Permanent or Circular Migration?

Policy Choices to Address Demographic Decline and Labour Shortages in Europe

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Introduction

Heikki Mattila

Recent migration news and developments in Europe have shown that labour migration touches on the economic, demographic and security interests of all European countries and is today one of the most keenly debated political issues. Difficult, if not impossible to manage to everybody's satisfaction, migration in general provides easy ammunition for attacks on governments by opposition parties. However neither governments nor opposition parties have yet been able to come up with magical measures to solve such persistent problems as the irregular markets of migrant labour force, or the brain drain suffered by sending countries. In any case, although research and experts (most recently the Attali Report in France in January 2008) repeatedly recommend more targeted proactive immigration measures to ease demographic and labour shortages, activ promoting of these goals is politically very difficult.

The relevance of this EC/ARGO funded, policy-oriented research project *European cooperation in labour migration: search for best practices* was clear already at the design stage in late 2005. Moreover, the timeliness of the theme has since been further confirmed by labour migration developments and policy moves of European countries and the European Commission.

One key goal of this project was to study and clarify the interests of the Central European new EU Member States. There were already in 2005 signs of labour shortages in the region, especially in Poland. As the largest of the new Members, Poland was topping the list of countries sending workers to the UK and Ireland. These were two of the three countries (along with Sweden) that did not introduce a transition period for citizens of new EU Members that joined in May 2004. The westbound exodus has made the region's countries, such as the Czech Republic, Slovakia, and Romania, lose labour force that is now increasingly in demand at home, following recent positive economic developments.

The common European problems, the ageing of populations and the proportional (and often also absolute) decline of the labour force, which the UN Population Division in 2000 dramatically broke into the 'migration debate' with its "Replacement Migration Report", also motivated us to propose a thorough review of migration policies in selected European countries.

In addition to countries from Central and Eastern Europe, selected Western European countries (Italy, the UK and Portugal) were recruited to this project in order to cover all parts of the EU, and to open dialogue between countries of destination and origin. Important from the viewpoint of the Central European countries, was to get useful lessons from states that had fairly recently passed from being large-scale sending countries to being migrant-receiving countries (Portugal and Italy).The special immigration schemes for the skilled and unskilled in the UK and experiences in dealing with sizeable shadow

economies with strong immigrant involvement in countries such as Italy and Portugal were seen as relevant for the Central European countries.

In 2005 both Romania and Ukraine were third countries. Romania joined the EU in January 2007 and is in the situation where more than two million of its citizens have in very recent years emigrated to work abroad, while the need for labour force is ever more strongly felt at home.

Ukraine has been widely seen as a labour reserve for Central and Western Europe now and in the future. It is indeed an important country of origin for immigrant workers of countries such as Poland, Hungary and Portugal, but its declining population and dire demographic prospects make emigration of its labour force look less desirable and potentially harmful for its own development. Therefore it was thought important to give space to Ukrainian researchers to analyze and highlight the labour migration interests of their country.

Overall, the project wanted to give policy planners of participating countries a stronger knowledge base to articulate their interests among the EU countries, and thereby reach more coordinated and balanced outcomes between the sending and receiving countries.

With so many ambitious objectives, the work agenda of the research became quite heavy. To support their migration policy recommendations, our researchers were asked to analyze thoroughly the demographic, economic and labour market foundations for migration policies in each of the nine participating countries. After such fundamental assessments, recent migration trends, policies and current debates were also studied and critically analyzed. Furthermore, as we were looking for best practices, researchers looked for any interesting practices, labour immigration schemes, permanent or temporary, that could serve as models to be applied elsewhere. Hence the second half of the project name: "... – search for best practices".

To facilitate the task of the country researchers and allow for comparability, the Warsaw-based and IOM-linked Central European Forum for Migration and Population Research (CEFMR) updated demographic and labour force projections for all participating nine countries. The demographic analysis confirmed, among other things, the already familiar conclusion that migration of any reasonable magnitude can only partially remedy ageing and shrinking of the populations under study. Policy measures to manage migration therefore need to be part of a much larger policy design. Such a comprehensive policy should address, according to our researchers, a host of inter-related issues including the future funding of pensions, policies on education, family and housing, alongside continued efforts to mobilize domestic labour force reserves.

As to immigration policy, a common conclusion was that well managed recruitment schemes for immigrant workers of various skill levels should be introduced by all European Governments, in order to prepare for the steep decline of domestic labour forces when the post-war baby boom generation starts to leave the labour markets at an accelerating pace from 2010. This is in spite of the known limitations of demographic

or labour market effects. The existing Czech programme to recruit skilled third country nationals was presented as an interesting and pioneering example for Central European countries, and for others too. It was also stressed that such programmes, which recruit highly skilled key professionals, have the potential to create new employment in the country of immigration.

One of the most important recommendations of this project is that appropriately scaled and managed immigration schemes alongside active efforts to mobilize domestic labour reserves, are not contradictory policies, as often claimed in political debate. They do not exclude each other. On the contrary, in countries like Slovakia or Hungary with very steep demographic declines, such market-driven immigration schemes (along the Czech model) are to be recommended. These models should be one available policy instrument, along with active labour market policies to transform people's skills, rehabilitate the long-term unemployed, encourage labour mobility within the country, support new entrepreneurs and more.

A more proactive migration policy is not easy amid politically sensitized migration debates. The ambition of this project was to strengthen the knowledge base of policy makers and encourage them to initiate new policies. Political decision makers need such support. The German experience of the Sussmuth Commission in 2000–2001 looks like a very interesting example (and obviously a good practice) of an expert body which helped educate political decision makers on the complexities of migration. The Commission's work enabled them, at least to some extent, to overcome partisan interests in formulating policy and legislation.

Since the design of this ARGO project in 2005 and its launch in 2006, many developments have further underscored the timeliness of the project and supported its findings. Formerly high unemployment rates in Romania, Slovakia, Poland, (and Bulgaria) have come down. High emigration from these countries has further highlighted the need for immigration and recruitment to these countries, and possibly also return migration schemes.

The European Commission has taken the initiative or encouraging closer cooperation between countries of origin and destination, promoting more matching foreign recruitment by Member States to meet their labour force needs, and advancing the goal of ethical recruitment through circular migration instead of permanent brain drain from third countries.

Likewise, as planned in the European Commission's Work Programme in 2005, the EC introduced in late 2007 a proposal for a directive on recruiting highly skilled third country nationals. This proposal has already been subject of lively debate, with reserved approach from countries who fear that unified rules could limit national interests. On the other hand, the directive proposal could also support introduction of such recruitment schemes in countries where political sensitivity on migration has so far obstructed recruitment of highly skilled workers from abroad to supplement domestic supply.

And more support has been asked from the Commission: in the latter half of 2007, first the Prime Ministers of Romania and Italy (following turmoil in Italy, triggered by

violent incidents involving migrants) sent a joint message to the Commission asking the EC to better support Member States in managing migration. That appeal was in October followed by another: the Spanish Deputy Prime Minister and the Portuguese Prime Minister invited their "EU partners"[1] to increase cooperation towards a common European immigration policy.

We hope that this publication can contribute with relevant facts and conclusions that both Governments and the European Commission find useful.

On behalf of the project management I want to thank all those who contributed, especially Elmar Hönekopp, the Research Coordinator of the Project, who gave substantial inputs to the design of the research and valuable comments and suggestions on the country reports. He also pulled together initial results at the concluding Conference of the project, arranged in June 2007. With regard to the demographic and labour force projections, Marek Kupiszewski and Jakub Bijak in the CEFMR laid important foundations, enabling comparisons between the countries covered by the national studies.

Sincere thanks go of course to all the national researchers for their dedicated work in producing the richly informative national reports, and for further taking pains to condense versions for publication in this book: Dusan Drbohlav and Eva Janska in the Czech Republic, Agnes Hars and Endre Sik in Hungary, Emilio Reyneri in Italy, Marek Kupiszewski, Jakub Bijak, Anna Kicinger, Weronika Kloc-Nowak, Paweł Kaczmarczyk and Joanna Napierała in Poland, João Peixoto and Alexandre Abreu in Portugal, Monica Alexandru and Sebastian Lazaroiu in Romania, Boris Divinsky in Slovakia and Olena Malinovska and Ella Libanova in Ukraine.

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[1] As reported by "Migration News Sheet" November 2007, published by Migration Policy Group (MPG).

CHAPTER ONE

Population and labour force forecasts for selected European countries: assumptions and results

Jakub Bijak and Marek Kupiszewski

Introduction

This chapter presents the assumptions and results of 50-year (2004–2054) population and labour force forecasts[1] prepared for the countries analyzed in the project. It is intended to give a long-term demographic outlook at the future of populations of selected European countries and to set the scene for consideration of existing and future labour migration. The chapter consists of two parts. The first part presents the assumptions of the population and labour force forecast, while the second part presents the results obtained in the forecast.

1.1 Background and assumptions of population and labour force forecast 2004–2054

Forecast horizon, geographical scope, data sources and population dynamics model

The forecast is prepared for the period 2004–2054 (with 2004 as the base year), at five-year intervals 2005–2009, … , 2050–2054. Population and demographic events are considered in five-year age groups, with the last (open-ended) group covering people aged 85+ for population and 75+ for the labour force. The geographical scope covers nine European countries analyzed in the ARGO 2005 project (hereafter: ARGO-9): the Czech Republic (CZ), Hungary (HU), Italy (IT), Poland (PL), Portugal (PT), Romania (RO), Slovakia (SK), and Ukraine (UA) and the United Kingdom (UK).

Data on demographic variables (base population size and structure, fertility, mortality, and migration) come from two main sources, treated as complementary: the NewCronos database of Eurostat (epp.eurostat.ec.europa.eu, downloaded in February 2007), and the "Recent Demographic Developments in Europe" yearbooks of the Council of Europe

1 While well aware of the distinction between the terms 'forecast' and 'projection', in the current study we always use 'forecast', as it reflects our beliefs in the future developments of the components under study. We nonetheless readily concede that any forecast beyond the horizon of, say, 20 years, is in fact a projection.

(in particular, the 2005 edition). Labour force participation data come from the ILO estimates available from the Laborsta database (laborsta.ilo.org, downloaded in February 2007), and consider only people aged 15+. Wherever necessary, the missing values have been supplemented by data from national statistical offices, or estimated on the basis of the available information.

Subsequent subsections of this section present our assumptions on future developments of: (**1)** fertility, expressed in terms of total fertility rates; (**2)** mortality, in terms of life expectancies; (**3)** international migration flows, both within the system of nine countries under study (emigration rates per 1,000 population of a sending country), and net 'external' migration flows; as well as (**4)** age-specific labour force participation rates.

As our current study uses, wherever possible, the 2002-based CEFMR forecast on population and labour force, detailed qualitative and quantitative arguments on the assumptions concerning demographic and labour supply changes reproduce to a large extent those presented in the aforementioned research (Bijak, 2004; Bijak et al., 2004; Saczuk, 2004). The exceptions concern the addition of Ukraine, for which new scenarios have been developed, as well as a whole set of new assumptions concerning international migration flows. The study specifies the assumptions for the 2004 forecast with special attention paid to those that differ in comparison to the assumptions made for the 2002 forecast.

The forecast was prepared using the MULTIPOLES (MULTIstate POpulation model for multiLEvel Systems) model of population dynamics (for a detailed description of the model itself, see Kupiszewska and Kupiszewski, 2005).

Assumptions on fertility

Assumptions on target total fertility rates (TFR; children born per women aged 15–49) for 2054 are knowledge-based and as consistent as possible with other similar forecasts or projections (Eurostat, 2005; United Nations, 2007; national studies). The whole methodology and target values roughly follow the ones proposed in Bijak (2004), the only exceptions being Portugal (target TFR value modified downwards by 0.1 due to recent fertility decline in that country) and Ukraine (new addition). For the purpose of the current study, four clusters of countries have been identified, according to their common past TFR development patterns or to their cultural and geographical proximity. The following cluster-specific target TFRs have been assumed:

- **1.4** for South-Eastern and Eastern European countries (Romania, Ukraine);
- **1.5** for Central Europe (Czech Republic, Hungary, Poland, Slovakia), and for Italy;
- **1.6** for Portugal;
- **1.8** for the United Kingdom.

In addition, an alternative high-fertility scenario has been prepared, where the values derived using the methodology described below have been additionally cumulatively increased by 0.01 a year, so as to reach targets higher than base targets by 0.5 child per woman.

The baseline 2004 TFR values and the 2054 targets have been bridged in the following way. Initially, until 2024, a polynomial Hermite interpolation was used, ensuring a smooth passage from the initial values to the target values reduced by 0.05, as well as from the initial slope ($\alpha = TFR_{2004} - TFR_{2003}$) to the default zero. Afterwards, the 2024 and 2054 values were bridged linearly. The matrix formula for the Hermite interpolation is $TFR_t = \mathbf{s}_t' \cdot \mathbf{H} \cdot \mathbf{b}$, where $t = 2005, \ldots, 2024$, $s_t = (t-2004)/20$, $\mathbf{s}_t' = [s_t^3\ s_t^2\ s_t^1]$, $\mathbf{b}' = [TFR_{2004}\ TFR_{2054} - 0.05\ \alpha\ 0]$, and the Hermite coefficient matrix **H** is equal to:

$$\mathbf{H} = \begin{bmatrix} 2 & -2 & 1 & 1 \\ -3 & 3 & -2 & -1 \\ 0 & 0 & 1 & 0 \\ 1 & 0 & 0 & 0 \end{bmatrix}$$

The 2004 sex and age-of-mother structures of births have been simplistically assumed constant throughout the forecast horizon.

Assumptions on mortality

The assumptions are based on life expectancy at birth (e_0, *LE*). In all countries under study mortality improvements are envisaged, resulting in an increase of *LE* for both sexes. We assume that in relatively high-mortality regimes these improvements can be mainly attributed to the reduction of age-specific mortality rates in the age group 0–19, in the first place concerning infant mortality. For most cases under study, however, mortality reductions are assumed to be equally distributed among all age groups. Only in the lowest-mortality countries, where infant mortality has been reduced to levels close to the "biological minimum" (due to technological life-saving developments, thus leaving hardly any room for further improvements), are the mortality decreases assumed to affect primarily adults (people aged 20 years or more).

Historical data series on life expectancy have been collected from the 2005 Council of Europe yearbook, supplemented with Eurostat data for the lowest-mortality (highest-life expectancy) countries, including Japan. The 1960–2004 series have been examined in order to approximate a linear trend of the maximum *LE*, following the proposition of Oeppen and Vaupel (2002). The estimated trends for both sexes ($LE_t = 0.170\ t - 262.88$ for males, $LE_t = 0.216\ t - 347.97$ for females) were used to extrapolate maximum life expectancy until about 80 (males) and 85 years (females).

Afterwards, the increase in maximum life expectancy is assumed to slow down. Contrary to Oeppen and Vaupel (2002), it can be argued that the linear increase in life expectancy in the 20th century was due to the decline in infant and child mortality, where currently there is not much left to improve (E. Tabeau, personal communication). Therefore, for the longer period the trend slope for males was reduced by 20%. For females the initial trend slope was reduced by 20% for 7 further years, by 40% for the next 10 years and by 60% for the remainder of the forecast period. The differentiation was made between the sexes, as a slow convergence of life expectancies for males and females was assumed,

while the initial trend slope for females was greater than for males, which would produce the opposite effect.

A comparison of the assumptions made in terms of life expectancy at birth, envisaged for 2050, is presented in Table 1.

Table 1: Target life expectancies at birth for 2050

Target e_0 assumed for 2050	Males	Females
Czech Republic	82.1	85.8
Hungary	78.7	83.9
Italy	84.8	89.7
Poland *	80.4	85.8
Portugal	83.8	87.8
Romania	77.9	81.8
Slovakia	80.2	84.7
Ukraine	72.3	80.4
United Kingdom	84.6	87.5
Japan (max)	84.8	90.1

Source: own elaboration

Additional assumptions on mortality developments for Ukraine have been considered, taking into account a possible spread of the HIV/AIDS epidemics. Under such a scenario, life expectancy would deviate downwards from the trend in the period 2005–2009, stagnate until 2014, and slowly recover and ultimately return to the base trend by 2024. The size of the downward adjustment has been assumed as –2.75 years of life for males and –3.75 years for females, in order to be consistent with the World Bank (2006) forecasts of the impact of HIV/AIDS on Ukrainian society and economy. The latter study assumed that in 2014, life expectancy in Ukraine in the presence of HIV/AIDS epidemics would range between 61.6 and 63.4 for males, and 71.0 and 72.9 for females, which encompasses the values assumed in the current study, equalling 61.8 and 71.8 years, respectively.

International migration

The MULTIPOLES model, which is *de facto* a multi-regional model (Kupiszewska, Kupiszewski, 2005) requires, for a multinational forecast, preparation of migration assumptions for two classes of migration: origin-destination intra-system international migration for flows between modelled countries (in case of the ARGO 2005 project – a 9x9 matrix), and for each country the net migration gain/loss resulting from the exchange of population between this country and the rest of world (all countries which do not belong to the modelled system). These two types of flows are treated differently in the model. The scenarios of their expected changes are specified in the two subsequent sections. However, it should be noted that designing such scenarios is highly hypothetical and arbitrary. Time and financial resources have precluded the elaboration of a further improved methodology for forecasting migration flows.

Migration within the system of ARGO-9 countries

The scenarios for origin-destination migration are defined as a set of matrices of crude origin-destination specific emigration rates per 1,000 inhabitants of the sending country for the benchmark year (Kupiszewska and Kupiszewski, 2005). Table 2 presents the estimated origin-destination flows for 2004, taken as maximum values from the flows reported by the origin and destination countries (Kupiszewski, 2002: 109), and adjusted proportionally, whenever data were available by citizenship of migrants and not by origin / destination. On that basis, a matrix of emigration rates has been generated, which has been modified over time of projection to express various migration scenarios.

Table 2: Estimated intra-system migration matrix for 2004

From => To	CZ	HU	IT	PL	PT	RO	SK	UA	UK
CZ	–	45	915	1,011	31	114	21,152	4,933	7,266
HU	68	–	784	23	24	1,444	100	260	4,101
IT	337	162	–	450	302	727	82	129	3,839
PL	1,806	69	10,973	–	66	4	216	77	16,985
PT	22	5	475	7	–	5	4	5	5,750
RO	361	9,642	74,916	20	327	–	325	14	2,548
SK	15,788	392	757	22	16	15	–	9	5,834
UA	16,436	2,625	41,257	1,196	694	19	335	–	268
UK	635	4,163	4,970	872	3,262	1,243	86	21	–

Sources: Eurostat/NewCronos; Council of Europe (2005); own elaboration

In order to address the issue of uncertainty inherent in international migration forecasting, we consider two scenarios. The first one, labelled 'Development and Liberalization', foresees economic development and deregulation of international migration, and is characterized by an assumption of reasonable economic growth (2–5% GDP increase *per annum*). Socio-economic development in different parts of the world would imply strong pull factors in the developed economies, and the associated liberalization of migration control measures. On the contrary, the second scenario, labelled 'Stagnation and Control', assumes flagging economies and restrictive migration policies, coupled with strong push factors in the worse-off countries. For comparison, *status-quo* and *no migration* simulations have been run.

A. 'Development and Liberalization' scenario

For the EU members states 'Development and Liberalization' assumptions usually result in higher intra-union migration and increase in net migration from outside the EU. However, within the EU there are two groups of countries, high-income "old" member states and mid-income "new" ones. The former group of countries has in general a positive migration balance of exchanges with other EU member states and the "new" countries are losing migrants. After the last two rounds of EU enlargement this contrast sharpened.

It is difficult to assess how economic development will affect the migration flows from "new" member states to "old" ones, as there will be two processes occurring in parallel. On the one hand, economic development creates jobs and stimulates flows from poorer "new" to richer "old" countries. On the other, and simultaneously, this development reduces unemployment and increases salaries, diminishing therefore two important push factors in the "new" countries: unemployment and low salaries. In consequence, we assumed that the economic development related increase in migration will be moderate, starting at 5% in 2005–2009 and reducing over time by 0.5% per each five-year forecast period, ultimately stabilizing after 2029. The reduction is justified by the assumption that over time economies of "new" countries will grow faster than economies of "old" countries, thereby reducing the incentive to migrate.

We also assume no increase in migration within the groups of "old" and "new" countries. Migration from Ukraine to "old" EU member states will be growing moderately until 2029 (by 2.5% per each forecast step), and destinations will slowly be shifting from "new" to "old" countries. We also assumed that migration to Ukraine and Romania will remain unchanged, despite growing emigration from these countries. Return migration from EU-8 to EU-15 countries will initially grow slowly, as a result of increased return migration, to stabilize after 20 years.

In the short term, the key factor controlling migration will be whether labour markets of "old" member states open to migrants from "new" member states. Within the first forecast step (2005–2009) there will come the end of the 3–year period of the "2 – 3 – 2 years" scheme of restrictions. We assume that all countries except Germany and Austria will lift restrictions by the end of April 2009. However, we think that most of those who wanted to emigrate from the "old" to "new" (2004 enlargement) countries will turn out to have already done so in the period 2004–2006 and that the increase in outflow will occur predominantly in the first forecast period. We assumed the increase to be 4–5-fold, not taking into account short-term migration. In the second forecast period we assumed a moderate increase in flows to Germany which will have to lift restrictions in 2011, associated with a relative decrease in flows to the UK. Later, it is assumed that the lack of legal restrictions will have no impact on flows.

Among the ARGO-9 EU countries, the Czech Republic, Poland and Slovakia did not impose any restrictions on labour migration for Romanian citizens, while Hungary and Italy liberalized only a few sectors of the economy. We assumed that the increase in emigration from Romania will affect all destination countries except Ukraine. This is to express our belief that lifting administrative restrictions by poorer EU countries will have a similar effect as the attraction of rich countries, and to acknowledge the existence of a sizable Hungarian minority in Romania. It is also assumed that most of the "old" EU member states will lift restrictions on labour migration for Romanian citizens after 5 years. Similar scenarios to that of migration from EU-8 to EU-15 are envisaged, though the expected short-term increase will be smaller than in the former case, mostly because a lot of Romanian migrants either already emigrated or will emigrate before the lifting of restrictions. An increase in migration to the "old" EU member states will be at the expense of migration to the EU-8. Emigration from Romania will also decrease faster than in the case of

the EU-8 countries, to express our belief that it is unlikely that very high outflows could be maintained for a long time.

In all cases it is assumed that after 2029 the flows will stabilize. This is due to difficulties in reasonably predicting changes of such a volatile variable as international migration.

B. 'Stagnation and Control' scenario

In the "Stagnation and Control" scenario we assumed that in general the direction of flows will remain the same as in "Development and Liberalization" scenario, but the *changes* in their intensity will decrease by half. This reduction will be much smaller for the changes of outflows of migrants from "new" to "old" EU member states, pending the removal of restrictions on mobility of labour: only to 70–80% as compared with values assumed for "Development and Liberalization" scenario. Return flows of migrants will remain unchanged, as they are less dependent on the economic cycle (a silent assumption in the scenario setting is that economic growth and decline occurs with the same intensity in all countries simultaneously).

Net external migration scenarios from other countries of the world

The second migratory variable for which assumptions are made (see page 2) is net 'external' migration (*NM*) of particular countries, concerning population exchange with all countries outside the ARGO-9 area ('rest of the world'). For statistical reasons, the MULTIPOLES is designed to take assumptions on the crude *numbers of migrants* and not migration rates for exchanges with the rest of the world (see Kupiszewska and Kupiszewski, 2005). For the purpose of scenario-setting, the *NM* aggregate was decomposed into two additive components: migration balance with non-ARGO countries of the EU and EFTA (NM^{Eur}), and net migration from the other parts of the world (NM^{Oth}).

The forecast steps are five-year, with time index t = 0, 1, …, 10 for the periods 2000–2004, 2005–2009, …, 2050–2054, respectively. The projected NM_t values are yearly arithmetic averages for the particular periods. The initial values for 2004 have been estimated as total net migration, as reported by the countries themselves, less net migration within the ARGO-9 system. The methodology of initial data estimation therefore follows Kupiszewski (2002: 109). As the forecast is based on the five-year averages, the values for the 'zero' period of the forecast, i.e. 2000–2004 (NM_0), are calculated as weighted averages of respective yearly values, with weights *wt* for particular years t equalling: w_{2000} = 0.10, w_{2001} = 0.15, w_{2002} = 0.20, w_{2003} = 0.25, and w_{2004} = 0.30 (exceptions: Italy and Ukraine – countries with several missing observations, for which the weights w_t have been proportionally adjusted, and Portugal, for which an arithmetic average for 2003–2005 has been used, calculated from the national data).

Assumptions on target values of migration balance with the outside world for the period are knowledge-based and follow the rationale presented below, both for migration within the EU and EFTA (NM^{Eur}), and for flows from other parts of the world (NM^{Oth}). Also here, two scenarios are considered: 'Development and Liberalization', and 'Stagnation and Control'.

A. 'Development and Liberalization' scenario

a) 'External' migration within the EU and EFTA, NM^{Eur}

- **Czech Republic, Hungary and Italy.** A moderate increase (25%) in net migration throughout the forecast horizon is assumed, due to increasing intra-European mobility following favourable socio-economic developments.
- **Poland and Slovakia.** It is expected that almost all EU and EFTA countries will lift restriction on mobility of labour in 2009, with the exception of Germany and Austria, which will likely do so in 2011, and Switzerland in 2014. This would result in increasing net emigration in the two first forecast periods (2005–2009 and 2010–2014) by a factor of 1.25, followed by a decline to a zero balance by 2024, and a subsequent increase of net migration gains, due to growing return migration, ultimately reaching the levels from the initial period (2000–2004), only with the opposite (plus) sign.
- **Portugal.** Portugal's positive migration balance is to some extent fuelled by return migration. It is assumed that favourable economic conditions will increase this category of migrants. Another factor is retirement migration, which may increase as Portugal will be a destination competing with France and Spain. For that reason, we assume a 50% increase from the initial level for 2000–2004.
- **Romania.** Strong demand for labour in EU countries and an income gap will drive emigration from Romania. As most EU member states decided to keep restrictions on labour migration for Romanian citizens, and this will last most likely until 2012, in the first forecast period (2005–2009) only a moderate increase by 50% in migration loss is expected, mostly fuelled by unrestricted forms of labour migration (i.e. delivery of services and self-employment). In the second forecast period (2010–2014) a very substantial outflow, larger by a factor of three, is expected, as all restrictions will be most likely lifted in this period. The target value is assumed to be 1.5 of the initial value.
- **Ukraine.** Uncertain economic prospects for Ukraine, particularly for economic reforms, and a strong demand for labour in EU countries will result in a net migration loss, for which we assume no change in magnitude by the end of the forecast horizon.
- **United Kingdom.** Negative net migration in the UK is mainly fuelled by retirement emigration to France and Spain. Financial resources of these migrants are saved before migration, and development over coming 50 years may increase the number of people who can afford migration. We assume an increase of the target by 50% from the initial value.

b) 'External' migration outside the EU and EFTA, NM^{Oth}

Population ageing and strong demand for labour will result in an increase of net migration *gain* by 50% in the **Czech Republic**, **Hungary**, **Romania** and **Slovakia**, and a decrease in net migration *loss* by 50% in **Ukraine** – an emigration country. Keeping the migration balance of Ukraine below zero even under the assumption of economic development can be justified by an ever more important role of Russia as a growing petrodollar-fuelled economy with a strong demand for labour. For **Italy** and the **United Kingdom** we assumed the same target values of net immigration gains as at the begin-

ning of the forecast period, while for **Portugal** – target values equal half of the initial values. The rationale for all three cases is a very high magnitude of net yearly inflows observed already at the beginning of the 21st century. In turn for **Poland** the initial net value of NM^{Oth} = 942 people is likely heavily underestimated – in the "Development and Liberalization" scenario we therefore expect a 15 times increase by 2054.

B. 'Stagnation and Control' scenario

a) 'External' migration within the EU and EFTA, NM^{Eur}

- **Czech Republic, Hungary, Italy and Portugal.** No changes assumed.
- **Poland and Slovakia.** The expected schedule for lifting restrictions on mobility is the same, as in the previous scenario, yet we assume that although the demand for migrants will be weaker due to flagging economies in Western Europe, the negative push factors at source will prevail. This will result in a doubling of net emigration loss in the two first forecast periods (2005–2009 and 2010–2015). Later on we expect a slow increase to zero by the end of the forecast horizon, due to return migration, though smaller than in the previous scenario.
- **Romania.** A moderate demand for labour in the EU countries will be compensated for by an increasing pressure to leave the country due to a poor economic situation, which will drive larger migration from Romania than in the previous scenario. Hence, we assume a doubling in migration loss in the first forecast period (2005–2009), a very substantial increase, by a factor of 3.5 in the subsequent period (2010–2014), especially as all political restrictions are likely to be lifted. The increases will be followed by a slow return to the trajectory aiming towards the target value, set to equal the initial value.
- **Ukraine.** A stagnating Ukrainian economy is expected to be a key push migration factor, doubling the net migration loss by the end of the forecast horizon.
- **United Kingdom.** In this scenario, we assume that the stagnation over 50 years will not lead to the increase of the number of people who could afford retirement or similar migration. Therefore, we assume no change in net migration figures.

b) 'External' migration outside the EU and EFTA, NM^{Oth}

In this scenario we expect a *decline* in net migration gain by 50% in **all countries** with positive NM^{Oth}, with the exceptions of **Portugal** (decline by 80%) and **Romania** (decline by 65%), due to relatively high initial levels of immigration in two latter countries, unlikely to persist over the longer term. For **Ukraine**, a net migration *loss* is expected to increase by 50%, as compared to the initial values from 2000–2004, due to the continuing presence of unfavourable push factors fuelling emigration.

The assumed values of particular net 'external' migration components achieved by the end of the forecast horizon are presented in Table 3. With the exception of post-enlargement deviations for NM^{Eur} described above (for Poland, Romania and Slovakia), the initial and target *NM* values have been bridged by the means of an exponential interpolation, according to the following formulae:

$NM^{Eur}_t = NM^{Eur}_{10} + (NM^{Eur}_0 - NM^{Eur}_{10}) \cdot \exp(-r \cdot t)$, and

$NM^{Oth}_t = NM^{Oth}_{10} + (NM^{Oth}_0 - NM^{Oth}_{10}) \cdot \exp(-r \cdot t)$.

In the above equations, r denotes the growth rate of the exponential function, here assumed to be 0.25. This solution ensures a smooth passage from NM_0 to NM_{10} and the asymptotic stabilization on the target level.

