.8
Financial intermediation	34.4	26.1	22.7	24.3	31.3	34.5	38.3	30.2
Business activities/real estate	29.4	23.6	16.1	19.1	27.1	33.9	41.7	27.3
Public admin. and defence	38.9	27.8	26.0	33.4	40.4	36.5	58.3	37.3
Education	33.6	21.5	18.9	18.7	33.0	27.6	59.8	30.5
Health and social work	31.2	20.7	17.2	17.2	26.0	28.5	56.3	28.2
Other social and personal serv.	31.7	22.4	16.9	20.7	34.5	31.9	65.5	31.9

Source: Eurostat. Annual gross earnings by NACE in 2004 and 2007. Author's calculations.
Note: * - Hungary not available. Data for Slovakia and UK: 2007.

Table 4.3A: Annual gross earnings by NACE: EU7 and UK, 2004 (PPS)

	CR	ES	LA	LI	PO	SK	SL	UK
Mining, &quarrying	14,344.5	9,450.8	7123.4	10,351.7	20,659.0	12,981.2	21,631.8	51,137.6
Manufacturing industries	11,222.1	8,209.2	5987.2	7,411.5	10,825.9	12,139.3	14,964.2	36,788.8
Electricity, gas, water supply	15,586.5	10,361.7	10561.8	10,717.9	15,931.3	16,475.6	21,473.2	43,780.2
Construction	11,623.9	9,267.3	5586.1	8,085.0	10,373.3	11,969.0	14,484.4	38,472.8
Wholesale and retail trade	11,402.9	8,531.5	5369.2	7,186.5	11,037.6	12,702.6	15,690.7	29,050.5
Hotels and restaurants	6,778.3	5,865.1	4132.2	4,945.3	8,510.1	8,272.9	13,244.6	23,233.0
Transport &communications	12,681.7	9,201.0	7753.1	8,360.4	13,708.3	13,442.9	19,239.4	36,774.7
Financial intermediation	23,405.4	17,768.5	15439.3	16,559.0	21,263.2	23,453.2	26,015.6	68,009.4
Business activities/real estate	13,470.2	10,809.0	7380.4	8,768.6	12,422.1	15,513.0	19,131.0	45,823.8
Public admin. and defence	14,279.3	10,191.3	9523.7	12,236.8	14,797.5	13,369.4	21,378.4	36,660.6
Education	12,137.0	7,744.0	6825.6	6,765.1	11,909.1	9,969.9	21,583.0	36,090.0
Health and social work	11,445.7	7,618.0	6326.5	6,310.3	9,550.5	10,450.4	20,684.0	36,725.4
Other social and person. serv.	10,416.6	7,364.1	5557.8	6,826.1	11,358.6	10,490.9	21,552.5	32,898.7

Source: Eurostat. Annual gross earnings by NACE in 2004. Author's calculations. Note: * - Data for Slovakia and UK: 2007. Hungary and Ireland not available.

Table 4.4A: Descriptive statistics

Gender	**%**	***Region of origin***	**%**
Male	59.6	Bratislavský kraj	15.0
Female	40.4	Trnavský kraj	7.3
Marital status		Trenciansky kraj	12.4
Single	95.3	Nitriansky kraj	11.3
Married (with children)	4.7	Žilinský kraj	10.3
Do you think there is work available in Slovakia for you after finishing your studies?		Banskobytrický kraj	10.8
No	19.2	Prešovský kraj	19.8
Yes	80.8	Košický kraj	13.3

Table 4.5A: Logistic Regression (uncorrected standard errors)

	Odds (Exp. B) of thinking about migrating after graduation							
Odds ratio	**M1(A)**	**M2(A)**	**M3(A)**	**M4(A)**	**M5(A)**	**M6(A)**	**M7(A)**	**M8(A)**
Individual level								
Gender (1= female)	0.967 (0.828)	0.957 (0.776)	0.954 (0.759)	0.967 (0.828)	0.952 (0.751)	0.966 (0.822)	0.958 (0.781)	0.972 (0.851)
Marital status (1= not single)	0.141*** (0.000)	0.141*** (0.000)	0.141*** (0.000)	0.145*** (0.000)	0.139*** (0.000)	0.143*** (0.000)	0.142*** (0.000)	0.147*** (0.000)
Work in Slovakia (1= yes)	0.659** (0.031)	0.652** (0.027)	0.639** (0.021)		0.634** (0.019)		0.634** (0.019)	
Regional level								
Average net earnings (average 2001-2005)		1.002 (0.214)	1.004** (0.017)	1.004** (0.025)	1.005** (0.008)	1.005** (0.013)		
Unemployment rate (average 2001-2005)			1.038** (0.037)	1.036** (0.048)	1.050** (0.017)	1.046** (0.024)	1.057** (0.014)	1.053** (0.020)
Change in industrial employment (2005 over 2000)					4.543 (0.226)	4.043 (0.261)	10.84* (0.089)	9.067 (0.114)
FDI stock (Cumulative in 2005, SKK mil.)							1.000004** (0.009)	1.000004** (0.014)
N	769	769	769	769	769	769	769	769
Log likelihood	-512.539	-511.758	-509.565	-512.280	-508.83	-511.649	-508.909	-511.717
Pseudo R square	0.0282	0.0296	0.0338	0.287	0.0352	0.299	0.0350	0.0297

Note: p values in parentheses. *** - Significant at the 0.01 level, ** - Significant at the 0.05 level, * - Significant at the 0.1 level.

CHAPTER 5

STATES, WELFARE SYSTEMS AND MIGRATION

5.1 Introduction

The previous chapter demonstrated that labor market imbalances which emerged in the process of structural change provide a useful tool for understanding migration patterns with respect to migration rates and migrant profiles from the CEE countries. The processes of economic restructuring, however, have been actively shaped and mediated by different state policies. The governments in the CEE region possessed tools to mediate individual level labor market insecurities, not least due to the fact that they inherited extensive social security structures from the socialist regime. This chapter seeks to show that state policies have played a crucial role in affecting migration patterns in CEE.

The analytical framework adopts a broad approach to the conceptualization and operationalization of the impact of state on migration patterns and analyzes state policies in two ways. I first concentrate on theoretically and empirically developing the impact of welfare systems, which are operationalized as a mediating mechanism which indirectly impacts migration through shaping opportunities and risks in the societies. The second lens of inquiry into the role of state policies is advanced by looking at governments' measures in response to (mainly post-accession) out-migration. Although these two parts of the analysis might seem disconnected, they jointly enable us to highlight that labor market concerns have been at the forefront of policy-making in the region and cannot be left out from understanding of migration patterns. This approach enables us to demonstrate the interconnection between the outcomes of economic restructuring and different state policies, ranging from labor market policies to migration policies.

The discourse about welfare raids and poverty refugees dominated political and public debates prior to the enlargement and framed the context in which policy decisions about the transitory periods were introduced by EU15 countries (Sinn 2002). These concerns proved to be unjustified and the overuse of the Western welfare systems by CEE migrants did not materialize. Yet, while the welfare systems in the receiving countries have mattered little, welfare structures in CEE countries have served as an

important factor affecting migration rates. By empirically documenting different levels of welfare spending across CEE countries and over time, I will show a relationship between the out-migration rates and welfare systems generally.

The chapter also makes an explicit analytical connection with the two migrant profiles. Taking a specific case of unemployment benefits schemes which are relevant for migrants before as well as after enlargement, I demonstrate how differences in the schemes across countries and over time coincided with differences in migration patterns from the CEE economies. The extent to which governments were successful in mediating the degree of (mis)match between the new employment opportunities and skill endowments of workers was crucial in the overall labor market performance and subsequently affected migration patterns, not only of older workers but also of the young. In the empirical analysis I dedicate specific attention to unemployment benefit schemes relevant for hardship migrants, and, in addition to these, look at the aspects of education provided to young people in the region and the mismatches it produced in relation to choice migrants, as selected aspects of the impact of welfare systems on two migrant profiles. In sum, the CEE countries where social spending figures were lower, unemployment benefit schemes less extensive and labor market mismatches more severe, experienced greater out-migration of their citizens during the transition as well as after accession to the EU.

Reactions of CEE states to the outmigration phenomenon allow us to highlight the context in which the issue of human capital outflows has been addressed. The empirical discussion about the responses of selected countries to outmigration of their mostly young and educated citizens after enlargement will show that the outflow of labor was embraced as a solution to deal with labor market problems or ethnic issues. In sum, I argue that the CEE states have been principal actors in creating and widening choices to potential and actual migrants a) indirectly through welfare system policies and b) more directly in their policy responses towards the outmigration from their countries.

The chapter is structured in the following way. Section two offers a literature review to identify how states, welfare systems and emigration have been conceptualized and analyzed in academic research. The next section goes to length in explaining legal and other reasons for low dependence of CEE migrants on welfare structures of the main receiving countries. The fourth section discusses the origin and character of CEE welfare states with an emphasis to show empirically the differences across the CEE states that existed at the time of the EU enlargement. Section five elaborates specific aspects of

welfare state that are relevant for migration decisions of two different profiles. It analyzes the effect of the levels and structures of unemployment benefits schemes on hardship migration and the effect of education systems and skill mismatches on choice migration. In the sixth section I discuss reactions of the selected CEE governments to the post-accession brain drain. The last part brings the argument together and concludes.

5.2 Literature review

While welfare systems have occupied a fare share of investigation in migration studies, the existent research has almost exclusively concentrated on analyzing it as a pull factor. This (abundant) literature typically analyzes how different types of Western welfare regimes affect the rates of immigration and skill composition of immigrants, and studies the differences in reliance on welfare systems between nationals and immigrants (e.g. Heitmueller 2002; Warin and Svaton 2008; Bommes and Geddes 2000; Schierup, Hansen, and Castles 2006; Barrett and McCarthy 2008; Nannestad 2007). Relatively strong institutional complementarities between minimalist welfare arrangements, open migrant admission policies and underdeveloped integration policies have been noted by scholars in this field (e.g. Menz 2003; Bommes and Geddes 2000; IOM 2005). The issues of immigrant integration and control of the entry have been also widely studied, especially in the fields of political science and law.

Relative to this literature, the studies that analyze welfare systems as a push factor or that engage with the role of states in affecting out-migration patterns are much less developed conceptually as well as empirically. This has been the case for the studies about the impact of welfare systems in home countries but also in respect to understanding the policies of governments towards the out-migrated populations. The reasons behind this neglect lie generally in the fact that migration studies have suffered from the 'host country bias' and most research is preoccupied with analyzing the factors in receiving countries that shape migration patterns. In addition, migration theories have been developed while conceiving migration as a movement from developing countries with no or very underdeveloped political or social institutions to developed countries with extensive welfare networks, social systems and typically democratic and politically accountable governments. Lastly, behind the neglect of institutional factors in home countries is the dominance of the neoclassical theory of migration in migration studies

which generally neglects institutional variables and concentrates on the difference in wages and other sources of (market) income between the receiving and the sending country.

The fact that institutions have the capacity to mediate interactions at the labor market has been acknowledged by the new economics of migration theory which contends that the decisions of migrants are influenced by a comprehensive set of factors which are shaped by conditions in the home country and respond not only to income risk but equally to failures in a variety of markets – labor market, credit market, or insurance market (Stark 1991; Massey et al. 1993; Mansoor and Quillin 2006). The theory, however, has not gone far in testing the impact of different types and forms of home states institutions on shaping the structures and patterns of migration. Cross-fertilizing migration studies with other literatures, such as welfare state studies or industrial relations literature, as well as paying greater attention to state policies that aim at shaping the emigration patterns and return migration seems natural but has been carried out only to a very limited extent.[75]

In the following sections I provide a review of the existent literature in the context of which I also derive hypotheses and expectations for the empirical sections of this chapter.

5.2.1 Welfare systems as push mechanism

There are only a few works that explicitly investigate the connection between welfare systems and out-migration in different contexts. The historical study of the impact of Bismarck's social legislation on German emigration before the WWI resonates closely with the assumptions of this work (Khoudour-Cateras 2007). The author provides empirical evidence to demonstrate a strong link between the emergence of German welfare state and decline in labor mobility from Germany to the US before the war. He argued that potential migrants do not calculate only direct wages but also consider indirect wages in sending and receiving countries. The existence of benefits constituted a form of social remuneration that partly offset low levels of wage rates in Germany in respect to the main destination country, the US. He found that increase in German indirect wages (which was a conscious policy to decrease the outflow of human capital from the country) was accompanied by significant decline in the emigration rate.

[75] Similar point has been argued in i.e. Meardi 2007b; McGovern 2007; Nannestad 2007 or Hollifield 2008..

Along similar lines but referring to modern era, Koettl (2006) outlines that states can affect migration not only directly though immigration or emigration policy but also indirectly through social protection and labor market policies. He argues that portability of social security benefits and access to health care and old-pensions benefits are crucial for encouraging temporary or circular migration. He also suggests that introducing social safety net in the source country can affect migration flows by decreasing the inequality in the sending country and subsequently decreasing the emigration of low-skilled workers to countries with an even lower inequality.[76] Along similar lines a recent migration literature began to emphasize the need to invest into sending countries institutions in order to make full use of potential benefits of migration for sending countries, to curb migration from developing countries and to facilitate return migration (e.g. Holzmann, Koettl, and Chernetsky 2005; de Haas and Vezzolli 2010).

De Jong, Graeffe, and Pierre (2005) study the effect of welfare reform on interstate migration of poor US families after the introduction of an act that allowed individual US states to determine their social security policies in late 1990s. Such policy change resulted in a significant heterogeneity in welfare eligibility and behavior-related rules across the US states. This scenario in many ways resembles the context of the intra-EU migration where mobility is free but social rights differ across the countries. The authors investigate whether the change in the stringency of welfare rules both in terms of the levels of benefits and eligibility criteria led to outmigration of poor families to more generous or more lenient states. Controlling for mediating and moderating roles of states' economic development and family structure, they find that stringency in welfare-eligibility and behavior-related rules stimulated interstate outmigration of poor families in the US but the states with lenient rules did not attract these families more. Rather, the effect of more restrictive or more lenient welfare policy was conditioned on state's economic characteristics. In other words, while stringent welfare rules push poor families from a state regardless of state's economic health, states with high unemployment and stringent welfare policies attracted poor families less than states with low unemployment and stringent welfare policies. Their analysis supported the modern welfare-migration assumption that welfare recipients desire to maximize both their welfare and their job and employment opportunities.

[76] For the link between inequality and migration, see for example: Liebig and Sousa-Poza (2004). The link has been elaborated and applied the most extensively in the works of George J. Borjas, Barry R. Chiswick and Oded Stark.

In sum, welfare-migration thesis would propose that the costs of migration are outweighed by its benefits when higher benefit levels and less-restrictive eligibility rules favor citizens in the country of origin compared with destinations. When benefits and eligibility rules are less favorable, such conditions are expected to 'push' migrants from the origin state. On the basis of this logic, variation in state welfare policy should increase the likelihood of migration from states with more stringent rules and lower benefits to states with more lenient rules and higher benefits (but also employment opportunities) (De Jong, Graeffe, and Pierre 2005). Predictions established from this literature can be further combined with the implications stemming from the welfare state literature. At its core are the distributive effects of different types of benefits granted to population through welfare systems and different levels of investments allocated to distinct welfare policies. It is generally understood that welfare states shape the living and working environment, not only through distributive measures aimed at securing minimum living standards but also as insurance mechanism in the case of labor market difficulties. In addition, states provide public services from which education and health care are the most important as they affect every day lives of citizens and their future prospects. Although the welfare state policies are hardly designed with the specific aim to impact out-migration, they arguably can be thought of as important institutional (and monetary) determinants of migration through representing indirect forms of income, affecting quality of life, widening the range of choices and providing insurance in the case of risk.

5.2.1.1 Hypotheses and measurements

The hypotheses based on this review of theoretical arguments suggest that a *higher stringency in state's benefit levels and welfare-eligibility will encourage more out-migration* (a positive push effect). This is to be the case because, ceteris paribus, i) less generous welfare system is a weaker source of direct and indirect income, ii) less generous welfare system on average offers less alternatives in mediating risk in the labor market and iii) less generous welfare system has on average been less effective in helping labor force adjustment to new skill demands. This last assumption, although not directly stemming from the above literature, is particularly valid in the context of the restructuring experience discussed at length in the previous chapter.

The welfare generosity will be in the empirical sections measured by the levels of social spending. While this is a crude proxy which has been heavily criticized in the

welfare state studies, it appears to be the only readily available comparable cross-country and over time indicator. In addition, social spending can be disaggregated to different policies which helps to capture better the differences in the structure of welfare systems and to that related differences in the actual benefits on the individual level.

As the welfare state literature has established, one's relative gains and benefits from welfare system vary and are an outcome of social and political compromises within a given country context. The access to welfare benefits is regulated through different eligibility criteria, and is a function of, for example, the length of presence on the labor market, age, marital status, or the number of children. Acknowledging this, the empirical section will not only evaluate differences in welfare systems across CEE at the macro-level but will also illustrate the relative importance of selected welfare system functions at the micro-level, looking at two typical migrant profiles identified in Chapter 3. Individual level analysis *stricto senso* is not possible due to the lack of micro-data that would enable it.

5.2.2 States and out-migration

Studies have analyzed extensively the types of immigration policies, the reasons causing differences in immigration policies across states and the factors related to the changes in immigration policies in the developed countries (e.g. Portes 1997; Joppke 2000; Meyers 2000; Ruhs 2008; Menz 2009). The stream of scholarship looking at how the states have reacted to the outflows of labor or how they attempt to control the rules of exit is much more limited. This literature has been so far also less systematized but comparative works are emerging which have attempted to explain why some sending states are more active than others in engaging with their citizens abroad for economic or political reasons. These factors would include country's particular emigration trajectory, the level of state's economic dependency on migrants or a type of political regime (Ostergaard-Nielsen 2003).

Other research has looked at the emergent policy responses of new emigration states to their citizens or diaspora abroad (i.e. Rosenblum 2004; Green and Weil 2007). In any case, the examples that emigration has - historically and also in recent times - served as a policy tool for political and developmental purposes are not scarce. The re-emergent discourse on migration-development nexus, in a way, has encouraged the sending countries governments to take more active role in steering migration to produce more benefits for the home countries. Sending countries have quite commonly used emigration

as a tool to export labor in order to deal with unemployment rates or to receive foreign currency in the form of remittances. For example, the less developed countries in East Asia (India, Indonesia, Philippines, or Bangladesh) are good examples of the states where the outflows of human capital are integral to countries' developmental trajectories and the reliance on the capital generated by migrants abroad is high. The conscientious utilization of both emigration and immigration policies towards developmental goals has been the case in the richer parts of East-Asia (Athukorala and Manning 1999). Aside from economic goals, the encouragement of emigration has been also used as a political tool to acquiesce and send away outspoken individuals (Zolberg 2007).[77]

The factors that shape sending state policies are complex and act at multiple levels. In liberal regimes, however, sending states are ill-equipped to stop emigration which has been regulated, controlled and managed (and therefore studied) rather at the receiving end. Some countries might, however, try to influence the composition of migrants through shaping the 'rules of exit' or affect return migration in order to retain or develop the skills that would be beneficial for home society (Weiner 1995; Abella 1997). Overall, however, very little has been written about the politics of control of the sending countries (Hollifield 2008, 190).

The analysis of the responses of CEE governments to the significant outflows after the EU accession will in a useful way complement the argument presented throughout this dissertation about the core importance of labor markets dynamics. I will show that there has been a variety of ways of engagement of the authorities with the outmigration phenomenon but the governments have generally welcome migration as a solution to the labor market or ethnic problems with which they had struggled extensively over the transition. The measures which were debated or implemented were inspired by labor and skill shortages which appeared in the countries in the aftermath of the outflows. The CEE governments have narrowed down their concerns with (both in and out) migration to the existence of labor market problems or towards the aim of improving labor market efficiency.

Before I move on to present empirical evidence about the relevance of welfare systems and measures towards outmigration, I first discuss the reasons behind the limited

[77] Zolberg (2007) provides historical examples of such dynamics on the case of imperial Britain. He shows how the British authorities changed their attitudes towards Englishmen leaving the country depending on the relative scarcity of labor at home and foreign policy goals. British authorities would also use emigration as a social policy tool and would subsidize export of the poverty through covering travel expenses of their poor who wanted to move abroad (p.44).

extent to which the EU15 welfare regimes have been attraction factors for CEE migrants. Importantly, the curbed access to welfare systems in the West accentuated the reliance on domestic welfare systems and therefore further highlights the importance of social nets in the sending countries.

5.3 CEE migrants and EU15 welfare systems access

Pre- and post-accession labor migration has been characterized by institutional attachment of CEE migrants to domestic welfare systems. This outcome is partly a result of the barriers incorporated into bilateral agreements before accession and adjustments to eligibility adopted by the Western receiving states in the light of the enlargement. During the 1990s, a relatively complex system of different immigration programs was developed which stipulated quotas or occupational preferences for incoming labor migrants from CEE, curbed the duration of stay in order to avoid permanent settlement and encouraged social security attachment in home countries (Wallace 2000; Hönekopp 1997; Menz 2009). The migrants were short-term and continued to pay social security, pension, health and other contributions in their home states (Wallace 2000). This was so not least due to the fact that the CEE welfare regimes are Bismarckian employment contribution based welfare systems and as such they encourage domestic employment in order to earn entitlements to health care, pensions or other employment-tied benefits (Wallace and Stola 2001, 50-51).

Similarly, after the EU enlargement social benefits such as family benefits, tax credits or housing are not immediately available after the arrival of a (EU8) migrant to a host EU country because the social citizenship rights (health care, education, work, housing, social security) are typically made directly dependent upon formal legal employment of certain duration. Two main EU regulations codify issues related to welfare and social security for intra-EU migrants (Kvist 2004; Recchi 2006). The Regulation 1408/71 reduces barriers to cross-border mobility by coordinating national social-security systems in the fields of unemployment, sickness, invalidity, maternity, children, old age and survivors.[78] The second legal framework is the Regulation 1612/68 which codifies the integration of migrant worker in the host country, prohibits

[78] Four principles are effective in the case of this regulation: a) national states cannot discriminate against the EU residents of other member states; b) migrant workers can take out their benefits in a different country to the one where the right was earned; c) eligibility periods at different times can be aggregated; and d) the setting of the benefits can be set on the basis of the time spent in the respective countries." (EC 2002, 8).

discrimination on the basis of nationality and calls for equal social and tax advantages (Kvist 2004; EC 2002, 10). The Regulation 1612/68 was made part of the accession treaties and thus allowed for negotiating the exact impact of its applicability prior to the enlargement. The second norm was not made part of the accession treaties and would have to be followed immediately after the enlargement, if free access to labor market was granted. As a consequence, EU15 member states adopted pre-cautionary measures in order to mitigate the possible consequences of two Council regulations which would grant to CEE migrant workers and their family members the access to certain social rights and rule out discrimination on the basis of nationality.[79] These measures took two main forms: an introduction of transitory periods or adjustment to social benefits entitlements.

The majority of the member states applied temporary restrictions on free movement of workers from the acceding countries, prohibiting them to obtain employment freely. These prohibited migrants' free access not only to the labor market but also to social security system of a given country. Many of the EU15 countries have relaxed these restrictions since the 2004 enlargement while the transition periods kept in effect the longest in Germany and Austria are to expire in May 2011.[80] All EU15 countries but Finland and Sweden adopted transitory periods imposing work permits, quotas and other national measures towards Bulgarians and Romanians in 2007.