Table 3: Net 'external' migration exchange with non-ARGO-9 countries: 2004 and 2054

Country	Average *NM* 2000–2004	'Development and Liberalization', 2054			'Stagnation and Control', 2054		
		Europe: NM^{Eur}	Other: NM^{Oth}	Total *NM*	Europe: NM^{Eur}	Other: NM^{Oth}	Total *NM*
Czech Rep.	7 191	894	9 431	10 324	727	3 497	4,224
Hungary	5 855	1 623	6 617	8 240	1 320	2 454	3,774
Italy	203 520	15 300	191 075	206 376	12 445	103 380	115,824
Poland	–13 148	11 778	13 054	24 832	–1 157	510	–647
Portugal *	43 915	260	23 760	24 020	178	11 667	11,845
Romania	8 179	–4 589	16 522	11 933	–3 145	3 068	–77
Slovakia	1 803	42	2 703	2 746	–4	1 003	998
Ukraine	–18 739	–8 936	–5 304	–14 240	–17 138	–14 303	–31,441
United King.	123 571	–14 754	133 684	118 930	–10 112	72 329	62,216

** For Portugal, an average for 2003–2005 was used as a baseline value of NM.*
Sources: Eurostat/NewCronos; Council of Europe (2005); Portugal: www.ine.pt; own elaboration

For all migration scenarios, age and sex structures from 2004 (or latest available year) have been assumed to be constant throughout the forecast horizon. For migratory flows among the ARGO-9 countries (intra-system), eight 'model' age schedules have been applied. These depend on largely defined regions of origin and destination of migrants, in all cases separately for males and females. We distinguished three such regions: Central and Eastern Europe (Czech Republic, Hungary, Poland, Romania, Slovakia and Ukraine), Southern Europe (Italy and Portugal), and the United Kingdom as a separate, one-country region. For net 'external' migration, country-specific age schedules have been defined in terms of percentages, summing up either to 100.0 for migration gains, or to –100.0 for loses. Such schedules have been estimated from the 2004 Eurostat data on migration by age, separately for males and females. In case no structures were available in the dataset for a given country, those from an ARGO-9 country with similar migration patterns have been used instead (for Ukraine, Romanian age schedules were applied, with a minus sign). For Poland, the turn from negative to positive net migration under the "Development and Liberalization" scenario in the period 2015–2019 has been associated with a change from Polish to Romanian age schedule. The respective country-specific age schedules for external flows were calculated separately for males and females.

Assumptions on labour force participation

Assumptions on the level of economic activity[2] concern gross labour supply, including the unemployed and employed in any type of paid occupation, whether full-time or part-time. We expect that in the coming 50 years part-time and temporary jobs will become increasingly popular among younger people, including students, to some extent independently from the future increase of rates of enrolment in higher education. Population ageing will cause shortages of younger workers gradually forcing more flexible employment conditions. It will also lead to rising retirement ages in order to prevent pension systems from bankruptcy, in both cases increasing participation rates.

Assumptions on target economic activity rates for 2054, generally following the discussion in Saczuk (2004), albeit with slightly modified values, are presented in Table 4. For males (**M**), a common target has been assumed, while for females (**F**) the assumptions for Italy are different from those for the remaining countries under study (lower by 10 percentage points for the 20–64 years age groups, and by 5 points for the 65–74 ones, due to very low female labour participation in this country). For the United Kingdom, the target values for 15–19-year-olds have been exceptionally set at 60.0 percent, due to country-specific trends observed in the past. Additionally, Table 4 presents the 'maximum activity' (max) patterns, obtained from cross-country and cross-time (1985–2002) age-specific maxima for 27 European countries analyzed in Saczuk (2004), slightly corrected downwards for groups 70–74 and 75+.

Table 4: Target age patterns of economic activity assumed for 2054 (percent of population)

Age range*	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75+
M	30.0*	75.0	93.0	95.0	95.0	95.0	95.0	90.0	70.0	40.0	25.0	15.0	10.0
M (max)	70.3	88.6	97.0	99.1	98.4	97.6	96.7	93.9	87.6	71.4	46.1	23.1	11.5
F	20.0*	65.0	80.0	85.0	85.0	85.0	85.0	75.0	60.0	40.0	25.0	15.0	5.0
F (Italy)	20.0	55.0	70.0	75.0	75.0	75.0	75.0	65.0	50.0	30.0	20.0	10.0	5.0
F (max)	65.6	91.0	94.5	96.4	95.9	96.5	94.9	89.9	79.0	53.4	39.5	19.8	9.9

** For the United Kingdom, 60.0 percent.*
Source: Saczuk (2005), own computations

The initial values of age-specific rates observed for 2004 are bridged with the target ones using a Hermite interpolation with the same coefficients as for fertility (see Section 1.2), in this case for the whole 50-year period. Additionally, we made an assumption of non-decreasing age-specific economic activity rates.

2 Hereafter, used interchangeably with labour force participation

1.2 The futures of population and labour force in selected European countries

General remarks

In recent decades European populations underwent substantial changes. The second demographic transition, a combination of changes in social and individual values with economic and social emancipation of women, has led to a considerable decrease in fertility, in many European countries to well below replacement level. Improvement of living conditions and health care allowed rising life spans and life expectancy. These two factors lead, and in this case will lead, to a fall in populations and their ageing. Increasingly globalized international migration, flourishing due to decreasing legal and administrative barriers in Europe, as well as to cheap flights, have become a more and more important component of population growth. In the sections below we will present how these changes might affect future populations and labour forces of these European countries, and how significantly migration moderates or accelerates them.

In the previous section we outlined how these trends will continue and develop in the future, creating scenarios of change for particular components of population growth. These scenarios have been fed, together with the data on benchmark populations, into a population dynamics model, which is a convenient tool to assess the impact of these scenarios and the interplay of changes of the components of growth on the future populations and their composition. The outcome of the exercise is the forecast of population distributed by age and sex, as well as the forecast of the number of demographic events (the assumptions are made in terms of synthetic indicators, so the model "translates" them into crude numbers).

One should be also aware that forecasts rarely come true. First, it is impossible to predict accurately population changes over the long run, such as 50 years, and even 10 or 15-year forecasts have nowadays reasonable *ex-post* errors. Second, policymakers use forecasts to modify population, social and economic policies, often leading to a substantial change of external conditions of population development. A good example of such modifications are the reforms of retirement systems sweeping across Europe. These changes occurred because population forecasters have warned for the last decade or two, depending on the country considered, that negative demographic development would jeopardize the sustainability of social security systems, unless they are modified in order to address the demographic bust. Thirdly, policy and political changes are not predictable. To give an example, the fall of communism, not dreamt of in 1985, had a profound impact on migration flows in Europe and the former USSR in the next two decades. Thus, why make a forecast? Do they have any meaning, beyond purely academic considerations? The answer is straightforward: they do, as they serve as a source of valuable information for policymakers, warning what are the outcomes of predicted trends and making it possible to devise policies averting certain unwanted consequences of the predicted demographic developments.

The present forecast of population and labour force in nine European countries was prepared in two variants, one called "Development and Liberalization", the other "Stagnation

and Control". In addition we run a *status-quo* projection and a "no migration" simulation, which are used for comparative and impact analysis purposes. The main, most probable in our opinion, is the "Development and Liberalization" scenario and we will focus on the analysis of the results it generates.

Looking at the trajectories of change of almost all variables, it is clear that in the first 25 years the changes are less pronounced than in the second 25 years period of the forecast time. This is because of the momentum of population dynamics, the consequences of certain trends (for example of below-replacement fertility) accumulate over time and their full impact is visible only over a long perspective. However, as we are more interested in long-term development, we will focus on the shape of the population in 2054.

Evolution of population and population age structures over time

To start with, it should be noted that under the "Development and Liberalization" scenario the total population of the nine modelled countries taken together will decrease. However, the populations of particular countries will follow very different trajectories of change. The population of the United Kingdom will rise by 2054 to 115% of the 2004 level (Table 2.1). Two other countries, Italy and Portugal will also increase their populations over 50 years. For all these three countries we adopted an assumption on high net migratory inflows, especially for the former two. If one looks at the results of "no migration" simulation, it is very clear that migration is the driving force behind the population growth of all these three countries. Italy's population growth is the most dependent on immigration: the gap between 2054 population under "Development and Liberalization" and "no migration" scenarios exceeds 30 percentage points. Portugal, with a difference of almost 17 percentage points, shows the lowest dependency on immigration among the three countries expected to gain population in the perspective of fifty years.

The remaining 6 countries will lose population, albeit to a different degree. Ukraine, with a relatively high mortality, very low fertility and persistent negative emigration will be the country with the largest population decrease, to 57 per cent of its original population under the "Development and Liberalization" scenario. Lack of migration would make a difference of slightly more than 6 percentage points in the final population. Another country with a substantial population decrease is Romania, which would reduce its population to 66% of original levels. Much more uniformity can be observed among Central and Eastern European populations: Czech Republic, Hungary, Poland and Slovak Republic would experience very similar reduction of original population to around 80 per cent of the benchmark population.

An alternative scenario, labelled as "Stagnation and Control", will result in further decrease of population in all analyzed countries except the Slovak Republic, for which the difference between both scenarios is very small. The realization of this scenario would most strongly affect Italy (the difference in the population change in both scenarios is 7.1 percentage points), the UK (6.2 percentage points) and Portugal (5.1) (Table 5), the first two countries with very high, and the last with relatively high, assumed migration gains.

More interesting and probably more significant than population evolution are changes in the age structures of the population. There are various measures of the "age" or ageing of population, such as medium or median age, but we will use the Potential Support Ratio (PSR) showing the relation between the population aged 15 to 64 years to the population aged 65 and more. In other words, the PSR shows how many people of working age correspond to one person in the roughly defined retirement age. This is a purely demographic measure, not taking into account the economic activity of the population. In practice, nations or regions with similar PSR levels may have very different levels of economic activity. The construction of the PSR is such, that in most cases higher values (more working-age people per elderly) are "safer" for social and economic development, on the condition of a reasonably high life expectancy (the PSR may be high due to high mortality and thus low numbers of elderly).

In 2004, the highest values of the PSR were observed in the Slovak Republic (6.1 people at the age 15-64 per one person at the age 65 and over), Poland (5.4) and the Czech Republic (5.1), while the lowest ones – in Portugal (4.0) and Italy (3.4) (Table 6). Generally, the age structures of the populations were much younger in the eastern than in the western part of the continent. Under the "Development and Liberalization" forecast scenario all the PSR values, except for the UK, drop quite uniformly to the range between 1.8 and 1.6. The relatively largest reduction of the PSR will be observed in the Slovak Republic (to 27% of the original value), Poland (to 30%) and Czech Republic (to 31%), not surprising, given that now these populations are very young by European standards, while the smallest reduction, to 50%, will be observed in the UK. These changes are of fundamental significance for the social and economic future of populations. In short, they mean that we would need to double or triple productivity to offset the impact of ageing.

Table 5: Population and labour force change in nine European countries according to various scenarios, 2004–2054

Variable	Population (thousands)							Percentage change from 2004					
Scenario	Base year	Development and Liberalization		Stagnation & Control		No migration		Development and Liberalization		Stagnation & Control		No migration	
Year	2004	2029	2054	2029	2054	2029	2054	2029	2054	2029	2054	2029	2054
Czech Republic	10 216	9 467	8 171	9 465	8 031	9 474	7 890	92.7	80.0	92.6	78.6	92.7	77.2
Hungary	10 107	9 290	8 169	9 254	8 013	8 966	7 442	91.9	80.8	91.6	79.3	88.7	73.6
Italy	58 175	63 360	62 215	61 494	57 544	53 583	44 330	108.9	106.9	105.7	98.9	92.1	76.2
Poland	38 182	35 370	30 253	35 081	29 382	36 825	31 580	92.6	79.2	91.9	77.0	96.4	82.7
Portugal	10 502	10 992	10 518	10 801	9 976	10 054	8 798	104.7	100.1	102.9	95.0	95.7	83.8
Romania	21 685	17 620	14 342	17 661	14 054	19 582	16 023	81.3	66.1	81.4	64.8	90.3	73.9
Slovak Republic	5 382	5 055	4 344	5 094	4 354	5 241	4 493	93.9	80.7	94.6	80.9	97.4	83.5
Ukraine	47 271	36 366	27 141	36 142	26 517	38 220	30 099	76.9	57.4	76.5	56.1	80.9	63.7
United Kingdom	59 880	66 745	68 703	65 250	64 973	60 413	56 674	111.5	114.7	109.0	108.5	100.9	94.6
Variable	**Labour force (thousands)**							**Percentage change**					
Scenario	Base year	Development and Liberalization		Stagnation & Control		No migration		Development and Liberalization		Stagnation & Control		No migration	
Year	2004	2029	2054	2029	2054	2029	2054	2029	2054	2029	2054	2029	2054
Czech Republic	5 170	4 516	3 475	4 517	3 384	4 534	3 287	87.3	67.2	87.4	65.4	87.7	63.6
Hungary	4 178	4 065	3 490	4 047	3 401	3 902	3 128	97.3	83.5	96.9	81.4	93.4	74.9
Italy	24 343	25 321	23 855	24 281	21 553	20 194	15 962	104.0	98.0	99.7	88.5	83.0	65.6
Poland	17 182	16 120	12 809	15 923	12 273	16 873	13 205	93.8	74.5	92.7	71.4	98.2	76.9
Portugal	5 518	5 565	4 875	5 443	4 562	4 991	3 964	100.8	88.3	98.6	82.7	90.4	71.8
Romania	9 808	8 300	6 457	8 332	6 273	9 463	7 080	84.6	65.8	85.0	64.0	96.5	72.2
Slovak Republic	2 655	2 380	1 830	2 409	1 829	2 509	1 872	89.6	68.9	90.7	68.9	94.5	70.5
Ukraine	22 553	17 983	12 190	17 829	11 813	19 129	13 623	79.7	54.1	79.1	52.4	84.8	60.4
United Kingdom	30 402	32 722	32 290	31 802	30 161	28 832	25 801	107.6	106.2	104.6	99.2	94.8	84.9

Sources: Eurostat/NewCronos; Council of Europe (2005); own elaboration

It is noteworthy to see how international migration will influence demographic ageing. Comparing the values of PSR for 2054 in the Development and Liberalization (DL) scenario and the "no migration" simulation (Table 2.2), we see that in all countries except Ukraine ageing, measured in terms of the PSR decrease, is higher in the "no migration" simulation. Consequently, in the long term migration will have a moderating impact on ageing, albeit this impact will not be very substantial and in most cases (except for Italy and the UK) does not exceed 10%[3].

Another important and frequently used measure of ageing is the number of the oldest-old (here defined as people aged 80 years or more). Their number is expected to increase very significantly in the 50-year perspective. In the Slovak Republic, the expected increase will be by a factor of 3.9 (from 125 thousand in 2004 to 483 thousand in 2054), in Poland by a factor of 3.7, whereas the lowest increases will occur in Ukraine (2.2 times) and Hungary (2.6 times). Migration has here a moderately mitigating impact in the current receiving countries and accelerating in the sending ones, de facto contributing to deeper inequalities between richer and poorer regions. In the future, more oldest-old will affect the needs for elderly care and nursing personnel, already a driver for both legal and irregular labour migration.

It is interesting to examine how the ageing of a society translates into a number of demographic events. All countries, except for the UK, have and will continue to have negative natural increase (the number of deaths will exceed the number of births). In all countries except the UK the number of births will drop. The largest decrease will occur in Ukraine and Romania, where in the period 2050–2054 we expect to have respectively only 43% and 47% of the number of births recorded in the period 2000–2004. This decrease is only slightly deeper than the decrease in population in these countries, and is due to older age structures than initially. In other countries the decrease will vary between 83% and 58% of the benchmark year value. In policy terms, the increase in fertility intensity should be one of the main priorities of governments. There is broad agreement among researchers that pro-natalist policies are both expensive and do not guarantee success, though in demographic terms they are the most desirable policies under an expected regime of below-replacement fertility (Grant et al. 2004). One has to be aware that these are policies which accrue benefits only in the long term, as a new-born baby enters the labour market around 18–23 years from birth.

Evolution of labour force and labour force age structures over time

The change in population and its age structure is one of the factors determining the size and structure of labour force. Another factor is the change in labour force participation, which was assumed to increase in all countries. It should be recalled that we assumed a significant increase in the labour force participation over the next 50 years, especially in the countries characterized by low participation in 2004.

3 Importantly, it is assumed here that in a long-term perspective all ARGO-9 countries which are EU member states will have net migration gains.

Over the forecast horizon we will see a dwindling labour force in all countries considered except the United Kingdom. In all countries but Hungary, which was characterized by a very low level of economic activity in 2004, the shrinking of the labour force is will occur faster than the overall population (in the UK, the labour force is growing slower than the population).

The only country in which we forecast rising overall labour supply in the "Development and Liberalization" scenario is the UK. This increase would amount to 1.9 million, reaching 32.3 million by 2054 (increase by 6%). However, if there was no migration, the labour force would drop by 15%, from 30.4 million in 2004 to 25.8 million in 2054 (Table 5). This simple calculation shows the importance of labour migration for labour force developments in the UK.

In all other countries there will be a decrease in the labour force, albeit to a different degree. Italy, with high immigration assumed, will experience in the DL scenario only a marginal decrease, however in the no-migration simulation labour force decline would be 34%. By 2054, Hungary and Portugal are likely to experience a moderate decrease in the labour force (respectively to 83.5% and 88.3% of the 2004 value), whereas Ukraine should be prepared to see a very dramatic drop to 54.1% of the initial size of its labour supply, that is to 12.2 million. Slovak Republic, Romania and Poland can be expected to reach between 66 and 69% of their original labour forces. Moreover, migration has a profound diversifying impact on the labour force changes: in the DL scenario the difference between the highest and the lowest percentages of the original 2004 labour force at the end of forecast period (2054) was 52.1 percentage points. In the "no migration" simulation the relevant value was only 24.5 percentage points (Table 5).

The "Stagnation and Control" forecast scenario results in more numerous labour forces for net emigration countries Poland, Romania and Ukraine than under the "Development and Liberalization" assumptions, and less numerous for net immigration countries like Italy, Portugal and the UK. This is a direct consequence of lower migration flows assumed in the Stagnation and Control scenario. It also illustrates the direct result of migration: it shifts labour from poorer to more affluent countries, and, on the assumption of high productivity of migrants, increasing and petrifying economic and social inequality.

In order to investigate the structural aspects of labour force changes we use two support ratios. The first is the *Economic Support Ratio* (ESR), defined as the ratio of the number of economically active people aged 15–64 years to the number of economically inactive people aged 65 years and over. This ratio tells us how many economically active people of working age support one inactive person of retirement age. The other ratio is *Labour Market Support Ratio* (LMSR), defined as the number of people economically active aged 15 years and over divided by the number of people economically inactive in the same age group. This indicator focuses on the ability of the economically active part of the population to support the inactive part. The LMSR is an essential indicator of the situation on the labour market. As in the case of the Potential Support Ratio (PSR), larger values are usually more desirable from the demographic, economic and policy point of views.

As shown in Table 6 the ESR varied in 2004 between 2.2 (Italy) and 4.3 (Slovak Republic). Over the 50 years of forecast under the "Development and Liberalization" scenario they will converge to values between 1.2 (Italy) and 1.9 (the United Kingdom). This convergence hides quite divergent dynamics of changes: in 2054 the ESR in the Slovak Republic will have only 32.6% of its 2004 value, and similarly reduced will be the ratios for Poland and the Czech Republic. The lowest reductions in the ESR will be observed in Hungary and the United Kingdom (in both cases to 56% of initial 2004 values). Migration generally has a positive impact on the ESR – in all countries except Ukraine. The values of ESR forecasted for 2054 are smaller in the no-migration simulation than in the DL scenario, though differences are smaller than 10%. The only exception to this rule was Italy, for which migration increases its ESR by almost 20%.

The initial values of the Labour Market Support Ratio (LMSR) in 2004 vary between 0.95 (Italy) and 1.7 (Portugal). The other country with a LMSR below 1 in 2004 is Hungary. In other words, in 2004 in these two countries there were more inactive people than active. The results of the forecast (the "Development and Liberalization" scenario) show that in all investigated countries the ratio will drop until 2054. However in some countries, like Hungary, Romania and Italy the reduction would be moderate, by no more than 20%, whereas in others, like the Slovak and Czech Republics the drop would be close to 40%. Perhaps surprisingly the absence of migration (as in the no-migration simulation) would have a limited impact on the values of the ratio. In all countries except Ukraine, the simulated no-migration LMSR values are lower in 2054 than in the DL scenario. The most visible impact of migration would concern the LMSR in Italy (9.1 percentage points) and the UK (5.9).

Table 6: Support ratios: "Development and Liberalization", "Stagnation and Control" scenarios, and "No migration" simulation, 2004–2054

Scenario	Development and Liberalization									Stagnation and control						No migration					
Indicator	PSR *			ESR **			LMSR ***			PSR		ESR		LMSR		PSR		ESR		LMSR	
Year	2004	2029	2054	2004	2029	2054	2004	2029	2054	2029	2054	2029	2054	2029	2054	2029	2054	2029	2054	2029	2054
Czech Republic	5.07	2.65	1.57	3.76	2.12	1.36	1.48	1.19	0.92	2.65	1.53	2.12	1.33	1.20	0.91	2.66	1.48	2.13	1.28	1.20	0.88
Hungary	4.42	2.96	1.83	2.71	2.12	1.53	0.96	1.02	0.95	2.95	1.79	2.11	1.49	1.02	0.93	2.88	1.72	2.06	1.44	1.00	0.91
Italy	3.44	2.46	1.58	2.24	1.68	1.22	0.95	0.83	0.76	2.38	1.48	1.61	1.14	0.81	0.73	2.06	1.32	1.39	1.02	0.74	0.68
Poland	5.36	2.75	1.63	3.67	2.14	1.41	1.18	1.10	0.92	2.72	1.57	2.12	1.36	1.10	0.89	2.83	1.59	2.21	1.37	1.12	0.90
Portugal	3.99	2.69	1.65	3.82	2.63	1.68	1.65	1.40	1.12	2.65	1.58	2.58	1.61	1.38	1.09	2.47	1.49	2.41	1.53	1.32	1.05
Romania	4.76	3.19	1.83	3.65	2.64	1.67	1.17	1.18	1.03	3.19	1.75	2.64	1.61	1.18	1.00	3.49	1.66	2.89	1.53	1.23	0.98
Slovak Republic	6.14	3.01	1.66	4.32	2.31	1.41	1.48	1.18	0.91	3.05	1.65	2.34	1.40	1.20	0.90	3.16	1.63	2.44	1.38	1.23	0.89
Ukraine	4.40	3.30	1.79	3.21	2.66	1.60	1.28	1.31	1.02	3.27	1.75	2.63	1.57	1.30	1.01	3.45	1.84	2.78	1.64	1.35	1.04
United Kingdom	4.12	2.85	2.08	3.37	2.46	1.90	1.63	1.40	1.23	2.79	1.99	2.40	1.82	1.37	1.19	2.56	1.85	2.20	1.69	1.29	1.13

** PSR: Population Support Ratio [Pop. (15–64) / Pop. (65+)];*
*** ESR: Economic Support Ratio [Active (15–64) / Inactive (65+)];*
**** LMSR: Labour Market Support Ratio [Active (15+) / Inactive (15+)].*
Source: own elaboration

1.3 Critical assessment of results and conclusions

The future demographic development of the 9 European countries under study will be unequal: some countries, with high net migration gains (Italy and the United Kingdom) will moderately increase their populations, whereas most of the countries, especially in Central and Eastern Europe, are likely to lose population. Romania and Ukraine are likely to see substantial losses in their populations. The countries in Central and Eastern Europe, relatively young at the outset of forecast, will undergo over time much sharper changes than the countries of Western Europe, which started similar changes much earlier. A far-going forecast of population decline in Ukraine is the combination of high emigration and high mortality, partly induced by the HIV/AIDS epidemics. This does not have to come true, as the epidemics may be quelled. Such a forecast should be treated as a warning rather than a forecast *sensu stricto*, provided that appropriate policies are introduced.

Ageing, however, will be a universal process, covering all analyzed countries. Its speed will vary, but in all countries it will be a decisive element of coming economic and social challenges. Migration will have a moderating effect on ageing, but transfers of population from poor to rich countries will be likely to increase disparities between these countries. The description of future trends above is quite technical, focusing on numbers and indicators.

Migration is a factor protecting Western European countries from much faster depopulation. This concerns the UK and Italy, but also to a lesser extent Portugal. In Central Europe emigration to the West is balanced in a long term by immigration from third countries. However, it is not the depopulation which should concern policy makers. The worrying feature of future populations is the consequences of ageing. Ageing itself is a process composed of two factors: increasing longevity, which is an immense success of humanity, and declining fertility. Nevertheless, the speed of ageing should be a concern, as it may jeopardize the stability of social security schemes and health care systems (Kupiszewski, Bijak, Nowok 2006). Declining labour force and changes in labour force structures should also worry policymakers. They will be more rapid in Central European than in Western European countries, partly due to initial younger age structures in the former, partly due to migration flows from Central to Western Europe.

Fewer and fewer working people will have to support more and more economically inactive people. This is solely due to ageing, as the age-specific labour force activity rates were assumed to increase quite significantly over the forecast period. Migration may also have a positive effect on the relation between the economically active and economically inactive populations, but its impact is not very large, except for countries assumed to have very high economic immigration. Changes in the age composition of the population, if rapid, may result in insolvent retirement social security systems and cause intergenerational injustice linked with transformation from systems with defined benefits to systems with defined contributions (younger generations will have to cover the costs of already legally binding rights to defined benefits payment of older generation and simultaneously pay into their own defined contribution schemes). A study by Bijak and Kupiszewska (2006) shows that the major aim of policy makers should be to increase

the working lives of the population. Such task would entail increasing the retirement age, curbing early retirement schemes, promoting legislation allowing for elasticity in employment conditions and practices and last, but not least, changing social attitudes to older workers. Neither increase in net migration nor in fertility (nor both) will be as efficient as increasing years worked before retirement, at least in the perspective of the coming four or five decades.

Carefully-managed migration inflows may help alleviate certain problems in labour markets, but will not make it possible to sustain the age structures of population as a *panaceum* for deficient labour markets. It should be seen as a measure supplementing other policies which on the supply side should focus on increasing labour force participation and improvement of labour force quality and education, whereas on the demand side should eliminate wherever possible the "3D" jobs (Dirty, Dangerous and Dull), replacing them with automation and robots.

One of the big puzzles, rather hard to forecast in long term, is the balance between supply and demand on labour markets in, for example, 50 years from now. There is no certainty on what new professions will emerge (e.g. who imagined 50 years ago such jobs as web-page designers?). Nor on how far the globalization of labour markets will go and to what extent the jobs that are not transferable geographically will eventually become transferable[4].

After reading this chapter a reader may ask, how robust are these findings? Any population forecast depends on the adopted assumptions of the future evolution of particular components of change. A forecast of the labour force depends also on assumed changes in age-specific labour force participation rates. The key question a forecaster should ask is, what are the risks of different developments of components of change and labour force participation? The most predictable is the trajectory of life expectancy. Obviously it may rise more or less sharply, but in fact the only really debatable issue is the life expectancy adopted for Ukraine, which followed the World Health Organization AIDS / HIV development scenario. If this scenario is false and the scope of HIV / AIDS proliferation is smaller than we assumed (which is what the Ukrainian national forecasters do) their population and labour force would be considerable higher than forecasted. One may therefore say that our assumption concerns the worst-case scenario, although in the World Bank (2006) study on which the mentioned assumptions are based, it is considered as the most likely one.

Changes in fertility are quite difficult to predict in a perspective longer than one generation, mainly because they depend to a large extent on social beliefs, values and norms, and are not easily influenced by policy measures. Hence, we assumed a small increase in these values, but there is sound research suggesting that declines in fertility may be a self-sustaining process (e.g., Lutz, Skirbekk and Testa 2006)[5].

4 A good example a type of progress difficult to assess is surgery, where remote operations are now growing in number.

5 We are grateful to Steffen Angenendt for bringing to our attention this issue.

Migration, very sensitive to such factors as economic development, political changes and migration policy (however limited only to recruitment policies of the receiving countries), is a less predictable factor. Who in the early 1980s would have predicted the fall of communism and the shaping of a new migration system in Europe, with migration flows from Central Europe to Western Europe still dominating the migration scene? In our forecasts, two assumptions, critical for our forecast, may not come true. The first one is the assumption of sustained high migration gains of the UK and Italy. The key question is, how many migrants can the receiving societies take? The conflict theory (Blalock 1967) and recent research by Putnam (2007) suggest that too many foreigners may lead to social tensions, therefore at some stage receiving societies may wish to reduce immigration in order to prevent inter-group tensions.

Another critical assumption is on transferring Central European countries from net emigration to immigration countries. We have made this assumption looking at the historical experiences of countries in Southern Europe and Ireland. Membership of the European Union is a powerful impulse for the economy and sets the economic development on a stable upward trajectory. However, a number of global threats, a detailed discussion of which is beyond the scope of this chapter, may derail economic growth for some time and change the assumed migration regimes.

To conclude, one should exercise caution in interpreting the results of this forecast. They are not bound to come true, but they should be carefully studied by policymakers. This is because they clearly show what the consequences of certain demographic and migration trends are and give a hint which changes in population and migration policies are most important.

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CHAPTER TWO

The Czech Republic

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Introduction

After applying quite restrictive immigration policies for several decades, many developed European countries have started to partly reappraise their approach to migration, especially labour migration and its benefits.

Momentum for these policy revisions came because many developed countries with ageing and shrinking populations have started realizing that they need to attract more workers, especially highly qualified professionals, to settle within their borders. They are aware that there is a shortage of labour in certain sectors caused by both "natural" gaps in their labour markets (mismatch between the demand and the occupational structure of the labour force) and unfavourable demographic trends. At the same time, increasing numbers of irregular economic migrants are entering developed countries.

The new Member States (NMS) of the European Union (EU) increasingly employ foreign workers, but at the same time they themselves provide both skilled and unskilled human resources to old Member States (OMS). This trend raises concerns of a permanent loss of human capital needed at home. While the EU8 (NMS) are still mostly perceived to be important sources of labour migration, in 2005 the net migration balance of some of the Central and Eastern European countries (CEECs – the Czech Republic – CR, Hungary, Slovenia, Slovakia) was positive.

In recent years, substantial changes have occurred in Czech migration policy. A liberal approach to foreign workers´ access to the labour market between 1990 and 1997 gave way to a more restrictive policy. It came, *inter alia*, hand in hand with growing economic problems, a growing unemployment rate and increasing numbers of undocumented workers entering the country (Horáková 2004b). Thus, at the very end of the 1990s, rules were tightened for the issuance of work permits for foreign countries' nationals. From the end of the 1990s on, there has been a shift from a passive to a more active and more systematic approach to migration policy and practice (Roubalová 2006, Drbohlav 2005). First of all, new legal provisions harmonizing Czech legislation with European laws started to come into force, after the CR became member of the EU on May 1, 2004. Measures against foreigners immigrating from third countries remain, for the time being, under the jurisdiction of each EU member country.

During the 2000s, in harmony with some OMS, faced with worrying trends and already seeing labour shortages in some economic sectors, Czech authorities started proclaiming that they want to approach these problems more actively. One of these "door-opening" measures was the launch of a pilot programme to select qualified foreign workers in 2003. Moreover, the Government is now preparing other important (and "liberalizing") changes in Czech migration and integration policies that recognize basic economic and demographic challenges.

This report collates information relevant to policy-makers. As a result it should contribute to a wider debate on integrating economic migrants into Czech society.

2.1 Population developments

Social, economic and political living conditions under totalitarian communism led, in many socialist countries, to demographic patterns significantly different from demographic behaviour prevailing in democratic countries with advanced market economies. The CR, like other socialist countries, lagged behind in life-expectancy improvement, maintained a high nuptiality rate, a low average age at marriage and thus a corresponding young average age of mothers at first childbirth. This also brought with it a high rate of induced abortions. At the European level less significant differences concerned the divorce rate; the CR traditionally belonged to countries with a higher rate of mortality, as well as a birth rate which did not differ much from the European average (Pavlík, Kučera 2002).

In post-communist states after the political, economic and social changes of the 1990s, conditions were in place to allow demographic transformations following those which had already taken place in European democracies. Thus, during the last 17 years, for example, Czech life expectancy has risen. On the other hand, mortality and fertility, nuptiality, and abortion rates have been decreasing, leading to an ageing population. Also, there is a trend for postponing childbearing to later ages and also a growing proportion of children born to unmarried women.

To sum up: The population of the CR stood at 10,251,079 on December 31, 2005. The population rose by 30,500 in 2005 (9,100 in 2004). The natural decrease in 2005 was 5,700 and the positive net migration 36,200. Comparison to the previous years, or to the period started in 2001, when official registration was extended by foreigners with long-term permits to stay (before only foreigners permanently resident in the CR were included), shows increases in 2005 as the highest to date. (The number of inhabitants of the CR has been continuously rising for 3 years, but only due to immigration). In spite of increasing numbers of live births (102,200 in 2005) the fertility of Czech women is very low: the average number of children born to a woman during her childbearing period is about 1.3 and for ensuring at least simple reproduction (stable population size), a level slightly above two children born to each woman is needed. Life expectancy at birth rose significantly only for men in 2005 (by 0.4 year) and reached 72.9 years. It was almost unchanged for women at 79.1 years (CSU, Zeman 2006).

Increased numbers of young people now enroll at universities or specialised higher institutions. Higher demands on the labour market mean international experience and flexibility is expected and valued. It is logical that long-term study leading to internships and further qualifications do postpone, even in the case of a positive attitude towards setting up a family, marriage and childbirth to older ages. The continuous increase in so-called two-career marriages has led to a reduction in traditional marriages, where the woman cares for and educates the family's children.

The CR is not a homogeneous country. There are a few important differences by age and regions. For example, the youngest population is typical of the Ústecký region (see also table 1) which is characterized also by quite a high proportion of foreigners (see text below). On the other hand, the most-seriously ageing population is in the capital city of Prague. In Prague there is, due also to a lack of domestic workers, continued demand for foreign labour force.

Table 1. **Density of population, number of municipalities and main indicators of age structure by region and district, 2006**

Territory, region (R) (NUTS 3)	Density of population per km^2	Number of municipalities	Structure of inhabitants (%) by age	
			0–14	65+
CR	130	6 248	14,6	14,2
Capital city of Prague (R)	2 382	1	12,3	15,6
Středočeský (R)	105	1 146	14,9	14,1
Jihočeský (R)	62	623	14,9	14,1
Plzeňský (R)	73	501	14,3	14,7
Karlovarský (R)	92	132	15,2	12,9
Ústecký (R)	154	354	15,7	12,6
Liberecký (R)	136	215	15,3	13,1
Královéhradecký (R)	115	448	14,8	14,9
Pardubický (R)	112	452	15,3	14,5
Vysočina (R)	75	704	15,4	14,4
Jihomoravský (R)	157	672	14,4	14,8
Olomoucký (R)	121	397	14,7	14,2
Zlínský (R)	149	304	14,7	14,6
Moravskoslezský (R)	230	299	15,0	13,3

Source: The Czech Statistical Office (CSU – www.czu.cz)

Future trends: shrinking population and labour force

In general, EU countries´ populations have been declining and ageing. Many authors and their studies confirm that this will continue – e.g. Grant et al. (2004), Bijak et al. (2005), Special 2005, Carone et al. (2005), Carone (2005), Annex (2006) (See new behavioural models in what is sometimes called Europe's second demographic transition, for example, in van de Kaa (1997). The CR is not an exception to this trend. A currently observed slight surplus in natural growth is an ephemeral phenomenon which will be soon replaced again by a negative balance. This time, the deficit is going to deepen for

the long term. It will be an unavoidable result of the decrease in the number of potential mothers who could start child bearing. This will be more influential for the number of live births than the expected long-term rise in fertility. By analogy, falling mortality should induce higher numbers of deaths (a paradox at first glance) due to the rapidly growing Czech population of post-childbearing age (see Burcin, Drbohlav, Kučera 2005, Burcin, Kučera 2003).

In the long term (until 2050 – see EC Budgetary projection: AWG variant population scenario, Annex 2006), the development of the CR, as in many other European countries, will see the whole population shrink by 1.3 million, and the labour force shrink by 1.4 million, plus growing life expectancy, growing labour participation rate and general ageing. Growing dependency ratios might have an especially important impact on the economy (e.g. total dependency ratio[1] – from 41.2 in 2004 to 77.1 in 2050 – see Annex 2006). According to Burcin, Kučera (2003), a decline in economically active groups and, on the other hand, rising numbers of old people (especially between 65 and 79) will be particularly unprecedented.

Along with this deep change and inefficient economy the ageing process will create very specific and demanding conditions for the further development of Czech society. What is the future role of international migration movements in the country? Adopting the "Replacement Migration" concept (see e.g. Replacement 2001) Burcin, Drbohlav, Kučera (2005) shed light on the needed volume of migration to eliminate changes to the CR's population number and age structure caused by expected negative natural growth. There is no doubt that migration in the CR context is not able to prevent or even cure demographic ageing. All that migration of realistic dimensions can do is to offset expected population decline caused by insufficient natural reproduction and slightly reduce the most radical effects of the demographic ageing process. Any higher expectations are unrealistic[2].

2.2 Labour market developments

At a macro level, measured via the country's current six per cent GDP growth (basically due to capital investment and strong exports) the Czech Republic is doing economically well in the European context (see e.g. Munich, Jurajda 2007). The same concerns inflation and unemployment rates where the country is comparable with EU averages. Indeed, GDP per capita itself in the CR is at the level of some old EU Member States. It does not mean, however, that there are not major economic or social problems. "Despite successes, the CR has been facing a number of serious problems which threaten its

1 Population under 15 and over 65 as a percentage of the size of the population aged 15–64.

2 Also migrants are getting older in the course of time and their contribution to population ageing must be compensated by new net immigrants to keep selected parameters unchanged. For example, in order to save the total population, the CR would need (according to medium scenario) an annual number of net immigrants between 2005 and 2065 – from 7 to 44 (more above in a column in the left), while at the same time decreasing the average age of the population from 48.1. to 39.8. By the same line of reasoning, for example, to preserve the childbearing age population the cumulative number of net immigrants would have to reach 103.3 million in 2065.

competitiveness and social cohesion in the long term as well as its capacity to fully deploy its human resources and economic potential. The Czech Government has addressed these problems with systematic and strategic measures, in particular the Convergence Programme of the CR, in the National Reform Programme (National Lisbon Programme 2005–2008) and in the CR National Development Plan for 2007–2013 period[3]" (National 2006).

As indicated in other parts of the report, the CR will start to suffer demographic problems very soon (see above)[4]. Obviously, these concerns raise demand for a more flexible Czech labour market policy where certain groups, such as the youngest and the oldest, need special measures. For example, something has to be done to reduce numbers of workers prematurely leaving economic activity and also to cut excessive dependence on social support. Labour-market flexibility, along with stimulation via direct taxes and subsidies, can help cut unemployment. An overall increase in labour motivation needs to be stimulated, *inter alia*, by more flexible (and freer) labour contracts, more high-quality requalification courses, greater occupational and geographical (spatial) mobility[5], reforms of the whole educational sector. Furthermore, one has to mention other problems that reduce labour-market efficiency – an opaque system of government support, high taxes on labour in general, and income in particular, a small difference between the minimum wage and welfare payments when unemployed, questionable and insufficiently developed pension[6] and life-long learning systems.

What seems very important in this context is that there is "mismatch between …the demand and the supply of apprenticeships and training programmes, sometimes caused by the lack of knowledge and forecasts of fluctuations in the demand for labour…" (National 2006). Also, as the Report continues, the level of knowledge and skills attained (including foreign language and entrepreneurial skills) is generally below the level needed in the labour market. Co-operation between educational institutions and potential "destination companies/firms" is lacking. Thus, it is no wonder that school leavers´ entry into the labour market is rather inefficient.

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3 Just in this part we rely mainly on data from the Ministry of Finance – see: //http.mfcr.cz/cps/rde/xchg/ – e.g. National Lisbon Programme 2005–2008 (National Reform Programme of the CR from October 2005) and National Strategic Reference Framework of the CR 2007–2013, Version 5 (final), Prague, prepared by the Ministry for Regional Development.

4 Not to mention that "in the last 11 years the CR population has shrunk by more than 100,000" (National 2006).

5 Further deregulation of rent (old rules still cover 750,000 apartments) and possible subsidies/allowances for commuting might also be effective here. In contrast to many other developed countries, the overall rate of internal migration is generally low in the CR. For example, according to a representative survey conducted by the Centre for Opinion Polls in Prague (see more below) in 2003, 39 per cent of the population older than 15 has never migrated in their life, 25 per cent has migrated once and 19 per cent twice. Only 6 per cent have migrated three or more times (Migrace 2003).

6 According to the Czech government, the first stage of a pension reform is to consist of changes in the current "pay-as-you-go" (PAYG) system, including increasing the statutory age to 65 years. The second stage is to be partly based on voluntary saving programmes (Münich, Jurajda 2007).

Therefore, there is a clear imperative to try to catch up with EU trends in education as soon as possible. Though numbers of students at Czech universities have recently risen sharply (this share has been more than doubled in the last 15 years), the proportion of university graduates is still far below the EU average[7]. Also it is important to make educational programmes inter-transferable at all levels and to improve interdisciplinary cooperation.

Table 2 lists selected basic geographical and economic parameters by eight regions of the country (NUTS 2 units). Prague as the most important economic motor leads other regions with by far the highest GDP per capita (143 per cent of the EU25) and the lowest unemployment rate. On the other hand, regions like Northwest and Moravia-Silesia heavily hit by transition (having the most disadvantaged socio-economic structure based on heavy industries like mining) suffer the most from unemployment and low GDP per capita.

***Table 2.* Selected characteristics by cohesion regions of the CR, 2000–2004**

Cohesion Regions (NUTS 2)	Area (km^2)	Population 2005	GDP per capita in PPP[1] EU-25=100, 2005	Unemployment rate, LFSS[2] 2000	Unemployment rate, LFSS[2] 2005
Prague	496.1	1 176.1	145.9	4.2	3.5
Central Bohemia	11 014.6	1 150.1	65.8	7.5	5.2
Southwest	17 618.4	1 177.1	65,5	6.0	5.1
Northwest	8 649.4	1 12675	57.0	13.8	13.5
Northeast	12 439.8	1 481,6	59.9	6.9	5,6
Southeast	13 992.3	1 640.2	63.4	7.8	7.7
Central Moravia	9 122.7	1 229.4	56.3	10.6	9.7
Moravia-Silesia	5 535.1	1 251.7	57.5	14.3	13.9
Total	78 868.4	10 234.0	70.5	8.8	7.9

Source: CSO, National Strategic Reference Framework of the CR 2007–2017 (2006)
[1] Purchasing power parity, as of December 31
[2] Labour-Force Sample Survey

Informal economy

Undeclared work (within so-called "black or grey market activities") originated in the CR under the socialist economic system. As a study "Undeclared" (2004) argues, the ban on private economic activity pushed people into the grey economy. Not declaring work became a widespread and integral part of the economic culture of former times. An irrational and opaque economic environment along with insufficient legal regulation prolonged a tradition of undeclared work under new economic circumstances and conditions (Undeclared 2004). It is estimated that the value of undeclared work in the CR corresponded to between nine and ten per cent[8] of GDP in 1998 (Undeclared 2004)

[7] According to the Census of 2001, out of 100 economically active people only 12 had a university degree. On the other hand, the CR is typical of countries with a very high share of those who have secondary education – 77.6 – with or without "maturita" or apprenticeship.

[8] "Minimum estimated size. Based on exhaustiveness studies 1998" (Undeclared 2004).

and has been reducing since 1995[9]. Undeclared work exists especially in sectors with a higher share of manual work and lower wages, where competitiveness and profits are especially tightly linked with labour costs. It is widespread in sectors and professions using low-skilled, seasonal, or casual work performed in an environment that cannot easily be checked or inspected. Sectors with a high occurrence of undeclared work include construction[10], agriculture, hotels and restaurants, trade (mainly street retailing and markets), other services, and the textile industry.

Although by comparison with other New Member States plus Romania and Bulgaria, the occurrence of undeclared work in the CR was assessed as the second lowest (behind Estonia – see Undeclared 2004), the Government has taken action to combat it. This started in a coordinated manner through various policy measures like "tax simplification, more checks on compliance with the Employment Act, active employment policy, a minimum wage, labour code amendment, regional committees against undeclared work, and the introduction of labour inspectorates" (Undeclared 2004). This is a difficult and time-consuming process. It is clear that in an environment where many Czechs are involved in the black or grey economy, immigrants´ participation is easier too.

2.3. Migration and employment of migrants

Development of migration flows and stocks since 1995

The CR has been gaining migrants for over a decade (– see table 3), and immigrants have become an integral part of Czech society.

Table 3. **Foreign Migration in the Czech Republic in 1995–2006 (flows)**

	1995	1997	1999	2001	2003	2004	2005	2006
Immigration	10,540	12,880	9,910	12,918	60,015	53,453	58,276	66,125
Emigration	541	805	1,136	21,469	34,236	34,818	21,796	31,388
Total flows	11,081	13,685	11,046	34,387	94,251	88,271	80,072	97,513
Net migration	9,999	12,075	8,774	-8,551	25,779	18,635	36,480	34,737

Source: Czech Statistical Office
Notes: Emigration figures are underestimated, since, although there is mandatory deregistration of Czechs before leaving the country for a long periods, only a few people comply with this. Thus, net migration is, in fact, lower than it is shown in the table. A "jump" in 2003 was due to changing categories within the official Czech statistics – long-term stays started being included.

9 Fassmann (2001, 2003, 2005 – see in Kux, Kroupa 2006) mentions some 16 per cent of GDP and between 8 and 12 per cent of GDP (only for Bohemia) depending on which method of analysis is used. Horakova, Kux (2003) set it at least 10 per cent of the GDP and between five and six per cent of the labour force. What may also be relevant in this context to mention is that "according to estimates, the numbers of job vacancies on record cover between 30 and 50 per cent of actual vacancies available" (National 2006).

10 "…with a very rough estimate of 250,000 to 350,000 people working illegally in the Czech economy as a whole (5–7 per cent of the labour force), the proportion of undeclared work in construction is around half of that total" (Kux, Kroupa 2006).

As of December 2006, a total number of 321,456 foreigners with a residence permit were registered in the CR (see table 4). This represents 3.1 per cent of the total population. Employment and business activity were the dominant purposes of stay in the category of temporary and long-term resident holders in the CR and "family reunion" was the most frequent reason for granting a permanent residence permit. Ukrainians, Slovaks, Vietnamese, Poles and Russians predominate among foreigners in the CR (see table 4). Currently, citizens of EU countries are 32 per cent.

Table 4. **Foreign residents in the CR by selected citizenship (in thousands), 1996–2006[3]**

Country	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Ukraine	46,303	43,402	52,684	65,883	50,212	51,825	59,145	62,282	78,263	87,789	102,594
Slovakia	50,255	52,178	49,621	40,362	44,265	53,294	61,102	64,879	47,352	49,455	58,384
Vietnam	17,62	20,95	22,875	24,824	23,556	23,924	27,143	29,046	34,179	36,832	40,779
Poland	24,491	25,019	22,166	18,278	17,050	16,489	15,996	15,766	16,265	17,810	18,894
…	…	…	…	…	…	…	…	…	…	…	…
Permanent[1]	45,8	56,3	63,9	66,8	66,9	69,8	75,2	80,8	99,5	110,6	139,2
Temporary[2]	152,8	153,5	155,8	162,1	134,1	141	156,4	159,6	154,8	167,7	182,3
Total	199,2	210,3	220,2	228,9	201,0	210,8	231,6	240,4	254,3	278,3	321,5
Share in total population, %	1.93	2.04	2.13	2.22	1.96	2.06	2.27	2.36	2.49	2.72	3.13

Source: Ministry of the Interior, http://www.mvcr.cz/statistiky/migrace.html, Horáková 2007

Notes: [1] permanent residence permits (mostly based on family reunion or family creation)

[2] visa for a period exceeding 90 days and/or long-term residence permit (mostly typical economic migration)

[3] stocks in thousands by the end of the year

Women represented 40.4 per cent of the total number of foreign residents in the CR by the end of 2006. By citizenship the highest share of females was among Russians (53.0 per cent). A significant proportion of females is also notable among Poles (47 per cent) and Chinese (43.4 per cent). On the other hand Germans (23.4 per cent) and Moldovans (36.6 per cent) have been the groups with the lowest shares of female residents.

Thirty five per cent of immigrants were aged between 20–29 years; 27 per cent between 30–39 years and 20 per cent of migrants were between 40–49 years. Most young migrants were among Slovaks (e.g. almost 37 per cent of Slovak immigrants were aged 20–29 years).

Asylum seekers do not represent an important segment in quantitative terms. They do not have any significant influence on the Czech labour market.

Economic Activities of Foreigners

Significant "pull" factors of CR are economic and political conditions and the geographical position of the country in the "heart" of Europe. Net migration is still affected by a very liberal migration policy in the early 1990s (Horáková 2004b). The Czech labour market will be able to absorb immigrants also in the future for the following four reasons.

Firstly, because of ongoing globalization and internationalization of the Czech economy. Secondly, a low minimum wage[11] contrasting with high social benefits lead to an unwillingness by Czechs to take low-paid jobs. Thirdly, employers make serious efforts to get cheap foreign labour to reduce expenses. Fourthly, Czech workers have low mobility within the CR making it hard to meet specific labour demands using only the domestic labour force.

Generally, there are two groups of immigrants comming to the CR especially from the economic reasons: 1) The "Western" type, characterized by highly-qualified jobs often in international firms and 2) the "Eastern" type, typical of less qualified positions e.g. in construction, some industrial branches and services. The first type includes highly-educated people coming with their families often for a short time. The second type represents mostly young men (some of them more educated than is needed for their work), who left their families in their country of origin (Drbohlav 2004).

The inflow of economic migrants to the CR is, compared to other post-socialist countries, quite high. Immigrants create a large mosaic of different ethnic groups, and each one has developed their own economic strategies or niches in the Czech labour market (Drbohlav 2003) – see economic activities of the most important immigrant groups in table 5.

In 2006 the number of foreigners in the Czech labour market increased to 250,797 registered foreigners and, thus, the proportion of foreign workers (i.e. workers and business-licence holders) in the total labour force in the CR reached 4.8 per cent (see table 6).

***Table 6.* Foreign labour force in the CR, 1996–2005**

Year	1996	1998	2000	2002	2003	2004	2005	2006
Foreigners holding valid work permit	71,002	49,927	40,080	44,621	47,704	34,397	55,210	61,452
Slovak citizens – employees	72,244	61,320	63,567	56,558	58,034	59,817	75,297	91,355
Foreigners – employees (citizens of EU/ EEA/ EFTA) (excluding Slovaks)						13,023	18,570	25,493
Foreigners – employees from third countries						747	2,659	6,777
Total foreigners registered by labour offices	143,246	111,247	103,647	101,179	105,738	107,984	151,736	185,077
Business authorizations	45,499	44,962	61,340	60,532	62,293	65,219	67,246	65,722
Total foreign labour	188,745	156,209	164,987	161,711	168,031	173,203	218,982	250,797
Foreign workers out of total labour (%)	3.69	3.02	3.17	3.19	3.23	3.37	4.04	4.8

Source: Ministry of Labour and Social Affairs, http://www.vupsv.cz/

A major part of the foreign labour force in 2006, amounting to 185,000 (i.e. to 74 per cent of the total number), was formed by foreigners in employment. The remaining 66,000 (26 per cent) were business/trade licence holders. In 2006 altogether 32 per cent (80,395) of

[11] The Czech minimum wage is among the lowest in the EU. In 2005, the minimum wage was 38.5 per cent of the average gross wage (Kux, Ettlerová, Baštýř a Šťastná 2006).

Table 5. **Individual important segments of the immigrant labour force in the CR – at the end of the 1990s (shortened)**

Ethnic group, region of origin	Form of stay, type of work	Social and demographic structure, social relations	Range, regional pattern
Ukrainians	Work permits – individual, trade licences, illegally; manual work, auxiliary work; mainly construction but also industry (e.g. food-processing, textiles), agriculture	Poor; workers, young, males; frequent trips to mother country	Throughout the whole country, especially Prague, Central Bohemia, large cities
Vietnamese	Trade licences, illegally; small-scale market entrepreneurs/sellers; buying and selling clothes and electronics	Quasi-middle class	Throughout the whole country, especially western border zone – near Germany and Austria, large cities
Chinese	Illegally, via trade or entrepreneurial companies; representatives of firms in China and small businessmen; import, distribution (wholesale) and retail of clothes, shoes and light industrial goods	Strong kinship ties and regional social networks, relatively frequent trips to mother country	Prague
Slovaks	Permanent employment, seasonal work, daily circular migration within the border region; heavy industry (mining and metals), agriculture and forestry, construction, light industry and services – in intraland; manual and qualified labour force	Workers, variety of types and strategies	Ostrava, Karviná and the regions along the Slovak borders, Prague and middle Bohemia, but also other regions
Poles	Work permits – contracts; construction, heavy industry (metals, mining), textiles, agriculture and forestry	Workers	All the regions along the Polish border and middle Bohemia
North Americans	1) work permits, short-term stays; top managers, advisers, employees of transnational and international corporations; 2) "illegal", business licences, university teachers, English language teachers, small entrepreneurs	1) Relatively affluent, highly educated and qualified, intellectual background 2) "variety of structures"	Prague
Western Europeans	Citizens of EU27 do not need work permits; top managers, advisers, employees of transnational and international corporations; 2) business licences, university teachers, teachers of "western" languages, small entrepreneurs;	Relatively rich, highly educated and qualified, intellectual background 2) "variety of structures"	Prague, regions along German and Austrian borders

Source: Based on Roubalová (2006), Drbohlav (2003)

economically active foreign employees and businessmen were concentrated in Prague, 15 per cent in Central Bohemia, ten per cent in South Moravia, seven per cent in Moravia-Silesian region and six per cent in Pilsen region.

Besides Slovaks, who have been traditionally the most important labour migrant group in the CR, Ukrainians and Poles predominate among foreign employees in the CR (see table 7). One can see that since 2004 many immigrant groups, including those from the West, grew significantly.

Table 7. **Foreign employees by selected nationalities in 1996–2006**

	1997	1999	2001	2002	2003	2004	2005	2006
Slovakia	69,723	53,154	63,555	56,558	58,034	59,817	75,297	91,355
Ukraine	25,166	16,646	17,473	19,958	22,489	22,399	40,060	45,155
Poland	13,665	6,880	6,661	7,338	7,403	8,882	12,635	17,149
Bulgaria	3,322	1,657	1,863	1,985	1,792	1,651	1,732	1,953
Mongolia	770	623	976	1,185	1,388	1,585	1,800	2,814
Moldova	1,959	1,438	1,377	1,412	1,509	1,483	2,710	3,369
Germany	1,536	1,466	1,218	1,306	1,412	1,303	1,743	2,383
USA	1,487	1,391	1,279	1,435	1,408	1,160	1,195	1,224
Russia	1,145	1,151	887	930	867	1,078	2,447	2,380
Belorussia	2,469	1,305	1,028	1,191	967	815	968	1,035
United Kingdom	1,252	1,129	989	1,005	1,018	741	1,119	1,584
Japan	101	128	177	315	509	528	576	609
France	470	585	613	702	727	509	671	1,067
Total of all foreign employees	130,767	93,466	103,652	101,179	105,738	107,984	151,736	185,077
Foreign employees out of total labour (%)	2.5	1.9	2.1	2.0	2.1	2.2	3.0	3.8

Source: Ministry of Labour and Social Affairs, http://www.vupsv.cz/

Foreign workers in the CR are mainly employed in construction, manufacturing, wholesale and retail trading as well as real estate, renting and business activities. All these activities rose markedly from 2004 to 2006. As compared to Czech workers, foreigners are relatively more often employed in manufacturing (35 per cent versus 28 per cent), construction (23 per cent versus nine per cent) and wholesale and retail trade as well as real estate, renting and business activities (15 per cent versus seven per cent). As in previous years, also in 2006 males represented a majority (with 68 per cent) among registered foreign employees in the CR. By age, the most numerous group among the foreign employees was that of 25–39 years (47 per cent). 30 per cent of the total number of foreign employees was aged 40–54 years and 16 per cent were aged between 20 and 24 years.

By the end of 2006, 65,722 foreign businessmen were registered as being engaged in the CR (see table 8).

Table 8. **Business Licence Holders by Nationality in 1996–2006**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vietnam	18,165	24,744	15,454	18,938	19,307	20,403	20,081	20,964	22,046	22,620	22,910
Ukraine	2,670	8,696	9,942	19,521	21,402	21,590	19,047	18,752	19,486	21,135	21,325
Slovakia	5,879	7,571	6,248	6,649	6,670	7,051	7,175	8,123	8,757	8,719	8,282
Russia	552	873	816	1,55	1,842	1,890	1,667	1,622	1,611	1,482	1,279
Yugoslavia	1,122	1,575	983	1,164	1,294	1,500*	1,400*	1,349*	1,287*	1,124*	863*
Poland	679	909	874	1,033	1,033	1,051	1,081	1,126	1,251	1,294	1,238
Bulgaria	334	672	734	1,104	1,174	1,123	1,004	1,092	1,113	1,091	906
Germany	1,244	1,45	868	941	837	940	949	1,005	1,103	1,164	1200
USA	411	569	522	547	551	585	585	618	644	629	474
Total	45,499	63,529	44,962	58,386	61,340	64,000	60,532	62,293	65,219	67,246	65,722

Source: Ministry of Industry and Trade (internal materials)
Note: Serbia and Montenegro*

Currently, Vietnamese and Ukrainans clearly outnumber other immigrant groups. Most foreign businessmen (28 per cent in 2006) are registered in the capital city, Prague. Among other attractive regions (with high concentrations of foreign entrepreneurs) were Central Bohemia (10 per cent), South Moravia (9 per cent), Ústecký (9 per cent) and Pilsen (7 per cent).

Irregular employment

As early as the 1990s, the CR quickly became a country of destination and transit. Inflows of legal/documented migrants occurred together with undocumented migrants[12]. Leaving aside undocumented transit migrants (see, e.g. more in Ministerstvo 2006), the irregular labour migrants come from economically less developed countries (mainly former Soviet republics, Central/Eastern European countries,Vietnam and China). They come for short and long stays and take mostly labour intensive, demanding, poorly paid jobs unattractive to most Czechs.

What are the main reasons that immigrants do illegal/quasi-legal economic activities in the CR? In a recent Delphi survey[13] a number of migration experts cited the following reasons: 1) a huge demand for cheap and flexible foreign workers in unqualified manual labour in the CR (e.g. in construction), 2) an established lobby of intermediaries (brokers/"clients") in the CR, 3) wide social tolerance for employing unregistered workers in the CR, 4) overly bureaucratic work/residence permit application procedures in the

[12] Migration of aliens relates to a situation when one´s entry or stay does not, or has ceased, to fulfil conditions for entry or long-term residence stipulated by relevant intrastate law or international agreement, to which the CR is tied.

[13] 32 experts in the first and 23 in the second Delphi round expressed their opinions in the survey that was carried out between November 2005 and June 2006 – under the umbrella of the project No: 1J 057/05-DP1 – International Migration and Migrants´ Illegal Economic Activities in the CR in a Broader European Context (financed by the Ministry of Labour and Social Affairs of the CR).

CR, 5) strong "push factors" in countries of origin, sometimes including civil conflict, 6) the CR's geographical closeness and economic appeal for many migrants, 7) strong traditional sub-cultures for some ethnic groups already established in the CR.

There are differing estimates of numbers of illegal economic migrants in the country. For example, experts´ assessments in the mentioned Delphi survey range widely between 40,000 and 250,000 (see also Fassmann 2006). For the very beginning of the 1990s, Drbohlav (2003) estimates the number of illegal immigrants active in the Czech labour market somewhere around 165,000, while another 30,000 people might be their dependants. What seems to be realistic and also supported by data or expert estimates from sending countries (see examples in Drbohlav 2004) is that overall numbers of undocumented migrants in the CR might at least equal those of legally registered immigrants (for some ethnic immigrant groups such numbers might be much higher – see, for instance, Moldovans or Vietnamese – in Drbohlav 2004).

Obviously, Ukraine is by far the most important source country sending undocumented economic migrants to the CR (according to experts´ opinions and authorities' checks on illegal employment – see table below[14]). Ukraine is also the leading source for legal immigrants by citizenship. Other Eastern European and Far Eastern countries, namely Moldova, Russia, Belarus, Vietnam, and China, are estimated to follow Ukraine as the most important countries of origin of undocumented migration to the CR.