While the United Kingdom and Ireland allowed unrestricted entry to their labor markets, they passed adjustment measures not long before the enlargement, which conditioned the access to social benefits on previous continuous legal employment. The UK, followed by Ireland, originally intended to impose a three-year work requirement before (migrant) workers would have been able to get eligible for a range of social-security benefits, e.g. child benefits and social housing (Kvist 2004, 314). In the end, the restrictions for social benefits in the UK settled at the requirement of a continuous employment of 12 months with breaks of less than 30 days.[81] As an additional requirement after the entry, the UK government introduced mandatory registration schemes for CEE labor migrants (Worker Registration Scheme) to be able to monitor

[79] The studies about the impact of European liberalization in labor and social policies on different types of national models of politico-economic governance have shown divergence in responses to policies of migration and regulation (Menz 2003; IOM 2005).
[80] For details see Pollard, Latorre, and Sriskandarajah (2008, 14); also Kahanec and Zimmerman (2009).
[81] Due to the anti-discrimination clauses on EC regulations, these adjustments are applicable to all nationals and legal residents of a particular EU state which instigated a debate about strategic welfare adjustments and a race to the bottom driven by welfare immigration fears (Kvist 2004).

labor market developments and react with further adjustments if proven necessary.[82] A fee of 50 pounds, raised to 90 pounds by 2008, was made a part of the registration process (Pollard, Latorre, and Sriskandarajah 2008).[83]

Importantly, legal residence and employment in the UK is conditioned on the fact that the migrant had registered in the Scheme within a period of 30 days after starting employment, otherwise is classified by the UK law as unlawfully resident.[84] Working during unregistered period does not count towards the 12 months of uninterrupted employment which in effect curbs the access to social security benefits even if having fulfilled the period of uninterrupted employment itself. Registration in the Worker Registration Scheme (WRS) is therefore a gate to both legal residence and social rights. In spite of this, important share of EU8 migrants did not register in the Scheme (Anderson et al, 2006). In Ireland, EU immigrants with the exception of the United Kingdom are not eligible for welfare benefits for the first two years of employment. Unlike in the United Kingdom, nationals of the EU8 do not require special certificates after taking up employment in Ireland (Heinz and Ward-Warmedinger 2006).

In turn, the use of the welfare systems in the UK and Ireland has been very low. For example, between May 2004 and June 2008, only 3.3% (or nearly 28 000 in total) of all EU8 migrants that had registered in the WRS applied for tax-funded income related benefits from the UK government, although the number of applications has increased every year (see Figure 5.1A and Figure 5.2A in the annex 5). Similarly, a survey of mostly Polish migrants in Scotland in 2007 revealed that only 44% of migrants had registered with doctor and less than 9% with a dentist since their arrival, while only 16% had used hospital (Fife 2008 [85]).[86]

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82 Self-employed, people in legal employment 12 months before the launch of the scheme and au-pairs were not required to register. The figures therefore underestimate the sectors with high share of self-employment, such as construction. Due to a noted non-compliance with the scheme, it underestimates the real number of EU8 migrants in the UK (Anderson et al. 2006, 96-97).

83 The level of the fee has potentially led to the fact that many, especially temporary and short-term, migrants decided not to register with the Scheme. For more see also Anderson et al. (2006).

84 After migrant worked legally for 12 months without a break not longer than 30 days in the employment, he/she becomes eligible to obtain a residence permit confirming the right to live and work in the country (UK Border Agency 2008).

85 Over three quarters of these migrants had registered with the WRS which suggests that the group is relatively 'honest'. Duration of the stay of migrants varied – over 50% more than one year, 20%less than three months, 21% had children, 35% were married.

86 Formally, EU citizens have right to health care provisions, which are not tied to legal employment in the host country: "[A]nyone temporarily staying, or residing, in a Member State other than the one where they are insured against sickness, is entitled to receive sickness benefits in kind according to the legislation of this Member State as if he were insured there, but at the expense of the institution of insurance (EC 2002). The European Health Insurance Card serves this purpose. It is, however, applicable mostly in the cases of emergency. Other types of treatment (i.e. dental care or surgical treatment) are less readily available due to

An important outcome of these institutional hurdles seems to be the fact that CEE migrants have stayed institutionally connected to national welfare regimes in which they as citizens can access public services, such as health care. The evidence that would help to measure the extent to which CEE migrants use the services at home during their migration spell is rather anecdotal. It is a matter of a fact, however, that the restricted access to social security systems in the receiving countries has made different aspects of welfare states at home more readily available. This has produced somewhat paradoxical dynamics when the less generous welfare states in CEE would on the one hand induce migration but because of the restricted or overly complicated access to the welfare systems in the West migrants would keep their 'institutional' ties with home countries, especially but not only in the earlier stages of migratory experience. This seems to have affected also certain characteristics of CEE post-accession labor migration, such as short term and temporary nature of the flows. Greater connectedness to home state institutions is of course facilitated by improved communication links and cheaper transportation costs.

5.4 Welfare systems in CEE

In the research on CEE migration, welfare systems have been (falsely) neglected in spite of their relatively extensive nature both relative to some Western welfare systems but especially in comparison to developing world or emerging economies. The CEE welfare systems are complex, distinct and internally coherent and they can be in a number of ways paralleled to traditional Western European welfare regimes. Their origin in some cases dates back to the late 19th century. Some of the current features were developed during the socialist regime while others have roots already in the inter-war periods. As a pre-communist rather than communist legacy, welfare systems in CEE have preference for cash payments over other types of welfare benefits (Inglot 2008). Free access to education and universal health care are among the remnants of the socialist regime and have largely remained in effect until today. During the state socialism, employment was mandatory and provided to everyone by state, mainly through the state-owned enterprises which fulfilled multiple functions. To date, welfare system entitlements in CEE are employment contribution based which has important

the fact that the waiting periods are generally long, prices for paid treatments significantly higher and the bureaucracy associated with claiming health care costs at home institution is extensive.

implications for earning entitlements to pensions or other employment-tied benefits (Wallace and Stola 2001).

Importantly, the CEE welfare systems started to diverge relatively early on in transition and currently they represent a diverse, heterogeneous group. Progressively the countries began to introduce more systemic welfare state changes such as privatized forms of pension systems and decentralized health insurance schemes. Tightening of eligibility requirements to social benefits formed part of comprehensive social security reforms which have taken place in most CEE countries by now, starting in the early 1990s in the Baltic countries and continuing to the present with major reforms underway in the Czech Republic and Hungary. Nevertheless, the levels from which the CEE welfare states started to withdraw as well as social expenditure levels when joining the EU was rather high in the world standards. For example, compared to the social expenditure in Spain and Portugal at the time of their entry to the EU in 1986, all CEE economies in 2004 had higher spending per GDP than Portugal, while Visegrad and Slovenia also exceeded Spain's spending. The timing and types of welfare system reforms have differed in important ways, partly because these economies entered transition with different political legacies and economic structures (Bohle and Greskovits 2007; Sokol 2001).[87] This diversity of CEE welfare systems has been sufficiently strong to generate differences in migration outcomes, as outlined in the next section.

5.4.1 Welfare systems and migration at macro-level

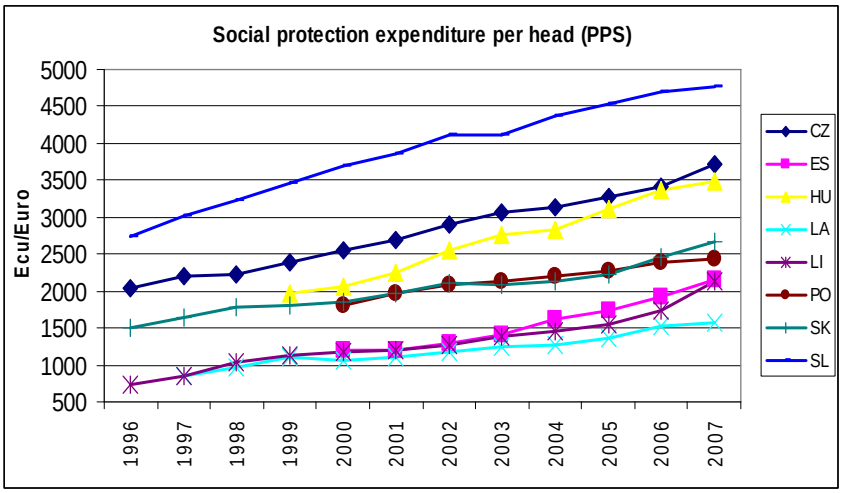
Figure 5.1 illustrates this diversity showing social protection spending figures between 1996 and 2007.[88] Slovenia strongly outperforms all the other countries in social spending, while the Baltic countries form a group at the opposite end and have relatively similar levels of spending. The Visegrad countries stand in-between Slovenia and the Baltic countries. The social expenditure is relatively lower in Slovakia and Poland than

[87] While there are important structural and institutional differences in the political economy models across the CEE, it is beyond the scope and interest of this work to investigate them or the reasons behind them in full. I rather refer the reader to the growing filed that investigates capitalist diversity in the CEE. This literature typically presents Slovenia and the Baltic countries as antipodes but diversity has been established more generally (Buchen 2005; Bohle and Greskovits 2007; Feldman 2007; King 2007; Nickel 2007; Szelewa and Polakowski 2007; Greskovits 2008; Beblavy 2008; Inglot 2008; Nickel Makszin 2009).

[88] Expenditure on social protection contain: social benefits, which consist of transfers, in cash or in kind, to households and individuals to relieve them of the burden of a defined set of risks or needs; it also includes administration costs (Eurostat definition). Social protection spending includes sickness and healthcare spending, old age, disability and survivors pensions, unemployment benefits, family-children benefits, housing benefits and social assistance/exclusion. Education and active labor market policies are not included in the figures.

in Hungary and the Czech Republic. These social spending figures suggest a relationship between general *lower levels of social protection expenditure* and *higher outmigration* from these countries. Slovenia, Czech Republic and Hungary with higher social protection spending per capita (and per GDP) have seen lower outmigration during the transition as well as after accession, while the remaining five countries have experienced negative or mixed net migration outcomes and greater post-accession outflows.

Figure 5.1: Social protection expenditure across CEE states: 1996-2007



Source: Eurostat.

A simple analysis presented in Table 5.1 aims to test the plausibility of this claim further by disaggregating the social spending variable to look at the spending levels across different functions of welfare systems. This responds to the findings of literature which found different structures of spending and redistribution among the CEE welfare states.[89] Even more importantly, it helps to bring the analysis closer to the theoretical prediction about the impact of different welfare system functions on two migrant profiles. The table presents correlation coefficients between the rate of outmigration from the eight CEE economies to the UK, Ireland and Sweden between May 2004 and December 2007 and social protection spending across different functions, labor market performance and earnings indicators, all calculated as an average between 2000 and 2004.[90] Different aspects of social expenditure, including labor market policies spending, were included to directly estimate the strength of relationship between different functions of welfare systems spending and outmigration rates to the liberalized labor markets.

[89] For example, Polish welfare state is known to tailor to the needs of pensioners while Hungarian social security system redistributes towards the middle class and families with children (Nickel, 2009; Hars, 2009). For a more general account see also Bohle and Greskovits (2009, 53).

[90] Migration rates were calculated with data from the WRS (rather than from the NINO) for the UK. The rates were presented in Chapter 1, Table 1.1A.

Additional theoretically relevant variables, namely unemployment rate, youth unemployment rate and earnings were included for comparison.[91] Earnings indicators are tested as gross and net earnings for couple with two children earning 100% of the average wage in a given country. Testing net earnings is theoretically relevant as these include social transfers (family benefits and tax allowance) as an indirect source of (non-market) income. The net earnings are expected to achieve greater significance than gross earnings.

The outmigration rates after accession capture choice migration where the welfare systems are expected to have lesser effect. We can therefore view this analysis as a hard test. Taking the data prior to the EU accession for the remaining variables serves two goals. First, it enables to model migration after the EU accession as not merely a response to the present hardships or constraints but rather as a reaction to tensions which accumulated over a longer period or might be structural. Second, this helps to deal with a possible critique of the reversed effect of migration on welfare spending. The correlation coefficients estimate the size and the significance of the relationship between a given variable and the rate of migration but are not able to test causality, neither do they control for simultaneous effect of several variables. The results are nevertheless informative and consistent with the expectations framed earlier.

Table 5.1: Labor migration rate after the enlargement – various correlations

	Correlation	**Significance (p-value)**
Social protection		
Social Expenditure per capita	-0.685*	0.061
Active labor Market Policies (% GDP)		
Public services spending & training	0.175	0.678
Unemployment benefits (% GDP)/weighted by unemployment rate	-0.714**	0.047
Sickness/Health benefits (% GDP)	-0.655*	0.078
Family benefits (% GDP)	-0.690*	0.058
Labor market performance		
Unemployment Rate	0.677*	0.065
Youth unemployment rate	0.540	0.167
Earnings		
Gross earnings couple with 2 children (aver)	-0.585	0.128
Net earnings couple with 2 children (aver)	-0.665*	0.072

Note: Significant correlations marked: * / ** - 0.1 / 0.05 significance levels. N=8
Source: Migration rate 2004-2007: Own calculations. Other indicators: Eurostat and Transmonee. Calculated as average between 2000 and 2004, except Public services and training spending – 2003-2005 average (no earlier data available). For details about earnings indicators see: http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN /earn_net_esms.htm

[91] These additional variables have been tested in the previous parts of the dissertation and therefore it is important to include them in this chapter as well, although I will not discuss them here at length.

First, average social spending per capita and also spending on different social protection functions, namely family benefits, sickness and health benefits and unemployment benefits weighted by unemployment rate, show strong and significant correlations with post-accession out-migration rates. The significance of these relationships implies an association between migration rates, per capita levels of social spending and these functions of welfare system. Second, as expected, higher net earnings but not gross earnings relate strongly to migration rates. Third, the relationship between unemployment rate and outmigration rates is strong and significant.

However, labor market policies spending on public services and training and also youth unemployment rate are not correlated significantly with migration. The insignificant relationship between active labor market policies and out-migration could be affected by the fact that data was only available from 2003 and for some of the countries only for 2005. The importance of labor market policies will therefore be investigated in greater detail in the next comparative chapter of the Czech Republic and Slovakia where over time figures were available. The insignificance of youth unemployment rates, on the other hand, is in line with the findings of the previous chapter which established that the reasons for migration of the youth are varied and not related only to labor market outcomes. Interestingly, the out-migration rates in the analysis measure the recent migration flows where the welfare system was expected to have lesser impact in the areas such as family benefits. The strong and significant result suggests that the family aspect should not be disregarded in the context of youth migration. It implies that even though recent migrants tend to be single and without children, they might be making their decisions with family prospects in mind.

In sum, the countries with lower levels of social spending have faced higher shares of their workers leaving to work in the UK, Ireland and Sweden after the enlargement. On the aggregate level, differences in the levels of social spending across the EU8 countries in the period before the accession correspond to different rates of migrant outflows from these countries after the enlargement. This is also the case for several sub-segments of welfare systems, namely spending on family benefits, sickness and health spending and passive labor market policies spending. The next section seeks to disentangle welfare systems at the policy level and connect it more closely to micro-level decisions through demonstrating more specifically the ways in which welfare systems matters for two different migrant profiles.

5.5 Linking welfare systems and typical migrant profiles

Chapter 3 has established the existence of two distinct migrant profiles. Hardship migrants are middle-aged workers made redundant in transition, typically leaving before accession with the main aim to get (any) jobs. Choice migrants are mainly young and educated and started to leave in prevailing numbers after the enlargement with the aim to get (better) jobs and to gain experience valued at the domestic labor market. Important distinction between the profiles was established in the degree of their dependency on domestic labor market and in turn on home welfare systems. Alongside the dependency dimension, two migrant profiles differ along a number of demographic aspects, their previous labor market status and marital status – the factors which jointly further strengthen how strongly is the migrant tied to home society generally and which aspects of welfare system affect him or her the most. Table 5.2 summarizes different aspects of welfare systems which are important in mediating migration decisions of hardship migrants versus choice migrants.

Table 5.2: Summary: Migrants and welfare system dimensions

	Hardship migrants	**Choice migrants**
Age	Mid-aged	Below 30
Marital status	Married	Single
Labor market status	Previous employment, often under the risk of unemployment	Labor market entrants
Welfare system aspects		
Unemployment benefits	**X**	**X**
Labor market policies	**X**	**X**
Family benefits	**X**	**-**
Public services		
Health care	**X**	**-**
Education	**-**	**X**

Source: Author.

I suggest that *hardship migrants* have been induced to migrate in the instances of weak unemployment insurance schemes and active labor market policies aimed at helping the adjustment to new work environment, as well as poor family support and health spending. These represent indirect wages as well as insurance and are important for migrants who make their decisions not as individuals but as members of families and are more strongly embedded in the home society through welfare structures, home ownership and family ties. The *choice migrants* adopt migration as a delay strategy from entering adverse labor markets at home. Given the high risk of youth unemployment in most of the

EU8 countries, unemployment benefits available in the instance of a lack of immediate employment after graduation or programs helping youth re-train or find employment, play an important role through widening the choices available to young people and hence decreasing the migration pressure. In addition, migration pressure has been stronger in the countries with weaker ties between qualifications of graduates and the available jobs either in terms of qualifications, wages or quality of work. Due to their limited chances in home labor markets, they turn to migration as a way to improve their standing in domestic labor markets upon return and, in a way, to shape the inappropriate skill set gained in the process of education. In the empirical sections that follow I give attention to the unemployment benefit schemes relevant for hardship migrants and, in addition to these, look at labor market mismatches in relation to choice migrants as selected aspects of the impact of welfare systems on two migrant profiles.

5.5.1 Hardship migrants and the unemployment benefits schemes

The hardship migration in search of *any* work has also been colloquially termed as 'poverty export'. Prototypically it could be described as migration of labor that has become redundant over the process of transition in industry (Poland, Slovakia) and agriculture (the Baltic), often residing in regions that have lagged behind. Before the accession it was driven by the administrative arrangements for seasonal migration or self-employment schemes between the countries bordering the East and CEE, but has been continuing also afterwards, mainly between the countries in the CEE region. We can characterize it as mobility of middle-aged people with an inferior position in labor market in terms of employment status and attained skills. The outflows of the populations of Russian origin which took place relatively extensively from Estonia and Latvia could fall into this category of migration as the negative attitudes towards Russian origin citizens in these countries led to their partial exclusion from labor market (Fihel, Kaczmarczyk, and Okolski 2006; Hughes 2005; Eglite and Krisjane 2009; Bohle and Greskovits 2009).

Hardship migrants migrate in the context of labor market restraints which are accompanied by a declining or lower degree of state support. Because they often have families, they are more dependent on the home state in terms of the access to employment or protection in case of labor market risk. Depending on the availability of the alternatives at home, ranging from unemployment benefits, retraining or early retirement benefits,

migration represents a more or less viable option (or necessity) to deal with labor market problems.[92] In simple terms, if the engagement of government was low in offering these alternatives, citizens turned to migration as an exit option more often.

The role of governments in smoothing the labor market adjustments has been crucial. At the beginning of transition unemployment benefit schemes were especially important as they played "twin and crucial roles of providing safety net while at the same time not discouraging workers involved in the systemic transformation" (Boeri 2000, 200).[93] The unemployment schemes were originally fairly generous but were cut back in the second part of the 1990s in the majority of states as an 'unsustainable expense' (Manning 2004). Governments across the region were using also other cash transfers such as pensions and various invalidities as income support to workers abandoning the state sector. The non-employment benefits often played the role of 'exit contracts' to total losers of transition whose age and the type of skills made it difficult to adjust to the new system (Vanhuysse 2006).

In the following part I review data related specifically to unemployment benefit schemes which can be considered one of the key measures that has mediated migration decisions of hardship migrants. Importantly, already during the 1990s important differences emerged between the CEE countries in the generosity of their unemployment benefits and these have been preserved. To map the over time changes and the cross-country differences in unemployment benefit schemes, Table 5.3 presents the unemployment benefits generosity index for 1990s and the levels of spending on unemployment benefits as % of GDP and per head of population between 2000 and 2007 (the generosity index as presented for the 1990s is not available for these years). Parallel to that, the unemployment levels are also presented.

[92] Micevska, Sazcuk, and Stark,(2007) find in respect to seasonal migration of Polish workers to Germany that for the unemployed Polish workers with low skills difficult to employ at domestic labor market, seasonal migration was a way of substituting income. Cf. Fihel and Okolski (2009).

[93] Unemployment benefits turned out to play additional important role by providing floor to wage setting so that they were de facto national minimum wages (Boeri 2000; Jurajda and Terrell 2007).

Table 5.3: Unemployment benefits indicators and unemployment rate

Unemployment benefits generosity index								
	1992	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**
Czech Republic	-	9.5	9.9	8.6	8.9	10.8	9.0	8.5
Estonia	-	-	3.2	1.5	1.9	1.8	1.8	2.8
Hungary	-	-	23.5	22.1	20.4	19.9	20.4	22.7
Poland	19.8	17.4	18.6	21.6	17.3	9.8	6.9	5.6
Slovakia	-	12.1	10.1	6.6	7.5	9.8	-	-
Slovenia	18.9	24.2	24.2	20.5	20.1	26.6	24.6	22.8
Unemployment benefits spending (%GDP)								
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Czech Republic	0.7	0.6	0.7	0.8	0.7	0.7	0.6	0.6
Estonia	0.2	0.2	0.1	0.2	0.2	0.2	0.1	0.1
Hungary	0.8	0.6	0.6	0.6	0.6	0.6	0.7	0.8
Latvia	0.6	0.5	0.4	0.4	0.4	0.5	0.4	0.3
Lithuania	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.3
Poland	0.9	0.9	0.9	0.8	0.7	0.6	0.6	0.4
Slovakia	0.9	0.7	0.8	1.01	1.01	0.5	0.5	0.6
Slovenia	1.0	0.9	0.8	0.7	0.7	0.7	0.7	0.5
Unemployment benefits spending per head of population (PPP, current prices)								
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Czech Republic	85.0	84.7	96.3	119.5	118.9	112.8	105.6	124.5
Estonia	15.0	16.0	14.0	25.3	25.5	22.7	17.0	24.6
Hungary	81.6	74.8	75.1	77.1	81.7	87.9	100.8	117.4
Latvia	39.2	34.7	34.8	36.9	42.6	49.9	54.7	50.0
Lithuania	20.1	21.0	21.5	23.5	22.5	27.8	31.2	38.8
Poland	80.4	83.6	88.0	82.4	73.9	72.9	70.6	53.2
Slovakia	87.0	69.2	83.9	114.3	126.8	74.3	79.6	93.5
Slovenia	153.0	138.7	126.4	123.5	133.3	144.7	139.9	106.2
Unemployment rate (%)								
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Czech Republic	8.8	8.1	7.3	7.8	8.3	7.9	7.1	5.3
Estonia	13.6	12.6	10.3	10	9.7	7.9	5.9	4.7
Hungary	6.4	5.7	5.8	5.7	6.1	7.2	7.5	7.4
Latvia	14.4	13.1	12	10.6	10.4	8.7	6.8	6
Lithuania	16.4	17.4	13.8	12.4	11.4	8.3	5.6	4.3
Poland	16.1	18.2	19.9	19.6	19	17.7	13.8	9.6
Slovakia	18.6	19.2	18.5	17.4	18.1	16.2	13.3	11
Slovenia	7.2	5.9	5.9	6.6	6.1	5.8	5.9	4.6

Source: Eurostat (unemployment rate and unemployment benefits spending) and Vodopivec, Worgotter and Raju (2005) (unemployment benefits generosity index).