There is a logical hypothesis, also supported by studies in the field, that in terms of targeted areas, unregistered economic migrants follow legally registered migrants and concentrate in economically dynamic regions. This means they head for Prague and surrounding Central Bohemia and other highly urbanized areas. Besides more working opportunities they find more anonymity there as compared to rural settlements. Besides this "hierarchical dimension", also a geographical "zonal effect" might affect irregular migrants. Especially the Western zone bordering Germany (West, Southwest and Northwest) attracts many migrants, including those with irregular status (for more about spatial patterns see e.g. Cizinci 2006, Valenta 2006).

There are many different sectors of the economy where undocumented economic migrants work. These include construction (auxiliary work), home-cleaning and care, agriculture/forestry, hotels/restaurants, industrial branches like machinery, textiles or the food industry (see Horáková 2006, Drbohlav, Lachmanová – in the Delphi survey – forthcoming). It is worth mentioning that most legally registered migrants also work in unqualified and manual jobs in construction, textiles, car-making, heavy industry, mining, agriculture, etc. (see, e.g. Čaněk, Čižinský 2006).

Among foreign workers, Ukrainians and Slovaks break laws far more often than other groups. Slovaks – members of the EU – often have employers who do not report their employment (see table 9).

[14] Currently, Ukrainians make up about three quarters of those arrested on Czech territory violating residence or work rules (see Ministerstvo 2007).

Table 9. **Breakdown of checks on foreign labourers in the CR, 2001–2006**

	2001	2002	2003	2004	2005	2006
Number of controls	11,238	11,078	10,597	9,112	9,933	10,424
Number of checks carried out on employers who employ foreign workers	1,306	1,382	1,760	1,430	1,631	1,474
Number of people who were checked	n.a.	5,145	5,128	9,889	9,534	12,094
Irregular migrants found plus failure to report employing foreigners**	1,381	1,488	1,466	1,646	2,017	1,701[1] (2,087)**
Number of people who were checked – citizens of Slovakia	n.a.	6,043	4,705	n.a.	n.a.	n.a.
Breaches of the law by citizens of Slovakia	968	829	1,081	397**	123**	1,836**

Source: Jíchová 2007
n.a. – the information was not specifically collected
*** Failure by employers to report employment of foreigners*
[1] Out of this number 1,207 were Ukrainians

The presented results of state checks, however, only indicate some trends. They do not say too much in view of some very problematic sampling (see also Horáková 2006). Obviously, when combating illegal economic migration, more sophisticated and coordinated checks must be organized[15].

Spatial distribution of migrants

The spatial distribution of migrants in the CR is rather uneven. There is an East-West gradient with the intensity of immigration increasing from eastern parts of the country westwards. The highest concentration of foreigners live, however, in the capital city of Prague (both in absolute and relative terms) along with its neighbouring districts (Prague East and Prague West), where is a wide variety of working opportunities – from low-paid jobs (mostly for Eastern European immigrants) to specialized, professional positions (immigrants from highly-developed countries). Prague (32 per cent of the total number of foreigners in 2006) along with north-western districts of Cheb, Karlovy Vary, Tachov, and Mladá Boleslav, and some Moravian urban districts (Brno, Ostrava, Karviná) are the areas where foreigners are mostly concentrated. An important role is also played by foreign investment, e.g. the car industry in Mladá Boleslav (similarly to Slovakia – see Divinski 2006). In addition, border districts, compared to internal ones, have generally higher shares of foreigners from neighbouring countries. This is especially true of the border zones with Germany, Poland and Slovakia.

The distribution of Slovaks is more dispersed within the CR. This can be traced back to close relations between the both countries, administratively one country for over half a century up to 1993. Citizens from Vietnam are mostly concentrated in big cities such as Prague and also in the western (north-western) border districts where they cater to affluent western customers (Novotný, Janská, Čermáková 2007). On the other hand, the presence of Russians in the western district of Karlovy Vary dates back to a long tradition of this famous spa town hosting Russian tourists (Drbohlav, Lupták, Janská, Bohuslavová 1999).

[15] In 2000, an interministerial body (Commission) for combating illegal employment of foreigners was established in the CR. Its remit is to fight undeclared work more efficiently.

Regulation of labour migration

"There has always been a part of the foreign labour force whose entry into the labour market was regulated by work permits and a part which was not. The latter includes immigrants holding permanent residence, specified professions, the "specific" case of Slovak workers (they were supposed to just register at a local job centre prior to EU entry) or EU citizens, following entry into the European Union. Work permits cover migrants from "third countries", those who often come from the East" (Čaněk, Čižinský 2006). The Act No. 326/1999 on the Stay of Aliens on the Territory of the CR (Aliens Act) which entered into force in January 2000 brought an important change in regulation of migrants entering the country. Since then, applicants must apply for visas and work permits outside the country. This closed off the possibility of upgrading to a work permit from a "tourist" visa.

This law brought about a more restrictive regime – to get work[16] and residence permits became more difficult. At the same time, demand for foreign labour has not decreased and other official channels through which foreign labour migration were to be organized and recruited – mainly bilateral agreements, like that between the Czech and Ukrainian governments, did not work well. These turned out to be inflexible, time-consuming, and bureaucratic. Thus, a niche opened up for intermediaries who help organize a regular, irregular or semi-legal stay and work in the CR (see Čaněk, Čižinský 2006, Černík 2006, Intermundia 2005, Čermáková forthcoming). This phenomenon, called the "client system", has quickly become widespread throughout the whole country[17]. However, one has to mention that, to some extent, the "client system" has partly been legalized through the official institute of intermediaries who are registered with the Ministry of Labour and Social Affairs (Drbohlav, Horáková, Janská 2005, see also below).

What also contributed to increasing numbers of illegal and quasi-legal migrants in the CR is the different degrees of restrictions on immigrants´ employment vis-à-vis immigrants´ business activities. Unlike the latter, the former was and still is very complicated and difficult to get (see more Drbohlav 2004, Čaněk, Čižinský 2006). As a result, many labour migrants asked for and easily got trade licences and then worked like classic employees

[16] Czech work permits give priority to domestic workers for any specific job. The supply of foreign labour force is thus supposed to be limited to cases when an employer is not able to find a Czech (EU) candidate with certain skills or qualifications. See the Employment Act no. 1/1991 Coll. and the new act no. 435/2004 Coll. There have also been bilateral agreements on employment that the CR signed with Slovakia, Hungary, Russia, Mongolia, Vietnam, Ukraine, etc. These have, however, been losing their significance as most of their provisions can also be found in existing Czech legislation. At the same time quotas to employ citizens of certain countries have often never been filled. For example the treaty with Ukraine which was not renewed after it expired a few years ago (Čaněk, Čižinský 2006).

[17] As Čižinský, Čaněk 2006 explain: "Clients are part of a system organizing labour immigration from Ukraine, Moldova and other countries of the former Soviet Union to the CR. Clients are intermediaries; they are in a client position to mafia groups. Workers involved in the client system get a full service (employment, housing, possibly a residence permit, etc.) and protection …. (while paying a large share of their income for these services) … Czech employers in construction and other sectors of economy have relied on a ready-made supply of migrant workers that they need not take responsibility for… This client system has been increasingly described as allowing exploitative, slave-like labour, plus the criminalization of a large group of migrants. This will probably represent one of the main challenges for current and future Czech migration policy".

(so called "hidden employment"). Another way to avoid the work permit regime was to become an "associate" or a "co-partner" in business companies while, in fact, working, for example, as construction workers. This practice was, to some extent, reduced by the new Employment Act No. 435/2004.

Temporary, short-term migration is regulated by job centres. Job centres are responsible for granting work permits. It is up to them to evaluate an economic need and a beneficial effect tied to the immigrant's arrival and proposed activity. What should be pointed out is that a foreigner (a would-be employee) can take a vacant job provided no other citizen of the CR or any other EU country is willing to accept it[18]. Migration can also be organized[19] via private labour exchange agencies. Just now there are about 1,100 of them operating in the CR. It is clear that such a big number of agencies cannot be effectively monitored or their recruitment activities controlled by the authorities.

The current system for regulating workers in the CR is inflexible and very slow[20]. One of its shortcomings is that subjective factors can enter into and influence a decision on whether an applicant is accepted or not at a local level.

The current Czech government represented by the Ministry of Industry and Trade and the Ministry of Labour and Social Affairs have started discussing what could be very important changes in the country's migration policy. The new model (called the "green card") should dramatically liberalize conditions for third country immigrants to enter the Czech labour market (e.g. even a removal of priority for Czech and EU citizens is suggested; for those who successfully integrate into the Czech labour market a much shorter waiting period for a permanent residence permit is expected). These serious changes, however, have yet to go through all the necessary administrative and legislative stages.

Regularization

Despite having probably a large pool of irregular migrants in the CR (see part 3.3), regularization as an official instrument for legalizing immigrant stays[21] is not on the agenda (more on this issue – e.g. Papademetriou 2005, Čižinský 2004). Though there were some discussions initiated by the NGO sector, this issue has not been openly and publicly discussed. The Czech governmental sector is clearly against any regularization programme.

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18 When doing business, foreigners have to follow the same (by the way, much easier) rules as Czech citizens. Thus, this "entering channel" has often been misused when foreigners were in fact, only a "masked or hidden employees" (these quasi-business activities are called the "svarc system"). As already mentioned, this situation has been, to some extent, improved by Amendment No. 435/2994 of Coll., On Employment.

19 There are also electronic portals enabling those who individually search for various jobs both in the CR and at a European level to better inform themselves. For example, besides "a domestic information source" – a portal of job vacancies (in the CR and EU) that is run by the Ministry of Labour and Social Affairs of the CR – there is also EURES, an interconnected public service on employment opportunities of the EU/EEA countries – see www.portal.mpsv.cz/eures.

20 Horáková (2006) assesses the system as time-consuming and costly.

21 It is usually an amnesty for irregular migrants who have already been in the country for some time and have worked there. For example, it has been applied in some European countries like Spain, France, Belgium or Portugal.

Managing economic migration – bilateral agreements with other countries

Employment of foreigners on the basis of international treaties or inter-governmental agreements is governed by generally binding legal regulations, unless those treaties or agreements provide otherwise. In certain cases, these agreements establish limits approved by the parties to the agreement, for a certain period of time or for a certain group of individuals, who are subject to conditions more advantageous than those otherwise established by the general regime.

In these cases, employment of foreigners in the CR follows the general contracting rules provided by international treaties, concerning contractual employment of individuals – when the guest worker is sent by foreign employers to work in the territory of the CR according to a contract signed with the locally established company.

After 1990, the Government of the CR signed a series of international treaties, several of which limited the number of migrants. Some of the bilateral agreements, signed for example with Germany[22] and Switzerland, deal with a mutual exchange of trainees regardless of the situation in the labour market. The agreement between the CR and Ukraine concerning the mutual employment of their citizens expired in 2002 after five years in force. As a corollary, Ukrainian employees that had made use of annual quotas set by the Agreement have moved to a category of individual businessmen (http://www.mpsv.cz/cs/1340, Horáková 2004). On the other hand, certain agreements on mutual employment, signed with countries which entered the EU on May 1, 2004 (such as Slovakia and Poland), remained applicable and their provisions replace the provisions of the EU law (Acquis communitaire).

Based on information from the Ministry of Labour and Social Affairs, bilateral treaties concerning employment are currently overruled by the Amendment to the Law on Employment (Act No 435/2004 Coll., on employment).

Economic effects of migration[23]

Unfortunately, this area suffers from many shortcomings. Both primary statistical sources and secondary sources (like analytical studies) that would shed light on immigrants´ economic impact upon Czech society are lacking. Thus, so far there has been insufficient robust data regarding, for example, foreigners´ savings, remittances, taxes, social-security payments, investment strategies, etc. (see Drbohlav 2004). Moreover, some migratory categories, in harmony with their gradual integration “are lost” from migratory statistics in the course of time – like e.g. refugees (those who were granted refugee status) or those with permanent residency, not to mention the impossibility of combining into statistics individual migrants into particular family units. Czech migratory statistics do not serve research purposes very well the other way round. They are not even able

[22] Since 1991, the CR has had an agreement on mutual employment of citizens with Germany. One can make use of five basic categories from seasonal work, through IT specialists to pendlers (regular circulators or commuters) (see e.g. Horáková 2007).

[23] On non-economic effects of migration see e.g. (Drbohlav 2004 or Drbohlav, Burcin, Kučera 2006).

to monitor the status quo satisfactorily, never mind contribute good enough information for more detailed analyses. These are probably also the reasons that almost no Czech economists deal with international migration issues in their own country. Thus, what we know about immigrants´ economic activities and their impacts upon Czech society, paradoxically, comes from sociologists, social geographers or ethnologists who can only make use of their own surveys (often with a small number of respondents, and problematic sampling methods).

What we know and what is worth highlighting is that from the very beginning of the 1990s on, economically-motivated foreign immigration, has helped propel motors of transformation in the most important poles of development. These include the capital city of Prague and mainly other highly urbanized areas[24] (see studies chiefly at a district level applying mostly correlation or regression analyses – more in Drbohlav 2004, Cizinci 2006 or Horáková 2006). Unsurprisingly but importantly, economically-motivated migration grows as unemployment falls (see Drbohlav 2004, Horáková 2006) and vice versa. This shows that labour migrants supplement rather than compete with Czechs in the labour market, since they take unattractive but necessary jobs that pay poorly. It seems that the same patterns may be typical of irregular immigrants too (see also above). Foreigners tend to supply the Czech labour market with "spatial flexibility" – "various sources confirm that internal migration by people moving to work is very low in the CR compared to other developed countries. Moreover, in the course of the 1990s, during ongoing transformation, it further decreased" (Lux et al. 2006, see also Čermák 2004). Thus, immigrants directly "jump into empty or rather demanded positions" from abroad or move to them from within the country[25].

Remittances

There are not many studies or sources on remittances in the CR. Czech banks do not publish any individual data, only an overall balance of payments. According to Manson and Quilin (2007) the CR belongs to the "low migration countries" (fewer than 120 migrants per one thousand inhabitants) and its remittance contribution to the balance of payments has been increasing since 2000. In 2003 it was 500 million US$, which is, for example, a fifth of the amount for Poland and a third of that for the Russian Federation. Another data source (CSU) is the balance of payments of the Czech National Bank (CNB). According to this database it is estimated that 24,000 registered Czech citizens abroad had their income around 23.7 billion CZK (circa 1.3 billion US$) in 2006 [Platební bilance, p.9], which is almost one fifth more than in the year 2004.

Detailed data for money outflow from the CR (earned by foreigners who stay in the country) is not available. Some relevant information is obtainable from direct sources in particular destination countries. For example, it could be assumed that significant

[24] In other words, migration was also favoured by an entrepreneurial climate, and an economy where wages are higher (Drbohlav 2004, Cizinci 2006). Of course, while concentrating upon economic aspects, we omit other important variables explaining a spatial distribution of immigrants – e.g. "compatriots' networks" (see Drbohlav 2004, Valenta 2006).

[25] For example, rates of internal migration in the CR among foreigners were almost twice as high as among Czech citizens in 2004 (Burcin, Drbohlav, Kučera 2006).

amounts of money go to Ukraine sent by more than one third of all foreigners in the CR. It is estimated that between 3 and 7 million Ukrainians live abroad while sending home around 5.5 billion US$ a year (Kočík, Livinský 2005).

Another data source for estimating cash outflows is the Czech national balance of payments (2005). This data springs from employers' costs (salaries paid and social security payments). In 2005 the overall cost represented 51.2 billion CZK, an increase of 36 per cent against the previous year of 2004 (Platební bilance 2005). After deducting 19 per cent tax and estimated costs of living (some 30 per cent), we can estimate that the probable amount that foreigners/migrants send home (remittances) might be about 25 billion CZK (some 1.21 billion US$). The given increase was caused by a growth of the number of employed citizens in the CR.

2.4. Free movement of labour within the EU

Since 1 May 2004, when ten new European countries[26] joined the EU (NMS), a transitional measure applied affecting the free-movement rights of the eight accession countries[27]. These restrictions "limit the use of one of the basic principles of the Treaties, a cornerstone of the internal market, i.e. the right to take up employment and to answer job offers through the whole territory of the EU" (Traser 2005). Old member states (OMS) resorted to a variety of different restrictions on different scales. What is crucial is that the rules allow the 15 OMS to individually decide upon the application and the length of temporary restrictions, which are organized under the flexible form of a "2+3+2" years scenario. From the very beginning, community rules on the free movement of workers from accession countries were fully applied only in Sweden as opposed to general access to jobs, however with limited welfare benefits, in the United Kingdom and Ireland.

Though expected migration flows from NMS to OMS were accompanied with exaggerated fears and scaremongering, first experiences have been deemed positive (see Traser 2005, Fihel, Rush 2006, Accession 2005, Doyle, Hughes, Wadensjö 2006, Blanchflower, Saleheen, Shadforth 2007, Anderson, Rush, Rogaly, Spencer 2006). On the other hand, the costs of large inflows of hundreds of thousands of immigrants into the United Kingdom were also highlighted (Rush 2006, Blanchflower, Saleheen, Shadforth 2007).

It has to be stressed that unlike Poland (in absolute terms) and the Baltic states (in relative terms) the CR does not supply the OMS with many migrants. It is the other way round. For example, concerning immigration to the United Kingdom – between May 2004 and December 2005, 20,005 Czech migrants were registered under the WRS (Worker Registration Scheme). This was 5.8 per cent of all immigration from the CEE countries, and the third lowest share (after Slovenia and Hungary) – 0.3 per cent (as per cent of sending population aged 15–64 – see Fihel, Kaczmarczyk, Okolski 2006). Similarly, Czechs represented only 4.8 per cent out of those CEEC immigrants who got

[26] Malta, Cyprus, Slovenia, Estonia, Latvia, Lithuania, Slovakia, the CR, Poland and Hungary.

[27] So-called "temporary provisions" were not applied to Cyprus and Malta because of their small size and their relative economic strength (Traser 2005).

social security numbers in Ireland between May 2004 and July 2005 (3,439 Czechs[28]). The role of new Czech migrants to Sweden (after EU accession) is really marginal – see Traser 2005, Doyle, Hughes, Wadensjö 2006).

Analyses done especially in the United Kingdom found that migrants to OMSs came mainly young, mostly without dependants, working full time, roughly half in temporary and half in permanent employment and earning mostly (80 per cent) between 4.50 and 6.00 £ per hour (this is between 47 and 63 per cent of average UK hourly earnings). Three sectors are the most typical of these migrants: administration, business and management, hospitality and catering, plus agriculture (two thirds of all sectors) – see more in Accession 2005. It seems Czech migrants match this pattern (see Accession 2005).

In harmony with rather a low rate of emigration of the Czech population (e.g. Baštýř 2001) one cannot see current and expected levels of migration towards the richer EU countries as a threat for the domestic economy and society. Rather, due to remittances and frequent returns of migrants, it can rather be an asset. The Czech government, however, has to pay more attention to stabilizing, or improving, working conditions and living standards at home for those professional groups that can easily find jobs in the "West" and, thus, be on the move westwards[29].

Circular migration

Perhaps the most important form of trans-border cooperation among the CR and the EU 15 countries is circular/commuting workers that daily, weekly, or, sometimes at longer intervals commute back and forth across borders. This happens chiefly between zones bordering on Germany and Austria and these countries. Whereas there has been no reliable or centralized information even on legal/regular circular migrants, according to some estimates about 50,000 Czech citizens (including irregulars) worked in Germany in 1992. Due to many factors, for example more restrictive approaches applied by Germany but also a fact that standards of living improved and many new career opportunities have appeared in the CR[30], the overall number of Czech citizens commuting regularly to Germany has been decreasing significantly. As early as 1995, estimates fell to 30,000–35,000 (see Drbohlav 2004) while it might be as low as 4,500–5,000 in 2002[31] (Vavrečková 2004). The same pattern is visible from official statistics where, since 2001, numbers of Czechs who make use of an intergovernmental agreement (signed in 1991) that allows them to enter Germany and to work there under five subprogrammes and

[28] However, estimates put the number of migrants who are accession state nationals aged over 15 into Ireland in the post-accession period up to February 2006 to 186,000 (Doyle, Hughes, Wadensjö 2006).

[29] When discussing supply/demand issues in the CR vis-à-vis the United Kingdom, besides other medical professions, e.g. dentists are in high demand in both countries (see Traser 2005, Vavrečková 2006).

[30] One has to also mention the revaluation of Czech crown vis-a-vis German mark and the euro.

[31] It is also supported by declining numbers of circular migrants from the Cheb region (to German Bavaria) – the most important area for this sort of migration in the whole CR (Marešová 2006). According to the Cheb job centre, the number fell from 861 in 1999 to 234 in 2005 (Marešová 2006).

specific conditions (mostly contracts for 18 or three months as a maximum) has been decreasing too[32] (see Horáková 2007). These numbers are not making full use of the quotas.

Although "theoretically" Germany and Austria should be the most important migratory targets for Czechs (see Heinz, Ward-Warmedinger 2006), the real impact is small and "horrifying scenarios" of being flooded by masses of Czech migrants will probably never be fulfilled. It is rather the other way round. The existing experience of temporary circular labour migration from the CR to Germany and Austria seem to benefit both sides. Moreover, in many aspects the CR itself has been becoming an important destination country.

Besides the EU 15, labour migration of Czechs of any kind and length to other European countries (except Slovakia – see part 3) has been negligible.

2.5. Real and potential brain drain – the Czech labour market

Brain drains or brain gains as a research topic is a new one. In 1996, a study "Migration – Europe´s Integration and the Labour-Force Brain Drain" (Report of the CR) originated under the umbrella of the European Commission (it was a comparative study in which ten ex-communist countries of CEE participated) – see Marešová, Drbohlav, Lhotská 1996. Since then, no studies have been done except for 1) initiatives of the Research Institute of Labour and Social Affairs (see studies done by Vavrečková et al. – e.g. 2004, 2006, 2007) and 2) still ongoing research on brain-(re)-gain by Kostelecký from the Sociological Institute of the Academy of Sciences of the CR.

Studies done by the Research Institute for Labour and Social Affairs (see Vavrečková ed. 2006, 2007) contribute unique and, indeed, very important figures on Czech labour-force demand and supply in a broader European context[33]. To judge the risk of a brain drain from the CR, the current demand for qualified labour in the CR and in countries that are attractive for migrants has been monitored. Of course, all the legal opportunities and, on the other hand, limits were taken into account.

[32] 1,327 Czechs in 2006 (Horáková 2007).

[33] In a study Vavrečková ed. 2006, the demand for specialists in the Czech labour market is ascertained via: 1) advertisements in the daily press, 2) job advertisements on the web portal for job intermediation and 3) advertised vacant jobs in Czech job centres – carried out during 2004 and 2005. A survey of recruitment agencies followed these up. The demand for specialists in foreign (European) labour markets was researched into via 1) quantitative data obtained from the demand for qualified labour on European mobility networks – specifically the EURES and ERA-MORE systems (see: htt//europa.eu.int/eurem, or, http://portal.mpsv.cz/eures), 2) field studies of employment agencies that mediate legal employment for Czech specialists abroad. A total of four weekly surveys were carried out as part of the monitoring in 2004 and 2005. Also, a qualitative survey – interviews with representatives of 12 personnel agencies (only those licensed by the Ministry of Labour and Social Affairs of the CR) were made mostly in Prague in 2004 – see more in Vavrečková 2006) .

To sum up some key results: First, despite having data from job centres, there is no organized systematic monitoring of in-demand qualified professions in the CR. Second, there is a critical shortage of machine engineers for development, technology and construction[34]. Other professions in demand on the Czech labour market are software engineers, highly specialized IT experts, customer-service specialists and database developers, business professionals, managers in different fields, executive professionals and sales representatives. Sales representatives with a sound knowledge of their field and good communication skills belong to another deficit group (e.g. pharmaceutical sales reps). Generally, one can see a shift in demand from economic professions to technical and executive professionals.

When assessing demand for doctors by monitoring advertisements for vacancies in selected hospitals, it has been confirmed that skilled medical staff (doctors with primary and secondary attestation[35] and skilled nurses) are permanently in high demand in the country. Also, there is a shortage of dentists in the Czech Republic which will in all likelihood worsen.

Importantly, when juxtaposing demand in the CR to demand in the European labour market, it is obvious that both labour markets suffer from shortages in almost identical sectors/fields and professions. Thus, with "global" competition for a highly-qualified labour force, it makes the position of the CR even more difficult. Though the CR does not have a systematic and active labour market policy (in any case less than in many OMS), the CR is one of the countries that runs a programme for attracting foreign skilled workers – the "Selection of Qualified Foreign Workers" (see in detail in part 9).

Several factors prevent Czech labour demand (that has to be compatible with the current globalized, post-industrial, developed economic models) from being satisfied by flexible, qualified Czech workers.

First, there is a deformed educational structure: Workers with intermediate skill levels form the core of the Czech labour force. The proportion of the labour force accounted for by unskilled or poorly-skilled labour is lower in the CR than in any other EU country. On the other hand, highly qualified university (tertiary) educated workers in the country account for only 12 per cent of the labour force, roughly half of the proportion found across the EU (the average is 25 per cent – Vavrečková 2006)[36]. This means some skilled work is done by workers with insufficient qualifications.

[34] A category No. 244 within the KZAM (classification of occupations used in the CR) – it is equivalent to the ISCO classification.

[35] It concerns especially those specializing in internal medicine, anaesthesiologists, gynaecologists and obstetricians and paediatricians. The survey found that the biggest problems were in filling positions in pathology, gynaecology and anaesthesiology.

[36] As Vavrečková (2006) also stresses, however, one has to take into account the length of educational programmes and their focus. In this regard, though the situation has been changing now, the CR has not as many shorter baccalaureate programmes as many old EU member states have. With these programmes a society can quickly react to changing demands in its labour market.

Second, there are only very limited links between the educational system and needs of the labour market in the CR. Thus, Vavrečková's (2006) study confirmed that higher technical schools and technical fields in general are more or less neglected. On the other hand, apparently, not in harmony with the Czech labour market developments, "Czech schools continue to produce graduates in various management fields, social sciences and other branches already well supplied. Just these graduates then have trouble finding suitable work" (Vavrečková 2006). Third, as already mentioned, there is a very small rate of internal migration among Czechs (Čermák 2004). Thus, a very low willingness to migrate to find a new job hinders not only geographical mobility but flexibility of the whole economy.

Fourth, there are still enormous differences in the real purchasing power of net earnings (internationally comparable) between the CR and many other old EU member states. Simply higher income as one of the biggest advantages[37] to be found in a "rich Europe" is a strong "pull factor" leading Czechs to take a job abroad instead of working at home. "The bigger the gap between earnings at home and abroad, the bigger the motivation to work abroad. Foreign and domestic analyses have repeatedly concluded that there is a very strong incentive to work abroad if the level of foreign earnings is over three times higher than in the CR and the tendency to migrate persists if incomes are twice as high" (Vavrečková 2006). As also Vavrečková (2006) shows us, the purchasing power of net earnings of specialists – for example in Germany, Austria, the United Kingdom and Ireland, is roughly 2.5 times that in the CR. The pull for highly-qualified Czech workers to work abroad is thus, despite continuing convergence between East and West, still substantial[38].

When expert workers are given inadequate conditions and pay at home, "very strong pulls" attract particular occupational groups of Czech professionals abroad. However, according to less radical scenarios, as living standards in the CR approach more developed EU countries, "pushes and pulls" will decline (see e.g. Baštýř 2001). Existing movements from the country westwards, except for a few extreme cases, might never reach a massive scale (Baštýř 2001). Obviously, one of the possible alternatives to alleviate these difficulties is (for shorter, longer times or "for ever") to invite foreign immigrants as substitute workers.

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[37] Accompanied with factors like chances to develop professional skills, participate in international projects, state-of-the-art workplaces (see Vavrečková 2006).

[38] This potential brain drain has been elaborated by Vavrečková et al. (2007) using the example of a study on doctors and IT professionals. They point out there is a strong "push motive" for Czech doctors to work abroad. "Doctors with average earnings in other countries have significantly greater purchasing power than general practitioners with average earnings in the CR – in Ireland 60 per cent higher, in Germany 80 per cent, in Austria 120 per cent and in the United Kingdom 250 per cent – the highest figure", Vavrečková et al. 2007. On the other hand, an empirical field survey did not confirm that there will be huge emigration by Czech doctors. Such emigration, for example, might be realistic for from about five to seven per cent of the respondent population. What must be stressed too is that if doctors tend to migrate, then, their migration is often only temporary and they plan to return to the CR after some time. Also, cascade-style migration has been indicated when Czech doctors who leave for rich West are replaced in the country by doctors coming from economically poorer countries.

2.6. Political discussions of migration and the labour market

Attitudes of the majority towards the minority population

It is said that "CEECs have been at the historical cross-roads of invasion, migrations, and the rise and fall of empires" (Castles 1995). Noting that the CR experienced more than forty years of "overall isolation" (inter alia, a situation that drastically limited normal international migration and settlement) within the communist era, then, unsurprisingly, the Czech model of national identity is one of ethnic purity and cultural homogeneity rather than pluralism. This is also the case of Germany and Austria – Castles 1995. Accordingly, the fear of having foreigners or strong ethnic minorities in the country is strong (see Drbohlav 2004, Rabušic, Burjánek 2003). The following examples illustrate how xenophobia is reflected in Czech society. The information comes from surveys on xenophobia and the experience of immigrants, conducted by the Centre for Opinion Polls[39]: 59 per cent of respondents think that immigrants should adjust to "our" living style as much as possible; 35 per cent call for adjusting to some extent in this respect while only four per cent argue that they should have a chance to live entirely according to their habits and customs (as of February 2005). In the same survey, 20 per cent argue that the CR needs immigrants ('certainly' or 'quite strongly') whereas 69 per cent proclaim that it does not need them ('certainly' or 'quite strongly')[40].

In terms of individual national groups, Slovaks (as a minority living in the CR) are, out of the selected ethnic groups, by far the most popular with the Czech majority[41], followed by Poles. On the other hand, Vietnamese, citizens of the former Soviet Union[42], citizens of the Balkans, and especially Roma belong to the most unpopular groups. Popularity of individual ethnic groups for the Czech population does not change much over time. Sympathy for some ethnic groups peaked between 1997 and 1999[43], and since then has been slightly decreasing.