The unemployment benefits generosity index, taken from Vodopivec, Worgotter and Raju (2005), provides a comparative over time and cross-country measure of overall

generosity of the benefits given out to the unemployed in six CEE economies during the 1990s while taking into account the replacement rates and the number of unemployed in the country.[94] The extensiveness of unemployment benefit schemes across these countries suggests a relationship between the net migration outcomes during 1990s and unemployment benefit schemes. The countries with the highest generosity index have experienced much lower outflows of their citizens for work abroad (or positive net migration) than the countries with the lowest generosity index. Slovenia and Hungary have the highest index and have seen much lesser outflows during transition; so has the Czech Republic with a medium level generosity index (but also the highest employment rate). Estonia was the least generous and experienced negative net migration in 1990s and so did Poland which experienced an extreme decline in the generosity between 1995 and 1999 that coincides with a series of reforms during that time.[95] Slovakia shows volatility in the generosity following an electoral cycle.

Importantly, the differences that were identified for the 1990s persisted and typically even further amplified. The spending on unemployment benefits per GDP in 2000s shows that the Baltic countries have been spending in relative terms the least, in spite of having significant unemployment rates in the early 2000s. Unemployment benefits spending per head of population further exacerbates the differences between the Baltic countries (the lowest),[96] Poland and Slovakia (medium), and the Czech Republic, Hungary and Slovenia (the highest). Strikingly, Poland and Slovakia with very high and persistent unemployment rates before the accession only spent as much as or less than Hungary and Slovenia with significantly lower unemployment rates. These trends summarize important differences in the structure of unemployment benefit systems.

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[94] The authors analyzed household budget surveys data to calculate the index as **GI = 100 * Replacement Rate * (Number of Benefits/Number of Unemployed)** where replacement rate measures benefit level expressed as a fraction of average wage. The ratio of benefit recipients and the number of employed measures what proportion of those who are in fact unemployed are in receipt of the benefits. The former factor therefore reflects the relative value of benefits while the latter reflects the relative availability of benefits. The product of the replacement rate and the share of compensated unemployed capture more inclusively the generosity of unemployment benefit systems. The authors used survey data to make these calculations.

[95] Overall, Poland has implemented 'passive' unemployment policy that has been disconnected from economic policy generally and has not been viewed as a tool to improve functioning of labor markets. At the same time, Polish unemployment benefits system has been set up to provide privileges to certain occupational groups, namely the miners and agricultural workers. During 1990s, the active measures gained little attention and almost no funding and were fully introduced only in 2004. For more see Brown (2007) and Czarzasty (2004).

[96] In respect to the extremely high post-accession outflows from Lithuania, Hazans and Philips (2009, 264) suggest that these might be related to the very low share of the unemployed receiving benefits and relatively higher unemployment rate prior to 2004.

Large differences in eligibility criteria, the levels of benefits and replacement rates existed between the countries in 2004 when they joined the EU (Table 5.1A in the annex). For example, the required length of contributions in order to qualify for the benefits varied from 3 year requirement in Slovakia to 200 days requirement in Hungary. Moreover, the minimum and maximum levels of unemployment benefits differed significantly. While some countries had no minimum levels set, in Slovenia the lowest unemployment benefits were (as much as) 221 euro (three times more than the maximum benefits in Lithuania). Similarly, the maximum levels ranged between 72 euro in Lithuania to 663 euro in Slovenia.

Behind these macro-level data developments are a series of reforms towards tightened eligibility criteria, lower replacement rates or decreased duration of the benefits, which took place at different times in these countries (Table 5.1A in the annex). Poland and Slovakia carried out major reforms in their labor market policies just prior to the enlargement that are mirrored in the lowered spending figures and have been explicitly related to the migration outcomes after the EU accession. These will be discussed in greater detail in this (Poland) and the following chapter (Slovakia).

To conclude, data about unemployment benefit schemes suggest a link between lower benefit levels and/or stricter eligibility criteria and higher rates of (hardship) outmigration during the 1990s but also after the accession. The access to unemployment benefits for young people without previous work experience and contributions to social security system has been even more limited. I address the possible implications of this extensively next.

5.5.2 Choice migrants, labor market policies and education systems

The choice migration in search of *better* work shares characteristics of brain drain, brain waste and brain overflow as it consists of mainly young and well educated, usually single CEE migrants who find employment in low-skilled and according to Western standards low-paid jobs. A major motivation for their mobility is not necessarily a lack of employment but rather lack of good jobs in terms of expected salaries, working conditions or a match between qualifications and the existent work opportunities. Welfare systems have affected migration of choice migrants in two ways, both of which are closely related to labor market dynamics. The first dimension relates to the access to and the availability of schemes which would help young people in transition from school

to work, such as unemployment benefits, re-training programs or subsidized employment of graduates. In the context of very high unemployment rates in the region, these are non-trivial.[97] The second and much under-researched and underestimated dimension along which the welfare systems impact the youth out-migration relates to the type and quality of education provided to young people in the region and the mismatches it produced.

The analysis of unemployment schemes with special care to understand their availability for the youth in 2004 shows that only in the Czech Republic and Slovenia the young graduates were eligible for government support in the form of unemployment benefits. A few other countries made unemployment benefits available after a certain time period had passed (Estonia and Lithuania) but the remaining countries de facto excluded graduates from the unemployment benefits schemes (Table 5.1A in the annex). For example, only 2% of the young unemployed in Slovakia received unemployment benefits under the given conditions of the system in 2005 while the youth unemployment rate surpassed that year 30% (OECD 2007). In addition, Hungary and the Czech Republic developed programs which tried to integrate young people without employment to labor market through re-training (Czech Republic) or through subsidizing employment of graduates (Hungary). Re-training programs were available in Poland too but only to young people below the age of 25. This overview again shows that those countries which have invested in helping young people to integrate into labor markets through either passive or active labor market policies more, namely the Czech Republic, Slovenia and Hungary, have seen much fewer of them outmigrate after the accession.

An important fact related to welfare states' impact on migration pertains to the education provided to young people in the region and the degree to which it has been providing skills employable in domestic labor markets. Encouraged by the EU benchmarking, Bologna process and the quest for knowledge-based economies, the intake into tertiary education in the region has significantly increased. There is an ample evidence available, especially in the countries that have suffered from greater outflows, which shows that many graduates have been ill-equipped to situate themselves and succeed in domestic labor markets. This is not necessarily related to the levels of public spending on education which has been comparatively high especially in the Baltic countries, but rather reflects the ability to reform education systems in a way that would make them responsive, where needed, to labor market needs, or (alternatively) to

[97] Youth unemployment figures were presented in the previous chapter, please refer to Table 4.1A.

incentivize private sector to contribute to skill formation and education provision.[98] Labor market mismatches between the type of qualifications that the education system has been providing at both secondary and tertiary level and the demand on the labor markets have been documented by employers, governments, academics and through the survey data by (potential) migrants themselves. The following paragraphs review some of the evidence.

Discussing reasons behind the out-migration from Latvia, Lulle (2009) notes that there are problems with the quality of education and the lack of coordination between vocational training, higher education and the labor market, stemming from the transition from the Soviet system. As a result, many people find themselves redundant and unable to earn sufficient wages in their existing professions, while lacking opportunities to improve their situation through education and training. McIntosh (2009) reports a 26-year-old Latvian IT worker holding a master degree saying: "I don't see the way out now actually. I am at point zero. I am just starting my career, but I don't see the structure here to develop myself in the labor market" while a civil servant of the same age says: "Some of my friends who have no work say that they don't feel that they are needed here in their country…." Similar problems are documented in Lithuania by Traut (2009, 219):

> "[T]he poor quality education system is blamed for the country's failure to produce educated young people with skills and knowledge suited to Lithuania's labor market needs, thus contributing to emigration motivations and recent labor shortages in certain sectors… This mismatch between the education system and labor market plays into emigration decisions. Emigration allows people to capitalize on their education and seek work that directly relates to or benefits their career goals. Often times, however, they tend to work in unskilled jobs abroad, leading to fears of brain waste."

Analyzing Poland, Kaczmarczyk and Okolski (2008) associate the post-accession mobility with brain overflow implying that the human capital endowment of younger cohorts improved significantly during the transition while conditions in rural or more backward areas have not been able to provide suitable opportunities. Cielinska (2008) reports findings of a survey among university graduates in Bialystok[99] that revealed that the students evaluated the labor market situation much more pessimistically than the real situation was. These pessimistic evaluations were related to the fact that the available job offers usually did not match the financial aspirations and professional qualifications of

[98] See Figure 5.3A in the Annex for public spending on education.
[99] Bialystok is the largest city in northeastern Poland and the second most densely populated city in the country, located near Poland's border with Belarus.

the people looking for a job. She concluded that "[U]niversity education is not really advantageous for finding a job both in Poland and abroad. More job offers are directed at manual workers who are needed for simple jobs, which do not require long education." (Cielinska 2008, 22).

The problems with the Slovak educational system were pointed out by several foreign employers in the country (SME 2007; Hancké and Kureková 2008). The Centre for Labor, Social Affairs and Family in Slovakia has argued that a combination of record high unemployment rate of young people and record low 'drop-out rate' does not indicate that Slovak school leavers are uneducated, but rather that they are educated in professions which are not in demand at domestic labor market (Grajcar 2007). This is confirmed in the survey of the university graduating students analyzed in the previous chapter which showed that as much as nearly 70% of those students who were searching for work abroad (56% of total) indicated "not enough suitable working opportunities" and almost a third "poor chances of finding a job within the field of own expertise" as the reasons for searching for work abroad. Interestingly, those who did not indicate the intention to migrate declared as the most frequent reason the existent working opportunities in Slovakia (Reichova, Hanzelová, and Kostolná 2006).[100]

Related to the dissonance between the qualifications of the youth and the labor market opportunities is the fact that for many young people migration represents a way of improving their skills and the position in domestic labor market through enhancing especially the language skills (while, however, they may be deskilling in terms of their qualifications because they find employment in low-skilled low-paid jobs). The survey presented in Reichova, Hanzelová, and Kostolná (2006) revealed on this matter that over 91% of intended migrants wanted to migrate in order to travel and gain experience and over 90% did so also to improve language skills. Somewhat paradoxically, in this way the youth migrants strive to upgrade their position in domestic labor market upon return.

[100] For details about the survey please refer to the previous chapter. The willingness to migrate abroad for work differed across different fields of study with the graduates in education and humanities, health and welfare and engineering having the strongest intentions to migrate after graduation – over 60% of graduates in these field stated that they are considering to look for work abroad after graduation. On average, the intention to migrate was the lowest among the graduates of agriculture. This again shows, as argued in the previous chapter, that migration intentions are context dependent and vary across different occupational groups (Reichova, Hanzelová, and Kostolná 2006 and own analysis (not displayed)).

The experience abroad has indeed been valued among the employers (Williams and Baláž 2005).[101]

For choice migrants migration represents a delay strategy before entering domestic labor markets which have been rather hostile, especially to the fresh graduates. In comparison to hardship migrants the relative position of choice migrants is more favorable in the aspect of a lower immediate dependence on domestic welfare systems, yet they have been leaving those countries which were more ready to provide help in their transition from school-to-work much less. Cielinska (2008, 28) very succinctly summarizes the nature of "choice" as:

> "Actually, emigration is a result of pressure, rather than a free choice. It becomes a necessity when graduates cannot find employment or when too low salaries do not allow to realize life plans and to set up families."

5.6 CEE states' responses towards skill-drain

The previous sections has shown how welfare system can influence the living and working environment and increase the degree of safety or insurance nets available in the case of labor market and other insecurities. Those CEE countries where social spending figures have been lower, unemployment benefit schemes less extensive and where labor market mismatches remained severe, experienced greater out-migration of their citizens after the accession as well as during the transition. Though robust, the outcomes of different welfare systems on migration patterns are not a result of intentional policy decisions but rather should be viewed as unintended consequences of thereof. Indeed, some studies about social standards in Central and Eastern Europe have presented the labor outflows as a quiet protest against the working and living conditions in these countries. These argue that for at least a part of CEE migrants leaving from the Baltic countries, migration to the West has served as an 'exit option'. The citizens left their countries as a result of excessively long working hours, low basic salaries, high levels of conflict in the workplace, gendered wage discrimination, poor working conditions and high proportions of employees in various atypical forms of work (Woolfson 2007; Meardi

[101] This was also confirmed in my interview with Dalibor Jakuš in July 2010, the founder and owner of www.profesia.sk, the biggest job search portal in Slovakia.

2007a) but also due to political and economic exclusion (Hughes 2005; Bohle and Greskovits 2009).

An assessment of the responses of governments towards the massive outflows of their human capital after the accession and a review of public discussions that surrounded the phenomenon allow us to identify more direct ways in which the governments responded to the skill drain. Given that the post-accession migrants were on average well educated and young, the outflows were widely discussed in the media in each of the countries. Governments, however, have reacted with different speed and different tools to the phenomenon. The unifying element which encouraged the reaction to the issue was the emergence of labor shortages in all the countries that experienced high outmigration rates (World Bank 2007b).

An overview of the governments' reactions to migration illustrates how the responses of the countries were shaped by labor market demands and needs. In order to demonstrate this, I choose Poland and Latvia as two countries with similarly high rates of outmigration after the EU accession. Poland represents an example of the country which has suffered from severe unemployment problems throughout the whole period of transition while Latvia enables to investigate the government responses to migration on the back of ethnic issues and political exclusion of an important part of its residents. To better develop the contrast between the high and the low outmigration countries, I also present Hungary as a counter-case where low outmigration, more generous welfare system and state policies actively counter-acting the outflows of (highly) skilled workers coincide. Rather than systematizing CEE states' responses to outmigration of their labor force (which is beyond the scope of this work), this analysis aims to be illustrative rather than exhaustive.

5.6.1 Poland: 'Powrot' for migrant entrepreneurs

Poland has due to its size sent to the West after accession the most migrants in the absolute terms. Most strongly affected by the post-accession outflows were the underdeveloped regions of eastern and southern Poland, especially medium-sized and small town and villages, mainly involving the male population of prime age (Fihel and Okolski 2008). A striking feature of migrant households before accession was the fact that a relatively high share of them was dependent on the sources of income other than employment and relied on pensions, disability benefits and unemployment benefits as their primary source of income. Interestingly, after the enlargement, the share of migrant

households maintained by ‘other’ sources of income, including remittances from abroad, increased sharply while the dependence on welfare benefits (pensions, disability and unemployment benefits) declined (Ibidem, 199-200). This indicates that household economic strategies involving the sending of a household member abroad have become more widespread after accession. In other words, migration seems to have served as a supplement of welfare. While the causality of the relationship is not clear, it seems plausible to link the 2004 Hausner plan, which tightened the welfare system access, to the out-migration wave. The reform plan put strong emphasis on activation rather than on welfare and intended to develop more effective labour market institutions. While the reform aimed at better targeting of the most disadvantaged groups in labor market, the changes in the eligibility criteria to unemployment benefits in practical terms negatively affected jobless in 150 Polish counties who were no longer eligible for benefits or whose duration of benefits was significantly shortened (Czarzasty 2004).

The outflows initiated heated discussions at political as well as civic levels and the outmigration of the young became to be perceived as a worrying phenomenon. The Polish government did not remain passive in response to it and instituted a series of policies aimed at both supporting Poles abroad and encouraging their return home. The activity started in 2006 by launching a program by the Ministry of Foreign Affairs aimed at improving the assistance and information provided to the Polish citizens working and living abroad. A part of the services that the consulates would provide was information about employment opportunities in Poland. Towards the end of 2007, the Ministry introduced framework offering financial support to maintain cultural ties of migrants with home and to carry out Polish language classes in public schools. The Ministry of Foreign Affairs was also commissioned to engage in activities aimed at improving the image of Poland among its citizens abroad as well as promoting business. During the same time, the Polish government launched a program called ‘Powrot’ (Return) whose aim was to prepare conditions for the returning migrants. A webpage was established to support the program which was meant to serve as a tool for building a positive image of the country and advertise the benefits of returning home (Szewczyk and Unerschuetz 2009). The framework was especially welcoming towards those migrants who aimed as establishing business upon return and it offered them tax privileges and reduced social security contributions for a limited period. This is perhaps due to the fact that in Poland self-employment has been seen as one of the means to address the mismatch between education and labor market (Szewczyk and Unerschuetz 2009; Cielinska 2008). Along

this logic the government's decision to offer graduates a two-year exemption from social contributions and 20,000 PLN grants (about 5,000 euro) for setting up companies in 2007 can be well understood (Meardi 2007b).

The governmental efforts to induce return of migrants coincided with the pressing needs of Polish employers. In autumn 2007, 60% of companies confirmed skill (or labor) shortages, especially in trade and services, but also skilled specialists in production and experienced skilled manual workers (e.g. welders and seamstresses) were in demand (Szewczyk and Unerschuetz 2009, 224). Tight labor market and persistent demands of the employers eager to employ foreign labor led to drafting of a bill allowing employment of foreign workers without work permits. Poland, while it initially welcomed migration as a labor market relief, also developed programs to attract its migrants back, but was mostly interested in those migrants who can integrate into Polish labor market through the self-employment channel.

5.6.2 Latvia: The Russophone migration

Latvia is the poorest among the CEE economies, although its macro-economic performance in the years prior to the world economic crisis was relatively strong. It also managed to curb its unemployment levels in the early 2000s. As a post-Soviet republics, it has kept dubious relationship with its population of the post-WWII Russian origin who became non-citizens or quasi-citizens (about 17% of population). In a response to the Soviet history, a key legislation was passed to prevent inward migration into Latvia after 1991 (Lulle 2009). In light of this fact, the high net emigration rates in the 1990s are not surprising. Hughes (2005) has suggested that mass migration from the country took place along the ethnic lines and has been intentionally promoted by a majority through the regime of political (quasi-citizenship) and economic discrimination. In the late 1990s, the rates of unemployment, poverty levels and social exclusion were significantly higher among Russophones than among Latvian citizens (Hughes 2005). This was not least because their employment had concentrated in big Soviet enterprises which were hit particularly hard by economic restructuring. In addition, the career opportunities in the government and public administration were kept exclusive to the majority population and allocated on the basis of the citizenship and language requirement.

Ivlevs (2008), drawing in the survey data from 2005 about emigration intentions, studied specifically emigration intentions of minorities in Latvia. The analysis showed that after controlling for other factors, the probability of emigration of a Russian minority

individual is higher than that of a majority individual. For Russian speakers, higher education and income levels were associated with higher probability of emigration. The author explained these findings by linguistic discrimination in the labor market and inefficient minority integration policies, such as minority education reform. Somewhat paradoxically, 'Latvian non-citizen (alien) passport holders' do not gain an immediate right to work in the UK under the Worker Registration Scheme, but must apply for a permission to enter the UK to work (UK Border Agency 2008, 28). Although it is not clear to which extent the non-citizenship was a real obstacle in entering the British (or Irish) labor markets, the ethnicity issue *de iure* restricted the access of Russian Latvians. Still, on average up to 15% of Latvian workers abroad (and 18% of Estonian workers) were non-citizens in the post-accession period (Hazans and Philips 2009, 279, 285).[102]

The outcome of Latvia's transition has been harsh for Latvian labor in general, not only for the Russian speaking part of population. Sommers and Woolfson (2008) refer to the 'labor question' which has been an outcome of the process of transition where the creation of business friendly environment gave way to keeping labor standards and led to rapid erosion of stable employment and utilization of unemployment for attaining labor flexibility and workers' compliance. Latvian outmigration after the accession has been conceptualized as a strategy of silent resistance caused by an alienation from the state (Kesane 2008 in Lulle 2009; Hughes 2005). Situated in the environment which lacks "protection of a socially inclusive national community", Latvian workers rather seek individualistic solutions – such as migration – to their life problems (Sommers and Woolfson 2008, 64; Meardi 2007b). This case seems to be supported by surveys which show that between 60% and 90% of people who had migrated to work abroad had a job before they left (Lulle 2009). Still, the incidence of unemployment or potential unemployment of those who migrated in the first two years after the enlargement exceeded that of the stayers by a factor of three, indicating that work abroad has been an important coping strategy for the unemployed and potential unemployed – graduates (Hazans and Philips 2009, 266). Latvian workers therefore seem to be pushed by the lack of quality as well as the lack of quantity of suitable jobs at home.

Emigration has been an important political issue in the country since 2004 and was seen as a serious problem until 2006 when the issue of immigration into the country gained more significant attention (Lulle 2009). The Latvian government generally

[102] These would not be counted within the WRS which means that the actual outmigration figures from Latvia and Estonia are even higher.

approved of the emigration of Latvian migrant workers. It considered migration to be a positive factor as migrants can improve their skills abroad, master a language, earn money and return home economically better off (Karnite 2006). Further, Prime Minister Kalvitis initially maintained that the process of local labor force moving abroad will self-regulate and reverse in time, when the compensation levels in Latvia increase (Delfi 2005). The Latvian labor unions, on the other hand, have been outspoken against such position and used Latvian high out-migration levels as the case of poor social situation in the country. Emigration debate has been used in the protests against the government especially by public sector workers such as teachers or health care workers who have rallied with slogans such as "Mushroom-pickers in Ireland are paid better than teachers in Latvia" (Lulle 2009, 305).

In 2006 the government addressed the issue of outmigration in a Declaration where it claimed to promote reintegration of return migrants through various policies. The same document pledged to reduce labor shortage risks related to outmigration (Lulle 2009). In 2008 a discussion was open on the issue of dual citizenship for the children of Latvian citizens born abroad, which has due to the Russian question been very contentious. In the meantime, Latvian employers have lobbied for opening up to low skilled immigration. They also refused to take initiative in return migration because return migrants will expect higher wages (Lulle 2009).

In sum, political exclusion in Latvia led to economic exclusion which in effect narrowed the opportunities of Russian speaking minority in the country. An addition, generally adverse working conditions have pushed also the majority workers out. The Latvian government has at the declaratory level addressed the issue of out-migration but remained rather lukewarm in the real efforts. This seems to be the case not least due to the fact that Latvian employers were efficient at lobbying the government for their needs through other means (i.e. liberalization of immigration to the country) than return migration.

5.6.3 Hungary: Pampered middle class

Hungary has been attracting rather than sending its labor abroad and represents a fruitful counter-example of how welfare state and state (can) differ in their policies towards the citizens and migrants. Employment-targeted outward migration from Hungary has been quantitatively less important than immigration in the whole transition

period (Borbely 2009). Hars (2009) drew the link of this fact to the character of Hungarian welfare state which has been supportive of especially Hungarian middle class. Specifically, tax benefits for families with children made the child care system one of the most generous among the OECD countries in 2008. In addition, early retirement, old age, and disability pensions have represented an accessible and extensively used exit route from the labor market and provide secure, albeit not very high, income. The fact that the benefits have been kept in place and further increased after 2004 in spite of the period of relatively lower economic growth could explain why outmigration did not take off, even when basic economic indicators deteriorated. The extensive reforms launched in the aftermath of the IMF bailout package to the Hungarian governments in late 2008, on the other hand, seem to have resulted into somewhat higher levels of out-migration from Hungary to the West.

The (small but) existent emigration from Hungary has had a specific structure (Borbely 2009). It is on the one hand the highly skilled, especially doctors (or scientists) who would consider and realize migration. The second stream is Roma migration which is driven by poverty, generally negative attitudes of the Hungarian society towards Roma and the neglect they face by the state (Kovats 2002 in Hars 2009). Hars (2009) connects such structure of migration to the structure of welfare state in Hungary which has a progressive nature. Those better off do not get as many advantages and the welfare state acts less as a retention factor. The situation is similar for the lowest strata.

In spite of its low outflows of labor, Hungary has developed extensive frameworks for returning highly skilled migrants and young professionals. Several programs have been launched to encourage a return of expatriate students, scientists and engineers, while no such programs exist for the lower qualified migrant groups (i.e. bricklayers, tinsmiths). As such, Hungary represents a case which not only pampers its middle class but also actively lures back the brains that have left the country. Such attitude is in great contrast to the earlier two cases which have welcomed labor out-migration as a strategy to export labor market or ethnic tensions.