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[39] Data from the Centre for Opinion Polls are used here (CVVM within the Sociological Institute of the Academy of Sciences of the CR. The former name was the Institute for Opinion Polls which was affiliated with the Czech Statistical Office – IVVM). They monitor the situation in the given field from many different aspects regularly, mostly on a year-to-year basis (thus, there is often a possibility to evaluate development over time). The samples are, to large extent, "representative" (usually more than 1,000 respondents spread throughout the whole country) since a quota-sampling method is applied (quota characteristics: age, sex, educational level).

[40] When focusing on labour migrants, most of the public agrees (see Postoje 2003) that cheap foreign labourers are a threat (competition) to Czech workers (82 per cent). Also, they support restricting employment of foreigners in regions with high unemployment (81 per cent). Almost two thirds of respondents say foreign migrants should only get jobs Czech citizens don't want (63 per cent).

[41] No wonder Czechs and Slovaks are so close to each other, mainly because of having lived in one common state for almost 75 years, and speaking very similar, mutually intelligible, languages.

[42] This reaction is the result of two main reasons: 1) a general negative attitude among Czechs toward all things "Soviet" mainly as a result of the unforgettable invasion of 1968, and 2) the tendency to connect "Soviets" to "mafia criminality" which sometimes appear in the CR. Mafia-type activities are often attributed to citizens of the Balkan states as well.

[43] One of the important reasons might be that, generally, positive economic development reduces anti-immigration attitudes. More positive attitudes toward foreigners followed a relatively good period during the Czech economic boom and improvements in the living standard of the domestic population at that time. Both grew significantly between 1994 and 1997 (more in Drbohlav 2004).

However, the relationship is not "linear" in its character and still shows improvement over time. Comparing the beginning of the 1990s to the beginning of the 2000s (see Drbohlav 2004), overall perceptions of individual ethnic immigrant groups have become more positive (except toward citizens of the Balkans). Although the relationship is rather complicated and complex, perceptions of immigrants in Czech society will highly probably improve given enough time and enough interactions between immigrants and the majority population (see also the same in Germany or Austria – more in Drbohlav 2004).

The Czech Centre for Opinion Polls carried out some surveys on potential economic migration of Czechs abroad after accession to the EU. Generally, no huge outflows were signalled. For example, in a survey done in October/November 2004 only four per cent of respondents divulged that they had already been trying to find a job abroad through their friends and acquaintances (and another two per cent via the internet). The most important factors behind such activities were "betterment of their language abilities" and "increasing their income" (see Zájem 2005).

Different opinions of political parties

There has been less discussion about Czech political parties´ attitudes to international migrant issues. We found a wide variety of opinions on the basis of interviews with the five most important political parties in the CR, namely, the Civic Democratic Party (ODS), the Christian Democratic Union – the Czech Public Party (KDU-ČSL), the Green Party (SZ), the Czech Social Democratic Party (ČSSD) and the Communist Party of Bohemia and Moravia (KSČM). The common opinion for four of them (except KDU-ČSL) is that unlike in many other EU countries, currently the international migration is not a hot, topical issue on the political agenda.

The winning party of the last parliamentary elections (in 2006) was a right-wing party, the ODS. Regarding migration, its priority is obtaining access for Czech citizens to all EU countries´ labour markets. At the same time, they believe the same right – free access to Czech job vacancies – should be offered to all EU citizens, including those from NMS. The current priority of the Czech government (to a large extent saturated by ODS members) is to include Directive of the Council 2005/71/ES on the special procedure for accepting third-country citizens who will work on scientific research. This Directive should be adopted before 12 October 2007 along with the Schengen legislation.

According to an ODS Member of Parliament Mr. Tomáš Kladívko among other priorities one can mention a continuation and a consequent halt in a programme to attract back Czech compatriots from Romania and Kazakstan. The ODS also wants to speed up asylum procedures and to apply more restrictive measures against crimes and illegal employment involving foreigners. On the other hand, as Minister of Labour and Social Affairs, Mr. Necas (also from the ODS) has recently announced, the Government will try to open more legal channels for immigrants to enter the Czech labour market and more attention will be paid to immigrants` integration.

The ČSSD prefers immigration coordinated and harmonized by the EU. When they were a ruling party (in the beginning of the 2000s) they launched a pilot recruitment programme (see more part 9). This party wants to create the best possible conditions for integrating foreigners into Czech society and improving their co-existence with Czech citizens (Slovo 2006).

The Green party wants to see immigration by highly-skilled specialists. An important goal for this party is to guarantee equal access for immigrants to education and the Czech labour market. Also, they want to reduce waiting times for people who have applied for a permanent residence permit. In addition, they would like to change the Labour Code while removing wording that can lead to slave labour for some foreigners (Slovo 2006).

In the election programme of the KDU-ČSL there are rational responses to migration. They see a need to reform the Alien and Border Police (seen as the most problematic and weakest police authority, burdened with corruption and clientism). The party proposes active policies for migration in general, illegal immigration in particular, and employment of foreigners. The party would like to move to a system similar to that used to issue passports to Czech citizens. In other words, they want to pass the duty to issue foreigners´ residence permits to authorized local councils. This means weakening the role of the Ministry of Interior of the CR.

The Communist party promotes equal rights for all European men and women. In the words of Mr. Lubomír Vacek from the KSČM, the party disagrees with a policy of "creating external boundaries" that "exploit" weaker countries near Europe and politically hinder movement of migrants. The KSČM also wants to a more liberal regime: a new single residence permit enabling migrants to work for at least two years, separate individual permits for family members of a migrating worker, a commitment not to limit the residence permit to a certain region or sector of economy. They also want to guarantee good educational, health, social and cultural conditions for migrants and eliminate all forms of xenophobia and racism. KSČM spokeswoman, Mrs. Monika Hoření, said that, as with the Greens, it is important for the party to find ways to legally employ foreigners, to put immigrants on an equal footing with local citizens and to strengthen supervision of employers. Finally, the party would like to guarantee the minimum wage to all foreign workers (Slovo 2006).

2.7. Main stakeholders in economic migration and its management

There are several important governmental and non-governmental bodies that deal with international migration and economic migration in the CR. The Ministry of the Interior is mainly responsible for international migration and asylum both in proposing legislation and implementing it. It cooperates with other ministries, state and non-governmental organizations, national and international. An important change occurred in 2003 when the role of the Ministry of Labour and Social Affairs was strengthened at the expense of the Ministry of Interior (see foreigners´ integration issues). One of the most important reasons behind this decision was that the international migration in the CR is no longer perceived primarily as a matter of "security" and "restrictive measurements" but more

as a challenge and a tool for building Czech society. Only the Ministry of Labour and Social Affairs is responsible for state employment policy. It regulates conditions under which foreigners are allowed to enter the Czech labour market as employees, while respecting EU legislation. It handles the relevant bilateral international agreements and launched the already mentioned "Pilot Project". Also, in 2000 a new inter-ministerial body for combating illegal employment of foreigners in the CR was established under the umbrella of this Ministry. The Ministry of Industry and Trade of the CR is responsible for issuing trade licences to foreigners. The Ministry of Justice of the CR guarantees entrepreneurs´ agreements regulated by a commercial code. It is in charge of the company register while defining conditions under which business companies and cooperatives can operate. There is also the Ministry of Foreign Affairs of the CR that inter alia deals with visa administration. Moreover, this Ministry manages Czech international aid in the migration field. Several other Ministries touch economic migration issues indirectly (see more in Drbohlav, Horáková, Janská 2005).

"Trade unions[44] support equal treatment in the Czech labour market regardless of whether a person is a Czech citizen or a foreigner. In relation to foreigners the Confederation mainly deals with labour laws and regulations. Everybody, including foreigners, has a right to enter a trade union. The main role of unions vis-a-vis foreigners is to inform them about the Czech labour market, about conditions and rights for those who stay in the country with booklets in foreign languages, to organize re-qualification courses, help foreigners solve other problems with legal counselling free of charge" (Drbohlav, Horáková, Janská 2005).

NGOs provide foreigners mainly with social, legal and psychological counselling on migration or integration. Whereas mainly asylum seekers and recognized refugees were targeted at first, in the course of time NGOs have also started paying more attention to long-term registered and sometimes also unregistered migrants.

The UNHCR and the IOM are also active in the CR and cooperate with both governmental and non-governmental organizations. IOM's Prague Office role is planning and implementing research into immigrants´ economic activities and their integration into the Czech labour market (see e.g. Drbohlav – Ezzedine-Lukšíková 2004, Ezzedine-Lukšíková, Kocourek, Leontiyeva 2006, Krištof 2003).

2.8. International aid

The "International Development Cooperation" programme was designed by the Czech government[45] to provide financial and technical assistance to selected developing countries and countries in transition (matching the EU and OECD "Official Development Assistance" and "Official Aid" programmes). The Czech programme is based on partnership principles (in other words, there must be demand from a "weaker partner"),

[44] For example, The Czech-Moravian Confederation of Trade Unions (CMCTU) represents 35 individual trade unions.

[45] An overall conception of international development aid of the CR for 2002 to 2007 was designed in Government Resolution No. 91 of 23 January 2002.

flexibility, effectiveness and transparency. The programme also reflects the interests and needs of the CR, while also bettering political and economic relations between partner countries and the CR. Further, the programme supports the security interests of the donor country. In line with the given main goals the government decided to apply the programme to especially target the following countries: Angola, Zambia, Vietnam, Mongolia, Yemen, Moldova, Bosnia and Herzegovina, and Serbia and Montenegro. Managing migration respresents an important part of the whole programme. "The main goal of such projects is to reduce the brain drain. In other words, to improve domestic living standards thereby preventing emigration" (more in Drbohlav, Horáková, Janská 2005). There is also an extra activity – providing scholarships for students from poor countries (see also more in Drbohlav, Horáková, Janská 2005).

Most of the Czech projects designed to help developing countries improve their economies and standard of living are not directly connected to international migrants´ integration. Nevertheless, some tackle this issue. These are a few ongoing projects or recently-implemented projects:

1) The IOM project in Georgia was to assist reintegrating Georgian citizens returning from the CR (IOM 2006). In addition, regional IOM offices in Ukraine, Moldova and Georgia distribute materials and mass-media presentations explaining life in the CR.

2) The Caritas Czech Republic established a regional centre of social adaptation (RCSA) in Lvov (Ukraine). It is to address people marginalized in society besides other potential Ukrainian emigrants. One of the main goals is to provide legal and social counselling and possibly requalification courses(http://www.charita.cz).

2.9. Recruitment programmes as examples of active policy

As a part of its few proactive migration-policy approaches, the Czech government introduced a pilot project to attract immigrants to settle: "The Selection of Qualified Foreign Workers"[46]. This pilot project is a sort of special recruitment programme. This scheme (started on 28 July 2003)[47] recruits new immigrants (with at least a secondary education) who could help build national prosperity (while complementing the Czech domestic labour market which lacks some professions and suffers from low fertility and overall ageing – Burcin, Kučera 2003). The project is the first step in designing the future migration policy of the country. Its main goal is to encourage foreign experts, specialists, highly-skilled workers, to settle along with their families in the country. The crucial point is that the programme tries to attract permanent immigrants. A hypothesis is that foreign specialists will not compete with Czech citizens on the Czech labour market. Also that they will find jobs in regions and professions in which shortages are

[46] Besides these targeted settlement migrants, in terms of temporary or short-term stays, preferential treatment exempting a foreigner from asking for a work permit, within the Act On Employment, No. 435 of 2004, is applied to various types of immigrants – see more in Section 97 a 98. Furthermore, family reuinion via migration is easier as well (Directive on family reunification is applied).

[47] See more in the Government Resolutions No. 975, of 26 September 2001, No. 720 of 10 July 2002, and No. 340, of 14 April 2004.

visible today and, furthermore, due to immigrants´ activities, new jobs should be created while economically enriching society. People who meet all these demands may ask for a permanent residence permit as early as after 2.5 years instead of the current five years. Selection is based on a point system in which applicants have to get 25 points out of 66 points as a minimum. Seven criteria are assessed: having a job, working experience, education, age, former experience with life in the CR, language abilities, and family members. The CR does not provide an applicant with a job, housing or finance his trip to the country. When losing a job during a waiting period (through no fault of his/her own) an applicant has a 30-day protection period, within which he/she does not lose their visa and their stay is not interrupted, thereby giving them the chance to find another job. In the first round the system targeted immigrants from Kazakhstan, Croatia and Bulgaria[48]. Since October 2004 would-be immigrants from Belarus and Moldova[49] along with fresh graduate students from Czech universities regardless of country of origin (except those with scholarships from the Czech government) have been allowed to enter the programme. Then, in July 2005 Canadians and citizens of Serbia and Montenegro, in July 2006 citizens of Bosnia and Herzegovina, Russia and Macedonia and, since January 2006, Ukrainians could enter the project as well. 530 immigrants had so far successfully entered the system by the end of 2006. Of course this is a very small number of people compared to the whole labour market. It was also less than quotas would have allowed. The most numerous group are Bulgarians[50] (33 per cent), followed by Ukrainians (18 per cent) and Belorussians (15 per cent). These are followed by graduates from Czech universities (nine per cent). Most migrants accepted had a university education (52 per cent[51]). The most numerous group of accepted immigrants work in the IT sector (16 per cent), administration (13 per cent) and engineering (13 per cent) along with another six per cent in a science sector[52]. The Government decided to apply a "quota system" where some would-be immigrants apply from inside the CR and others from abroad (the "on-line system").

The Ministry of Labour and Social Affairs of the CR responsible for the project and, consequently, the Government as a whole, decided to change the current model to make it more effective and attract more immigrants. When analysing other problems of the programme – why it failed to attract more applicants – several reasons come up: First of all, the precondition to find a job and to gain a visa for more than 90 days for employment purposes before entering the programme is a difficult task, almost impossible to fulfil for those who apply from abroad (see also Roubalová 2006). Second, though it is known that demand is generally high, only a few potential Czech employers have so far taken part by reporting their demand for skilled foreign labour to the Ministry. Information campaigns targeting employers and job centres in the CR should be more numerous, intensive and effective[53]. Also lacking is a "robust" in-depth economic analysis, not to

[48] Bulgarians, however, after joining the EU in 2006 were, logically, disqualified and can no longer take part in the project.

[49] After five years (2008), the pilot programme is expected to be open to citizens of most countries of the world.

[50] After entering the EU, however, they can freely enter the Czech labour market.

[51] Including Ph.D. graduates.

[52] More than one third of immigrants were not classified in terms of occupation – they fell into the "other occupations" category (Horáková 2007).

[53] To help balance demand with supply the Ministry has launched a website www.praceprocizince.cz

mention a prognosis with which to develop a sophisticated system of specifically targeted "structural demand" for highly-skilled foreign labour (by education, professions, regions etc.). Third, other "supporting services", namely affordable available housing, are hard for immigrants to find within an imperfectly-functioning residential market.

- There is a basic question as to what is better for the country – whether to attract educated permanent migrants but not to direct them to particular "gaps" in the labour market, or, rather to attract temporary economic migrants to saturate in a highly flexible way targeted deficits in the labour market or, to do both.

2.10 Conclusions

After the Velvet Revolution, from the very beginning of the 1990s, major political, economic and social changes helped quickly transform demographic behaviour towards the pattern of most developed European democratic countries (see more part 1) . In fact, all important demographic parameters in the CR have significantly changed. When taking into account the future development (a long time horizon – until 2050), as in many other European countries, the development of the CR will be typified by a shrinking population and labour force, growing life expectancy, growing participation rate in the labour market, and general ageing. Growing dependency ratios might have a particularly important impact on the Czech economy. Obviously, also in harmony with the "Replacement Migration Concept", international migration into the CR cannot under any foreseeable circumstances compensate alone for demographic ageing of the Czech population.

Despite current economic success (traditionally measured via GDP growth), the CR faces a number of serious problems that threaten its competitiveness and social cohesion in the long term. Among other problems, there is a lack of "organizational", occupational and geographical flexibility, the need to improve the whole educational system, overcomplex state subsidies, high taxes on labour, in general, and income, in particular, a small difference between the legal minimum wage and unemployment benefits, underdeveloped pension and life-long-learning systems. Crucially, these produce together a mismatch between labour-market demand and domestic labour supply. Also, the communist-era practice of not declaring work still complicates current economic performance.

What is the role of international migrants vis-à-vis Czech society and its labour market? Let us pinpoint several basic facts: the CR has quickly become an immigration and transit country while being the most attractive especially for Ukrainians, Slovaks, Vietnamese, Poles and Russians. Migrants have turned out to be an important population segment in terms both of a "stock" and a "flow". Whereas Slovaks and Ukrainians predominate over other immigrants among employees (holders of a work permit), Vietnamese and Ukrainians are by far the most important groups among businessmen (holders of a job licence). The country has received immigrants also from other developed EU countries. Though their numbers are generally rather low, they began increasing after the CR joined the EU. (Nowadays, immigrants represent in the CR some 5 per cent of the whole working force). Immigrants from CEECs are mostly active in poorly-qualified, manual jobs throughout many sectors of the economy. Prague and Central

Bohemia, followed by other big cities and border zone areas, are the most important magnets for foreigners. Generally, Moravia has many fewer registered immigrants than Bohemia does. Besides documented migrants, the country´s labour market is typical of having many undocumented or "irregular" migrants. Estimates of their numbers oscillate between 40,000 and 300,000. The latter figure is probably closer to the truth.

Regarding regulation of economic migration in the CR, standard approaches known from other developed countries attracting immigrants have been applied (namely specific legislation on these issues – including defining some preferential migration categories with special treatment and bilateral agreements). What has so far been unambiguously ruled out in government is any sort of a regularization programme (amnesties for undocumented migrants). Generally, regulating economic migrants is not driven by any clear vision or active plan. Moreover, there are too few systematic analyses of the Czech labour market that detail where and how international migrants may fill the gaps. Rather, one can characterize it as inflexible, slow, in some cases very restrictive and bureaucratic.

As for the immigrants´ economic impact, very limited data is available – little is known. One can only say that economically motivated foreign immigration helps propel motors of the Czech economy in the most important regions – in Prague and other urbanized areas. To a large extent, labour migrants seem to supplement rather than replace Czechs.

Experience of migration among the EU25 countries corresponds to (according to Czech experts) the expected trends. Hence, Czech emigration and short term economic migration "westwards" has so far been rather marginal. Also, future potential rates of emigration by Czechs will almost certainly not threaten the richest economies of the old EU member states. Shrinking numbers of Czech pendlers to Germany over time also contribute to supporting a picture of the CR as a spatially stable nation, stability of which is even increasing with growing economic opportunities and living standards in their country. On the other hand, lacking good working conditions and sufficient incomes, some highly-skilled, professional groups (e.g. engineers, doctors, and sometimes nurses) might decide to move westwards. However, very probably these would-be Czech migrants will mostly be short-term rather than permanent migrants. Comparing demand in the CR to demand in the Europe-wide labour market, both suffer shortages in almost identical sectors.

Unsurprisingly, the Czech population is xenophobic. It clearly demonstrates in opinion polls its fear of immigrants and of their presence in the CR. Nevertheless, as a whole, these negative attidutes do not lead to more aggressive antagonism. Attitudes towards a few immigrant groups seem to have slightly improved over time.

Political parties in the Czech political arena have so far paid rather limited attention to international migration and immigrants´ integration. Accordingly, the Government and both Chambers of Parliament, except when "following EU policies and practices where obligatory" in several atypical activities, did the same.

Two governmental bodies are responsible above all for managing international migration and immigrants´integration: The Ministry of Interior of the CR and the Ministry of Labour and Social Affairs of the CR. The shift of responsibilities from the former to the latter in 2003 indicates that this topic is no longer seen in the CR as a matter of "security" and "restrictions". On the contrary, it started being understood as a possible tool for building Czech society. Besides other governmental organizations, NGOs and respective international organizations have become deeply involved.

The pilot programme: "The Selection of Qualified Foreign Workers" launched by the Czech Government in 2003 was to be the flagship of a new active approach of the CR towards international migration. This step, unique in the whole region of the CEECs, is worth appreciating. It has been, however, a good idea with poor realization. The programme was immobilized by over-restrictive, inflexible conditions placed on applicants, badly-organized "demand" by the state and lack of other support that would assist newly-arriving immigrants (such as suitable housing).

2.11 Recommendations

What may be recommended making use of the facts and discussion above? Some policy recommendations are given below on how to improve management of particularly economic migration (see also Drbohlav 2006).

- Formulate a general strategic vision and make specific decisions regarding the economic, demographic, cultural and social aspects of diversity.
- To realize that future population loss and demographic ageing is a serious problem affecting many Czech social structures. Such a problem must be tackled holistically. Immigration as such cannot solve this problem; it can only slightly alleviate it. There are other areas to be tackled to improve the whole development of the country: e.g. to mobilize own internal sources by, for example, stimulating higher fertility, by increasing the productivity of those who work, increasing the age of retirement, to increase participation of women in the labour market, to speed up employment of fresh university graduates, to change the tax system in favour of big families. Some of these new relevant measures have been discussed in the country or are already on the agenda. However, it is vital, when designing these policies, to explicitly take into account international migration with its possible impacts (pluses and minuses).
- Deficits in the Czech labour market must be tackled on many fronts, and immigration is only one alternative for filling gaps (others are higher wages in some occupations, more flexible education balancing demand with supply). In this regard, an important goal is to promote a higher rate of internal migration by Czechs. One crucial tool could be a real free market for apartments and houses.
- An active migration policy in sectors where individual states (not the EU as such) play the most important role (like economic immigration and immigrant integration).
- Improve cooperation among and within state bodies, NGOs and international organizations responsible for migration issues.

- Systematic and detailed economic analyses of the Czech labour market should regularly be made, while also mapping labour supply and demand.
- More sophisticated mechanisms to harmonize domestic labour demand with foreign supply should be established (including a system of collecting and processing information). Within this, a much more active role for regional administration bodies should be considered.
- Reliable and transparent, officially registered (public or private) intermediaries are needed to help effectively match demand and supply of foreign labour and thus replace the present lobby of brokers in the CR that helps to provide the illegal labour market with undocumented migrants.
- Recruitment of foreign workers (i.e. getting a visa exceeding 90 days, work permit or some bilateral agreements) must be freer, less restrictive (not tied to such strict regulations and bureaucracy) and flexible (able to adjust to changing conditions). At the same time a system should be able to lodge a particular group of workers in a particular spot on the labour market where they are needed (i.e. see the problems with the Pilot programme). There is a basic choice – analytical but also political – whether to attract skilled permanent migrants, or, rather short-term economic migrants to saturate, flexibly, targeted deficits on the labour market. Or, both?

To more successfully combat illegal and quasi-legal migration, we need:

- a more coherent system for issuing various permits (e.g. no longer granting a business licence more easily than a work permit), – the “Svarc system” (“hidden employment” – when an owner of a job licence works like a typical employee) should be clarified both legislatively and in practice;
- employers who hire undocumented foreign workers must be heavily punished;
- there must be more legal opportunities created for immigrants to enter the Czech labour market – to create a more open, more transparent and more flexible system;
- to systematically combat Czechs‘ tolerance of the “grey economy“;
- to try to decrease strong “push factors” in countries of origin from which irregular migrants come by helping them to economically develop.

There should be a new database launched that would bring basic statistical information on economic characteristics tied to immigrants, their economic activities and integration into Czech society, including remittances.

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CHAPTER THREE

Hungary

Ágnes Hárs and Endre Sík

Introduction

Since migration became an issue in post-socialist Hungary, it has always been considered as a diaspora and security problem and mostly viewed as part of foreign policy rather than economic policy. As a consequence, no systematic or harmonized migration policy has been developed from the labour market perspective although various themes have been raised in the course of almost two decades, discussed and re-discussed by successive governments. A shrinking and ageing population as well as the Hungarian minorities in the neighbouring countries have been of peculiar importance in recent immigration and diaspora politics and shaped the main discourse on migration. The paper deals with the most relevant aspects of labour migration of contemporary Hungary. An introductory historical overview as a framework for Hungarian migration is followed by a demographic discussion. A detailed labour market overview will be followed by analysis of the migrant labour market and some pre and post-enlargement examples of the economic effects of migration. Finally, as a synthesis, relevant migration policy issues will be discussed.

3.1 Historical background

At the turn of the 19th century, Hungary, like other countries of Central and Eastern Europe, was an emigration country, sending millions of poor people, mostly young males, abroad. They came from the fringes of the Austro-Hungarian Monarchy and went to the New World, mainly to the USA. Later, as a result of the peace treaties concluding World War I, Hungary lost a substantial part of its territory and, finally during and after World War I, and especially after WWII, large-scale forced resettlement movements took place. As a result of all these changes, on the one hand an ethnically highly homogeneous population was created on the territory of modern Hungary, on the other hand an ethnically mixed population with considerable Hungarian minorities emerged in the countries surrounding Hungary.

This ethnic homogeneity has two effects on the migration patterns and migration policy of contemporary Hungary. On the one hand the taboo on discussing the historical past is one of the reasons why Hungarians are so receptive to nationalist, even chauvinist or irredentist ideologies encouraging xenophobic sentiment towards immigrants. On the other hand large ethnic Hungarian minorities outside the borders of Hungary are an

essential source of immigration to Hungary as well as a major influence on migration politics and policy. In sum, according to Brubaker (1998) instead of conceptually "pure" labour migration, ethnicity plays a crucial role in engendering, patterning and regulating Hungary's migration flows.

Following the Second World War and the forced resettlements, over four decades Communism made Hungary a closed country, with a very limited and state-controlled inward and outward migration. As to *immigration,* between 1949 and 1989 there was practically no immigration into Hungary, except for two politically motivated waves, i.e. Greek and Chilean communists being given asylum in the early 1950s and 1970s. In addition, beyond family reasons, students from Comecon or Comecon-supported countries and some channelled labour from the same group of sending countries (e.g. Cuba, Vietnam, Mongolia) in the 1980s shaped immigration. Concerning *emigration* the Hungarian border was also sealed except that during the aftermath of the failed revolution in 1956 about net 200,000 people left the country and there was steady emigration from Hungary over three decades from 1956 to 1989; it is estimated that another 200,000 people left the country in this period (Hárs 2001).

Before and during the months of transition, migration considerably changed. In 1988/89, with a growing number of people arriving from neighbouring countries, a quasi-refugee regime emerged in Hungary[1]. The prefix 'quasi' refers to the fact that Hungary signed the 1951 Geneva Convention relating to the Status of Refugees only in late 1989. Consequently, though the Constitution contained the concept of asylum, formally no asylum seeker could get refugee status. However, both the media and politicians called the migrants 'refugees', due to the political context: the overwhelming majority of these 'quasi-refugees' in the period were ethnic Hungarians fleeing from still communist Romania. The annual number of immigrants between 1988 and 1991 ranged between 23,000 and 37,000, and about 80 per cent of them were ethnic Hungarians from Romania, Ukraine and Yugoslavia[2].

Along with the developing asylum system the legal and institutional background of immigration and naturalization developed during the early 1990s. Following the sudden and unexpected large inflow of migrants (mostly from Romania), there was a considerable outflow, due to their return home or departure for a third country. A second large inflow caused by the war in the former Yugoslavia was followed by a significant outflow in the mid-1990s. At the beginning of the 90s a new immigrant group, a Chinese community, began to increase due to the lack of a visa obligation between the two countries. The Chinese community was a purely post-1989 immigrant group in Hungary (Nyíri, 1995). Pre-1989, foreign groups (students from Vietnam or Africa etc.) in Hungary mostly left the country after the transition, returned home or left for neighbouring countries or elsewhere where they could get a footing and suffered less harassment.

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1 We do not discuss Hungary's role in the German transition by letting the East-German migrants leave Hungary into Austria since – though it had some influence on Hungarian politics – it did not have any impact on Hungary's migration system.

2 This remained unchanged for the following seven to eight years. In the year 1990, 96 per cent of 'refugees' were from Romania. Due to the war in Yugoslavia the number of asylum seekers from this region increased further and their proportion among all asylum seekers was between 77 per cent and 91 per cent during 1992–1997.

Hungary's joining the European Union has not brought dramatic changes in the migration trends of the country. Although the number of labour immigrants has been increasing for the past few years, it is still rather low compared to the total population. Despite expectations and reviving fears, the number of those who seek asylum in Hungary has not grown, but continued to decrease since EU membership[3].

3.2 Demographic developments

The main, directly migration-related, characteristics of contemporary Hungary's demography are similar to those in other European countries with some peculiarities:

- ageing society (the proportion of citizens over 60 years is about 22 per cent of the population (Hungarian Statistical Pocketbook 2004)),
- life expectancy at birth both for males (68,4 years) and females 76,7) is low – only some Baltic states have lower values (Vukovich, 2004),
- the natural growth of the population is negative (since the early 1980s, in 2002 it was – 3.5, the second lowest among the EU 25 after Latvia (Hungarian Statistical Pocketbook 2004)),
- shrinking population (the population in 1980 was 10,708 thousand people, in 2004 it was only 10,117 thousand (Hungarian Statistical Pocketbook 2004)).

According to Bijak and Kupiszewski (2005) the size of the Hungarian population will inevitably fall between 2005 and 2054. The only open question is the extent of the decrease. Simulating several scenarios, they conclude that if the "stagnation and control" scenario dominates Hungarian population and migration policy the likely size of the population of Hungary will be about 8,012 thousand in 2054. The opposite alternative is the "Liberal" scenario (assuming high total fertility rate) which would result in 9,029 thousand inhabitants.

3.3 Labour market developments

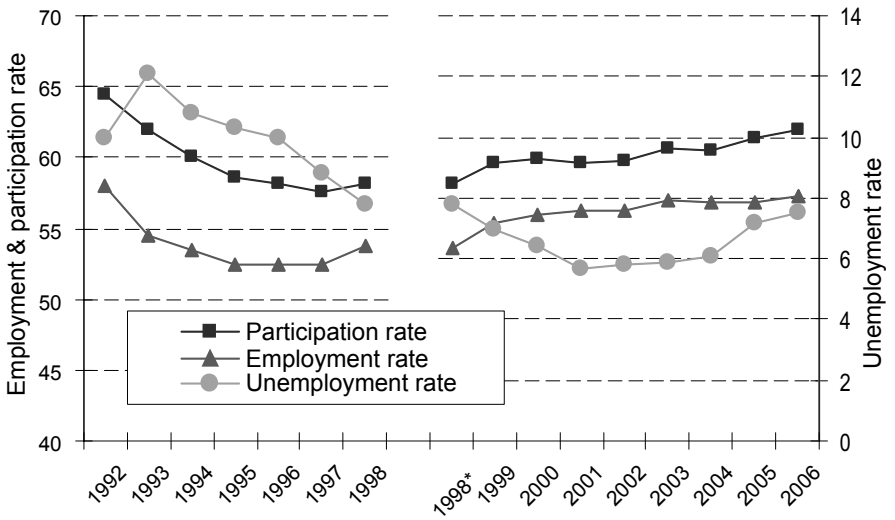
The Hungarian labour market experienced a dramatic transition adjustment following the turn of the 1980s and 1990s and during the decade of the 1990s and underwent a considerable change in both the level of participation and labour market structure. During the early transition process – that lasted, in fact, from 1989 until the early 1990s – job losses were striking. There was a sudden drop in employment – in a short time at least 500 thousand jobs, 10 per cent percent of the total, or even more, disappeared. This coincided with increasing unemployment in the early 1990s as a peak of two-digit unemployment in 1993 that gradually declined in the following years. Nevertheless, unemployment was moderate in Hungary compared to other transition economies in the region until very recently. As a result, the previously high labour market participation rate dropped seriously. Effects remain evident still today.

[3] While the number of those who got asylum in Hungary between 2002 and 2004 was 104, 178, and 149 respectively, in 2005 only 97, and in the first six months of 2006 only 27 people applied for and were granted asylum.

The level of employment and non-employment

Due to moderate unemployment and a low participation rate in Hungary the best indicator to depict the development of the labour market is change of employment. Following the dramatic decrease of employment during the transition shock some increases came about, but the level of employment has never returned to previously high pre-transition levels.

Figure 1. **Main labour market developments in Hungary, 1992–2006, (%)**



Source: Hungarian LFS data, since 1998 data calculated with new weights (first year indicated with '' in the chart)*

The level of employment of men was much above the level of employment of women; the fall was similar for both sexes although the drop was more extensive for women. Unemployment, on the other hand as a unique trend, was higher for men than for women until recently when the trend changed. Falling employment of both men and women with low education was robust. Those who did not complete primary education were the first victims of the transition; most of them lost employment in the first half of 1990s. The employment of those with primary education only is continuously decreasing in line with those with obsolete qualifications from vocational apprentice schools or secondary education without any qualification (grammar school). Those with marketable qualifications and those with higher education, on the other hand, have seen continuous employment gain in the last decade.

In the early 1990s the drop in employment affected the population in all age groups, depending on qualification. Following the mid-90s the employment rate of the younger prime age population has increased while the employment rate of the older prime age cohorts remained unchanged. The employment of younger and older age groups shows considerable changes in employment. The radically decreasing employment rate of young age groups, that is postponed entry into the labour market, is due to the fast increasing share of schooling of young people in both teenage and young-adult

age groups. Increasing share of youth in education had an effect on young people's postponed entry into the labour market and decreasing participation rate of this age group. In addition, the number of young people with tertiary education is sharply increasing, and return to education was peculiarly high during the transition (Fazekas-Varga 2005). The steadily increasing employment of older people, on the other hand, is due to the gradually increasing pension age (up to 62) that was extremely low (55 for women and 60 for men). This is even taking into consideration the traditionally low participation rate of older age groups, especially over 60, in Hungary. Pension rules similarly influence the population's participation rate through incentives into early retirement and disabled retirement. That is, the pension system made retirement very attractive, especially for those with bad labour market prospects.

Participation by women is still much lower than that of men, (55.5 versus 62 per cent for the 15–64-year-old population, in 2006) although it has increased faster than that of men: between 1998 and 2006 by 4.7 percentage points (in contrast to the 3.8 percentage points for men). Somewhat unusually, during transition the unemployment rate of women was lower than that of men (6.9 vs. 8.5 in 1998 when the unemployment rate was rather high) and decreased to 5.4 per cent (6.2 for men) by 2002. Recently with some increase in unemployment this unusual pattern has changed. By 2006 the unemployment rate of women increased to 7.9 percent and the rate for men to 7.2 per cent; employment was 51.1 per cent for women and 63.8 per cent for men (according to the Hungarian LFS).

A high share, in 2006 38%, of the population aged 15–64 was neither employed nor unemployed but out of the labour force. Disability and early age pension scheme is responsible for 1/3rd of the inactivity, the increasing share and postponed age of schooling is the reason for another 1/3rd of the active age population who are out of the labour market. 12 per cent of the inactive population is on maternity leave, around 5 per cent lives on benefit and nearly 10 per cent is neither studying nor living on legal income/benefit etc.

The transition of the economy caused serious job losses, and while GDP as well as industrial output were increasing, employment was stagnating, i.e. Hungary is characterized by jobless economic growth (Figure 2).

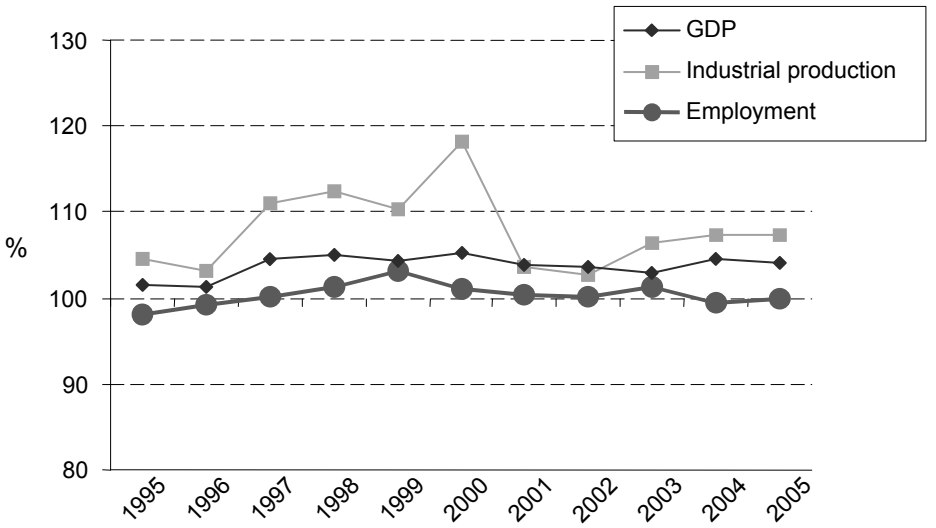
The Hungarian labour market is unique in Europe with its extremely low level of participation resulting in low employment as well as moderate – recently slowly increasing – unemployment. As for age groups, even labour force participation of prime age Hungarian population is considerably below European levels.

Table 1. **Labour market indicators, 2005 (population aged 15–64, in percentages)**

	Hungary	EU 15	OECD Europe
Employment / population ratio	56.9	65.4	61.9
Prime age employment rate	78.8	84.3	…
Labour force participation rate	61.4	71.3	68.1
Unemployment rate	7.3	8.2	9.1

Source: OECD Employment Outlook, 2006

Figure 2. **Annual changes of the main economic indicators, 1995–2005, (previous year = 100%)**



Source: HCSO LFS, and HCSO

The main target of Hungarian employment policy is to gradually increase low levels of employment. Several efforts of the labour administration, including introduction of various new policy instruments, are aimed at increasing the level of employment and controlling unemployment such as benefit cuts, obligatory communal work, flexible working time and retraining schemes. According to the Hungarian National Action Plan (ÚMFT), labour market development is expected to change over the following years, in correspondence with the Lisbon Programme. As a consequence, the main target of the Human Labour Force Operative Programme to achieve the targets of the NAP is defined by increasing labour force participation through increasing quality and employability of the labour force. The *participation rate* of the population of age 15–64 should increase from 61.3 per cent of 2005 to 65.7 per cent by 2013, the *employment rate* from the 56.9 per cent in 2005 to 61.1 per cent by 2013, still much behind the European average level.

Considering the high share of the underground economy (see more in detail later), it is very likely that inactivity measured by formal statistics contains a sizeable unmeasured labour market. The underground economy encourages a shift of employees from low income formal jobs to inactive status through channels like early retirement, possibility of disability pension or a relatively generous maternity leave system. Indirect evidence for this might be that even when unemployment was at its highest (in the early 1990s) there was no sign of it causing social or political unrest. The explanation was that the domestic and underground economy acted as a welfare and subsistence buffer (Sik, 1996). More recently, case studies into the spread of survival-type underground activities among poor rural households indicates a similar trend (Simonyi, 2002).

Current and expected trends in labour demand and supply

Between 1992 and 1998 the level of employment fell sharply; even more in agriculture, mining etc. and manufacturing, while there was some increase in employment of construction and services. Since the late 1990s the same trend continued in agriculture, a slower decrease in manufacturing; at the same time a fast rise in employment in services and construction occurred. Among all jobs, manual occupations decreased while non-manuals steadily increased.

Uneducated people were affected most by the transition; there was a radical and continuous drop in their employment; those with uncompleted education have nearly disappeared from employment (although not from the population). Employment of grammar school graduates without qualification is continuously falling while the employment of those with qualifications and secondary-school education is increasing fast since the end of the 1990s, similarly to those with tertiary education.

The fast increase of tertiary education resulted in emerging difficulties for young people with tertiary qualifications entering the labour market. In addition to the unemployment of people with low education, unemployment of the educated is increasing, with sharply rising enrolment in higher education.

A mismatch of education and jobs for new entrants into the labour market led to programmes to cut tertiary education outflow through various measures. Labour policy would support more control over the structure of and enrolment into higher education and would increase special education to supply labour for skill shortages of particular sectors and occupations rather than expand the tertiary sector further.

A recent projection by the Ministry of Labour based on international trends and econometric techniques (MTA KTI 2006) gives some new evidence on labour market development by sector until 2013. According to this attempt, continuous decreases in agriculture and forestry as well as in mining and energy will continue, manufacturing will continuously decrease while employment in construction and services will grow. Service employment is projected to rise slower than it increased during 1993–2002 in hotels and catering, and at a faster rate in finance and real estate, renting etc. The forecast suggests the fastest rise in employment in education, health and social work still at relatively low levels in Hungary. Employment is expected to drop in public administration where employment is rather high.

Unemployment: general trends and socio-economic basis

Unemployment is strongly different by regions and by education. In 2006 the unemployment rate of those with uncompleted primary school (a high share of Roma among them) was extremely high (43%). Those without any qualifications also face high unemployment (16 per cent of those with primary school education only and 7 per cent of those who completed secondary school without qualifications). 8 per cent of those who completed apprentice school are unemployed having mostly obsolete qualifications. Secondary school graduation with some qualifications offers better chances on the

labour market (5.5 per cent unemployment rate) while only a few college or university graduates are unemployed (3 vs. 2 per cent unemployment rate). Dropouts from the labour market are often unemployed for long times or leave the labour market permanently. Those people with low level of education/qualifications and those with non-marketable skills, e.g. obsolete qualifications from apprenticeship schools, are more likely to leave employment and form the bulk of unemployed and/or black market workforce.

A large share of those who lost their jobs and became unemployed during the transition remained unemployed for a long time with little hope of getting a new job. Effective retraining of the bulk of the unemployed was low. Most unemployed workers had a low level of education or were educated in vocational schools, a prevalent form of education all over the region, where training was narrow and limited to fit the demands of centrally planned economies (Rutkowski et al 2005). A large share of these people dropped out of the labour market, became inactive, retired early or were living on various kinds of social benefits; as discouraged workers, without any hope of getting a job. They withdrew from the formal labour market and some engaged in various activities in the informal economy. In the transition process mostly people of middle age and those with low qualifications were affected.

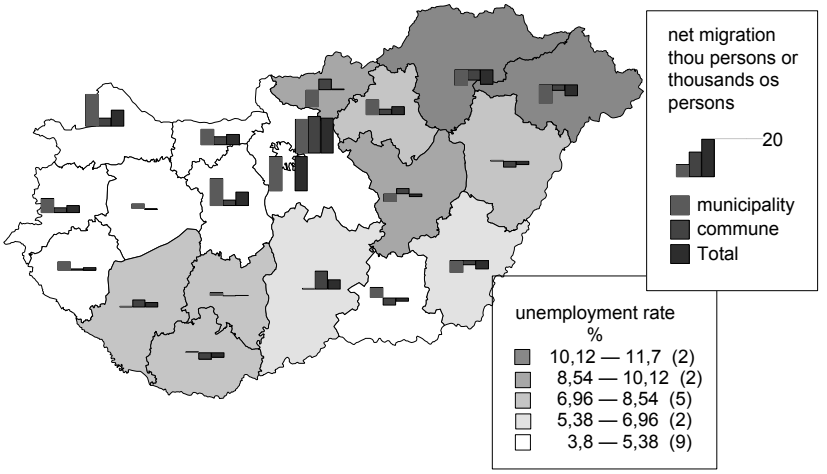
Though with time a "post-transition remnant" bulk of dropouts from the labour market is reaching pension age, reproduction of unskilled population or those with non-marketable skills is continuing. These groups are the new source of unemployment. Exclusion of Roma from employment (the combined effects of school, housing and labour market segregation) is evident (The Glass Box, 2007). People without qualifications living in disadvantageous regions, members of the Roma ethnicity or those with other disadvantaged have little chance of getting a job or retraining in the formal labour market. Children may grow up in families or in larger surroundings without any pattern of regular employment, since all the working age members of the families and even neighbours live on benefits and/or informal activities. This creates the danger that they do not learn regularity: how to get up in the morning and go to work, how to meet the regular obligations of having a job. (Kertesi 2004, Kertesi–Kézdi 2005). These children mostly fail to join the formally employed.

Internal migration

Though the level of unemployment is continuously high in North East Hungary and there are serious labour shortages in other regions, mainly in the North West, the level of internal migration is very low. As Figure 3 illustrates, half of the country's counties are hardly affected by long-distance mobility.

Cseres-Gergely (2002) found some evidence that flow of people does follow economic – wage and unemployment – differences. In the first half of the 1990s internal migration was dominated by urbanization: large towns gained population, the capital Budapest being the most outstanding. By the second half of the decade the picture has changed, reverse mobility took place; Budapest, the greatest gainer previously, became the greatest loser among all settlements. While people moving into a town are seeking economic opportunities, those moving out might already enjoy those. Another type of

Figure 3. **Long-distance internal mobility and unemployment by counties, 2000**



Source: Demographic Yearbook, 2000 HCSO

migrant moving out of the town is one discouraged by the costs of urban living. A recent paper (Cseres-Gergely 2005) using cross-county mobility as the unit of analysis found that relocation to suburban settlements was a dominant feature of Hungarian mobility.

There is a strong association between the housing system and regional mobility. Hegedűs (2004), discussing housing mobility in Hungary, underlines the low level of mobility by international comparison. Apart from factors determining housing demand (such as demographic conditions, household incomes and expectations), housing mobility is mostly affected by "transaction costs", which are made up of several elements. Rising housing prices and private rents, a high housing price/income ratio and transaction costs are significant impediments to mobility. Macroeconomic developments (inflation, interest rates) and improvements in housing subsidies affect housing mobility positively, however. Hegedűs (2004) also supports the evidence that regional housing mobility is constrained by institutional factors: the lack of private rental housing and the un-regulated nature of the sector, lack of information on the housing market as well as the role of local councils in the subsidy system. The cost (risk) of mobility is uneven. The existing housing system and the lack of adequate housing greatly contribute to the risk borne by individuals if they move municipality. Mobility towards regions with good job prospects reduces the common burden of society, yet risks are unilaterally born by employees.

Flexibility in the internal labour market is more common in those regions where jobs are easily available. Based on daily commuting data collected in the Census, commuting is more common in those regions where job opportunities are better and less frequent in those regions where job opportunities are poor and unemployment is high. Data corresponds to some extent to the evidence of Bartus (2005) who found that commuting is frequent among the unemployed who find a job; almost half of successful job seekers in the sample of his research were commuters. A more surprising finding of the study is that commuting by the unemployed who find a job is strongly associated with commuting costs: (travel expenses) covered by the employer. That is, commuting to cover a labour market

discrepancy is common while the company is willing to assume the burden, individual intentions or efforts are weak.

Hárs (2004) found a strong association between individuals' explicit emigration plans and their readiness to internally migrate for economic reasons. Over 40 per cent of those who planned to emigrate would also take a job in the home country far from home if it seemed financially attractive while only 15 per cent of those who do not think of emigration would do so. The main reason for not taking a job far from home for those who do not even think of migration was: 'No, moving is out of question' (31%), 'No, the family is a hindrance' (23%) 'No, there isn't enough money to take it' (14%), for prospective emigrants the same percentages were 10, 6 and 3 per cent, respectively.

Informal economy and employment

The size of the hidden economy follows an inverse U curve in all the more advanced former socialist countries (Czech Republic, Hungary, Poland, Slovakia, Slovenia) in the period between 1989–98 (for Hungary see Figure 4). Lackó's calculations (Lackó, 2000) demonstrate that in the first phase of the transition the hidden economy can be assumed to have grown quickly and substantially, followed by a gradual decline as the institutions of a market economy started to consolidate and growth began. The hidden economy declines in each country to the extent that this process occurs.

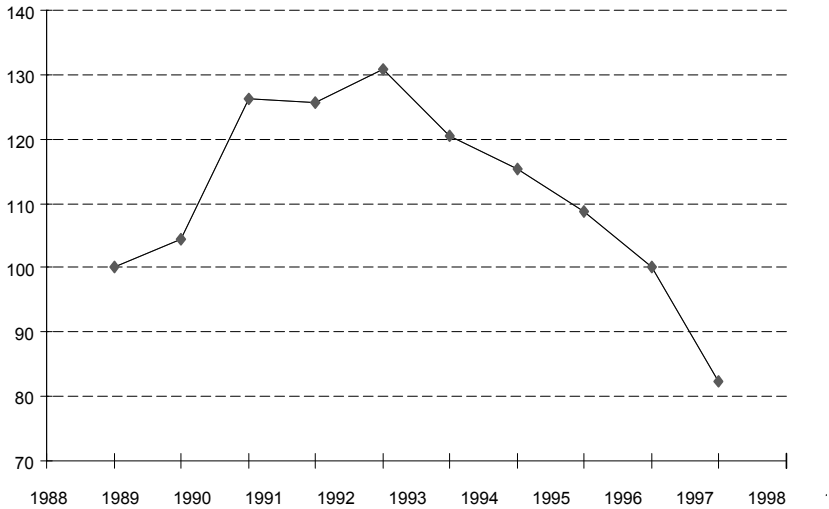
According to Lackó's computation the weight of Hungary's hidden economy changed relative to official GDP from 25.2 per cent of 1989 to 20.8 per cent by 1998, whereas it reached its peak in 1993 (33.1%).

In case of Hungary, several studies substantiated the validity of the previous observation of the declining weight of a hidden economy in Hungary since 1996. Tóth (1997–98) and Sik-Tóth, (1999) argued this by analyzing household consumption patterns, while Tóth-Semjén (1998) looked at contractual and taxation behaviour of firms. Sik (1999) by looking at "open-air" and informal labour market-places (Czakó-Sik, 1999, Sik-Wallace, 1999) found similar trends.

According to estimates, in 1992 the hidden economy contained the equivalent of 200,000 full time employees (about 5% of the total workforce) working undeclared (Matoricz (1995). A more recent and reliable estimate (Kutas-Ádám, 2004) is based on 13% of those reported as active in the HCSO labour force survey (LFS) failing to appear in the tax office database. The authors emphasize that their estimate is only a lower bound estimate since the LFS does not cover certain groups likely to contain undeclared workers such as students, part-time working pensioners, foreign citizens.

On the basis of recent household surveys in 2001, 2003, and 2005 14%, 9%, and 8% of households (and 15, 13, and 12% of households with at least one economically active member) had at least one member involved in some form of undeclared activity. The income derived from these forms of undeclared work consisted of only 2% of the total monthly income of households, and was above the average in the lowest and highest quintiles (Girasek-Sik, 2006). According to a recent comparative EU survey

Figure 4. **Assessed trends in the proportion of the hidden economy in Hungary (1989= 100%)**



Source: Lackó, 2000

7% of Hungarian adults have some undeclared income. This is slightly above the EU average, and the same is true for the "envelope wages" which 8% of the population have (Undeclared work,…, 2007) .

3.4 Migration and the employment of migrants

The Hungarian labour market with its low level of employment and considerable low-wage and unskilled labour reserves and little mobility faced a sudden influx at the beginning of the transition. It was poorly prepared for absorbing migrant labour. Although both immigration and emigration is present neither inflow nor outflow proved to be striking in size. Policy regulations followed the real development of migrant streams; labour market considerations and employment policy have never been at the core of migration policy until today.

Immigration to Hungary

The demographic profile of immigrants

The 2001 Census provides us with the most comprehensive information on the stock of immigrants and among them those with foreign versus dual citizenship[4]. The share of immigrant population is low, nearly 1 per cent, while that of the foreign-born population is considerable higher, 2.7 per cent of the total population. The share of women is higher among the foreign-born while lower among foreign citizens.

[4] Foreign citizens are those persons who possess foreign citizenship, people with dual citizenship have Hungarian citizenship in addition to their foreign citizenship – previous emigrant returnees mostly, who are small in number but show different characteristics as migrants.

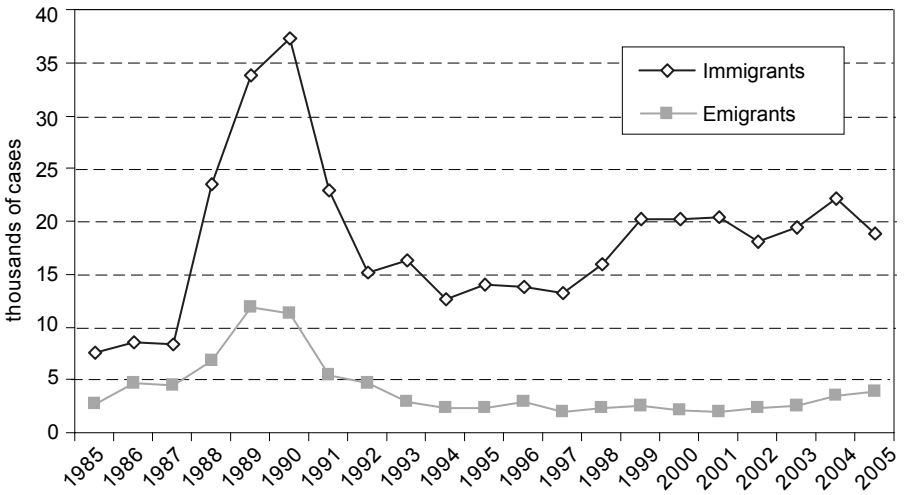
Table 2. **Share of foreign citizens versus foreign-born population in 2000, (%)**

	Total	Men	Women
Share of foreign citizens, %	0.91	0.94	0.89
Share of dual citizens, %	0.17	0.19	0.16
Share foreign & dual citizens, %	1.09	1.12	1.05
Share of foreign-born population %	2.7	2.5	2.9
Number of the total (native + foreign) population	10,198.3	4,850.6	5,347.6

Source: Census 2001

The socio-demographic characteristics of immigrants (those with foreign citizenship), compared to the native population are less female, more of working age (20–59 years old), more educated. Within the immigrant population among those with dual citizenship there are even fewer females, more teenagers and elderly and significantly more educated people.

Figure 5. **The annual number of immigrants and emigrants, 1985–2005, (thousands of cases)**



Source: Time series … (2003) p 14, HCSO Demographic yearbook 2006

The inflow of immigrants (measured by the registration of the number of residence permits issued) increased sharply between 1987 and 1991. Following the early years of the transition, the annual number of immigrants dropped and remained more or less stable. It increased again at the turn of the century. The number of emigrants – at a much lower level – followed the same trend: between 1985 and 1991 and is about the same since then[5]. According to data most immigrants remained in the country, some returned or moved on to third-country destination.

[5] Emigration data are somewhat unreliable and can be shown to indicate the trend. Citizens and holders of a permanent residence permit leaving the country for more than 90 days should inform their municipality of this fact. Those leaving temporarily stay in the register but their place of temporary residence abroad is added to the data while there is no information on the place

As for geographical origin, in 2003 the overwhelming majority (85 per cent) of the stock of foreigners staying in Hungary over a year was of European origin, mostly from neighbouring countries with large Hungarian minorities.

Table 3. **The proportion of foreign citizens in Hungary by sending country/region and by gender – 1 January 2004 (%)**

	Share of foreign citizens by sending region	Share of foreign citizens by sending countries and region	Percentage of females
Europe	85	100	53
Of which:			
European Union		23	57
Romania		50	51
Yugoslavia		11	47
Ukraine		12	54
Asia	11	100	44
Of which: China		46	45
All others	4		38
Total	100		51

Source: The authors' computation on the basis of the Hungarian …, 2004, Based on Residence permit data, Ministry of Interior

While the larger half of the migrant stock consists of women there is a substantial difference among the regions regarding the proportion of females among the migrants. There seems to be a dominantly male input from Asia (China), Yugoslavia, and miscellaneous countries and a larger input of females from the EU.

Overview on labour migration

According to *Census data* of 2001 less than half of the total population of foreigners living legally in Hungary are active in the labour market while children, elderly people as well as students and other inactive people are not. They are dependents (like children or adults without any income) or live on pensions or scholarships or other income sources. Over 40 per cent of foreign citizens were employed, somewhat more than among natives (36%)[6]. The level of unemployment of natives is somewhat above that of foreigners. Among the small number of those with dual citizenship (who have Hungarian and other citizenship) the share of inactive earners – mostly pensioners – is higher then among other groups of foreigners.

of destination for those leaving for good. Returning residents have to notify their municipality within three days if they have no permanent address in Hungary. However, since there are no incentives for deregistration, emigration is usually underreported. Moreover, immigrations and emigrations of temporary residents are not covered at all.

6 This employment is different from the conventional ILO definition; while the latter is referring to the 15–64 population; the rate based on census data is referring to the total foreign population. Similarly, unemployment calculated on the basis of census data does not correspond to the conventional unemployment definition.

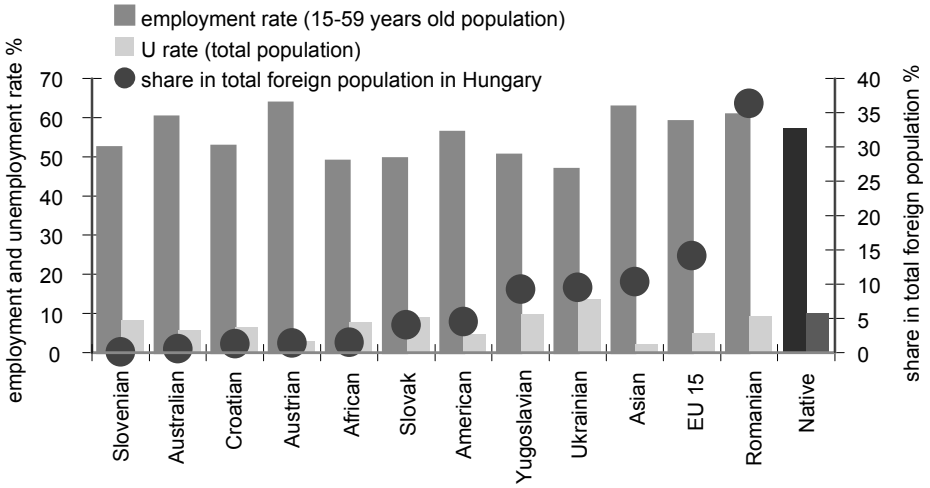
Table 4. **Employment status of foreign and native population (%)**

	Total	Native citizens	Double citizens	Foreign citizens	All foreign and double citizens
Employed	36.1	36.1	35.7	43.4	42.2
Unemployed	4.1	4.1	2.6	3.8	3.6
Inactive earners	32.5	32.5	26.9	18.9	20.2
Dependent	27.3	27.2	34.8	33.9	34.0
Total	100.0	100.0	100.0	100.0	100.0
N '000 people	10 198.3	10 087.5	17.6	93.2	110.8

Source: Census 2001

The labour market position of various migrant groups differs slightly. This is although the employment rate of the largest migrant groups reaches that of the natives and unemployment is not very high and below the level of natives for most of the migrant group. The share of each foreign population is shown on the right axis of Figure 6 (dots). The large share of foreign groups like Romanians, Asians, or the EU15 citizens have peculiarly high employment rates. Unemployment on average is similar to that of natives, and much lower among Asian and EU15 citizens.

Figure 6. **Native and foreign population in the labour market by sending countries %**



Source: authors' calculation based on Census 2001

According to Census data some occupations are characteristic for foreigners who are settled or permanently staying in Hungary: the share of professionals among foreign citizens is much above the share of natives, and is extremely high among dual-nationality citizens (who are mostly returnees). Another important occupation for foreigners is service jobs; where the share of foreigners is much above that of natives (except dual-nationality citizens who are less engaged in these jobs). Fewer foreigners are manual workers in agriculture or industry and construction.

Table 5. **Native and foreign population by major occupational groups (%)**

	Natives	Dual-nationality citizens	Foreign citizens	All foreign & double citizens	Share of foreign+ dual-nationality and Hungarian citizens
Professionals	20.4	38.2	26.5	28.1	1.8
Other white-collar jobs	20.4	21.3	15.7	16.5	1.0
Service workers	15.7	15.5	22	21.1	1.7
Agricultural workers	3.1	1.8	2.5	2.4	1.0
Industry & construction workers	31.6	18.6	26.6	25.5	1.0
Other	8.9	4.6	6.7	6.4	0.9
Employed total	100	100	100	100	1.3

Source: Census 2001 data

The inflow of immigrant workers can be better characterized by the stock and flow *of work permits* given to immigrant workers (Figure 7)[7]. Following the first migration wave in the early years of the transition (legal) labour migration was more strictly controlled and regulated and went back to moderate levels. This was around 20 thousand work permits, that is around half a per cent of the labour force. Until the end of the 1990s not much changed, while labour market situation was unfavourable and unemployment was rather high, as mentioned above. Since the end of the 1990s, coinciding with economic recovery and some regional and structural labour shortage, the number of people working in Hungary has continuously increased. That is, most of those employed were employed for a longer period[8]. With enlargement of the EU, labour migration has improved considerably[9].