5.7 Conclusion

This chapter analyzed the role of welfare systems in influencing migration dynamics in Central and Eastern Europe and discussed the responses of states towards

post-accession outflows. This has enabled us to demonstrate the related nature of the outcomes of economic restructuring and different state policies, ranging from labor market policies to migration policies, but also to show the independent effect of welfare systems on migration patterns. Welfare systems can mediate how well individuals fare in domestic labor markets and can help workers adjust to situations of risks (hardship migrants) or in the school-to-work transition (choice migrants). The evidence has shown that welfare systems in Central and Eastern Europe are different enough to contribute to different migration outcomes.

Specifically, relationship between migration and the aggregate levels of welfare spending was found across countries and over time. In addition, hardship migrants were leaving the countries with weaker unemployment insurance structures or a lack of other schemes which would aid workers to adjust to the transition challenges, more. As hardship migrants are often mid-aged and with families, other aspects of welfare systems, such as family support and health care, are also important. These represent indirect wages as well as insurance and are important for people who make their decisions not as individuals but as members of families and are more strongly embedded in the home society both through welfare structures, home ownership and family ties. Welfare systems affect choice migrants foremost through mediating labor market mismatches between education and labor market needs. Given the high risk of youth unemployment in most of the EU8 countries, policy tools available in the instances of a lack of immediate employment after graduation and programs helping the youth to re-qualify or find employment, play an important role through widening the choices available to young people and hence decrease the migration potential. If these tools are lacking, the choice migrants choose migration as a delay strategy from entering adverse labor markets at home.

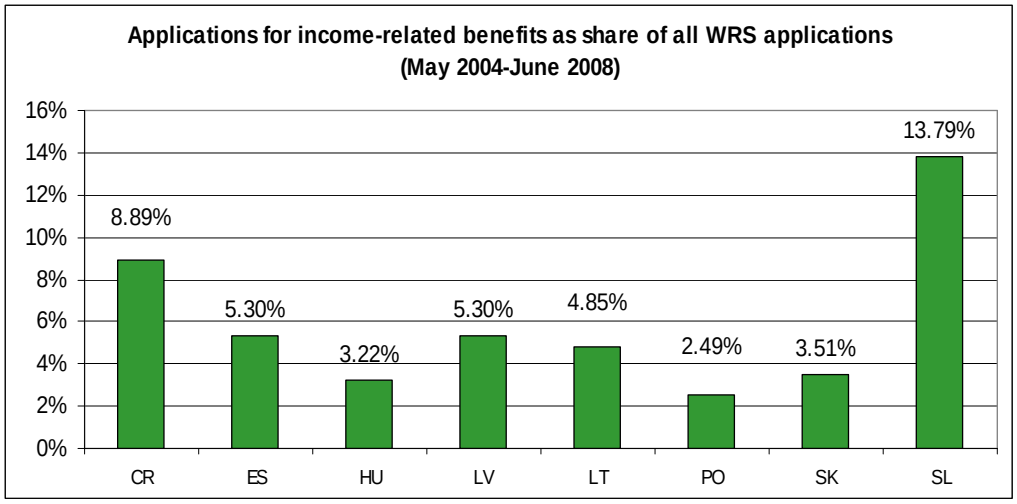
The role of labor market has been central in understanding the reactions of the governments to the outflows of young and educated from their countries. There has been a variety of ways of engagement (or lack of it) of the authorities with the outmigration phenomenon but the governments have generally welcomed migration as a solution to the labor market or ethnic problems with which they had struggled extensively over the transition. Once migration backfired in the form of severe labor market and skill shortages, the governments would start devising policies targeted at improving the image of home country and encouraging return migration. The incentives for such initiatives, however, stemmed from the labor market. This further highlights that labor market canon

of studying migration in CEE is justified: the states themselves narrow down their concerns with (both in and out) migration to the existence of labor market problems or towards the aim of improving labor market efficiency.

In sum, while CEE migrants do not seek welfare abroad, more extensive welfare systems at home do have substitutive effects to migration. Migrants reach out to migration as a solution to dealing with insecurities and migration replaces welfare elsewhere provided through public services or government policies. Hence, where the governments have shifted state level responsibilities to individual level, many citizens turned to migration as an (exit) option. At the same time, paradoxically, the impediments to welfare access to the West would keep them tied to certain elements of home welfare states, especially the public services, encouraging temporary nature of the flows. Where the alternatives to migration have been broadened by the provision of effective state policies, such as in Hungary, the Czech Republic or Slovenia, workers have drawn on these domestic alternatives rather than turned to migration, which is most of the time the second best option able to provide primarily low-skilled low-social status work abroad and requiring to leave families and friends behind. In sum, the analysis of the welfare systems helps to explain the differences in migration rates across the CEE countries and points out the mechanisms that contribute to non-migration.

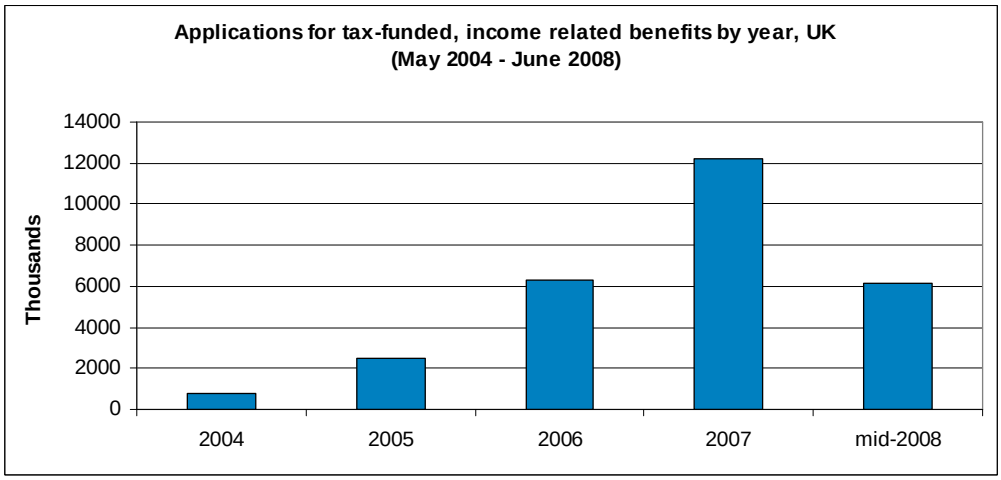
ANNEX 5

Figure 5.1A: Proportion of benefit-applicants as share of all WRS applications by country, May 2004-June 2008



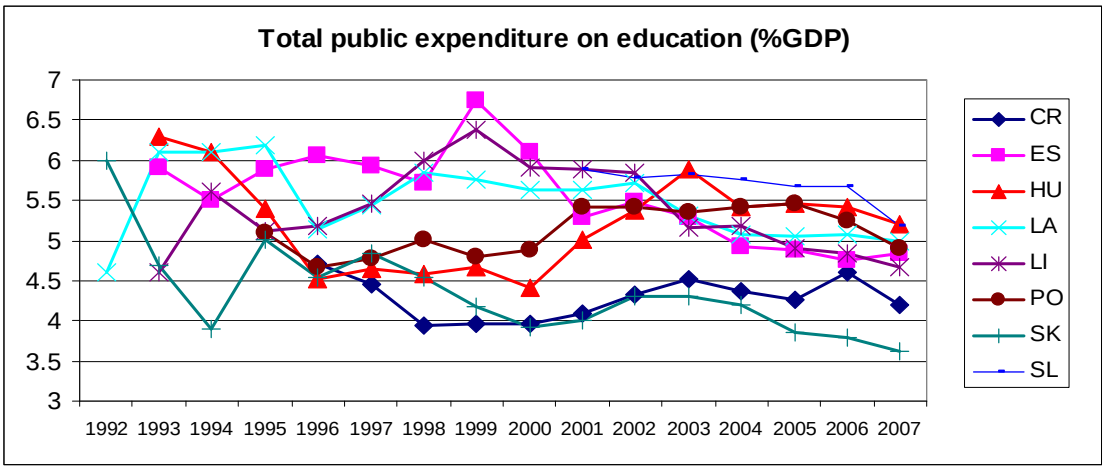
Source: AMR, 2008.

Figure 5.2A: Applications for income related benefits by year, WRS



Source: AMR, 2008.

Figure 5.3A: Total public expenditure on education (% GDP)



Source: Eurostat.

Table 5.1A: Unemployment benefits systems in EU8: May 2004

	CR	ES	HU	LA	LI	PO	SK	SL
Basic principles	Social insurance scheme Earnings related	Social insurance	Social insurance based Earnings related	Insurance based Earnings related.	Social insurance scheme; Tied to social insurance contribution record and reasons for unemployment, not to earnings.	Insurance scheme Economic activity related but flat rate	Social insurance scheme Earnings related	Insurance based Earnings related
Qualifying period	12 months of working activity, studying or child rearing.	Contributions of 12 months over previous 24 months	Payment of contributions for at least 200 days during previous 4 yrs	Socially insured for at least one year, paid at least 9 months in the 12 months before registering as unemployed.	24 months within 3 preceding yrs but exceptions for graduates and people child rearing.	Contributions for at least 365 calendar days during the previous 18 months	At least 3 yrs of unemployment insurance contributions during the last 4 yrs. In the next instance of unemployment, eligible again after 3 yrs, if contributions were paid.	12 months of employment in the previous 18 months
Max. duration of benefits	6 months or until the end of any retraining course.	180 days for insurance period less than 5 years, if more than 10 yrs, 360 days.	1 day of unemployment benefit per every 5 days of insurance payments, up to 270 days.	9 months.	180 days a year.	Tied to the regional level of unemployment, from 6 to 18 months.	6 months.	3 moths for the insurance payment up to 5 yrs, 12 months for payments longer than 25 yrs, 24 months for aged over 55 yrs.
Relation to individual's gross earnings	50% (first 3 months) and 40% (last 3 months) of aver.	50% of average daily earnings over 12 months	65% of the average salary equal to previous 4 calendar	50% - 65% of insurance record average contribution wage	Calculated by formula based on insurance record and reason for the	Based on Basic Unemployment Allowance = 105 €.	50% of assessment base equal to average gross earnings	70% - 60% of average monthly earnings (no

	net monthly earnings over the past quarter; 60% if in retraining		quarters with no ceiling.	– rises with no of years of contribution and decreases with the length of unemployment from 100% of set benefit to 50% over 9 months.	loss of work and tied to Minimum Standard of Living sum.	Adjusted to length of employment – up to 5 yrs – 80%, more than 20 yrs – 120% and to the level of unemployment in region of origin.	over 3 yrs with ceiling of 1005€	ceiling) during previous 12 months.
Minimum and maximum level set*	Min: None. Max: 315€ (353€ if in training)	Min: 26 € (unem. allowance) Max: Reference earnings max. 3 times national average daily income.	Min: 83 € Max: 166 €	No min or max set.	Min: 39€ Max: 72€	Min: 81€ Max: 121€ (possibly more in depressed regions)	Min: None. Max in 2004 fixed to 201€ Max: app. 500€	Min: 221€ Max: 663€
Accumulation with other benefits	With social benefits and social care benefits.	With pensions, except old-age pension, and social security benefits.	With family allowance. Short-term employment activity not longer than 90 days allowed during which UB are suspended but not terminated.	With family benefits.	With family benefits and benefit for families with three or more children.	With family benefits.	No accumulation. Not paid if person is in receipt of sickness or maternity benefit or parental allowance.	With child benefit, rent allowance and social assistance.
Situation of a university graduate	***Eligible for benefits, Personal Needs Amount taken as a reference. (Prior to 1.10.2004, studying was treated as employment.)***	***Eligible with 2 months waiting period after graduation and shorter duration of benefits.***	***Not eligible. Has to fulfill conditions. Employment Support for Job Starters Program – state support to employers (50-100% of wage, up to 1 year) for***	***Not eligible due to lack of previous contributions.***	***Eligible for benefits but waiting period of 3 months.***	***Young person not more than 25 yrs old referred to training is eligible during the training period for scholarship equal to 40 per cent of the amount of benefit.***	***Not eligible for benefits. Eligible for job-searching allowance.***	***Eligible but shorter duration of benefits.***

			employing young skilled or unskilled graduates.					
Last reformed prior to 2004	1998	2001 (Effective 2003)	2000-2001	2000	2001	2004	2003-2004	1998
Tightness of eligibility	Low	Medium	Low	Medium	High	Medium	High	Medium
Level	High	-	Medium.	-	Very low.	Low.	Medium to high	High.

Source: MISSOC Database. OECD (www.oecd.org/els/social/workincentives). Author.
Note: * 2004 exchange rates.

CHAPTER 6

FROM SIMILARITY TO DIFFERENCE: THE CZECH REPUBLIC AND SLOVAKIA

6.1 Introduction

In the previous chapters two main variables presented in this work – structural change and welfare systems - were investigated separately across all EU8 countries with a special emphasis on developing the macro-micro link. Looking at a relatively large number of countries did not allow elaboration of the mechanisms by which the variables have affected migration within each country. The policy effects were taken as given, without introducing broader political context and reform trajectories in different policy areas and without taking into account the policies' interaction and interconnection. This chapter seeks to include these missing elements into the research framework by tracing the reform trajectories of two CEE economies that used to form a single country and have experienced markedly different out- and in-migration patterns in the last two decades: the Czech Republic and Slovakia.

The two countries both lived through a common communist regime, both border a Western country and although Slovakia was a poorer part of the Federation, the living standards in the two countries did not differ markedly. They entered transition together and initially shared a common institutional set-up as their education, health, and social security systems were organized in an identical manner. Although surveys in the late 1990s showed that the Slovak and Czech citizens shared very similar intentions to migrate and the countries exhibited relatively similar net migration dynamics for most of the 1990s, the migration outcomes after accession have been very different and so has been the degree of attraction of foreign labor into these countries.

In what follows I concentrate on unbundling the reform processes in the two countries and their effect on migration patterns. I analyze in detail the ways in which foreign direct investment (FDI) stimulated job creation and affected distribution and type of labor demand, including the composition and rate of immigration into these countries.

I also look at welfare system reforms that gradually led to the emergence of different regimes in the two countries. I will demonstrate how a conjunctional over time effect of the levels, type and location of foreign direct investment and of the welfare system adjustments affected migration patterns and how a combination of these forces induced versus reduced propensity to migrate among the Slovak and Czech citizens. This chapter does not analyze extensively migrant rationalities and therefore does not engage with migrant profiles. The main aim is to evidence a combined effect of the macro-variables and to provide a more detailed explanation of the mechanisms. The chapter employs both within-case and between-case comparison. Through process tracing it connects over time changes in migration dynamics to over time changes in economic structures and social and labor market policies of the two countries.

The chapter consists of four major parts. I first map migration dynamics in the two countries looking at migration intensions in the late 1990s and at the actual rates of migration after the countries joined the EU. The second part briefly engages with alternative explanations to the one presented in this work. The third section traces FDI entry into the two countries and outlines the mechanisms of the effect of foreign capital on the labor markets and migration dynamics generally. This section includes an illustration of a highly transnationalized automotive sector. The fourth part provides a detailed account of the differences in welfare reforms in the two countries. The last part brings the argument together and concludes.

6.2 Migration dynamics: from similarity to difference

Migration dynamic from the Slovak and Czech Republics has seen increasingly different patterns and intensities. In spite of comparable net migration rates during the 1990s and similar intentions to migrate at the end of the decade, in the new millennium and especially after the accession, the countries experienced very different migration patterns. I review these in greater detail below.

6.2.1 Intentions to migrate in the late 1990s

There are few data resources comparable across countries which would allow producing reliable comparisons about migration in transition economies in the 1990s. A survey of 11 CEE countries carried out under the auspices of IOM in 1998 is a notable exception and provides reliable and comparable results about migration intentions for both Slovakia and the Czech Republic. The survey asked several questions about migration related to intentions, preparations as well as potential destinations. The survey questions differentiated between different forms of intended migration, ranging from emigration, long-term migration, and short-term migration. Among the notable findings of the survey was the fact that there were great differences among the countries in the forms and the rates of intended migration. These differences could not be easily explained by relative wage and income levels because countries with different levels of income, such as Slovenia, Belarus and Bulgaria, came out as low migration potential countries, but clearly for very different reasons (IOM 1998, 29). In a general comparison to the other CEE countries, both the Czech Republic and Slovakia emerged as countries with preferences for a short-term migration for higher wages to work temporarily in the EU countries. Very few people expressed willingness to go abroad for longer and very few intended to emigrate for good. Importantly, as Table 6.1 reveals, these intentions were expressed among the citizens of these two countries to a very similar extent.

The survey investigated both reasons for leaving as well as reasons for not migrating. Living conditions and (*only then*) wages represented the most pronounced reasons for migrating, and the percentages in the two countries were very similar. A relatively poor quality of domestic environment, proxied through the question about ethnic problems at home, and economic conditions were significantly more important push factors for Slovaks then for Czechs. This can be accounted for by the fact that the survey was carried out in the spring of 1998, which is the last year of Mečiar's semi-authoritarian rule when political factors such as more freedom abroad or ethnic tensions at home were salient in the country. Family and community and a good job were the most prominent ties to home which respondents in both countries listed as reasons for not migrating. The Slovaks and Czechs had similar perceptions about the risks of migration but more Slovaks than Czechs worried about legal problems, a lack of respect for

himself/herself or poor treatment of foreigners abroad. At the same time, more Slovaks indicated the 'awaiting improvements' at home as a reason why they would not migrate.

Importantly, while the intentions for migration were very similar in the two countries, Czechs declared better networks abroad and more Czechs made tangible steps towards realizing the migration intentions. More Czechs than Slovaks declared to have friends or relatives abroad both in the other CEE countries and in the Western countries. Significantly more Czechs learned foreign language and obtained qualifications, which suggests that they carried out actual preparations for going abroad. As such, the intentions to migrate in 1998 seem to have greater actualization potential in the case of Czech citizens than in the case of Slovaks.

Table 6.1: Migration potential in Czech Republic and Slovakia: 1998 (%)

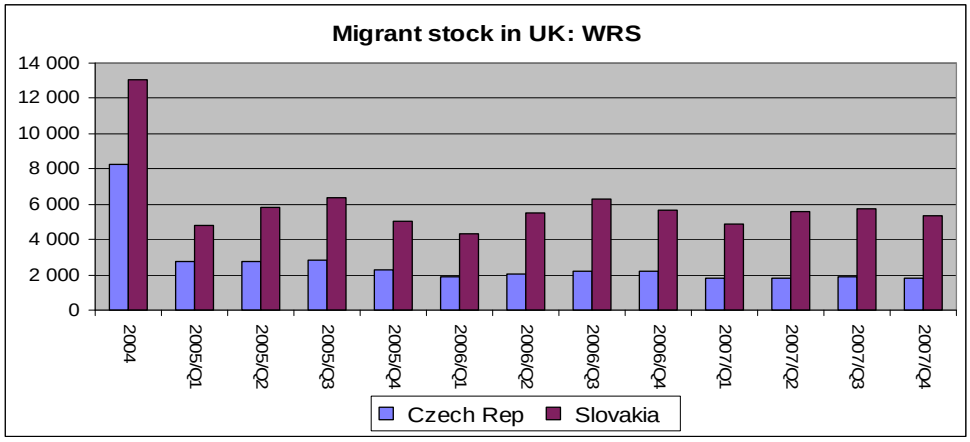
	Czech Republic	Slovakia
Would like to go abroad for … *(percentage answering "very likely" and "likely")*		
Few weeks	49	56
Few months	44	47
Few years	24	27
For the rest of life	10	11
Friends or relatives abroad that could help with migration		
CEE	21	17
Western countries	36	24
Preparations for going abroad *(all countries)*		
Learned foreign language	24	17
Obtained qualifications	17	9
Sold property	1	2
Obtained information	13	14
Applied for jobs	5	5
Found place to live	5	4
Applied for permit	3	3
Contacted people	3	2
Other	4	2
Reasons for leaving *(percentage answering "very likely" and "somewhat likely")*		
Living conditions	73	81
Wages	67	78
Other people's experience	55	75
Good employment	42	55
More freedom	36	65
Ethnic problems at home	25	56
Economic conditions at home	48	64
Reasons for not migrating *(percentage answering "very likely" and "somewhat likely")*		
Ties to home		
Family and community	89	87
Good job	51	54
Awaiting improvements	42	54
Risks of migration	71	70
Legal problems	31	53
No respect for me	42	51
Bad treatment of foreigners	37	52
Bad experience of others	16	23
Barriers to leaving		
Risks of migration	71	70
Legal problems	31	53
No respect for me	42	51
Bad treatment of foreigners	37	52
Bad experience of others	16	23

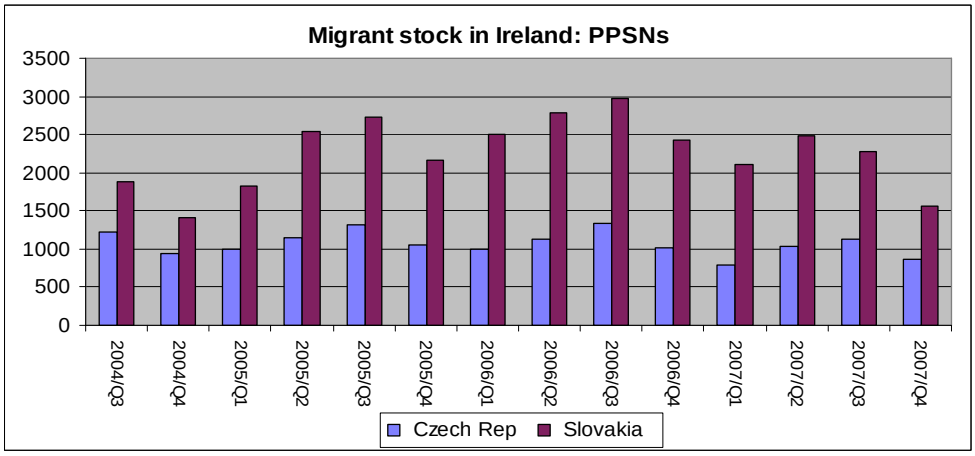
Source: IOM (1998).

6.2.2 Migration after EU accession

In contrast to migration intentions in the late 1990s, migration outcomes after the countries joined the EU have differed significantly. Approximately twice as many Slovaks registered into Worker Registration Scheme in the UK or requested a Personal Public Service Number in Ireland in every quarter than Czechs (Figure 6.1). When correcting for the size of population of these countries, in total four times as many Slovaks migrated for work in the post-accession period than Czechs. This means that by December 2007 over 4% of the Slovak active labor force had registered for work in the UK and Ireland, compared to only around 1% of the Czech labor force. The overall estimates of the number of Slovaks employed abroad in other foreign countries in 2006-2007 ranged from 150,000 to 250,000, which is from 6% to 9% of the active labor force or 3% to 5% of the total population. These figures are in striking contrast to the similar intentions to migrate in the late 1990s presented above.

Figure 6.1: Migrant stock in UK and Ireland: 2004-2007

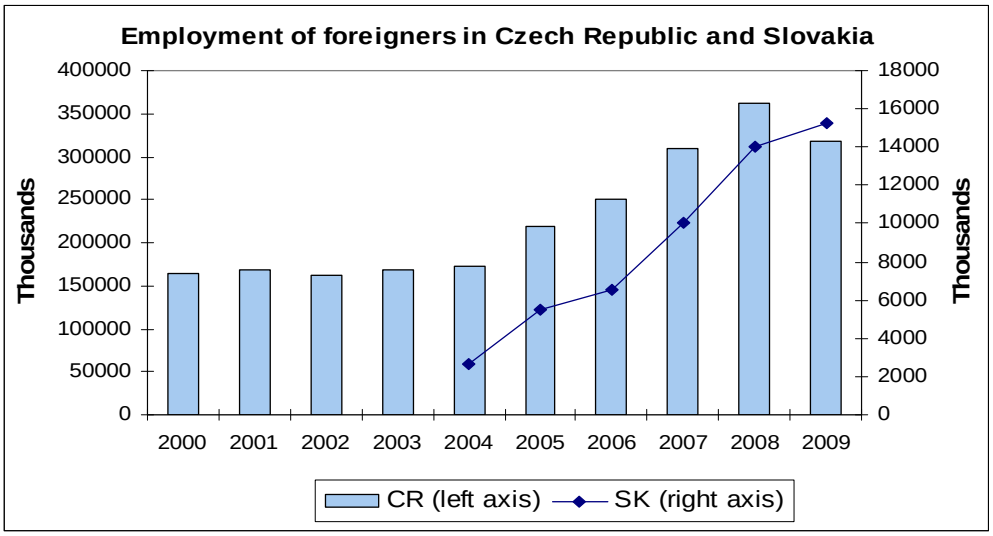




Source: AMR, 2008. Department of Social and Family Affairs, Ireland.

Not only have the Czech workers been less prone in recent years to migrate for work abroad than the Slovak workers, but the Czech Republic has also been much more attractive for foreign workers than Slovakia. Net migration rates throughout the whole period of transition point to an increasing gap between the countries.[103] While in the 1990s the net migration figures were relatively similar, the gap started to grow very quickly since 2002/2003 (Table 6.3). Even sharper differences exist in respect to labor inflows into the two countries with a great gap between the numbers attracted to the Czech Republic as opposed to Slovakia (Figure 6.2). A very strong and growing capacity of the Czech Republic to attract migrants while a lack to do so in Slovakia points to systematic differences between the two economies. In sum, migration patterns in the Czech Republic and Slovakia, once a common country, have taken a bifurcated nature since approximately the break of the millennium. Such developments invite us to investigate the reasons for such gaps among the countries which share relatively similar living standards, proximity to the West and the history of migration. Before explaining how the economic and social changes and reforms impacted these trends, I comment on the limits of other competing explanations.

Figure 6.2: Employment of foreigners in Czech Republic and Slovakia



Source: Czech Statistical Office and Central Office for Labor, Social Affairs and Family, Slovakia. Slovak data for 2007 – Filadelfiova and Sulekova (2009). *Note*: CZ: Employees registered at labor offices and trade license holders. SK: Foreigners with work permit and EU nationals with registry (information) card. Slovak data does not include trade license holders.

[103] Figures are based on the difference between total population growth and natural growth and show permanent migration which captures those who formally re-registered from one country to another.

6.3 Alternative explanations

This section briefly comments on the main competing factors proposed by different migration theories as likely to account for the differentiated migration patterns in the Czech Republic and Slovakia. I review the importance of economic factors and wages, proximity to the West, internal mobility, networks and culture of migration, active migration policy and recruitment agencies, and explain their limitations in fully accounting for the described over time and cross-country variation in migration trends.

First, the Slovak part of Czechoslovakia was during the whole period of the existence of the common country poorer and until 1970s relatively less developed. The level of the development of the two countries measured by GDP per capita differed in 1990 by over 30% but decreased nearly by half by 2007. A return to 1989 wage levels was much faster and more successful in the Czech Republic which reached its pre-transition levels already towards the end of the 1990s. Wages in Slovakia grew not only slower but the annual change in real wages was also more volatile and affected by economic cycles and the economic problems that the country was facing at multiple points in the period prior to joining the EU (Table 6.3). Higher wages and a strong Czech currency have been proposed as the main explanations of the more recent migration exchange between the countries, characterized by short term flows and return home upon the termination of work. Especially in the more recent years the tendency of the Slovak workers to find employment mostly in the industrial segments of the Czech labor market has been strong and the estimates refer to as much as 100,000 Slovaks employed in the Czech Republic annually.[104]

While the wage levels in Slovakia have been on average lower than in the Czech Republic, this outcome can be understood when looking at the account of the economic restructuring in the two countries. While at the outset of transition the Czech lands hosted a mixture of industries, the Slovak part was dominated by heavy industries of steel, heavy machinery and armaments. This resulted in the fact that Slovakia was hit harder both in

[104] While in these temporary forms of migration, more Slovaks had gone to Czech Republic to work, data on permanent migration show more balanced migration patterns. According to Gergelová, Líška, and Prušová (2002, 6), during the 1990s, the net outcome in permanent migration was positive albeit small for Slovakia. Permanent migration only accounts for those who formally changed their permanent residence from one country to the other.

terms of the length and the severity of the first transitional recession. Soon after the change of the regime, unemployment jumped high after the arms production was closed down in the process of distancing the country from the Cold War past. Related steel industry suffered much by the loss of export markets and old-fashioned ways of production which were not able to survive in the competition with Western markets. In addition to the high share of heavy industry, it was also the existence of one factory towns and underdeveloped small and medium enterprises (SME) sector, which in the Czech Republic offered more opportunities for entrepreneurial activities, that affected the difference in the initial unemployment levels (Chase 1997). Slovakia has therefore struggled with much higher as well as more persistent unemployment rates (Table 6.3). The incidence of unemployment is an important determinant in explaining higher migration propensity from Slovakia to the Czech Republic. Arguably, however, it were also the skill profiles of those affected by the restructuring process, that matched well the needs of the Czech labor market, that can account for the relatively strong exchange of labor between the two countries. Such dynamic was further fostered by migration privileges, language similarities and cultural and historical ties between the two countries. In addition, the existent differences in wage and unemployment levels are less powerful at explaining migration patterns from these two countries to further abroad, or at accounting for different levels of immigration that income levels alone would anticipate.

Second, proximity to richer economies is another factor commonly considered in migration theory as having an impact on the propensity to migrate. The causality anticipates that more migrants will leave from countries which lie geographically closer to rich economies due to higher wages and, most importantly, lower transaction costs of mobility. According to this logic, the Czech Republic, which shares a long border with Germany and Austria, should have seen more out-migration than Slovakia. This was partly the case during the initial phase of transition when a considerable rate of cross-border commuting or short-term migration from the Czech Republic to Germany and Austria was taking place but the volumes declined over time and are currently marginal (Vavřejnová 2006, 200). Further, proximity as an explanation of migration dynamics to the UK and Ireland after accession also falls short of accounting for the variation. In this

case, the distance of the sending countries to the Isles is very similar and flattened by an easy access to cheap transport links between the CEE region and Western Europe generally.

Third, the internal mobility could be considered an alternative to international migration and therefore could be a factor accounting for the comparatively lower outmigration rates from the Czech Republic. Both countries, however, show similarly low internal mobility levels. For example, in the Slovak case, even the unemployment rate difference of over ten percentage points has not been sufficient to motivate the labor force to move as little as 20-50 km (Jurajda and Maternová 2004). Similarly in the Czech case, Fidrmuc (2005) found that economic factors play little role in explaining patterns of internal migration while social and demographic factors (i.e. marriage) are of greater relevance.[105] As explained extensively in Chapter 4, deficiencies in housing, labor and other markets, but according to some scholars also cultural and historical reasons (Jurajda and Maternová 2004), are the factors accounting for such low inter-country migration.

Fourth, the existence of diaspora or networks of nationals of the sending country in the receiving country is likely to influence the decisions of migrants when they choose the destination. The analyses have demonstrated the tendency of new immigrants to move to the enclaves already established by their compatriots or ethnic kin (Vertovec 2002; Dustman and Glitz 2005). In the context of transition economies, this explanation is partly weakened by the history of communist oppression which did not allow free movement for work or travel. While mobility was restricted, thousands of people were emigrating from the region as refugees in the quest for a politically freer life. In spite of high natural growth of populations, net migration for both Slovakia and the Czech Republic from the 1960s to late 1980s was prevailingly negative (Table 6.2). In the Czech case, one can observe relatively lesser degree of outflows in the late 1960s characterized by more optimism for the regime prior to the Prague Spring. The disillusionment with the 1968 Soviet oppression and increased normalization in the 1970s

[105] In the analysis of Eurobarometer data from the early 2000s Fidrmuc (2005) found that unemployment is negatively correlated with net immigration. The responsiveness of net migration to regional labor market conditions, although statistically significant in the case of unemployment, is not meaningfully significant: even large unemployment differentials give rise to very small population changes – 10 percentage points unemployment rate differentials amounts to 0.22% of the district's population and a wage differential of 100% only increases net migration by 0.07% of the district's population (Fidrmuc 2005, 12).

are also reflected in higher rates of out-migration, as shown by greater negative net migration in the early 1970s in both countries. All in all, however, there are no significant differences in the outflows of people during communism from the two parts of Czechoslovakia which would create greater network capacity in one or the other country. Moreover, the nature of migration during the old regime was very different: political incentives prevailed and the emigrants were mostly from higher strata of the society. The extent to which the people who flee were able or interested to keep ties with home is questionable, not least due to the fear of persecution of those who stayed behind. This is yet another element why the emigrants who had left the communist countries during the Cold War have not served as the source of networks and help for the wave of migrants after the fall of the regime.[106]

Table 6.2: Net migration: 1960 - 2000

	1960-64	1965-69	1970-74	1975-79	1980-84	1985-89	1990-94	1995-99
Czech Republic	-16.6	-0.4	-21.6	2.2	-6.6	2.4	-5.8	10.1
Slovakia	22.0	-5.3	-9.8	-3.0	-5.6	-3.5	-7.5	1.9

Source: European Social Statistics. Migration. EC (2002). *Note*: Figures include adjustments and corrections, based on the difference between total population growth and natural growth.

Fifth, active efforts of the state to bring in or, in some cases, to send out migrants can be an important facilitating factor for affecting migration outcomes. Active immigration policy could facilitate in-migration through legalizing the inflows or lowering administrative barriers. In this aspect important differences exist between the two countries. The Czech Republic developed efforts to manage its high-skilled immigration and to attract qualified workers from abroad. The initiative came to birth in the early 2000s when the country was already short of some specific occupations in the labor market. In response to that, the "Active Selection of Qualified Workers" was set up in 2003 with a pilot project composed of incentives to attract qualified specialists from abroad.[107] In 2007 the Czech government debated the launch of the green card for

[106] For example, Meardi (2007b, 9) notes of large generational and cultural gap between the generation of (Polish) post-1945 refugees and the current generation of (Polish) migrants in the UK.

[107] Among other measures the project also entails offering permanent residence permits to those who have lived and worked in the country for two and a half years. The project arose on the basis of cooperation of a number of ministries: Ministry of Interior, Foreign Affairs and Labour and Social Affairs (Vavrečková 2006, 22) but so far has been largely considered unsuccessful as only a small number of workers applied and the majority of those who participated where already residing in the Czech Republic. The project

foreign workers to ensure sufficient labor supply for the growing Czech economy, which included speeding up the processing of work permits and easing the entry and stay of workers with secondary and higher education (Hála and Veverková 2008). The implementation, however, was put off in light of the economic crisis which eased labor market shortages. Slovakia, which most of transition suffered from oversupply of labor, has to date not developed active migration policy. In response to labor shortages after accession, labor import policies were relaxed but no active migration policy was developed. The country's approach to immigration has rather been characterized by passivity or, at best, *ad hoc* responsiveness to employers' demands. The policy making has lacked a long term vision and has been characterized by short term solutions.[108]

Neither the Czech Republic nor Slovakia made active efforts in encouraging outmigration or emigration from their countries. Both of the countries are members of the European Employment Services (EURES) network which is a cooperation network established across the EU countries to facilitate free movement of workers within the European Economic Area, aimed primarily at information sharing between the countries. A significantly different impact of the existence of the network on migration outcomes in Slovakia and the Czech Republic is unlikely because its role lies in the assistance and information sharing and not in recruitment. However, brain drain concerns addressed in research (Vavrečková et al. 2006; Baláž, Williams, and Kollár 2004; Linková 2006), transpired to policy making or even to policy discourse to a limited extent. The fact that significant numbers of tertiary educated young people took work in unskilled jobs abroad was in Slovakia neglected in light of welcoming the out-migration as a solution to relieve (at least temporarily) domestic labor market problems as well as the state budget. The 'silent' accord with the labor outmigration was also demonstrated through passive and slow reaction to the emergence and mode of functioning of temporary employment agencies.

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originally targeted Kazakhstan, Croatia and Bulgaria and was later open also to the citizens of Belarus, Bosnia and Hercegovina, Canada, Macedonia, Moldova, Russia and Serbia and Montenegro, which suggests that cultural and language proximity of Slavic nations is preferred (Večerník 2006, 21).

[108] For example, the belief that a significant share of domestic labor force is unemployable (SME 2005) led during the time of labor shortages to relaxation of labor import policies rather than more costly and time consuming re-training and skill investment.

Sixth, a rapid growth of temporary employment and recruitment agencies took place in both countries in the aftermath of EU enlargement (MoLSAF 2006; Coe, Johns, and Ward 2008). The agencies have provided services and mediated job contracts to workers in nearer and further abroad, often under dubious and unclear conditions of 'personal leasing' (Vražda 2009). Nevertheless, the recruitment agencies are unlikely to have affected the outmigration rates to Western Europe significantly because their rapid growth was a response to increased outflows of citizens rather than a cause. Moreover, data for Slovakia reveal that by 2006 most of the job placements by employment agencies took place within Slovakia.[109] In the East-West migration dynamic, the employment agencies have served as important mediators with advisory function especially in qualified positions where recognition of qualifications proved important (Currie 2007, 98) and helped to cross the language barriers for low-skilled workers and industrial labor.

In sum, traditional explanations of migration fall short in explaining the difference in migration dynamics in the Czech Republic and in Slovakia both over the course of transition *and* after the accession to the EU. The next section will demonstrate that migration patterns from the Czech Republic and Slovakia over time and their differentiation can be explained when analyzed as part of socio-economic transformations that these countries experienced.

[109] The Slovak Ministry of Labour records reported 541 temporary work agencies with licenses as of December 2007. Data report that temporary agencies placed over 15 000 temporary workers in 2005 and over 30 000 in 2006. A majority of the placed people (21 500) in 2006 were placed within Slovakia and the rest in different countries of the EU, with the Czech Republic and Hungary taking second and third place with over 4 300 and 3 500 temporary workers placed in these countries respectively. Nearly half of the workers were within the ISCO88 9-th category that is elementary and unskilled occupation. Nearly 10 000 workers were placed within the automotive sector (MoLSAF 2006).

Table 6.3: Main economic and social indicators: Czech Republic and Slovakia, 1989 – 2007

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
GDP per capita (PPP, current international $)																			
CZ		11 183	10 288	10 521	10 504	11 153	12 813	13 644	13 828	13 962	14 312	14 993	16 177	16 866	17 980	19 283	20 362	21 822	23 968
SK	7 609	7 713	6 819	6 478	7 194	7 767	8 308	9 025	9 740	10 317	10 400	10 997	12 065	12 956	13 586	14 646	16 164	17 954	20 267
GDP growth (%) (figures until 1995 are estimates)																			
CZ	1.4	-1.2	-11.6	-0.5	0.1	2.2	5.9	4.0	-0.7	-0.8	1.3	3.6	2.5	1.9	3.6	4.5	6.3	6.8	6.1
SK	1.4	-0.4	-15.9	-6.7	1.9	6.2	5.8	6.9	4.4	4.4	0.0	1.4	3.5	4.6	4.8	5.0	6.7	8.5	10.6
General government expenditure (% of GDP)																			
CZ		54.5	51.6	49.6	41.2	43.8	40.5	42.6	43.2	43.2	42.3	41.8	44.5	46.3	47.3	43.8	43.6	42.3	na
SK				58.0	78.8	57.8	54.1	61.5	65.0	60.8	56.9	63.1	43.8	43.3	40.3	37.8	38.0	37.3	na
Real wage growth																			
CZ	100	94.5	71.7	79.1	82	88.4	95.6	104	106	104.8	111.2	114	118.2	124.5	132.5	137.4	N/A	N/A	N/A
SK	100	94.2	67.2	73.6	70.7	73	75.9	81.3	86.7	88.1	85.4	81.3	82	87	85.2	87.3	N/A	N/A	N/A
Unemployment rate (LFS)																			
CZ					4.3	4.3	4.0	3.9	4.8	6.5	8.7	8.8	8.1	7.3	7.8	8.3	7.9	7.1	5.3
SK						13.7	13.1	11.3	11.9	12.6	16.4	18.8	19.3	18.6	17.5	18.1	16.2	13.3	11.0
Employment rate (%, 15-59)																			
CZ	86.9	85.7	77.4	74.7	75.7	75.8	75.8	75.4	74.5	73.1	71.3	70.6	70.6	71.3	70.8	70.4	71.3	72.2	73.5
SK	79.6	77.0	67.5	67.5	65.0	64.0	64.3	65.9	64.6	63.7	61.2	59.8	60.1	59.9	60.6	60.4	61.3	63.4	64.7
Net FDI inflows																			
CZ							2531	1280	1259	3575	6220	4942	5474	8282	1814	3941	11630	4598	7930
SK							194	199	84	374	701	1897	1520	4130	1913	3052	2279	3797	2881
FDI per GDP (%)																			
CZ					9.2	10.4	13.3	13.8	16.2	23.2	29.2	38.2	43.8	51.4	49.6	52.9	48.9	56.5	58.4
SK					4.7	5.7	6.6	9.6	9.8	13.0	15.5	23.2	26.4	34.8	44.2	49.8	49.9	68.4	54.1
Total expenditure on social protection per GDP (current prices, %)																			
CZ							17.5	17.6	18.6	18.5	19.2	19.5	19.5	20.2	20.2	19.3	19.2	18.7	18.6
SK							18.4	19.3	19.6	20	20	19.3	18.9	19	18.2	17.2	16.5	16.3	16
Total expenditure on social protection per capita (PPS ECU/Euro)																			
CZ							1882.2	2037.4	2197.3	2217.1	2380.5	2544.7	2698.9	2909.9	3073.8	3140.5	3267.1	3419.2	3717.8
SK							1293.8	1492.5	1650.1	1771.3	1815.3	1855.6	1963.8	2112.9	2088.4	2124.5	2234.9	2451	2675.1

Table 6.3: Main economic and social indicators: Czech Republic and Slovakia, 1989 – 2007 (Continued)

Labor market policies spending (% GDP)																	
CR		0.38	0.43	0.29	0.29	0.25	0.24	0.31	0.35	0.46	0.48	0.44	0.46	0.5	0.5	0.49	0.49	0.46
SK		1.08	1.79	0.97	1.01	1.17	1.34	1.3	1.23	1.24	1.15	0.9	0.77	0.6	0.59	0.61	0.66	0.59
Active labor market policies (% GDP)																	
CR		0.17	0.27	0.16	0.15	0.13	0.12	0.11	0.12	0.17	0.2	0.2	0.18	0.19	0.25	0.25	0.26	0.25
SK		0.22	1.1	0.35	0.49	0.75	0.74	0.61	0.39	0.21	0.31	0.36	0.41	0.29	0.25	0.34	0.32	0.22
Passive labor market policies spending (% GDP)																	
CR		0.21	0.16	0.13	0.15	0.12	0.13	0.21	0.23	0.3	0.29	0.25	0.28	0.31	0.25	0.24	0.23	0.2
SK		0.86	0.69	0.62	0.52	0.43	0.61	0.69	0.84	1.04	0.84	0.54	0.35	0.32	0.34	0.27	0.34	0.36
Net migration rate (per 1000 inhabitants)																	
CR	0.1	0.3	1.1	0.5	1.0	1.0	1.0	1.2	0.9	0.9	0.6	-0.8	1.2	2.5	1.8	3.5	3.4	8.1
SK	-0.4	0.0	-0.6	0.3	0.9	0.5	0.4	0.3	0.2	0.3	0.3	0.2	0.2	0.3	0.5	0.6	0.7	1.3

Source: Transmonee: GDP per capita, real wage growth, employment rate, unemployment rate
OECD: Labor market policies spending, net migration rate, real GDP growth
Eurostat: Social expenditure
UNCTAD: FDI stock
EBRD: Net FDI inflow

6.4 Structural-institutional macro-explanation of migration

The next section maps the differences and similarities in restructuring of the economies, mainly through the lens of the impact of foreign direct investment, and in welfare system reforms and retrenchment. I will make a case for a conjunctional effect of a) the levels, type and location of FDI inflows into the countries over time and of b)welfare system adjustments on shaping the working and living environment in a way that significantly induced versus reduced propensity to migrate from the Slovak and Czech economies.

6.4.1 Foreign direct investment and structural change

This section emphasizes the importance of timing and type of foreign capital and location decisions of foreign investors in affecting the restructuring paths across the two countries in very specific ways. The relationship between FDI and employment in CEE has been widely studied. In the earlier stages of transition, generally, jobs were created in higher productivity sectors and the underdeveloped services sector and have been declining in the low productivity industries and agriculture (Arratibel et al. 2007; World Bank 2007a, Siebertová and Senaj 2006). While in the very initial stage of transition, job destruction across the economies prevailed, the employment generation materialized fairly soon, both through direct and indirect effects of foreign investment and the emergence of domestic SME sectors (Faggio and Konings 2001). Once the first transitional recession passed enterprises with foreign participation operated as an important buffer to further erosion of employment (Mickiewicz, Radosevic, and Varblane 2000; Faggio and Konings 2001), and the green field investments which started to prevail in the 2000s generated employment directly (Jakubiak et al. 2008; Hancké and Kureková 2008). In addition to the effects on aggregate employment, FDI had a strong influence on domestic employment through affecting “types of jobs created, regional distribution of new employment, wage levels, income distribution and skill transfer” (Mickiewicz, Radosevic, and Varblane 2000, 5). The commentators of the impact of foreign capital on development in CEE judged it as beneficial and concluded that “any recovery in CEE

was most often FDI led or FDI assisted" (Mickiewicz, Radosevic, and Varblane 2000, 24).

Theoretically, the effect of FDI on migration is not unidirectional. The standard presumption is that FDI generates new employment and through technology transfers and spill-over effects has a potential to broaden opportunity structures, hence decreasing the outflow of labor from the home countries. FDI inflows can impact migration also through inducing own nationals to return to their home country once the conditions improved (Slaughter 2002; Javorcik et al. 2006).[110] Many countries, however, have encountered a simultaneous increase in FDI inflows and in the outflows of labor, both skilled and unskilled (Kar and Guha-Khasnobis 2006; Ghallagher 2005; Manning 2002; Sassen 1998). Foreign direct investment in such instances is seen as the mechanism which changes and shapes substantively traditional structures, causing 'dis-embedding' of people who are then more inclined to migrate.

The CEE economies have opened up to the inflow of FDI to different degrees and at different points in time in the transition (Bandejl 2008; World Bank 2002). This is where the key difference rests between the Czech Republic and Slovakia: the dynamic of incoming foreign direct investment, which in turn affected the inter-occupational employment and indirectly unemployment trends, differed in the two countries, especially during the initial decade of the transition. Specifically, the Czech part was already in the early 1990s an above average performer in FDI attraction, while Slovakia lagged behind and started to attract foreign investment only towards the end of 1990s (Bandejl 2008, 20). Net FDI inflows into Slovakia were marginal relative to the inflows to the Czech Republic for most of the 1990s and only started to rise from 1999 onwards.[111] Similarly, cumulative FDI stock as a share of GDP in Slovakia lagged behind the Czech Republic significantly until the early 2000s when the countries started to converge (Table 6.3).

[110] Ireland, although considered by many to be a unique case, is an example of this dynamics. The economic boom during 1990s, largely attributed to the US FDI inflows, resulted in a demand for skilled workers. It induced reverse migration of young Irish from locations such as England and the US. Over the 1990s, the Irish labor force rose by around 60%. This has been attributed to the reverse migration when the majority of net migration of about 45,000 a year were Irish returnees (Slaughter 2002).