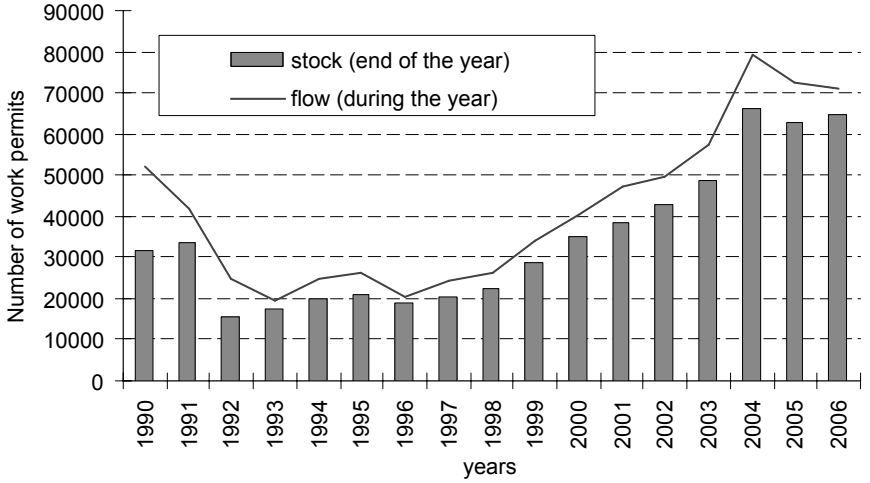
In the early 1990s the main source of labour immigration was a big and sudden inflow of ethnic Hungarians from Romania. By the mid 1990s the total size of foreign labour fell back, and the share of ethnic Hungarians from Romania remained decisive but not as exclusive as it was in previous years. While the number steadily increased in the following years the geographical origin of labour migrants changed little until the pre-accession years. At that point Slovak labour became a new and suddenly increasing source of labour migrants.

7 Work-permit holders are not necessarily included in the Census; consequently the structure of the immigrant population looks different looking at different data sources.

8 Work permits were issued for a maximum of 1 year. The extension of permits is not possible to track. In the data, extensions look just like a new entry by a foreign worker.

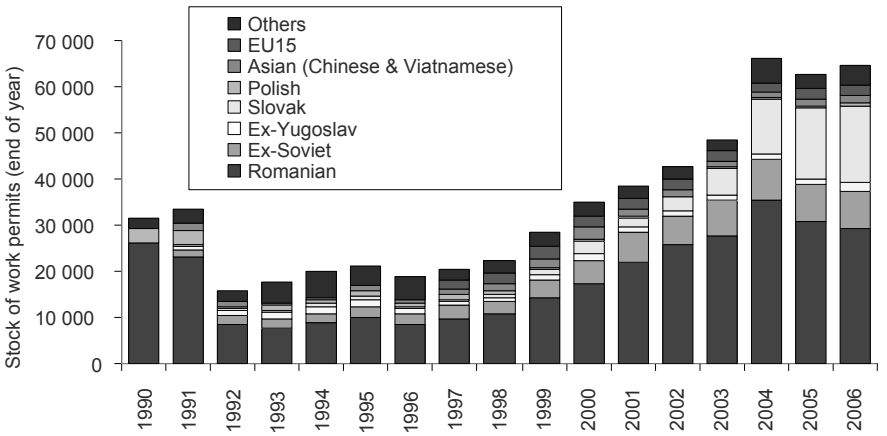
9 Following Hungary's accession to the EU on 1 May 2004, work-permit regulations have been changed. Labour migration among member states is free, consequently EU citizens are no longer included in the work-permit register (except in case of reciprocity against those countries without liberal policies where work permits are required. Green-card registration is possible, however, for those working 12 uninterrupted months in Hungary). In addition, obligatory registration of citizens of the new member states working in Hungary gives additional information, although failure to register is without any sanction. Consequently, work permits and the special green cards for the EU15 citizens and the obligatory registration of the citizens of the new member states working in Hungary should be summarized to give a reliable picture of immigrant labour now in Hungary. Shortcomings of the information on foreign employment is caused by a failure to register employment from the new member states as well as the decreasing share of EU15 citizens who are obliged to work on work-permit basis (versus green-card holders).

Figure 7. **Number of work permits (2004 onwards also green cards + registration of the citizens of certain EU Member States), 1990–2006**



Source: Employment Office of the Ministry of Labour, following 2004 work permit + green card + registration of citizens from the new EU member states (cp. footnote 8)

Figure 8. **Work permits by sending regions (2004 onwards also green cards + registration of the citizens of certain EU Member States), 1990–2006**



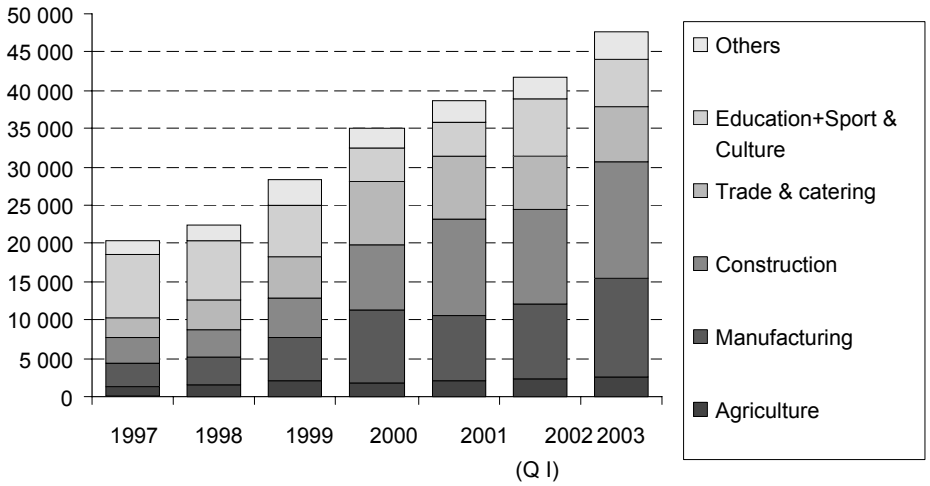
Source: Employment Office of the Ministry of Labour, following 2004 work permit + green card + registration of citizens from the new EU member states (cp. footnote 8)

Labour migration has never been channelled or recruited; no quotas for occupations or regions have been set. There has been an upper limit for total number of work permits defined but never applied since it has never been reached[10].

[10] The Employment Act of 1991 gave the right to the Minister of Labour to set an upper limit for the employment of foreigners first set in 2002 at 81,000 employees working on a work-permit basis. The Act gives a long list of cases not requiring work permits for employment, e.g. staff of diplomatic or consular missions, foreign nationals at international organizations or at joint organizations established under international convention, director of a branch office or representative office of

Labour migrants on a work-permit basis were employed in various branches – including agriculture, manufacturing, trade & catering and construction – in limited numbers. For a long time work permits have been mostly the "legal background" to get a permit for residence status, to stay in Hungary for a long period or even to get naturalized. In addition, a large share of work permits were given in education, sport and culture, that is, for language teachers, trainers and other qualified foreigners who worked in Hungary legally. While employment of foreigners in the latter sector has not changed much in number, work permits in manufacturing, construction and less so in trade and catering sectors increased considerably from the end of the 1990s before the enlargement of the EU, exceeding 1 per cent of the native labour force.

***Figure 9.* Work permits by sectors, 1997–2003**



Source: Employment Office of the Ministry of Labour

Informal economy and migrant employment

Certainly, legal labour immigration is only part of total labour migration. According to anecdotal evidence and "expert estimations" based on labour inspectorates' and other authorities' information it is clear that there is a major presence of black labour in construction, in agriculture and domestic services (domestic servants, maids, nurses of children or elderly people). The informal foreign and local labour markets overlap; sometimes competing, or more likely migrant informal labour replaces the corresponding jobs of natives.

In the early 1990s according to expert estimations, the number of undeclared workers was about 100,000 (Hárs, 1995), or about one fourth of undeclared workers caught by labour inspectors (Matoricz, 1995). Analysis of more recent labour inspection data

a foreign-registered business association, warranty repair, maintenance or guarantee service activities performed on the basis of a private contract with a foreign-registered company, if such does not exceed fifteen consecutive days at any given time, apprentice-training programmes arranged by an international student organization, foreign nationals pursuing full-time studies.

shows that in 2006 3–4% of undeclared workers caught in the course of inspection were of foreign origin (Munkaügyi… 2006). In 2007 – due to more frequent inspections – the number of undeclared workers was about twice that in 2006 (until August 2007 51,000 compared to 22,000 until August 2006) but the number of foreigners has decreased.

A special form of informal labour market, the "tip of the iceberg" of informal labour trading in a way, is the open-air day-labour market. Almost every major Hungarian city has at least one open-air informal market in goods and labour[11]. The basic characteristics of these open-air labour markets are similar[12] to those in other countries. The open-air labour markets analyzed between 1995 and 2004 have the following characteristics (Sik, 2006):

- most of the transactions of the informal labour market-place take place before 10 a.m. – the peak hours are before 7 a.m.
- the informal labour market-place is seasonal with the peak months in the spring and summer,
- it is concentrated in Budapest and its vicinity,
- the typical jobs are casual unskilled jobs in construction, and
- the typical employee is a male from Romania paid a low wage,
- as to migrant workers, there is a substantial number of ethnic Hungarians from Transylvania among them, the dominant groups are "Hungarian Hungarians" and ethnic Romanians from Romania, and, finally
- compared to ethnic Hungarians, those with Romanian or Roma ethnic backgrounds have a significant wage disadvantage in the informal labour marketplace.

Emigration trends from Hungary

While there is continuous, moderate and increasingly labour market driven immigration into Hungary still there is some emigration from Hungary to the EU and other destination countries.

Pre-accession migration potential in Hungary 1992–2004

Migration potential surveys regularly forecast the *expected* migration behaviour of the population. In the 1990s, Hungarian migration potential was low in comparison to other Central and Eastern European countries (Wallace, 1998). Comparable migration potential data for Central and Eastern Europe in the early 2000s reinforces this conclusion. Hungarian migration potential was relatively low, at a level roughly equivalent to the Czech Republic.

[11] The data on open-air markets and informal labour marketplaces came from five waves of self-administered questionnaires. These questionnaires were sent to all Hungarian municipalities (except Budapest, N=3130). About one third of the mayors or experts of the local councils answered the questionnaires. To make the sample representative, the data was weighted by region and settlement size.

[12] Dominantly unskilled and male, unorganized labour standing in the open at a well-known part of the city, employed usually for one day in construction, domestic or agriculture jobs (Marr at al, 2000, Valenzuela, 2003, Valenzuela et al, 2002).

As to the trend of migration potential, compared to the 1990s, the rate of those stating willingness to go abroad to work for a short period roughly doubled after 2000 and reached its peak in 2005, falling considerably in 2006. The rate of long-term labour migration increased significantly at the end of the 1990s and remained more or less constant since then. The rate of emigration is low but increasing.

***Table 6.* Rates of three types of gross migration potential*, 1993–2006, (%)**

Time of the survey	Short-term foreign employment	Long-term foreign employment	Emigration
1993	4.3	2.7	1.4
1994	3.8	2.7	1.3
1997	3.7	2.8	1.5
2001	8.8	6.8	3.4
2002	7.6	5.6	3.4
2003	9.4	6.1	3.0
2005	13.0	6.0	3.2
2006	6.2	6.1	4.1

**The gross migration potential indicates the proportion of the population with plans to work abroad for a short period (a few weeks or months) or a long period (several years) or plans to emigrate.*
Source: TÁRKI Hungarian Household Panel Survey and Omnibus surveys, for more detail, see László, Sik and Simonovits (2003), Simonovits (2004), Sik (2005)

In 2002 and 2003, two other migration potential studies were carried out with more or less the same result.

- According to the 2003 Labour Force Survey, 4 per cent of those *aged 15–74* were considering, in the broadest sense, taking work abroad (Hárs 2004). Of this group, 1.9 per cent showed a weak intention, 1.5 per cent a medium intention, and 0.5 per cent strongly intended to migrate.
- According to an EU source from 2002 (Haug, 2004), Hungarian migration potential was still comparatively low, with general migration potential about 2%, basic and firm migration potential around 1% of an average population.

Between 1993 and 2001 the composition of target countries did not change. This is probably due to the high inertia of historical and geopolitical structures. First and foremost, Hungarians orient themselves toward the German and Austrian labour markets, while the most common planned destination for emigration, besides these two countries, is the USA. Looking at the geographical scope of migration potential with respect to length of time of migration, the 2002 data both show that this German–Austrian domination holds firm in all migration types.

The social groups in which the probability of migration potential is above average are males, younger age groups, unemployed, students, Roma, and the inhabitants of western areas of Hungary. While the level of education does not affect migration potential significantly (though potential is low among the uneducated), the role of migration-specific human and social capital is strong. The most important is knowledge of a foreign language and to have had previous migration experience.

Labour emigration before enlargement

Data on the size of Hungarian labour emigrations is unknown, although moderate and hard to assess from domestic statistics or mirror statistics of receiving countries. Focussing on the two main target countries for Hungarians, we can get some insights on Hungarian labour emigration.

In *Germany,* fewer than 50 thousand Hungarians lived at the end of 2005, according to German statistical data, ¾ of whom had stayed over 10 years. Every fourth of these migrants arrived, however, as a new migrant in recent years, fewer than from the two main labour-sending countries of CEEU, Poland and Romania[13].

According to less detailed data on the *Austrian* migrant labour market, based on data from the Statistik Austria in August 2005 16 thousand Hungarians worked in Austria, similar to the share of Poles, Romanians and Czechs; as a share of *permanent* foreign labour the were outnumbered by those of Turkish and ex-Yugoslav origin and by a considerable number of Germans.

Economic effects of labour migration

In accordance with the limited size and intensity of both labour immigration and labour emigration there are no systematic studies on the economic and labour market effects of migration to/from Hungary. Due to the peculiarities of migration and lack of sufficient data some research has been conducted, however, and evidence can be referred to on the effects of labour migration.

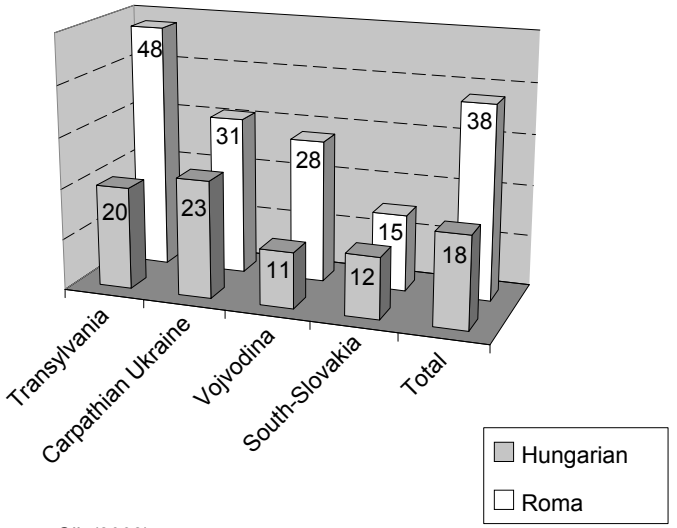
Migration pressure and wage dumping on the Hungarian labour market

According to a migration-potential survey of 18–55-year old ethnic Hungarians and Roma of the Carpathian Basin (border regions in Romania, Yugoslavia, Ukraine, and Slovakia) in 2002 (Sik, 2003) the level of migration potential was rather high.

Jobs immigrants would take were concentrated in peculiar occupations rather than sectors – in fact mostly the ones affected by informal migration as well – imposing even more concentrated migration pressure in each particular labour market. Men much preferred construction and industrial manual jobs, women would engage in service or non-manual occupations, unskilled jobs and one third of all potential migrants would take any kind of job (Hárs, 2003). Generally, the reservation wages – the *minimum* accepted amount of income – were not below Hungary's average, compared to the given job and wage structure of the Hungarian labour market. That means the most of the employment of the possible migration pull from surrounding countries will not be realized in Hungary, so most migrant labour inflow will not have a serious wage dumping effect in Hungary.

[13] BAMF statistics, cp. http://www.bamf.de/cln_006/nn_442496/SharedDocs/Anlagen/DE/DasBAMF/Downloads/Statistik/statistik-anlage-teil-2-auslaendezahlen-auflage14.html

Figure 10. **The level of migration potential in the Hungarian and Roma population in the Carpathian Basin outside Hungary by region, (%)**



Source: Sik (2003)

Channel for emigration – labour-market relevance of bilateral agreements

Labour migration is mostly expected to be driven by large wage differences or expected wage gains. This has been the main reason to control labour migration into the EU from the CEEU region, including Hungary. The *demand side* of the migrant labour market proved to be decisive in the process, however. Various programmes and quotas have channelled desired labour to the labour markets of destination countries. The selective pattern of the migration process gave an asymmetric shape to the migrant labour market (OECD 2004, Hárs 2003). Bilateral employment programmes with Germany had peculiar interest for Hungarian firms and employees. *Contract workers* (dispatched workers)[14] serve as an important and mostly skilled manual labour source for a period of 1–2 years; the share of Poles outnumbers all the other countries. Hungary contributed the second largest group of contract workers, however, and the actual size of labour is somewhat above the quota for Hungarians every year. That shows considerable demand for this form of employment for Hungarian firms as well as the employees involved (that is not common in case of each country). In fact, contract labour has been an important labour emigration channel of Hungarians to Germany through the 1990s and since (Hárs 1999).

Table 7 summarizes labour migration on various bilateral bases where Hungarians were involved. Participation in bilateral programmes in Germany was decreasing in

[14] Contract labourers (Werkvertragarbeitnehmer) are managed by the employing companies of the sending country; consequently individuals are not registered by authorities and cannot be included in the dataset on migrants

number, while participation in Austria was increasing, especially the cross-border labour programme between western Hungary and Burgenland.

From the *demand-side*, migration under the programmes offers a frame of strictly controlled migration by the receiving countries. Channelled migration of bilateral programmes was an important *legal frame* for Hungarian would-be migrants to enter EU labour markets. It partly coincided with migrant labour supply from Hungary. The employment possibilities in the programme and the 'stylized characteristics' of migrants mostly matched. Young skilled manual workers repeatedly worked in the trainee programmes. The scheme for unskilled labour supply (seasonal labour) into Germany had no quota limit; the seasonal labour scheme offered seasonal employment for all interested individuals. The cross-border commuting programme remains an attractive form of employment. Quotas of border programmes are filled up very quickly, and there is no rotation in the programme. Nevertheless, there were no highly qualified migrants in the programmes and some other groups (e.g. au-pairs or domestic workers) were also missing from the system.

***Table 7.* Bilateral programme members in the main destination countries from Hungary, 2001–2006**

	2001	2003	2006
		people	
Seasonal labour – Germany	4 276	3 148	2007
Trainees – Germany	1 087	347	169
Contract workers – Germany	7 263	6 709	..
Trainees – Austria	888	1 244	752
Cross-border labour – Austria	1 199	1 724	2200
Seasonal labour – Austria*	6 000	7 000	..

** Seasonal labour is not done on a bilateral basis between Hungary and Austria (Cp OECD 2004); data are for information to compare with German data*
Source: Hungarian National Labour Market Centre

Demand for and supply of migrant workers does not always coincide; *effective labour demand* would limit potential labour emigration. Channelled labour is an asymmetric measure to achieve this kind of labour market goal. Recent political harassment of Hungarian contract labour companies in Germany (Werkverträge…. 2006), just before EU enlargement, was a strong signal by German trade unions and authorities confirming an asymmetric immigrant labour market in Germany. It also underlines the importance of Hungarian contract labour as a competitive labour supplier in Germany. Contract work programmes have been harassed before.

Effects of EU enlargement

Following the enlargement of the European Union on 1 May 2004, free movement of labour has been limited for most EU15 countries. That has influenced both the employment of Hungarians in Europe and Western Europeans in Hungary. Before its EU accession, Hungary strove to dispel anxieties about heavy migration pressure and forcefully argued against the unavoidable 'transitional clause'. When it was eventually imposed, only a few new Member States applied the principle of reciprocity (i.e. curbing

free movement of labour from the EU-15), including Hungary, Poland and Slovenia. Slovenia has recently lifted the restrictions, whereas Hungary and Poland continue to impose it. By mid-2006 most Member States lifted labour market restrictions, but the two most important destination countries for Hungary, Germany and Austria, did not. Thereby the principle of reciprocity remained as well. Although it has not been applied until now, another measure exists in the EU-8-countries to restrict free movement of workers. This is in case of 'unexpected labour migration from another new member state'.

With the two steps of enlargement of the EU, some of the potential labour migrants to Hungary became members of the EU, changing the legal circumstances of the labour market. First signs do not suggest huge changes, however. The second wave of enlargement took place on the 1st of January 2007 when Romania and Bulgaria were joining the EU. While all the EU8 states declared an unrestricted regime, the Hungarian government officially announced (before Christmas 2006) that it would *partially* open its labour market to workers from Romania and Bulgaria. That means free access to 219 occupations selected on the basis of official information on labour-market shortages. Quotas on traineeship and seasonal work, which attract only limited interest, remained unchanged.

First immigration experiences post-accession

Following enlargement, the structure of labour migration has not changed considerably. Over half of total employment is still from Romania, containing many ethnic Hungarians. 10 per cent of the labour immigrants are from Ukraine and the third largest group since enlargement are Slovak citizens, in this case also ethnic Hungarians.

Table 8. **Foreign employees by citizenship (stock in 2003, 2004, 2005, and 2006, work permits, registration and green card registration, end of the period)**

Citizenship	2003	2004	2005	2006 3rd Q
Romania	27 609	35 221	30 898	31 453
Ukraine	7 621	8 823	7 562	8 091
Slovakia	5 686	11 402	15 116	16 865
Others	7 735	8 273	9 209	8 727
Total	48 651	63 719	62 785	65 136

Source: Work-permit statistics of the Employment Office of the Ministry of Labour

The role of Slovak citizens in the Hungarian labour market was marginal during the 1990s and before enlargement. In spite of continuous growth the share of Slovak labour increased up to 10 per cent of all foreign labour based on work permits, registration and green card statistics. The most evident outcome of enlargement on the Hungarian immigrant labour market was the sudden increase in Slovak citizens, up to 1/4 of total foreign labour.

The increase in Slovak citizens employed in Hungary was new and much restricted to the border region of North West Hungary and South Slovakia. The sharply increasing labour force was recruited as daily commuters for multinational companies like Suzuki and Nokia. They also worked in other industrial centres concentrated in this more developed region of Hungary, with low unemployment and shortages of skilled labour. Some labour shortages in the industrial region of North West Hungary were attractive enough to pull in

ethnic Hungarians on the Slovak side of the border, an agricultural region with extremely high unemployment and little prospect of finding work. Unlike other immigrant labour migrant groups, the share of Slovak labour is low in Hungary's central region.

Somewhat surprisingly, no other immigration occurred, Polish labour migration was not up in Hungary at all. Agricultural seasonal labour schemes (120 days in a year) became increasingly popular. (1500 permits were given in 2004, 2300 in 2005 in the first half of 2006 1800 permits were given, mostly to ethnic Hungarian Romanian citizens and a minority to Ukrainian citizens. Half the permits were given to the central region and the other half to the agricultural eastern regions.) Nevertheless, Hungarian labour administration is not well prepared to manage considerable migration inflows. When a sudden increase was noted in the number of ethnic Hungarian Slovakian citizens commuting to work in Hungary, local labour authorities reacted fearfully. They considered – but finally rejected – restricting free movement of workers applying the case of 'unexpected labour migration from another new Member State'. That was the case even in the developed industrial region of North West Hungary where the economy suffers shortages of skilled labour.

Migration pressure and wage effects in Hungary following the accession of Romania and Bulgaria 2007

At the eve of the accession of Romania and Bulgaria to the EU (in November 2006) the Hungarian government commissioned a migration potential study in Romania to forecast potential migration effects of enlargement. (Hárs-Örkény-Sik 2007) The most important findings of this research were the following:

- the main target countries of Romanian potential migrants are Spain, Italy, and Germany,
- the typical Romanian is a circular migrant who seeks manual jobs and does not stay in the receiving country for more than two years,
- the social origin of Romanian migrants is similar to that of other countries with a relatively new migration system, i.e. mostly male, unskilled, and young.

There are, however, significant regional differences among Romanian potential migrants. From Hungary's point of view the most important deviation from the standard pattern described above is that Transylvanians in general and ethnic Hungarians from this region in particular have a higher than average level of migration potential and among them Hungary is more often found as target country. In 2004 a third of the total sample and 47 per cent of those aged between 18 and 55 claimed to plan to spend some time in Hungary to earn money.

First emigration experiences in the enlarged EU

As the migration potential research discussed above suggested, Hungarian migration remained limited following enlargement. The labour markets of the two prominent destination countries for Hungary and other central European countries have not opened their labour markets to the new member states. According to the ECAS (2005) study based on information and data from statistical offices, labour ministries, diplomatic corps, and specialists in the countries in question, the migration experience of Hungarians

right after enlargement was modest. While emigration was considerable from some new member countries, the number was marginal from Hungary (likewise Estonia and Slovenia). The main trend has not changed, says another paper prepared with the same methodology (ECAS, 2006).

Mészáros (2006) conducted a series of interviews in the United Kingdom with labour migrants from CEEU following enlargement. By the end of 2005 among the registered 345 thousand CEEU foreign employees, 10 thousand were Hungarian (some students or people previously already employed in the UK).

An important example for foreign employment (and brain drain) from Hungary, mostly to the UK is the employment of doctors. The average income of Hungarian doctors is much below the average of British (and other EU15) colleagues suggesting a motivation to migrate. According to the data of Mészáros (2006) over 500 medical doctors from Hungary were registered in the UK and more are reported to be applying to be registered. Other mediating associations (Metaforum Career Development and Mobility Centre, in Hungary) know about 15 to 20 doctors inquiring about UK employment each day. About 160 doctors have already been sent to the UK for work, and over 800 are registered with the centre. Most of them are young career-starters, who are finding it difficult to get a good job at home. The more experienced mid-career doctors, on the other hand, are sought after in the destination countries, but only a few are ready to change their home and way of life. In addition, language is a serious barrier for them, too. The jobs that the medical doctors take are however often disappointments, with a lot of night work and poor living conditions. There is a strong mismatch between the considerable migration interest of doctors and particular demands of the receiving market.

3.5 Formulating migration policies

The context of migration policy

The general context for the migration policy is the New Hungarian Development Plan 2007–2013 (NHDP) and its derivates like the operational programmes (NHDP, 2007). The preface of NHDP describes the current situation (after EU accession) of Hungary as a “historical opportunity”. The essence is that the expected 22.4 billion euro (and additional contributions from the Hungarian budget) is a unique chance to both obtain “unprecedented economic growth” and “renew society”. According to this strategic document Hungary should:

- create the conditions of sustainable economic growth,
- reform the major state distribution systems,
- reduce the level of redistribution,
- reduce the cost of employment,
- increase the level of consumption and wealth, and last but not least
- achieve “cultural change” (i.e. increase autonomy of individuals, develop solidarity and cooperation, achieving equal opportunity and non-discrimination as well a higher level of compliance with the law).

The two strategic objectives defined in the NHDP are the enhancement of competitiveness and of sustainable development. These two aims underlie all the operational programmes but especially the Economic Development Operational Programme (Gazdaságfejlesztési Operatív Program, GOP). The primary objective of this is to enhance sustainable economic development. Likewise the Social Renewal Operational Programme (Társadalmi Megújulás Operatív Program, TÁMOP), in association with the Development of Social Infrastructure Operational Programme (Társadalmi Infrastruktúra Operatív Program, TIOP), aims to increase employment[15].

According to so-called horizontal ex-ante evaluation of the operational programmes, a likely impact of these developments might be a duality in terms of social-distribution effects. As far as short term and medium term effects are concerned, the development programmes that aim to strengthen the competitiveness of the Hungarian economy are expected to increase income and regional inequalities (and create a need for migrant labour). Whereas programmes aiming to develop human resources are likely to reduce inequality both in terms of access to public services, and, by increasing employment levels, inequalities of labour and household income inequalities. The likely winners in this process will be highly qualified young professionals as well as those (regional and/ or social/political groups) able to influence the distribution of resources (rent seekers). We expect the development programmes to be followed by a growth in inequalities between the generations – specifically between the younger generation and the middle-aged/older generation. The generation gap that can arise in rapidly converging economies may become a source of tension. Working through the system of political institutions, this could indirectly hinder economic growth.

The most relevant strategic document on labour market policy is the National Employment Plan. The three core aims of this document – in harmony with EU directives – are:

- full employment
- high quality jobs
- solidarity and inclusion

However, as we saw earlier, none of these aims are easy to reach. This is because during transformation of the system Hungary became a European country characterized by low participation, and a dual and partly informal labour market.

The origin of migration policy and legislation

Following democratic transition, Hungary joined global and regional conventions (1951 Geneva Convention and 1967 New York Protocol, ECHR, CE Prevention of Torture, UN Torture, UN Covenants) of international humanitarian law. These have been embodied into Hungarian law[16].

[15] From the total development funds (about 7,000 billion HUF calculated at 2004 HUF/EUR exchange rates (265 HUF/EUR)) GOP, TÁMOP, and TIOP would get 10%, 11% and 8% respectively. The highest proportion of the funds would be for developing transportation (22%) and decreasing environmental risks (12%).

[16] In particular into Chapter XII of the Constitution.

Numerous provisions were regulated in bilateral agreements that Hungary signed with European states referring to the substance of international legal instruments or to autonomous rules on migratory movements. These were agreements with neighbours on border regimes, on readmissions, on visa-free travel, on cultural exchange, as well as on employment, vocational training or retraining workers in some European states. These contracts provided a framework for lawful entry, residence and certain activities of nationals on a mutual basis. The Act on Entry, Residence in and Immigration to Hungary (No.39 of 2001, the so-called Alien Act), and its executive decrees[17] regulate the general policing rules on foreigners. These provisions cover requirements of lawful entry and residence in Hungary, issuing visa and identity documents for various groups of foreigners.

The Act on Hungarian Citizenship (No. 55 of 1993) and its executive decree issued by the Cabinet (No. 125/1993) is considered a major pillar of immigration policy. Although there are some benefits for ethnic Hungarians, recognized refugees and family members in naturalization proceedings, the acquisition of citizenship is based on painstaking efforts by the applicant for social, linguistic and economic integration regardless of roots, qualification, age, and occupation. Dual citizenship is permitted and citizenship is provided for stateless or abandoned children born in Hungary.

The (non?)creation of a national migration policy

In the aftermath of the disappearance of state socialism, the newborn authorities responsible for migration-related issues were busy both surviving the everyday needs of managing a system-in-the-making and tailoring it to an imagined EU conformity. A mixture of goodwill and corruption, organizational improvisation and imitation, postponement and quasi-solutions were the result of these efforts. But there was hope that there would come a time when a migration policy would emerge.