[111] As an outcome, in 1997, Slovakia had fewer than 10 percent of private enterprises with foreign participation and another 10 percent had mixed ownership (World Bank 2002, 84).

The period of lagged opening of Slovakia for FDI in comparison to its neighbor, I argue, was crucial for affecting the migration dynamics both between the countries but also in terms of the realized migration outside of the territory of Czechoslovakia. The precise mechanisms of this effect can be outlined in three ways. First, FDI played a crucial role in job preservation and creation in transition economies. In this respect, more significant inflow of foreign investment to the Czech Republic directly affected employment levels in the country which at the same time suffered lesser misfortune in its initial industrial structure than the Slovak part (Bohle and Greskovits 2007). Second, the earlier and more massive entry of FDI into the Czech Republic has, via demand for more skilled labor, increased skill premium and returns to education (Chase 1997; Bruno, Crinò and Falzoni 2004; Mickiewicz, Radosevic, and Varblane 2000).[112] Higher premium is tied to greater wage dispersion and potentially also greater rise in wages which is the next link through which foreign capital – indirectly – has contributed to essentially lower propensity for emigration from Czech Republic in comparison to Slovakia where these potential effects of FDI were missing and hence wages grew slower.

The third link is materialized through the type and structure of foreign capital that the countries were able to attract which has shown to be essential in explaining the success of the Czech transformation in terms of its record low unemployment rates. Műnich, Švejnar, and Terrell (1998) argue that the exceptionally low unemployment rate in the Czech Republic relative to Slovakia was due to not only a rapid increase in vacancies which were relatively evenly distributed across the country but also due to the fact that the new job opportunities matched rather strongly the existent profiles of labor throughout the transition, including the initial phase. The fact that the investments into the Czech Republic followed very balanced distribution in terms of sectoral and regional orientation already early on made this outcome possible (Table 6.1A in the annex). As a result, the differences in unemployment-vacancy ratio between 1991 and 1995 in the two countries are prominent and show both a greater balance between job seekers and vacancies and more balanced distribution of labor market tightness across regions in the Czech case (OECD 1996, 209 and 255). The high level of match between pre-1989

[112] Chase (1997) found that returns to education and experience were already in 1993 higher in the Czech Republic than in Slovakia.

industrial structure and post-1989 sectoral allocation of foreign capital and a subsequent match between skill profiles and employment opportunities in the Czech case is identified in several studies as one of key aspects of the Czech transition success (Jurajda and Terrell 2002; Sorm and Terrell 1999). Other, more general, studies have highlighted the importance of 'shared skills' between foreign and domestic firms in order for the spillover mechanisms to materialize to the fullest (Crespo Cuaresma et al. 2007).

Contrary to the Czech Republic, distribution of foreign direct investment in Slovakia over the transition both across sectors and across regions in the country has been very uneven, as already evidenced in Chapter 4. In the late 1990s, allocation was skewed towards the manufacturing sector which attracted nearly 50% of investments and towards Bratislava region which at that time attracted roughly two-thirds of all FDI (World Bank 2002, 84). These patterns of unequal foreign capital distribution remained largely unchanged until now (Table 6.2A in the annex). It is likely that a combination of the above factors - the timing of entry and the sectoral composition and regional orientation of the FDI - contributed to very high unemployment rates that defined transition experience in Slovakia. It is clear that the pool of unemployed workers partly composed the migration pool from Slovakia to the Czech Republic before the accession. The fact that skill profiles of Slovak labor were favorable to the Czech labor market needs facilitated this dynamic. I illustrate this further in the next section.

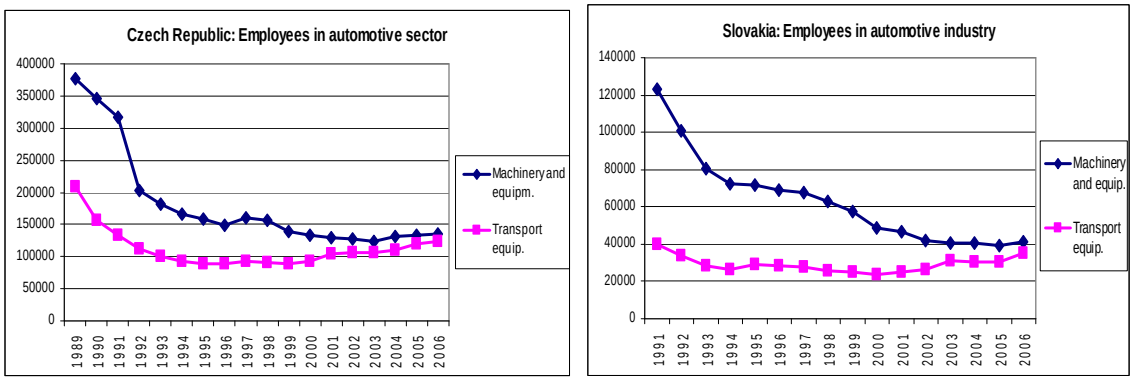
6.4.1.2 FDI-migration nexus in CEE: the case of automotive investments

The investments into automotive sector in the two countries provide an interesting point of reference and illustration of the FDI-migration nexus in the context of these two economies. The short case study which follows aims to demonstrate how this highly transnationalized sector, which became one of the drivers of economic growth in both countries but at different points in time, affected employment creation (both indirectly and directly) and provided employment opportunities to domestic labor in the Czech Republic. At a later stage it began to attract labor into the Czech Republic and with a delay also into Slovakia.

An early entry of foreign investors into ŠKODA factory in Mladá Boleslav and into BAZ in Bratislava was crucial for making the region an important automotive cluster

by mid-2000s. While German VW entered the sell-off deals in the two parts of then Czechoslovakia at similar times, the magnitude of the effects of ŠKODA on the Czech economy have been stronger than the initial impact of Volkswagen factory in Bratislava. This relates to different histories of the automotive industries in the two parts of Czechoslovakia (industrial heavy vehicle production in Slovakia versus production of personal cars in the Czech lands) and to different business strategies of the investors who bought into the individual companies at the Slovak and the Czech side. In turn, the spill-over effects into the economy from the Czech ŠKODA (and the other automotive investments towards the end of 1990s) have been more massive and most importantly – came much earlier - than in the case of VW assembly in Slovakia, affecting relatively deeply the labor market performance. Such positive impact later intensified through the linkages between the automotive sector and other related complex industries and served as a pull mechanism for the workers from the neighboring countries into the Czech Republic, including industrial labor from Slovakia made redundant in the initial stages of the transition in the armament and other heavy industries. This is reflected in employment figures in the machinery sector: in the Czech Republic the sectoral performance started to improve nearly a decade earlier. The employment levels stabilized around mid-1990s and employment growth occurred from around 2000 while in Slovakia the decline was not reversed until 2003 (Figure 6.3).

Figure 6.3: Employees in automotive sector (machinery and equip. and transport equip.)

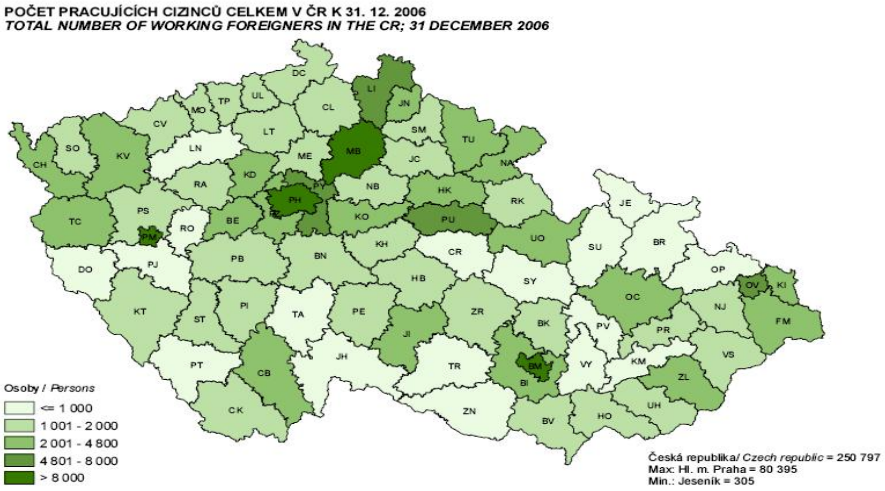


Source: WIIW.

In addition to creating employment for domestic labor, the automotive sector became a key attractor of foreign labor into the countries. This took place already in the early 2000s in the Czech Republic but much later in Slovakia. The regional distribution

of foreign labor in the Czech Republic has been concentrated more heavily in the regions and counties with car assemblies (Mladá Boleslav, Kolín, Nošovice) and then in and around the capital city of Prague and Moravian capital of Brno (Figure 6.4). Out of more than a quarter of a million foreign workers in the country in 2006, 26% were employed in manufacturing and another 21% in construction (Czech Statistical Office). The demand for qualifications such as machine engineering and technically educated workforce was driven by the existing and the newly arrived car manufacturing plants (Vavrečková, 2006). It was estimated that up to half of new jobs created by foreign firms were occupied by foreigners (Večerník 2006, 5). In sum, much of the immigration to the Czech Republic has been driven by the needs of foreign investors who in search of labor would attract workers from the neighboring countries. With less Ukrainian, Polish and Slovak labor force available, the firms started to look further East, namely to Vietnam, China or Mongolia (Figure 6.3A in annex; also Korbel, 2007).

Figure 6.4: Number of foreigners in Czech Republic by region, 2006



Source: Czech Statistical Office.

Similarly to the Czech Republic, Slovakia started to attract labor from abroad. This happened after two automotive green field investments of PSA and Kia in 2003 and 2004 launched their production but the volume of labor immigration to the country never matched the Czech Republic. A similar dynamics of labor recruitment abroad by large multinationals that was noted earlier in the Czech Republic took place in Slovakia.

Before the country cancelled work permit quotas for Ukrainians in November 2007, foreign companies were already employing foreign workers from within the EU (Uhrin 2007). For example, VW Bratislava recruited Polish labor, PSA Peugeot hired Romanian workers[113] and Samsung planned to hire Romanian and Bulgarian workers (Šutarová 2007a, 2007b; SME 2007; Gramata 2007). Alongside semi-skilled manual labor recruitment efforts in mid-2000s, the multinationals were attracting also the highly skilled mainly managerial labor into the country through corporate transfers.[114] The increased numbers of French and South Koreans was clearly related to the automotive production of French Peugeot and South Korean KIA.

In 2006, the Ministry of Labor reported a long-term lack of qualified labor force in a wide number of sectors and industries (machinery, construction, transportation, light industries, and seasonal shortages in services; MoLSAF 2006). Paradoxically, while Slovakia was experiencing a shortage of manufacturing labor, Hungary became a new working destination for thousands of Slovaks from the Southern regions immediately after EU accession. An increased migration between the countries was enabled with the free movement of labor after May 2004 which nullified quotas limited to 2,000 workers that had existed before. The estimates of Slovaks (ethnic Hungarians) working in Northern Hungary ranged between 20,000 and 30,000 in 2005 (Schönwiesner and Horníková 2005). Much of this migration was again driven by labor demand in car industry in Northern Hungary. Presumably, out of 2,700 employees of Suzuki in Esztergom, 1,000 were Slovaks by nationality (Ibid.). The analysis of Slovak 2007 migrants across different countries of destination presented in Chapter 3 supports this pattern as well: Slovaks migrants who worked in the neighboring Czech Republic and Hungary were employed in great majority in the manufacturing sector.

6.4.1.3 Section summary: from difference to similarity

All these examples attest to a crucial importance of foreign firms in affecting migratory moves in the region. In the Czech case to a much greater extent than in the

[113] Some estimates referred to 300 hundred workers, which would equal to about 10% of all PSA workers in Trnava.

[114] The leading nationalities working in Slovakia in June 2006 were the Czechs (1,065), Poles (995) and French (807). Ukrainians (577), Romanians (299) and South Koreans (245) dominated among non-EU citizens (MoLSAF 2006). See also Figure 6.2A in annex.

Slovak case, the profile of the incoming FDI and its timing helped to ease the adjustment from a socialist to a market economy. The effect it had on propensity to migrate abroad for the Czech citizens was a mitigating one, both through affecting the wage rise and through offering employment opportunities which matched the skill profiles of the population in the early stages of transition and, moreover, would gradually attract a pool of industrial labor from abroad. Further, foreign manufacturing companies became active seekers of foreign labor. In the case of the Czech Republic, the workers were attracted first from other Visegrad countries and gradually from further East. Similar dynamics took place in Slovakia, but with a significant time-lag as crucial automotive and other investments entered the country mainly in the early 2000s. By then, a significant proportion of domestic labor had worked in the Czech Republic. This work argues that motivations for such mobility were not purely driven by wages but equally – if not more - by employment opportunities which were offered in the Czech Republic to the Slovak (industrial) labor.

To the extent that we align with the findings of Bandejl (2008, 97,101) who claims that "more than any other factor, it is the legitimization of FDI practice in post-socialism that encourages FDI inflow in the first decade after 1989", we can consider the states and the policies towards the entry of foreign investment also responsible for migration dynamics we witness during the transition and after the accession to the EU. The policies of Czech governments during the 1990s towards foreign investors were more liberal than in Slovakia which after the separation of the countries anchored its political and economic decisions in the project of nation-making. The timing of the establishment of investment promotion agencies in the Czech Republic and Slovakia perhaps best exemplifies different degrees of openness towards FDI: CzechInvest came to existence already in 1992 while SARIO was established as late as 2000 (Bandejl 2008, 71). The period of Mečiar's (second) government (1994-1998) led Slovakia to international isolation both politically via exclusion from the first wave of the EU accession countries and economically through crony privatization to mostly domestic hands and adverse policies towards the entry of foreign capital into the country. It offered a policy mix favoring public investment and the non-tradable sector at the expense of private investment and tradable sectors (World Bank 2002, 76). These decisions

postponed the restructuring of the economy that took place with great intensity in the late 1990s and early 2000s and indirectly affected migration patterns from Slovakia. Their full effect, however, can only be captured if the patterns of changes to the welfare system are looked at in parallel. The next section discusses these in detail.

6.4.2. Welfare system reforms and labor markets

Welfare states in the CEE have taken different forms and paths of adjustment from communist structures, partly because they had to react to different challenges over the course of the transition. The key aim of this section is to describe in greater detail different welfare system adjustments in the Czech Republic and Slovakia over time and to show how welfare state retrenchment in the Slovak case coincided with subsequent increase in labor outflows, in spite of the aggregate tight labor market. With a similar logic I propose that a lack of welfare state retrenchment in the Czech case was an intervening factor in mitigating labor outflows from the Czech Republic.

Until 1989, former Czechoslovakia was one of the most closed economies of the Soviet bloc with a very strict centrally planned system. Compared to other CEE economies, it entered the transition with a low debt, sound government finances and tradition of macroeconomic stability. Haggard and Kaufmann (2008, 322-323) attribute "the social-liberal compromise" forged in the early transition in Czechoslovakia under Václav Klaus as the finance minister to the absence of structural fiscal constraints. Before the split of the country, the social policy elements of the Klaus program – in its core more gradualist than in Poland or Hungary - consisted of explicit *quid pro quo* negotiations between unions and the government within tripartite framework. Such arrangements of wage restraints helped to keep inflation low and contributed to relatively high initial employment outcomes (Table 6.3) in the two parts of the country. Klaus in exchange granted temporary protection to viable enterprises.

During that period the Czech and Slovak welfare systems were institutionally identical, although the levels of spending were naturally higher in the Slovak part which had to spend more on dealing with its unemployed. With time, however, the countries started to diverge. In Slovakia, the window of opportunity of distancing from the infamous Mečiar regime and bringing Slovakia 'back to Europe' facilitated the execution

of a series of far-reaching and radical reforms in virtually all segments of public governance, including all aspects of the welfare system. The Czech Republic, on the other hand, did not undertake any significant reforms until after the EU accession.[115] The following sections analyze the political dynamics of the processes in the two countries since the breakup of Czechoslovakia.

6.4.2.1 Czech Republic (1993 – present)

Labor market policy had an important role in the reforms of Václav Klaus before and after the split when he became the Czech Prime Minister. Generous unemployment benefits and active labor market policies were supported by a network of regional labor offices created early on in the transition. In 1992, following Western example, priorities shifted towards support of private sector employment and lowered unemployment benefits. Support for active LMPs declined later on which was due to "underlying compromise on corporate restructuring, the relative success of employment policies, and above all, the return to growth" (Haggard and Kaufmann 2008, 324). Under Klaus' government, the solidarity of pension system actually increased. Compromises were forged in most of the social areas, underpinned by preferences for comprehensive public protection. In spite of the introduction of means testing in 1995, the system retained a generous support to families, including those whose income fell below a minimum threshold (Brown 2005 in Haggard and Kaufmann 2008; OECD 1996). All in all, these extensive and expensive benefits in the Czech Republic resulted into one of the most generous safety nets in the OECD countries (Jurajda and Maternová 2004, 10). The Social Democratic governments who succeeded Klaus in 1997 and held the office until 2006 elections "had managed only the most marginal parametric changes in the welfare system" while reviving the active labor market policies (Haggard and Kaufmann 2008, 325). In sum, from mid 1990s through 2004 when the country joined the EU and even

[115] Jurajda and Maternová (2004) attribute the reasons for reform stalemate in the Czech Republic between 1998 – 2003 to, first, the powerful role that the trade unions had in influencing the government and the Parliament on labor (and other) policies, second, the fact that the country was richer and hence was facing lower fiscal pressures which in turn allowed continuation of inefficient policies and, third, the aspect of political cycle which put off addressing future challenges related to aging of the population and possible relocation of the assembly lines in future decades.

afterwards, little reform in social policy took place in the Czech Republic and general features of welfare state coined in comprehensive public protection were retained.

Between 2006 and 2008 the Czech Republic decided to introduce a series of reforms to social welfare, child protection system and the tax system with the main goal to strengthen pro-work incentives (World Bank 2008). Tax reform introduced gradual lowering of corporate and income tax and raising of the lower VAT rate. Social system reforms aimed at lowering welfare support for inactive long-term unemployed in order to make work pay. At the same time it expanded child tax credits and changed the income eligibility threshold for child benefits in favor of the lower income families. The reform also strengthened targeting of support based on net family income. Reform changes between 2007 and 2008 did not make any major changes to the system of unemployment benefits.

Overall, the reforms of tax and welfare system in the Czech Republic were introduced much later than in the Slovak Republic and also more gradually, over the time span of several years. The system has become more targeted towards lower income groups but supportive to families with children. The exact effects of the reforms on median income earner are not clear but it seems that the comprehensiveness of the system has partly declined. The question of what effect these reforms are likely to have on migration from the Czech Republic is an interesting one for future research but is outside of the scope of this work. The level of living standards and the availability of jobs that the Czech Republic had achieved by the time the reforms were introduced, however, are likely to project very differently on migration outflows than was the case in Slovakia when it had introduced its social security and tax reforms in the run up to the accession to the EU.

6.4.2.2 Slovakia: 1992 - 1998

Slovakia lived through a dynamic history under six years of two Mečiar governments (1992-1998) which drew the country into international isolation politically. This period is marked by an increased dissatisfaction of citizens with the image of the country, although a significant portion of the population favored the governments which maintained macro-economic fundamentals until about 1996 and were internationally

acclaimed for its low budget deficit, inflation, and general government debt. According to Greskovits (2008, 278),

> "… Mečiar revived important aspects of the Husák legacy: welfare paternalism, subsidies and protective regulation for the inherited heavy industries, nationalism, and the East European orientation of foreign policy. [….]. Due to relatively generous social transfers and firm subsidies, inequality could be kept at bay, and large parts of inherited industry afloat."

In terms of social policy, the early Slovak social policy combined new social safety nets with the maintenance of existing commitments. In addition to generous unemployment insurance, the Slovak government developed even more extensive range of active labor market policies than did the Czech Republic through supporting private sector employment and creation of jobs in public sector (Lubyova and van Ours 1997 in Haggard and Kaufman 2008, 327; Terrell and Műnich 1996; Terrell, Lubyova, and Strapec 1996).[116] Interventions in the other aspects of social welfare during Mečiar governments such as health care, pensions, social insurance entitlements or child allowance were marginal or if implemented, then again reversed. The overall reforms of social sphere and labor market were hence less than partial and were strongly marked by continuity with the socialist era (Haggard and Kaufmann 2008). Most of this was to change soon.

6.4.2.3 Slovakia under reforms: 1998 – 2006/2007

The first post-1998 government consisted of anti-Mečiar coalition of left-to-right range of political parties. The policies implemented during the first Dzurinda administration reflected this ideological mixture. After the change of governments in 1998, economic indicators inherited in poor shape from Mečiar further declined for a number of years when complex structural reforms in many areas of public life were introduced. Macroeconomic indicators during this period were modest with slow growth rates, poor government balance, rising unemployment and stagnating wage growth but

[116] Looking back, Helena Wolekova, former Slovak Minister of Labour in the Federal Republic of Czechoslovakia and an advisor to a number of subsequent ministers noted that the social nets they had developed to counter-weight the effects of restructuring in Slovakia were more extensive in mid 1990s than with what they had started at the beginning of the transition and also partly in comparison to the Czech Republic. Personal interview, January 2009, Bratislava.

started to recover towards the end of the government term. After the initial austerity package and re-vitalization and re-structuring of the bank sector, the government concentrated on improving business conditions in the country which included a corporate tax cut from 40% to 29% in 2000 (Jurajda and Maternová 2004).

Labor market reforms between 1998-2002 consisted of two sets of policies which resembled two ideological poles of the coalition. The left-wing part of the coalition pushed through a reform of Labor code in 2001 which decreased the flexibility of labor market, and introduced higher public sector wages and universal child allowances in 2002 and channeled through repeated increases in minimum wage. The right-wing policies which passed the Parliament included phasing out of earlier retirement in 2000, reduction of social assistance and a re-reform of Labor Code in 2002.[117] Changes to the social assistance benefits were based on the conceptual change in eligibility criteria and introduction of "subjective" reasons for being or becoming unemployed as the justification for lowered or no support from the state. This in effect meant a 50% reduction of social support for about half of those declaring income below the minimum subsistence level before (Jurajda and Maternová 2004). Such policy change targeted mainly recent school graduates, those unemployed for over two years, those who had left their job voluntarily, refused to cooperate with the Labor office or refused to take part in public-works (Jurajda and Maternová 2004). These policies were implemented with the aim to increase pro-work incentives and to reduce social support expenditure. They represented a first step in further adjustments to the social security system which were implemented with full speed under the second Dzurinda administration.

The results of 2002 parliamentary elections in Slovakia which brought in a coalition of centre-right parties accelerated the divergent reform trajectory between Slovakia and Czech Republic. The coalition embarked instantaneously on a bold reform platform which included a flat tax reform, public finance reform, an overhaul of the social support scheme, a new Labor Code featuring a high degree of flexibility and lowered power of labor unions, restructuring of the public administration, three pillar pension reform and a reform of health care system.

[117] For more on the "Labor Code Battle" see Jurajda and Maternová (2004, 20-21).

Over 2003 and 2004, labor market legislation and the structure of social benefits have undergone further comprehensive changes. The measures were introduced as 'new social policy' with the "it pays to work" as the leitmotif of the reform process (Bodnárová 2006). With the main objective to increase flexibility of labor markets and decrease misuse of the system, universal replacement payments decreased and were replaced by targeted transfers. The subjective versus objective distinction used to determine the level of social assistance benefits earlier was abolished and replaced with structure close to subjective low levels of benefits but complemented by activation measures and protection bonuses (Jurajda and Maternová 2004, 23; Bodnárová 2006, 475-476). Such system amounted to significant reductions in the level of benefits while provided significant pro-work incentives. These were also paralleled by new administrative rules and institutional improvements which included greater integration of social services (contributions paid by labor offices and not separate social offices, more competences and powers given to the Central Labor Office and regional branches, etc.) and a mandatory bi-weekly registration at the labor office as a pre-requisite for collecting many types of social benefits. Child allowance system also underwent important changes. Starting in 2004, child allowances were disconnected from income levels and a universal contribution was given instead. Compared to previous system, this increased child allowances for high income groups and lowered them for low income groups, largely Roma families.

The labor market and social policies reforms brought results nearly immediately. Within a year and a half, between first quarter of 2004 and third quarter of 2005, there were 96,500 less unemployed, with the overall number reaching still very high 415,000 jobless (Bodnárová 2006, 473). The unemployment rate continued to decline with great speed until the end of 2008. From 2003 onwards the employment level started to rise as well (Table 6.3).

This, however, was accompanied by a high propensity of Slovaks to work abroad. The estimated number working abroad in 2005 may have been close to 150,000 which was a figure that roughly corresponded to the decline in the number of people registered with labor offices. Bodnárová (2006, 476) indicated that "many people booted off the unemployment register have solved their situation by leaving the country instead of continuing to seek jobs on the domestic labor market" but to keep track of the precise

numbers is not possible. In spite of increase in employment and decline in unemployment, the number of unemployed remained still very high, even during the time of otherwise tight labor market described earlier.[118]

The remaining key reforms of health care, pensions, tax and fiscal decentralization further affected the welfare structure and degree of support provided by the state to different groups of population.[119] The reform measures heightened social tension demonstrated by increased levels of strike activity and dissatisfaction of population with living standards. In February 2004, Roma food riots took place in Eastern Slovakia. This, together with other impetuses, resulted in an adoption of adjustment scheme aimed at reducing negative effects of the reforms on the least advantaged groups in society (Jakoby, Kováč, and Morvay 2004).

In 2004 Slovakia was dubbed the world leading reformer and managed to attract a number of strategic green field investments, quickly changing its image of the regional laggard (EBRD 2005). Slovakia joined the EU as a stable market economy with austere macroeconomic policy and good investment environment achieved on the basis of more modest welfare spending. Due to the ability to adhere to the Maastricht criteria, the country joined the ERM II system in 2006 and entered the euro-zone in January 2009. The reforms of the second Dzurinda government, however, took a domestic political toll. The coalition parties were defeated in 2006 parliamentary elections and replaced by the socialist-nationalist coalition government instead. The new government parties ran the elections on the platform of reversing the reforms of the previous government which remained to be largely rhetoric. Only relatively minor adjustments took place, several of

[118] Miroslav Beblavý, a former State Secretary of Labor, estimated in 2005 that approximately 8% of people on Slovakia's labor force were unemployable (SME 2005). The unemployment rate in the country was slightly higher than this estimate when the country suffered from skill and labor shortages between 2004 and 2007.

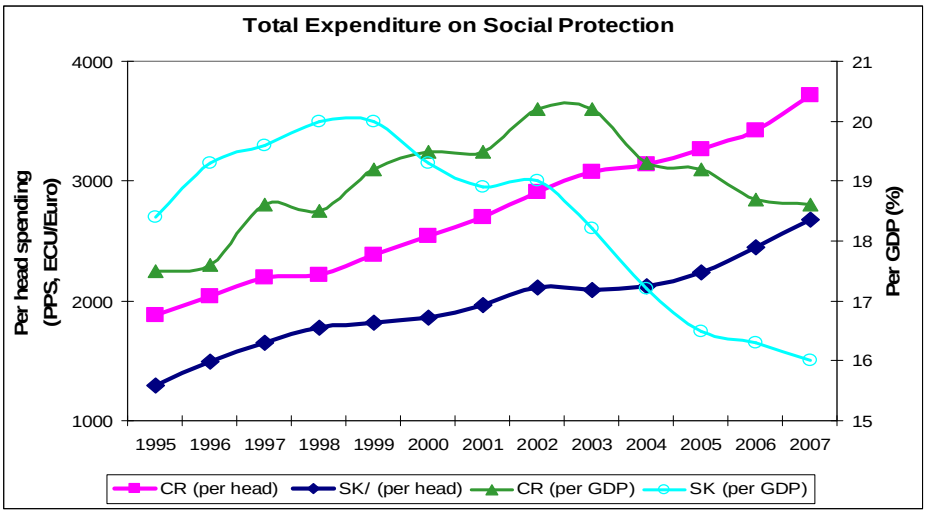
[119] In respect to pension reform launched in 2003, the pay-as-you-go system was replaced with a three pillar structure based on individual savings accounts managed commercially, making pension in the future accessible to those who work as a function of personal savings as much as of public contribution (Jurzyca and Goliáš 2005, 7-10). Haggard and Kaufmann (2008, 329) mark that "there can be little question that the reform marked a departure from the more solidaristic approach of the pre-reform period", also due to its other elements, such as higher retirement age for both sexes. Health care reform pushed for privatization of some hospitals and increased participation of individual citizens on the payments. Starting in January 2004, a uniform flat tax rate of 19% on all types of taxes was introduced. The previous two VAT rates (20% and 14%) were unified, conveying into higher prizes of basic goods and services. Tax burden was shifted from direct taxes to indirect taxes or from profit taxation to consumption taxation. According to some estimates, tax reform has negatively affected the living standards of median income population, although by relatively low percentage level of about 2% (Goliáš and Kičina 2005).

them in the social sphere (i.e. state contribution per born child up to the third child, Christmas bonuses to pensioners) but of relatively small extent as of the end of 2007.

6.4.2.4 Over time comparison: from similarity to difference

These very different reform dynamics in the two countries are mirrored in the macro-developments in respect to social spending and labor market policies. Figure 6.5 shows social protection expenditure over time and reveals two interesting findings.

Figure 6.5: Total expenditure on social protection: per head (PPS) and share of GDP



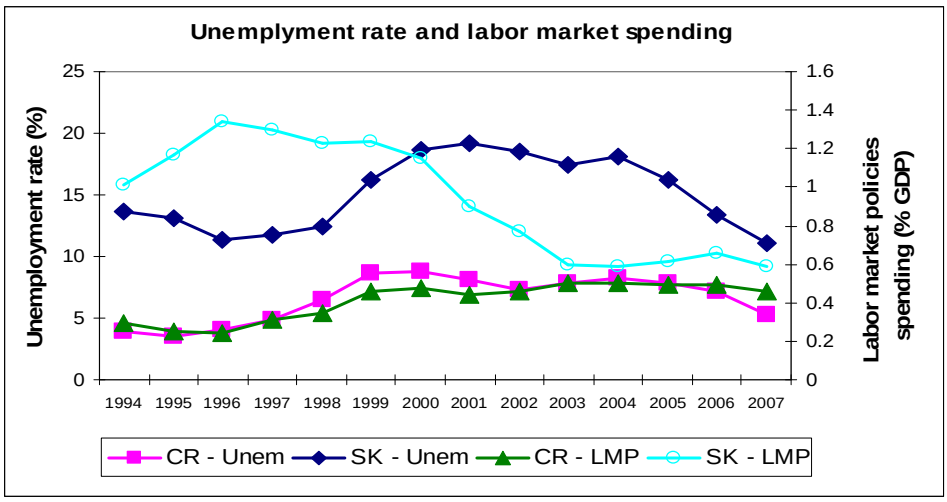
Source: Eurostat.

First, social protection expenditure as the share of GDP was higher in Slovakia than in the Czech Republic until 2000. Since then the social protection spending in Slovakia started a secular and steep decline falling from 20% in 1998 to 16% in 2007. Contrary to that, social expenditure outlays in the Czech Republic rose during the whole period of transition preceding the EU accession, reaching its peak of 20.2% in 2003 and declining since then to below 19 % in 2007. In addition, per head social protection expenditure has been in the Czech Republic during the whole transition period higher than in Slovakia and the gap in per head social spending has risen from 20% in 1998 to 31% difference per head spending in 2005.

Similarly, the ways to address labor market problems in the two countries have been very different. Due to its problem of unemployment but also due to significant investment in active LMPs during Mečiar's administration, the labor market policies spending was initially higher in Slovakia. The difference in the tendencies in the labor

market funds allocation over time cannot be more striking: while LMP policies spending was rising continuously since the mid-1990s in the Czech Republic, it has declined sharply in Slovakia from early 2000s, essentially converging on the levels of spending in the two countries shortly before the accession (Table 6.3). Further, while increasing unemployment in the Czech Republic was copied by a concomitant rise in spending on active and passive labor market policies, labor market expenditure in Slovakia significantly declined since 2000 onwards in spite of the unemployment reaching its peaks and attaining levels three times higher than in the Czech case (Figure 6.6). While the passive LMP spending declined rapidly, active LMPs, which would have been in line with the 'activation logic' of the governments in power, did not rise but also continued to decline (Table 6.3). This implies suboptimal policy mix in the case of Slovakia, which might relate to the belief about the non-employability of parts of population, mainly the ethnic Roma. Temporal decrease in Slovakia is significant not only in terms of underestimating the need to help the economy adjust, as the evidence about labor and skill shortages in mid-2000s suggests, but is crucial also in the context of expectations and perceptions of the Slovak society which was pampered in the earlier periods (leaving aside the debates about welfare state misuse) but had to face wide-ranging rampant reforms later.

Figure 6.6: Unemployment rate versus labor market policies spending



Source: OECD and Transmonee. Note: Pearson's correlation coefficient between unemployment rate and LMP spending in CR = 0.94 and in SR = -0.56.

The changes in employment protection legislation are also worth the comparison because they significantly altered labor market rules towards greater flexibility in

Slovakia. The Slovak economy was in 1998 overall more rigid in terms of employment protection legislation but the Labor Code changes introduced greater flexibility in the areas of workers dismissals, fixed-term employment, strictness of temporary employment and collective agreements by 2003. The Czech Republic, on the other hand, did not undertake any substantive changes in labor market regulation (Table 6.4). The labor market regulation in the two countries could have affected migration in two major ways, although the direct causality of the effect of employment protection legislation is not straight-forward (cf. Faggio and Konings 2001, 7).[120] It seems, however, that stricter regulation of dismissals in the Czech Republic provided more stability and security to those in employment, making firing but also hiring more stringent. Given the employment opportunities and high employment levels, this did not seem to have had many negative effects on the Czech labor market. On the other hand, liberalized dismissal regulation made both firing and hiring more flexible in the Slovak labor market which just before the accession had specific implications on, first, the feeling of security in respect to domestic employment, and second, the ease of re-entering labor market after working abroad. The link between labor market regulation and migration patterns in the region warrants further investigation.

Table 6.4: Employment protection legislation: 1998-2003-2008

	Czech Republic			**Slovakia**		
	1998	2003	2008	1998	2003	2008
Regular employment						
Regular procedural inconveniences	3.5	3.5	3.5	1.5	1.5	1.5
Notice and severance pay for no-fault individual dismissals	2.7	2.7	2.9	2.7	2.7	3.2
Difficulty of dismissal	3.8	3.8	2.8	3.3	2.8	2.8
Fixed-term contracts	0.5	0.5	0.8	1.8	0.3	0.3
Temporary employment						
Temporary work agencies (TWAs)	0.5	0.5	1.0	0.5	0.5	0.5
Overall strictness of regulation on temporary employment	0.5	0.5	0.9	1.1	0.4	0.4
Collective dismissals	2.1	2.1	2.1	4.0	3.8	3.8
Overall EPL strictness*	**1.94**	**1.94**	**1.99**	**2.17**	**1.74**	**1.82**

Source: OECD. The higher the index, the stricter the measure(s). Note: * - Weighted sum of version 1 sub-indicators for regular contracts (weight 5/12), temporary contracts (weight 5/12) and collective dismissals (weight 2/12).

[120] Research that would look at the link between EPL and migration within the EU is rather scarce. The impact of EPL on labor market outcomes in EU10 differs for different age cohorts (Duman, Makszin, and Medve-Balint 2010). Given the skill and age characteristics of the post-accession outmigration from the CEE countries, this seems to have important implications and deserves further scholarly attention.

6.5 Summary and conclusions

This chapter investigated the link between reform processes and the divergence in migration dynamics in two CEE economies: the Czech Republic and Slovakia. The comparison forms a counterfactual: the countries have made opposite choices in crucial areas of transition policies since the separation and in effect essentially experienced very different migration patterns from and to the countries. I argue that the effect of FDI which served as a key driver of economic transition and restructuring in conjunction with adjustments to welfare systems help us to understand better why labor migrated with very different rates from and to the Czech Republic than from and to Slovakia. I show that the countries shared initial similarity and moved towards dissimilarity on the welfare state dimension while initial divergence on structural dimension and FDI attraction was closed up by the time the countries joined the EU. The argument presented in this Chapter is summarized in Table 6.5.

Table 6.5: Summary of the argument

Variable	*Czech Republic*	***Slovakia***
Foreign direct investment		
Timing	Early	Late
Type	Diversified	Concentrated
Location	Distributed	Concentrated
Policies	Liberal throughout	Protective until 1998, liberal afterwards
Welfare state		
Spending	Stable and increasing	First increasing, decreasing since late 1990s
Reforms	None until 2006	Radical and comprehensive since 1998
Migration outcome		
Out-migration	Weak	Very strong
In-migration	Very strong	Weak
Source: Author		

The transitional path both in respect to FDI attraction and subsequent restructuring in the Czech Republic ended up being very different to the Slovak one by mid-2000s. First, the Czech Republic attracted more FDI and much earlier than was the case in Slovakia which joined the quest for foreign capital only at the break of the millennium. Given the crucial importance of foreign investment in the process of job

creation, this directly and indirectly affected the rates of migration from and to the Czech Republic and migration from Slovakia to the Czech Republic in the late 1990s and early 2000s. The motivations for such mobility were not purely driven by wages but equally, if not more, by employment opportunities which were offered in the Czech Republic to Slovak (industrial) labor. Even larger outflows during 1990s were mitigated by extensive social safety nets which were broadened in the mid-1990s. Very high rates of out-migration from Slovakia mainly to the UK and Ireland after the accession, can be fully explained only when general reform trajectory, primarily but not only in social welfare and labor market interventions, are considered. There the cases again show variation and divergence.

In the Czech Republic the social sphere, until very recently, retained the basic pre-1989 features and its comprehensive, universalistic and inclusive elements. Such a system is likely to provide wide-ranging safety nets and in many aspects broadens and improves quality of life for all strata of the society. Slovakia, on the other hand, gradually from 1998 onwards introduced a series of far reaching reforms which overhauled the old system, originally very similar to the Czech system due to a common institutional legacy from communism and the early transition period. Most of the Slovak labor market and social system reforms were in full launch before the country joined the EU in May 2004. Both direct and indirect links can be made between these comprehensive changes and increased rates of out-migration from Slovakia.

The impetus for higher mobility abroad and into the neighboring countries is likely to stem from, first, a greater flexibility of labor market which eased labor market exit and entry, including the exit and a later re-entry from a labor market abroad. Second, the link between the reforms and migration abroad is coined in the lower government support and pro-work attitudes advocated by the measures on the basis of which the workers – some more voluntarily than others – had to look more actively for job opportunities. In many instances, these opportunities, partly due to the ease and cheapness of travel abroad and hungry labor markets in Ireland and the UK, were more readily available and accessible abroad than at home. Hence, by the time that both foreign and domestic companies struggled to recruit labor, much of the labor had already worked abroad, even if earned in low paid and low skilled jobs. Therefore, when Slovakia had

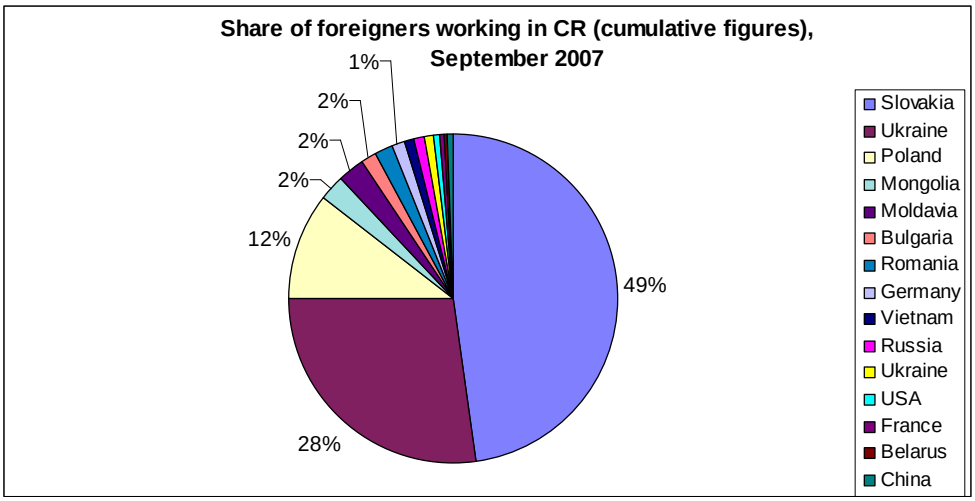
converged with the Czech Republic in the presence and the ground effects of FDI, job creation dynamics and tightened labor markets, it had diverged greatly in various social policy aspects which arguably affected the environment in which potential Slovak migrants were assessing their choices and prospects. The potential misfit between labor qualifications and employers' needs, left unaddressed in policy decisions since late 1990s, have contributed to high outflows of young and university educated labor abroad after accession. At the time of joining the EU, the Czech citizens lived in a country which had more work than it could fill with domestic labor and relatively extensive and comprehensive welfare system while Slovakia was only entering the period of growing job opportunities and had just re-adjusted social system downwards for most segments of society.

An important political economy question to address at the end is the extent to which the policy trajectories described above were (pre-)determined by factors that are difficult to overcome. The external or historical limits of the available options seem to be greater in decisions related to the inflow of foreign direct investment and the particular restructuring paths related to that. Here Slovakia was clearly disadvantaged relative to the Czech Republic as it entered transition with unfavorable economic structure and more regional inequalities which are difficult to overcome. In addition, location decisions of foreign investors are affected by multiple factors and host country government policies only play a part in what is a complex decision and negotiation game. On the other hand, the evidence of later Slovak development, such as the ability to relatively successfully re-structure at a later point in time, but also factors from the early 1990s, such as favorable macroeconomic fundamentals and the initial opening of Czechoslovakia towards foreign participation (i.e. the described VW case), imply that Slovakia had a series of true choices at hand. For complex reasons explained in the previous sections, the country took a particular transition path with particular effects on migration patterns over time. How transition in Slovakia would have evolved had Czechoslovakia not fallen apart and whether an earlier opening to FDI would have generated the desired benefits, *ceteris paribus*, is unknown. The developmental (and migration) trajectory of the Czech case, which in multiple other crucial aspects was initially very similar, offers in many ways a powerful counterfactual.

This chapter complemented the previous sections of the dissertation by providing a unified account of the effect of the two main factors investigated in this work. It also proposed more detailed mechanisms through which foreign capital and welfare adjustments impacted environment in which (potential) migrants were making decisions. Importantly, these macro-level processes can be traced down and empirically connected to migration patterns. The more qualitative discussion emphasized a direct link between the macro-level outcomes and concrete policy decisions. This helps to bring state in as an (f)actor affecting migration indirectly, that is outside the migration policy itself, but robustly. Indeed, migrant decisions – while rational - are undertaken in the context of *specific* economic, social and institutional environments of home countries.

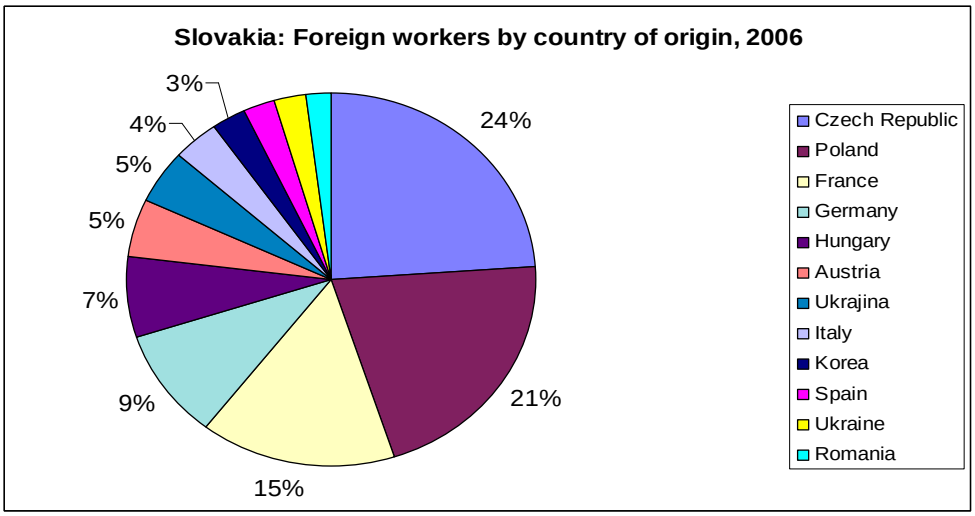
ANNEX 6

Figure 6.1A: Foreign workers in CR by country of origin, September 2007



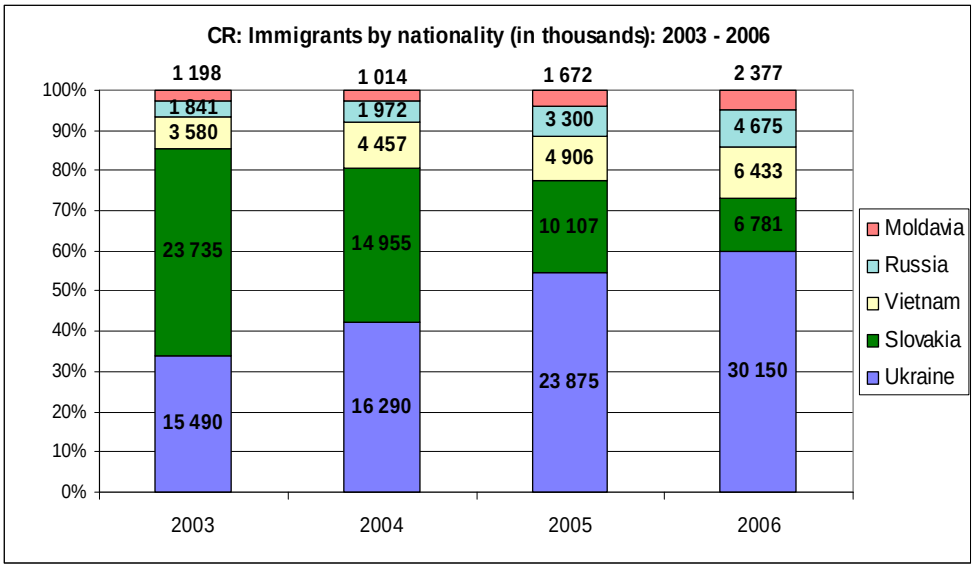
Source: Czech Statistical Office.

Figure 6.2A: Foreign workers in Slovakia by country of origin, 2006



Source: Central Office for Labor, Social Affairs and Family.

Figure 6.3A: Immigrants (permanent) in Czech Republic by nationality: 2003-2006



Source: Czech Statistical Office.

Table 6.1A: Foreign direct investment in Czech Republic: by economic sector and regional distribution, as of December 2007

FDI stock in CR by region in 2007 (Cumulative)					FDI in the CR by economic sector, as of December 2007		
Region	No. of projects	Investment amount (mil. CZK)	Investment % of total	Jobs	***Sector***	USD mil	%
Prague	3	196.75	0.28	1150	Agriculture, forestry and fishing	251.3	0.22
South Bohemian	3	1570.18	2.21	271	Mining and quarrying	3125.3	2.78
South Moravian	38	12979.89	18.30	3900	Manufacturing	42028.2	37.39
Karlovy Vary	1	742.31	1.05	470	Electricity, gas and water	9242.6	8.22
Vysočina	2	355.34	0.50	130	Construction	1143.6	1.02
Hradec Králové	10	7517.33	10.60	2638	Total services	56616.9	50.37
Liberec Region	5	1120.17	1.58	860	**TOTAL**	112408	100.00
Moravian - Silesian Region	17	6117.31	8.62	1766			
Olomouc	16	3994.67	5.63	1902			
Pardubice	12	4964.17	7.00	1100			
Plzeň	16	2651.23	3.74	1539			
Central Bohemian	15	8567.08	12.08	8222			
Ústí nad Labem	31	19307.09	27.22	6508			
Zlín	3	850.5	1.20	141			
TOTAL	182	70934	100.00	30598			

Source: Czech National Bank and CzechInvest Annual Report, 2007.

Table 6.2A: Foreign direct investment in Slovakia: by economic sector and regional distribution, as of December 2006

	Total		
	mil. SKK	**mil. USD**	**%**
Structure of capital by regions			
Bratislava region	318 931	12 151.6	67.0
Trnava region	26 265	1 000.7	5.5
Trenčín region	23 164	882.6	4.9
Nitra region	14 484	551.9	3.0
Žilina region	35 088	1 336.9	7.4
Banská Bystrica region	12 414	473.0	2.6
Prešov region	7 858	299.4	1.7
Košice region	37 730	1 437.6	7.9
TOTAL	475 934	18 133.6	100.0

Structure of capital by sector	mil. SKK	mil. USD	%
Agriculture, hunting and forestry	1 828	69.6	0.4
Fishing	0	0.0	0.0
Mining and quarrying	2 736	104.2	0.6
Manufacturing	186 017	7 087.4	39.1
Electricity, gas and water supply	66 001	2 514.7	13.9
Construction	3 330	126.9	0.7
Wholesale and retail trade, repairs of motor vehicles	54 796	2 087.8	11.5
Hotels and restaurants	2 370	90.3	0.5
Transport, storage and communication	40 161	1 530.2	8.4
Financial intermediation	91 598	3 490.0	19.2
Real estate, renting and business activities	23 907	910.9	5.0
Public admin. and defense, compulsory social security	0	0.0	0.0
Education	0	0.0	0.0
Health and social work	1 623	61.8	0.3
Other community, social and personal service activities	1 567	59.7	0.3
Activities of private households	0	0.0	0.0
Extra - territorial organizations and bodies	0	0.0	0.0
TOTAL	475 934	18 133.6	100.0

Source: SARIO.

CHAPTER 7
CONCLUSION

7.1 Recapitulation of the arguments

This work has addressed the question of why in some CEE countries workers have been more prone to migrate, yet in others there is less labor migration. In answering this question, the dissertation makes a strong case that economic factors alone, as proposed in the neoclassical framework, fail to explain the diverse migration patterns across the CEE countries. While wage differentials do elucidate why people seek employment in the West (rather than in poorer countries) and are a starting point for any investigation of migration, they do not explain why workers from some CEE economies migrate less. The differences in earnings between Czech Republic, Hungary or Slovenia relative to the West seem to be large enough to generate significant worker mobility and are not fundamentally smaller than those of Slovakia or Estonia. Yet, the workers from the Baltic countries, Slovakia and Poland have outmigrated to the West with much greater intensity than labor from the remaining CEE countries.

The dissertation has demonstrated that a more encompassing and more sophisticated framework can explain the observed patterns of migration in their complexity. Through analyzing CEE migration in the context of the complex economic and social changes that the countries experienced during the transition from socialism to a market economy, this dissertation has built a conceptually more accurate and empirically valid model. Two factors, so far not systematically analyzed in other works about migration in the region, were investigated in detail: the impact of structural change and the role of welfare systems.

Labor markets and their functioning gained central importance and represented a core theme of the work. The analytical centrality of labor markets was constructive in multiple ways. Primarily, using this tool made it possible to examine migrant profiles and the ways they are a product of the effect of economic and social change. Additionally, the labor market approach proved useful in the analysis of policies towards the outmigration

of youth, which revealed that labor market needs and problems were central to state responses. Lastly, the labor market focus enabled us to bring together the two variables and study their joint impact.

The findings of this work are as follows: the structural change was unprecedented in its extent and speed and required major reallocation of labor within the CEE economies. International mobility became an important part of labor market adjustment and migration served as one of the options for dealing with labor market problems, imbalances, risks and insecurities. In order to demonstrate this, I documented the inter-occupational and inter-sectoral dynamics of change across the CEE economies and compared those to the profiles of CEE migrants in the West. In the analysis, the assumption that labor market structure and labor market problems can serve as a proxy to anticipate the type of migrants was confirmed. Different profiles of migrants from the EU8 countries (and within them) in the major receiving countries indeed reflected the underlying labor market restructuring dynamics and the countries' different human capital endowments. Those countries that had suffered more from labor market imbalances and occupational mismatches experienced greater outmigration during the transition and after accession. While the effect of the labor market disturbances in 1990s on the hardship migrants is clear, structural issues also continued to underpin the outmigration of young post-accession migrants. These materialized in the form of the lack of employment opportunities matching their qualifications or expectations on the labor market. The mismatches that affected hardship and choice migrants alike were the outcome of the process of rampant structural change, driven primarily by the inflow of foreign capital, and the limited degree to which the countries succeeded in adapting their respective labor market skill base to the demands of newly restructured economies.

Investigating the second factor, the dissertation has shown the crucial role that states have in affecting the outcomes of economic restructuring. This was operationalized primarily through the impact of welfare systems on labor markets functioning. I conceptualized welfare systems, which in CEE enjoy a long history, as a mediating mechanism in the process of transition which helped the economies and labor adjust. Welfare system provisions can be perceived as an investment in opportunity structures, as a source of insurance in the cases of labor market risks and as an indirect form of income

through transfers and public policies. Under the conditions of rampant structural change, passive and active labor market policies and reforms of the curricula that were more in line with labor market needs represented a set of tools important in mediating the impact of labor market changes. In addition, family support and public services such as health care and education also embody indirect income and are likely to affect the decisions of (potential) migrants when they make judgments as members of (future) families. In general, the countries with lower levels of social spending have faced higher shares of their workers leaving to work abroad. Hardship migrants were more induced to migrate from those countries where unemployment insurance systems and other schemes aimed at helping the workers adjust were underdeveloped or received less financial support. Welfare systems mediated the decisions of choice migrants if they were able to address the mismatches between education systems and labor market needs and developed policy tools helping graduates to face often adverse conditions in the school-to-work transition.

These two factors make the CEE region distinct, and their combined impact explains the patterns of migration in their complexity. In order to demonstrate this more extensively, the factors were brought together in the chapter which compared migration patterns in the Czech Republic and Slovakia. This part of the analysis teased out further mechanisms behind the impact of structural change and welfare systems and showed their combined effect over time. It concentrated extensively on showing the working of the state policies and their (unintended) impact on migration patterns in these two countries, and dealt more with in-migration into the region. I showed that the effect of FDI which served as a key driver of economic transition and restructuring in conjunction with adjustments to welfare systems help us to understand better why labor migrated with very different rates from (and to) the Czech Republic and from Slovakia.

Overall, this dissertation has shown that studying the specific conditions of localities and taking wider range of migration determinants related to conditions and options in the domestic labor market into account can help us understand and to anticipate migration flows and their composition better than relatively oversimplified neoclassical framework. Wages and earning differentials are important individual level migration determinants but these alone have been neither sufficient nor necessary for migration to take place in the CEE region. Workers are embedded in particular economic

and social contexts; therefore, the types of opportunities and constraints that these provide are crucial for shaping their decisions to stay or migrate. Hardship migrants turned to migration not necessarily due to the existence of higher wages, but due to the lack of work opportunities in their home countries and the lack of institutionalized support to help workers adapt to the labor market risks in the transition. In the case of choice migrants, higher earnings in their home countries enabled rather than inhibited migration. In addition, what appears to motivate choice migration is not earnings alone but the unsuitability of jobs available in their home countries. While the low-skilled jobs in the UK or Ireland might offer a higher income for young migrants when compared to the earnings in jobs commensurate to their profiles available at home, in fact fewer outmigrated from the countries where the gap between the qualifications of graduates and the existent job opportunities were lower. In other words, the extent to which there are opportunities in domestic labor markets to find jobs that match workers' skill sets, preferences or geographical needs is a crucial factor that can inhibit the choice migrants from leaving, even in the instance of the existence of high wage differentials.

This argument has been elaborated conceptually and empirically for the case of migration in Central and Eastern Europe over the last two decades. Two issues to address at this point are, first, how the analytical framework relates to and differs from the dominant migration theories and, second, how and to which extent can the findings and recommendations of this work be generalized to other migration contexts and regions.

7.2 Revisiting migration theories

In this dissertation I endorsed the critiques that have viewed most of the current migration research as failing to study migration as part of wider global changes. Looking at the new accession states to the EU which arguably represent a case *par excellence* of major political, economic and social changes in the last two decades, I applied the methodological approach that has been advocated in some of the most recent theoretical works about migration (Castles 2008, 2009; de Haas 2008; Castles and Miller 2009). These works have called for more holistic approach to studying migration that would

reconceptualize it as a complex process in which different factors work together and are not static, but rather subject to constant change.

I achieved this by combining elements of various theories of migration and building on literature outside of migration field. Specifically, I engaged with transition studies by taking on the findings about differences in policies adopted by transition economies leading to different outcomes in economic structures and socio-economic models in the region. Further, the section on structural change relied strongly on labor market research, while the sections about welfare systems adapted concepts and measurements from welfare state studies. In many ways, the inclusion of these additional literatures further enabled us to connect different levels of analysis and to establish causal relationships between macro-level factors and micro-level individual behavior. In essence, I embraced the political economy approach which sees the working of markets and politics in their interaction and as mutually affecting each other and therefore naturally offers a broader and more complex line of inquiry.

Comparative political economy and political science methodological tools were endorsed in the systematic cross-country and over time comparative framework. This research design made possible the combination of multiple methods, both quantitative and qualitative, to overcome data constraints and to conduct a joint analysis of migration patterns at the macro-level and migration decisions at the micro-level. While my work has proposed a new conceptual framework and combined methodological tools, it shares similarities with elements of all major migration theories.

Firstly, this framework shares important concepts with the new economics of migration theory (NEM), namely the importance to take into account the failures and inefficiencies in domestic labor markets. Due to the focus of this theory on the study of developing countries, NEM theory does not deal explicitly with welfare systems or skill mismatches as factors affecting migration patterns. The theory has been derived from and applied to mainly developing countries and in its methodological apparatus and perception of migrants as rational actors maximizing their good it does not deviate fundamentally from the neoclassical theory. This work differs from NEM in two major ways. First, I allow greater variation in migrant profiles and their strategies. This includes seeing migration as risk diversification strategy and migrants as making decisions within

households, but is not exclusive to it. Migration strategies in this study are portrayed as more diverse and fundamentally shaped by a combination of individual characteristics and structural and institutional factors.

Secondly, major differences between my framework and world systems theory lie in the understanding of deterministic nature of the observed macro-level processes and the subjection of migrants to these. World systems theory, historical in its nature, has dealt extensively with the impact of global changes underpinned by capital mobility on dislocations in developing countries and subsequent rural-urban migration. It highlights in particular the political and economic importance of colonial ties on the directionality or intensity of flows. Unlike this work, however, the world systems theory does not dedicate extensive attention to explaining micro-level behavior. As such, it does not think of migrants as actors in migration process but rather as automatons, and draws a rather pessimistic picture of migration determinants and of the outcomes of migration. The framework informing this dissertation instead considers migrants as actors in the migration processes and gives relatively strong emphasis to the fact that migration streams and migrant profiles are formed by a *combination of* political, structural and individual-level factors. In addition, the role of foreign capital has been viewed as important but not all-determining, as the historical-structural approach has proposed. To this end, this dissertation has also demonstrated that the impact of foreign capital inflows on migration has varied extensively across the CEE countries and the FDI effects have been conditioned by many factors, ranging from historical legacies to the policy decisions of governments. At different places throughout the dissertation, I have also pointed out that even structurally more disadvantaged countries were able to overcome some of their misfortunes and that states have been active actors in affecting macro-level outcomes and indirectly, but robustly, also migration patterns.

Similarly to this framework, dual labor market theory analyzes at length the impact of structural change on migration patterns but, rather than engaging with the process of structural change, it incorporates its outcome. It deals with the importance of economic structures and the duality in labor markets in receiving countries, which allowed the theory to highlight the role of governments and employers. While it provides an extensive explanation of labor market related factors in host countries that lead to the

attraction of immigrant labor and points out different conditions that arise for workers in primary versus secondary sectors, it dedicates limited attention to similar factors in sending countries. It also does not analyze how these factors in sending countries shape the profiles of incoming migrants and their strategies. In addition, this work conceptualizes labor markets as connected to, affected by and affecting social and economic policies, including education and skill formation policies.

The emphasis given to contextual factors is shared by all the above theories and the framework developed in this dissertation but the precise understanding of the context varies. World systems theory highlights the role of world level political determinants that structure relationships between the rich and the poor countries. Dual labor market theory emphasizes particular structure of economy commensurate with the level of development in rich countries that creates demand for immigrant labor by the employers, typically responded to by receiving states' policies. NEM theory defines context as imperfect markets in which households in poor countries make choices to secure their survival and improve their lives. This dissertation has emphasized context in the more specific terms and looked at the political and economic transition in selected post-socialist countries that induced changes to the functioning of economy and social structures.

The lack of attention given to contextual factors is a distinct feature of the neoclassical theory. This is one of the reasons why it is in general considered more parsimonious than the remaining theoretical approaches. With respect to this work, a neoclassical economist might argue that wages are a summary measure of labor market tightness and therefore they capture many of the labor market problems with which this dissertation engaged extensively. In that case the neoclassical theory seems to be a preferable framework due to its ability to capture empirical reality in a simpler way and with greater parsimony. Methodologically, neoclassical models are able to incorporate a wide range of variables which have often been included in the (regression) models. My framework differs from it in three major ways.[121]

[121]The neoclassical framework is formally able to 'expand' and incorporate factors such as welfare spending. The inclusion of welfare systems, although methodologically feasible, is not conceptually part of the neoclassical framework. Welfare systems are in the neoclassical framework presented as distortion factors, if at all considered, while in this analysis they were understood as the mechanism which has effectively mediated the performance of labor markets, provided public services or represented an indirect source of income. This is the part of the analysis that most fundamentally sets my framework apart from the

First, the broader framework has been able to explain mobility as well as the lack of it and endogenizes change and instability. Arguably, dealing with dynamic factors has been beyond the scope of the neoclassical framework which positions its assumptions into general equilibrium models. Second, the empirical evidence suggests that the existent wage differences across CEE countries are to a large extent the outcome of the process of structural change. Looking at the way transition in the region evolved helps to account for the relative differences in earnings across countries and also across different occupations within these countries. At the same time, structural change has been connected in this project with differences in the quality or intactness of life with respect to greater or lower job security, job match and job satisfaction. Third, looking at the varied impact of structural change on labor markets can explain not only different rates of migration but also differences in the profiles of migrants.[122]

My framework shares with the neoclassical approach the underlying rationality of migrant decisions. However, the range of factors that these two approaches propose as those considered by the migrants are clearly different. In addition, this study presented migrants as mirroring the structural and institutional constraints or opportunities, while the neoclassical theory homogenizes individuals and disconnects them from the environments in which they are embedded. I instead argued that migrant decisions, while rational, are made within specific economic, social and institutional contexts and realities of their of home countries.

In sum, there are several aspects in which this dissertation is distinct from the existing theories of migration and thus represents an application of a more holistic approach. The broader framework that incorporated the dynamics of economic restructuring and changes to welfare systems has been able to explain mobility as well as lack of mobility. It endogenizes change and instability and made these factors part of the

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neoclassical framework. In relation to the ability of the neoclassical framework and methodology to incorporate a range of different variables, one can make the argument for the inability to test a theory that endlessly expands. The variables that are part of the neoclassical analysis therefore have to be distinguished at the conceptual level, which is what this work has done. This is most evident in the empirical testing of neoclassical theory in Chapter 2.

[122] Some neoclassical applications attempt to measure and predict types of migrants (Chiswick, Borjas) but typically look at the effect of inequality in home and host countries on inducing individuals from certain income levels to migrate more or less.

explanation of migration patterns. This has enabled a more nuanced understanding of not only cross-country differences but also within country changes in migration patterns over time. Importantly, it has been able to explain simultaneously the mechanisms behind structural drivers of migration, institutional and policy factors and individual level decisions as induced or affected by these.

7.3 Theoretical and policy implications and generalizability of findings

In spite of the fact that this work has had a limited regional focus, several of the findings will have broader theoretical and policy-related implications. These are particularly relevant for works which will study migration in the context of the future European Union enlargements or in the cases of other regional integration projects where countries form economic unions leading to the liberalization of labor markets. The framework also hopes to have a broader applicability for the studies of migration in other middle-income or emerging economies.

As follows from the previous discussion, the major implication of this work relates to the need to enlarge the analytical frameworks of determinants of migration to a broader set of factors. The research in respect to migration potential of future EU members, such as the Balkan countries or Turkey, should therefore go beyond wage differentials. A wider range of migration determinants related to conditions in labor market and intactness of life in sending countries have to be considered. Specific conditions of localities and their change overtime can be systematically analyzed and this work defined indicators that can be used to measure the proposed factors. These are applicable for studying migration outside of the EU context too. Research in the context of restricted migration will need to give greater attention to the role of receiving countries' policies as these are likely to shape not only migration rates but also the characteristics and skills of different types of migrant.

Second, sending countries' context needs to be given greater attention in the analysis of migration patterns. The comparison of eight CEE economies highlighted this need very strongly as it demonstrated clearly that different migration patterns are contingent on a series of factors that differed in these countries. In addition to the receiving side structures and institutions, structural conditions and institutional factors in

the countries of origin are equally important in helping to understand who migrates, when and into which sectors and hence can broaden our understanding of migration determinants, structures, patterns and dynamics. A more comprehensive analytical understanding of the (sending) state would engage with issues as diverse as social and labor market policies, education policy, or responses to out-migration.

The third implication relates to the indicators that have been proposed by the analytical framework. Among the factors that the framework emphasized the most was the importance of labor market mismatches and their link to different employment or unemployment outcomes across countries. The overproduction of educated labor seems to be an important factor encouraging outmigration in other regions of the world too.[123] Educational attainment has been part of migration research as an individual level variable but the relationship between education (or skill formation) systems and migration as systemic or institutional factors have not been widely analyzed.

Of equal importance is the next factor proposed by the framework in this dissertation which is the effect of welfare systems. Here the empirical grounds for further testing are more limited, as welfare systems of similar extent in other emerging economies are generally not developed. However, as the middle-income countries invest in their social security structures, the least that can be done is to conceive of them as potential factors likely to affect not only poverty or employment in the country generally but also the profiles of migrants. Further research in this field is needed and could relate, for example, to the importance of transferability of earned social rights on return migration. Education as a public good and the implications of providing it in the context of poorly performing labor markets can be further analyzed also from the welfare state perspective. Research of this focus could contribute to the debate on migration-development nexus in respect to the allocation of resources across different policies in sending countries.

[123] For example, the Northern Africa and Arab Mediterranean countries, as suggested in Fargue et al. (2010).

7.4 Limitations and further research

Some limitations of this work were already suggested and partly addressed in the individual chapters. Those referred mostly to the possible critique of particular parts of the empirical testing. There are, however, also more general aspects of this work that have not been fully elaborated. Below I provide the justification for not including certain factors into the analysis and then propose areas for further research

First, this dissertation engaged relatively little with the receiving countries. Indeed, a fuller account of the patterns we have witnessed would necessitate a greater engagement with the receiving countries' economic structures and policies such as labor market regulation. At the same time, the effect of receiving countries was controlled by the research design. The emphasis on the home countries stemmed from the research question and was partly intentional, as my research aimed at filling the gap in migration literature that has not paid enough (comparative) attention to the countries of origin. In addition, the works that investigate receiving countries' labor markets at length (e.g. Anderson and Ruhs 2010), do not seem to find any contradictory evidence in respect to the conclusions of this work. This, however, is not to deny that a combination of push and pull elements played a role in producing the migration patterns we have witnessed. Future projects, therefore, could engage with connecting the structural patterns and interaction of policies between home and host countries more explicitly. These could respond directly to a number of empirical observations related to, for example, the fact that the UK and Ireland have attracted significantly younger and more educated migrants than the other migrant destination countries or that Sweden, in spite of liberalized labor market, did not gain many migrants from the new accession states.

Second, the work did not engage extensively with the impact of outmigration on the sending countries. While Chapters 5 and 6 briefly mentioned the tight labor markets leading to in-migration into CEE and analyzed the responses of governments towards outmigration, investigating the impacts in their complexity is beyond the scope of this dissertation. Due to the magnitude of the outflows from the high outmigration countries, this issue is becoming increasingly interesting, relevant and remains under-researched.[124]

[124] Among the few existent studies that have looked at the effect of out-migration on CEE countries are: Galgoczi, Leschke, and Watt. 2009; Kahanec and Zimmerman 2009; Kahancova and Kaminska 2010.

Since the enlargement sufficient time has passed which could allow a more robust analysis of direct or indirect effects of outmigration on labor market outcomes, immigration policies, industrial relations or education and training systems.[125]

The inability to assess the effects of various welfare systems using micro-level data is an additional limitation of this work. While Chapter 5 aimed at establishing the macro-micro link with the help of migrant profiles, the analysis that would incorporate micro-level data was not possible due to data constraints. A collection of (ideally cross-country) data about migrants and their attachment to home versus host country welfare systems could be a useful future project, possibly implemented in the framework of labor force survey data collection. In general, the relationship between sending countries' welfare systems and migration could be a promising field for further analysis, not least because the causality goes two ways, although in this work causality was portrayed for simplification reasons as unidirectional. For example, an interesting question related to the reversed causality would be whether welfare cuts become more feasible after outmigration had eased social tensions.

The impact of structural change and the role of welfare systems could be analyzed in a dynamic way in a project that would compare the Southern enlargement of the EU with the Eastern enlargement. The experience from the enlargement of the EU to Spain and Portugal was widely used in the migration projections prior to 2004 widening. It could be analytically fruitful to position these European semi-peripheries vis-à-vis each other along the indicators investigated in this project. Contrary to the expectations, the EU expansion to Southern Europe in 1986 resulted in a decline in mobility, in spite of very high unemployment levels in Spain and economic prosperity in the richer parts of Europe. During late 1980s and 1990s, the Spanish welfare system significantly expanded. The Southern enlargement seems to offer a fertile ground for testing and further refinement of the analytical framework proposed in this dissertation.

Lastly, this work included analysis only up until the end of 2007 and did not engage with the effect of the world economic crisis on the East-West migration patterns.

[125] The comprehensive framework for the analysis of migration feedback effects offered by Fargues et al. (2010) who analyze the impact of emigration from the Arab Mediterranean countries could serve as a good starting point as it in many ways encompasses the aspects highlighted in this work. For a more conceptual elaboration of migration feedback mechanisms see De Haas (2009).

A natural extension of this project would revisit the hypotheses in the context of economic downturn. Due to the limited time frame, the structural change cannot be really re-evaluated but labor market conditions have nevertheless changed markedly across the CEE in response to crisis shock. Latvia and Hungary were affected particularly hard by the crisis and had to rely on international help and foreign advising on budget consolidation. This led to cuts in social spending in both countries and a decline in public wages and public employment in Latvia. As a response, outmigration has been on the rise from these two countries, in spite of the tight labor markets in the West. Hence, what changed significantly over the last couple years were not wage differentials but rather the employment prospects and/or systemic support available for individuals to deal with labor market risks and constraints.

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