Meanwhile three discourses existed within the non-existent migration policy, two of them very similar to EU discourses (demography and security), and the third one focusing on the diaspora issue. This third often dominated the discourse for two reasons, a political-moral and a practical one. The (non)migration of ethnic Hungarians across the border of Hungary has always been a high priority issue in everyday Hungarian politics and the overwhelming majority of foreigners living and working in Hungary has always been from this quasi-diaspora.

Diaspora politics: Status Law (2001), referendum on dual citizenship (2005)

As has been discussed, the overwhelming majority of immigrants are from neighbouring countries and most have an ethnic Hungarian background. Therefore it is not surprising that the dominant discourse in Hungary regarding foreigners is focussed very much on the diaspora on the other side of the border. Consequently, it is likewise no surprise that the institutional and legal setting of immigrants' participation overlaps with diaspora-related issues.

[17] Issued by the Cabinet (No. 170/2001), Minister of the Interior (No. 23/2001), Minister of Justice (No.27 and 40/2001) and Minister of Foreign Affairs (No.23/2001).

The status of ethnic Hungarians living in countries adjacent to Hungary has always been part of the discussion on immigration legislation. Hungarian governments have always aimed at encouraging ethnic Hungarians to stay in their place of birth. Unlike the German case, Hungary's policy toward co-ethnics abroad has, thus, developed as a policy of shaping national identity and not as an immigration policy. The Hungarian immigration and naturalization system has often been criticized for being indifferent to ethnic Hungarians who "return to their motherland" despite certain benefits for ethnic Hungarians and people of Hungarian ancestry in the immigration and naturalization process. The so-called Status Law, ostensibly intended to be a set of legal instruments to support ethnic Hungarians in neighbouring countries, stirred domestic political debates in 2001 and 2002, resulting among others in a set of proposed measures regulating seasonal employment in Hungary. In reality, because of the limited scope of benefits provided both in the "Status Law" and in the treaty, both failed to have any impact on migration. The number of work permits issued under their provisions is insignificant compared to the total number of work permits per year. According to both experts and the media, this is due to the procedure to get such a permit being extremely slow and bureaucratic.

The public and political debate of the status of ethnic Hungarians living outside state borders emerged again in late 2004. This time the issue of granting Hungarian citizenship to those who request it and can prove their Hungarian origin was raised by the World Federation of Hungarians; a right wing political lobby group active both in Hungary and in the diaspora. The campaign, eventually endorsed by the right wing opposition parties and opposed by the Government, ended in a public referendum in December when most voters rejected the idea of even discussing granting extraterritorial citizenship rights to non-immigrant, non-resident fellow Hungarians[18].

Foreign communities in Hungary

Regarding the civic integration of immigrants, two major types of non-ethnic Hungarian community organizations can be identified The first group consists of asylum seekers and refugees as well as temporary residents mainly from African countries and also from Afghanistan and other developing countries, organizing and volunteering for self-established human rights organizations (Olomoofe, 2001, Marton, 2001). These organizations usually both provide legal support and other types of assistance for their clients, and improve intercultural understanding and fight against racism and discrimination.

The second major group is the Chinese population which forms the largest new immigrant population from China in Europe. This community has been present in Hungary since the late 1980s, and its pattern of integration is characterized by strong self-organization and mobilization both in cultural and commercial activities. Indeed, the two are often interlinked. However, their impact upon the host society is minimal. Their activities are more or less restricted to issues related to their own community.

[18] The debate is well documented by the Institute of National and Ethnic Minority Research of the Hungarian Academy of Sciences at the following Internet site: http://www.kettosallampolgarsag.mtaki.hu/

Preserving culture and maintaining cultural or national identity formulate the core of civic activities. Indeed, it is listed among the major goals of almost every civic organization or movement representing the aforementioned three immigrant communities. Religious associations (churches, congregations) can also be found in the major immigrant groups such as Transylvanian Hungarians, Chinese or Africans in Budapest. Other kinds of activities were pursued only by certain immigrant communities depending on the special needs and capacities of the relevant groups: powerful political activism in the form of lobby groups is typical of the Chinese community; economic associations for mutual aid or interest representation appear among Transylvanian Hungarians and the Chinese; human rights associations are established or maintained mainly by African immigrants.

The level of xenophobia

A relevant contextual factor for migration policy and politics is the level of xenophobia. This factor influences to a great extent not only the behaviour of vote-seeking politicians every fourth year (i.e. before Parliamentary elections) but the behaviour of policy makers and law enforcement agencies.

Time series analysis of the level of xenophobia in contemporary Hungary shows that one third of the Hungarian population would close Hungary's borders. This group we consider as open xenophobes. The opposite group (we call them "super-liberals") is rather small (3%). The third group, the so called "realists", contains approximately two thirds of the Hungarian population and has always been the dominant group. While the size of the openly xenophobic population is significantly higher than in 1992 – though lower than 1995 – the "super-liberal" group seems to be disappearing.

Moving towards a new migration strategy?

Current migration debates are still determined by the fact that contemporary Hungarian society is a relatively homogeneous society in ethnic terms, and that the small group of immigrants mainly consists of ethnic Hungarians from neighbouring countries. However, due to the impact of EU membership (such as twinning projects, etc.) Hungarian authorities were forced to somewhat open their perspectives. But as the following paragraphs illustrate, changes are not substantial, and there is still neither a coherent Hungarian migration policy nor integration policy.

Migration related discourses in contemporary Hungary mostly occur in the context of the shrinking Hungarian population, and of border control and security. The demographic issue received political and public attention with hysterical overtones in 2000 with a report containing an analysis and policy recommendations on migration prepared by a research team of the Demography Research Institute of the Central Statistical Office (Hablicsek and Tóth 2000). It came in the wake of the United Nations' study on "replacement migration" in Europe, which suggested that Europe would have to absorb 159 million immigrants if it was to maintain sustainable demographic trends. The release of the report and the Prime Minister's subsequent comment that Hungary should be able to draw on a pool of hundreds of thousands or even 1.5 million potential ethnic

Hungarian workers from neighbouring countries was the first time migration aroused significant public debate.

Following the report, the government established a Population Committee to study ways to confirm what it saw as negative population trends. The committee, which had a subcommittee on migration, received a mandate to develop a strategy to introduce a national population programme. The strategy was published in December 2003 as a policy document, devoting a full chapter to the issue of immigration. However, to date, no concrete measures have been introduced in order to implement the programme itself. The document is just another example of the controversial and ambiguous approach towards Hungary's present immigration situation. Besides recognizing the importance of facilitating long-term settlement and integration of qualified labour immigrants, it omits to say that most of this group is from Hungarian communities outside Hungary. Furthermore it explicitly states that these communities should not be encouraged to emigrate to Hungary and that the government should give cultural and economic support to help them remain.

Another initiative to tackle the lack of a comprehensive migration policy was establishing the Inter-Ministry Committee on Migration by the Prime Minister's Office in April 2004. The Committee which consists of political State Secretaries from several Ministries[19] as well as from the Office of Hungarians across the Border (the Government office dealing with the Hungarian diaspora), and the political Secretary of State responsible for national security, was set up explicitly to harmonize and co-ordinate activities linked to the country's EU membership[20]. According to its mandate, the main task of the Committee is to lay down the foundations of a national migration strategy by gathering and analyzing relevant data and formulating a proposal for a long-term migration policy.

The main policy debate in 2004 and 2005 was centred on labour market liberalization in the context of immigrant labour. As we showed earlier, according to the National Action Plan for Employment, the Government's position is that labour immigration is not an alternative to low labour supply and mismatches. The primary aim should be mobilization within the domestic labour market (with little success so far), and this should be reflected by the NAP, not encouraging labour immigration.

Another aspect to the lack of policy response is the surprisingly rigid position on other Member States' restrictions on free movement of labour from new Member States. Hungary applies equal measures on the basis of reciprocity, but beyond this there is an argument saying that non-EU citizens should not enjoy a better position in the labour market than those who come from another Member State. Thus, any policy promoting the employability of third country nationals should not offer a better position than that of those EU nationals whose participation in the labour market is restricted due to reciprocity. A third point in the NAP is its controversial approach to the overwhelmingly ethnic characteristic of labour immigration into Hungary. Immigration policy should

[19] These include: Ministry of Interior; Health, Social and Family Affairs; Employment and Labour; Economy and Transport; Justice; Foreign Affairs; Education; Finance.

[20] The Committee was set up by a Government Decision (No. 2104/2004).

reflect the preferential treatment of ethnic Hungarians, but expressing or even implying a resettlement (facilitated immigration) approach in national diaspora policy should be avoided, the plan implies.

The recently most often discussed part of the diaspora issue in Hungarian migration is the aforementioned referendum on December 5, 2004 on the granting of Hungarian citizenship (i.e. dual citizenship) to all ethnic Hungarians[21] living outside Hungary. The debate around this topic covers (in a very over-politicized and distorted way) all relevant aspects of contemporary migration trends in the country such as:

- The extent to which granting dual citizenship to ethnic Hungarians living across the borders would contribute to their migration into Hungary.
- The extent to which the present labour immigration structure would change due to the better prospects of finding employment elsewhere in the EU with a Hungarian passport.
- And finally, the extent to which diaspora politics would be affected by dual citizenship, and how this might influence the migration regime in Hungary and its neighbours.

The referendum on double citizenship failed since fewer than 25 per cent of eligible voters turned up to vote. Consequently, Parliament was not obliged to pass a new law granting Hungarian citizenship to all members of the quasi-diaspora. However, the issue remains high on the agenda for both national and diaspora politics, and greatly influences migration policy.

At the moment there is still no migration policy in Hungary. The discussion about creating one, however, is still ongoing but with less enthusiasm than in 1997. Bits and pieces of such a policy appear from time to time. For example as a result of a twinning project between Hungary and Greece on refugee integration (but having references to integration issues at large) a White Paper was recently prepared[22], and an integration law is in the bureaucratic pipeline since 2004.

By late August 2004, the Committee had come forward with a draft proposal for the Migration Strategy of the Republic of Hungary. After some inter-Ministry consultations, the draft was amended in November 2004 and sent out for consultation to the relevant Ministries. In spring 2005, the document was sent back to the Committee for a thorough revision as it was found inappropriate. After a thorough revision, the proposal was approved in November 2005 by the Ministries involved, but by spring 2006 it had still not been made official. There were no wider consultations or communications on the matter, and neither the academic nor the NGO communities have been involved in the process. But in January 2007 a work-in-progress (but not open to the public) version of this new migration strategy was leaked from the Ministry of Justice and Law Enforcement. It was

[21] A Hungarian is whoever claims the so-called ”document of Hungarianness” (officially called “Hungarian National Identity Card”) and identifies with the Hungarian nation (in a cultural sense).

[22] White Paper (2006). The summary of the state of Hungarian integration policy goes as follows: no need (very small group), no intention (political or governmental), no legal background (whatsoever), no funds (Hungary faces a very high level of budgetary deficit).

referred to by the Christian Democratic Party in Parliament as proof of betrayal by the government against the national interest of Hungary, encouraging Asian immigration to solve the problem of the forecast demographic deficit of Hungary.

Though this migration strategy document officially is still unavailable for researchers, thanks to a Parliamentary scandal the document has been temporarily downloadable. According to this preliminary version, the Hungarian work-in-progress migration strategy differentiates between three types of migrants:

- migrants from a third country against whom the existing restrictive labour migration policy should be maintained,
- illegal migrants against whom – in harmony with EU efforts – a full-scale war is needed,
- refugees who should be thoroughly controlled.

Basic strategic conclusions and recommendations of the document are as follows:

- Hungary needs about 30,000 immigrants a year to counterbalance its falling population,
- which, however, unavoidably will cause temporary – and cohort specific – tensions in the labour market,
- This latter issue is even more important if within the forecasted immigrant population the proportion of ethnic Hungarians shrinks (either because political factors intentionally limit its scale or due to natural causes), and especially if the bulk of the available migrant labour force originates from low-income areas of Asia.
- In the long run the proportion of the foreign-born population will rise to 10 per cent of the Hungarian population.

However, if we look for forces which have inhibited the development of any migration policy up until now as well as the path-dependent diaspora-biased nature of those elements of Hungarian migration policy, we should conclude that in the near future there will be no coherent Hungarian migration policy. Instead, Hungary will have ad hoc reactions to EU-induced challenges (often neglecting them but using them as excuses to pursue the government's own goals) and inaction, hoping that migrants get the message – they should not come, or if they do, they should leave.

3.6 Conclusions

Low levels of employment and participation rate characterize Hungary's labour market. Still, Hungary faces the same developments noted in other EU countries: ageing and decline of the population and the labour force. This poses serious threats to the country's continued economic growth. In the near future this threatens a labour shortfall and a lack of funds to pay pensions to the country's inactive population, which will grow proportionately.

The Hungarian political system has, through legislation, actively defined, shaped and regulated migration. Mainstream migration policy has been determined by harmonization and transposition of EC Directives, Schengen acquis, the Hague Programme and other EU laws. Therefore, formally speaking, migration institutions and regulations meet European standards. That is necessary but not sufficient. Hungary has not yet created a comprehensive migration policy of its own.

There is clearly demand-driven labour migration to Hungary, especially from the Hungarian-speaking diaspora in the surrounding countries, sensitive to economic changes in the region. There are signs of return migration by ethnic Hungarians to Romania as well as changing migration preferences (also of those living in mixed marriages) to prefer migration to other, more promising destination countries than Hungary. In the Hungarian migration policy approach, Hungary itself seems to be considered, by definition, as a country with low migration and little interest in labour migration. A low level of employment of natives however coincides with a sizeable informal economy that is attracting migrant labour. The size of the informal economy is not alarming, though. Circular migration involves mostly ethnic Hungarians in the informal economy, helped by tolerant and ambiguous policies. However, Hungary would need a more active labour migration policy, instead of politically heated debates between the Government and opposition. But we can say that so far Hungarian migration policy has been, rather typically for Europe, "labour market resistant" and "politics-responsive".

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CHAPTER FOUR

Italy

Emilio Reyneri

Introduction

After Spain, Italy is the European country that has received the largest number of immigrants in the last twenty years. Most of them were labour migrants who entered the country without any proper permit to stay. They managed to remain in Italy thanks to frequent regularizations allowing immigrants still in the country to legalize their status after periods of unauthorized stay and unregistered work.

Therefore, this report will focus on the Italian economic and social fabric in order to explain both its pull effect on labour immigration and the way in which immigrant workers insert themselves into it. This is a more revealing line of enquiry than the characteristics of immigrants, who come from a wide range of countries. Analysis of recent economic and demographic trends shows that Italian immigration can be explained better by demographic decline than by strong economic growth.

Some peculiarities of the labour market and the welfare regime are important to explain the jobs in which immigrants (even those who are highly educated) concentrate. The underground economy has a pivotal role both in attracting immigrant workers and in providing with them the largest share of unqualified vacancies within overall demand for labour. In a job market strongly segmented by gender, age, educational qualification and region, labour and population shortages are not easily compensated for by immigrant workers. Problems are worsened by still quite xenophobic public opinion. Thus, any analysis of Italian immigration policy must face not only the traditional dilemma between demographic and economic rationales versus political criteria, but also a more purely economic dilemma between a short-term need for unqualified labour and a long-term risk of perpetuating a labour-intensive production system and a family-centred welfare regime.

4.1 The economic and social system at a glance

The performance of the Italian economy, quite disappointing already in the 1990s, worsened substantially after 2002, when real yearly growth in GDP fell dramatically, so that Italian GDP per capita in 2005 touched the EU25 average, whereas until the late 1990s it was 15 per cent higher. However, owing to a severe regional divide inside Italy, the Northern regions are still among the fifteen NUTS 2 centres of prosperity in Europe. The main reason for the drop in GDP growth was the slowdown of annual growth of labour productivity, which from around 1.0 per cent up to the late 1990s collapsed to 0.0 per cent in the 2001 to 2005 period, making national average labour productivity at present 10 per cent below the EU15 average.

The large proportion of economic sectors characterised by poor efficiency and not exposed to international competition, namely construction, wholesale and retail trade, hotel and restaurants, had an important impact on the decline of labour productivity. As for manufacturing, the Italian model, based on "industrial districts" specialised in low-tech goods (textiles, clothing, leather, furniture, mechanical and electrical appliances, foods), had to face growing global competition. A very low expenditure on R&D and investment in knowledge (a proportion of GDP less than half the OECD average) and the small size of firms (the average number of employees is about half that of France and one third that of Germany) prevented Italian manufacturing industry from entering high-tech sectors and improving its productivity. In spite of moderation in wage demands, negotiated with trade unions according to a neo-corporatist industrial-relations system and also forced by a process of "casualisation" of jobs (Istat, 2003), stagnant productivity raised labour costs per unit of product to above that of other European countries.

The other side of stagnation in labour productivity growth was Italy's impressive labour-market performance. Since the mid-1990s job creation has been vigorous as never before in recent Italian history: numbers of those in employment increased from just over 20 million in 1995 to nearly 23 million in 2006. In some years employment growth rate even surpassed 2 per cent. Immigrants were important contributors to this growth. In spite of increasing participation by women, only partially counterbalanced by decreasing participation by young people owing to increasing registration in higher education, job seekers fell from 2.5 million in 1995 to less than 1.7 million in 2006, and the unemployment rate from 11.2 to less than 7 per cent.

The overall unemployment rate, however, gives us only a partial view. On the one hand, owing to its segmentation by age and gender and by region, the Italian labour market has been even tighter than it appears for several years. This is due to a combination of labour shortages and a large reservoir of women and elderly, whose participation rate is the lowest in Europe.

In Italy the unemployment rate differentials by gender and age are very large: unemployment is very high for young people, above all for females, but very low for prime-age people, above all for males. Most jobseekers are young first-time job seekers who are still living with their parents and can therefore afford to wait a long time for

a "good job" in the meantime relying on their support,[1] whereas almost all single people and breadwinners, needing to find a job as soon as possible since unemployment benefits are very low, are in work. Furthermore, the regional divide in unemployment is the highest among the developed countries (OECD, 2005). Such a divide, however, since the mid-1970s did not promote internal mobility for a number of reasons: a very high share of owner-occupied housing, substantial state monetary transfers to families through the pension system, regional gaps in the cost of living that counterbalance those in earnings, the large Southern underground economy that makes unemployment there lower than the official unemployment rate indicates. Last but not least, there is also the fact that in the South most job seekers are either young people or women living in households that can rely on some earnings or subsidies. Central and Northern regions have fuller employment, especially for prime-age men, whereas mass unemployment affects women and youth in the South.

Breaking down unemployment by educational attainment emphasises how few labour shortages concern highly-qualified jobs. In fact, the risk of unemployment for young people does not depend on their level of education (unlike all the other EU15 countries except Spain) and unemployment differentials for prime-age people do exist, but they are far less sharp than the EU15 average. The reason is not an oversupply of highly-educated labour, because Italy still lags substantially behind other countries in the proportion of upper secondary and tertiary education graduates, even in younger age groups. Actually the narrower differentials by level of education regarding unemployment as well as income (OECD, 2005) are caused by the fact the Italian economy provides far fewer highly-qualified jobs than the number of Italians attaining high educational qualifications.

If the labour market is tight in Central and Northern regions and for prime-age men and poorly educated people, Italy has however a large labour reservoir, as its overall labour participation rate is very low. That reservoir is concentrated both among women and elderly people and in the South, however. The participation rate for men over 60 is barely above 30 per cent, about 10 percentage points below the EU15 average. However, that gap is due to the much larger proportion of poorly-educated elderly, who exit from the labour market earlier than other elderly people in most countries. Female participation rates, although increasing, are still unusually low, but that gap is mainly due to the contribution of Southern and poorly-educated women. By contrast, in Central and Northern regions highly-educated women have a rate of labour-market participation near the EU15 average. Besides a Catholic heritage, the low participation of poorly-educated women can be explained both by a welfare regime that stresses the caring function of families, encouraging women to stay at home, and by the huge proportion of self-employment and small firms that does not promote part-time work, important for the participation of poorly-educated women. Therefore, the room for expanding the labour force by raising the participation rates of women and elderly is not large, especially in the centre and the north of Italy.

[1] In the mid-1990s over 55 per cent of people aged 25 to 29 were still living with their parents, almost four times the EU15 average.

Italy is a medium-high fiscal pressure country, but a large share of public spending is devoted to paying interest on substantial public-sector debts, making the proportion of social expenditure to GDP around the EU15 average. Moreover, as money transfers are a large part of social spending, the availability of public-care facilities is limited. Italy is a Mediterranean version of a conservative welfare regime, grounded on the pervasive role of the traditional family. In the absence of suitable unemployment benefits, families support younger family members for long periods while they look for a "good job", reducing active seeking for whichever job by the oversupplied, highly-educated segment of potential workers. In the absence of care facilities, care both for children and the elderly lies essentially on the shoulders of families, i.e. on women. Women have to appoint housekeepers and caregivers if they wish to get a gainful full-time paying job. This explains the huge demand for immigrant women to fill housekeeping and nursing positions.

Notwithstanding the high fiscal pressure, many households retain sizeable spending power for use in purchasing private personal services because of high rates of tax evasion and inequality in family incomes. According to macro-economic estimates (Schneider, 2004), in 2003 the proportion of income not submitted to taxation came second only to Greece among the OECD countries, amounting to 26 per cent. Although, using a more detailed methodology, the Italian Institute of Statistics cuts that figure down to 18–19 per cent (Istat, 2006) and both estimates point out a slight decline since the mid-1990s, the underground economy remains huge. Furthermore, the Gini coefficient, which measures the wealth inequality in an economy, is very high and the trend is upward.

Employment is still biased towards low-tech sectors, traditional organizations and low-skilled jobs. The Northern regions are among the most industrialised ones in Europe, whereas people there employed in advanced services are relatively few and people employed in personal and social services very few. On the other side, employment in agriculture is still relatively high. Heavy labour demand from manufacturing, however, is largely driven by low-tech manufacturing sectors: in 1999–2001 the proportion of workers employed in high and medium-high-technology sectors amounted only to 31 per cent versus 36 per cent in the United Kingdom and 48 per cent in Germany (Cozzolino, 2005). Old-fashioned forms of organization also affect services: the self-employment rate amounts to 27 per cent, around 12 percentage points above the EU15 average.

As the skills mix is related to technological level and size of firms, labour demand is largely biased towards the poorest jobs: the proportion of managers and professionals is very low (nearly 7 percentage points below the EU15 average), whereas that of manual workers is high (around 5 percentage points above the EU15 average). Such a composition of those in employment clashes with the increasing educational attainment of younger age groups and even more with the social expectations of their parents, who were socialised when higher educational certificates were scarce and entitled their holders to the most qualified jobs. The low demand for researchers explains why in 1999 2.3 per cent of the highest-qualified Italians are living abroad versus around 1 per cent in France, Germany, Spain and the United Kingdom (Becker *et al.*, 2003).

Off-the-books employment is a large and deep-rooted phenomenon in Italy, although its proportion to total employment is lower than that of tax evasion, because registered workers also can receive income without reporting it.[2] According to estimates carried out by the Italian Institute of Statistics, undeclared employment was widespread already in the early 1980s, then rose until 2001, when it dropped sharply because of the 2002–2003 regularization drive that promoted a mass entry of immigrants into regular employment. More detailed data, excluding second jobs, show that the proportion of undeclared workers fell from 15 per cent by the mid-1990s to 13 per cent in 2004. We can guess that immigrants were partially replacing Italians in undeclared employment, but not in the growing practice of double job holding, which remains largely confined to native Italians. The proportion of unregistered workers is much higher in the Southern regions, but their absolute number is higher in the Northern regions, where total employment is larger.

Sectors offering more irregular jobs are domestic services, agriculture, cleaning services, social and personal services, retail and wholesale trade, hotels and catering, and construction. The reasons why the underground economy is so deeply rooted in Italy are many. Economists are used to stress the high taxation on labour income, but we must add a large diffusion of small firms, ineffective checks, light sanctions and above all the lack of a social stigma against undeclared work.

4.2 The dynamics of immigration

The dramatic growth of immigrants and their means of entry

Immigrants began to enter Italy in the early 1980s, but the migratory inflows became sizeable only in the mid-1990s and skyrocketed after 2001. Available data do not present the foreign-born population, but people holding foreign citizenship. However, they do not underestimate the stocks of immigrants for this reason, because Italy has strict conditions on citizenship. Italian law considers a child born in the country to two foreign parents foreign as well and makes the naturalisation process difficult. Actually, data from population registers underestimate foreign people because they are not obliged to register at municipalities and in fact many do not[3]. Furthermore, data from permits to stay do not count minors who are registered on their parents' permit.

Growth in numbers of foreign people entitled to live in Italy is the same taking into account both sets of data. From 1991 to 2005 the number of non-nationals grew from half a million to over one and a half million and the proportion of foreign residents increased from 0.6 to 4.5 per cent (from 0.5 to 4.1 per cent as regards non-EU15 citizens). This growth sped up dramatically as the average yearly increase went up from 50–70,000 in the early 1990s to 156,000 in the late 1990s, then up to 236,000 after 2001 (Istat 2007). Almost all new entries were either migrant workers or their relatives from non-EU15 countries, so that the proportion of non-EU15 individuals both among foreign residents

[2] This is the case of double-job holders, of self-employed who under-declare their invoices and of employees who get overtime paid in cash.

[3] This factor can be partially counterbalanced by the fact that many migrants do not cancel themselves from the registers when they leave Italy.

and holders of a permit to stay rose from 80–83 per cent in the early 1990s to 92–93 per cent in 2004–2005 and the proportion of permits of stay for work and family reasons grew from less than 80 per cent to above 90 per cent.

While non-nationals legally living in the country, but not recorded on population registers, are estimated to make up 13–14 per cent of the foreign population (Istat 2005), documented foreigners were estimated at 1,800,000 in 2003 and over 3 million in 2006, i.e. 3.1 per cent and 5.1 per cent of the total population respectively. But, as unauthorized immigrants were estimated above half a million in 2005 (Ismu, 2006), foreigners *de facto* living in Italy in 2006 might have reached 3.5 million, equal to nearly 6 per cent of the total population.

Unauthorized entry and stay are a permanent feature of the Italian immigration story. Since 1986, when the first immigration act was adopted, inflows into Italy have been much larger than the statistics of authorized immigration suggest. Unlike Germany and North-European countries, asylum-seeking was not a sizeable means for "back door" entry, however. The lack of a law for asylum and the poor benefits provided for asylum-seekers[4] made the number of claims for asylum very low: only 110,000 from 1995 to 2004, equal to 1.9 per 1,000 inhabitants, one of the very lowest proportions in Western Europe. Thus, even the high proportion of rejected applications did not cause sizeable overstaying by failed asylum-seekers[5].

As Italy was not, therefore, "invaded" by refugees, the problem of unauthorized entry concerns labour immigration and the failure to regulate it. According to a quota system, which was formally introduced in 1990, the quotas were decided by the Ministry of Labour, after a consultation with government departments, local bodies, employers' associations and trade unions, and a share of the total quota was granted to every province. However, the local public-employment services had to adopt the labour-market test, accepting only employers' applications for jobs left unfilled by Italians or non-nationals already living in the country. Domestic workers only were exempted from the quotas and their entry was free until 1998. As since 1995, when the system was finally implemented, even restricted quotas were not filled totally, it was revised in 1998: the labour-market test was abolished and a quota was devoted to associations and individuals (also non-nationals) that engaged themselves in sponsoring the entry of a migrant looking for a job, i.e. guaranteeing the costs of his/her survival until her or she was hired or returned home within one year.

Moreover, the quotas were extended, but domestic workers were included and a large proportion of quotas were devoted to seasonal workers and to "privileged" countries, with which readmission agreements for their unauthorized migrants were negotiated. The quotas provided for the sponsor system (about 15,000) were quickly exhausted and since 2000 this has also been the case for the others. The current legislation, introduced

4 Only from 2005 did Italy implement the EU directive on minimum standards for asylum seekers.

5 The two crises of Albania and Bosnia in the early and late 1990s, which caused a sudden spike in asylum claims, were solved by granting applicants a permit for humanitarian reasons, which entitled them to work.

in 2002 by the centre-right government, maintained the quota system, making it more restrictive. The sponsorships were abolished, the labour-market test was re-established and the procedure became more cumbersome.

Furthermore, the quotas for "privileged" countries, and even more for seasonal jobs, were increased to the detriment of the generic quota for non-temporary workers. Those quotas were substantially increased only from 2005 and, nevertheless, they were quickly exhausted, also because the applications could no longer be made at public employment services, but instead at post offices. That procedure *de facto* let a large number of unauthorized migrants working in undeclared jobs make applications on behalf of their employers, just as in the past when a regularization drive was carried out.

The overwhelming majority of labour immigrants, in fact, entered Italy outside the quota system and without a permit of stay for working reasons, which they managed to obtain subsequently thanks to frequent regularization drives. Two thirds of documented immigrants living in Italy in 2004 were estimated to have stayed unauthorized for some time (Blangiardo, 2005). In total, nearly 1,500,000 migrants availed themselves of five regularizations from 1986 to 2002. All of them had to be workers, because, more or less strictly, only unauthorized migrants holding either an undeclared job or a job offer by an employer were qualified to apply for the regularization (Levinson, 2005). Sometimes either the job or the job offer declared for the application were not the real job carried out in the underground economy (Reyneri, 1998), but the principle that unauthorized migrants could be regularized only if they were able to prove[6] they held a job was quickly adopted by all the other South European countries.

Major periods of growth in the number of foreign people both holding a permit of stay and registered as residents coincide with the years following the regularization drives. They were quite successful in draining the pool of unauthorized migrants, because only a few among the most deprived people and those who entered Italy after the deadline, lured by the promise of a permit of stay in an EU country, did not manage to apply for them. However, a few years after each regularization the pool of unauthorized migrants was once again significant.

As regularizations (as well as the entries through the quota system) give immigrant workers only a temporary permit of stay (one or two years) and its renewal requires proof of a registered job, we might guess that the rapid new growth of unauthorized immigration might be largely due to migrants who did not manage to renew their permit.

But this was not the case, because in the three amnesties between 1990 and 1998 only between 5 and 10 per cent of applicants had already received a prior amnesty, but had fallen back into a situation where their papers were no longer in order (Carfagna, 2002). This could mean two things: on the one hand, that most regularized migrants who came

[6] The proof was the payment of social contributions, generally for three months. In principle this payment should be made by the effective or prospective employers, but it was done in many cases by migrants themselves.

back to undeclared jobs and were not able to renew their permits had very temporary migration intentions (2–3 years) and left Italy before a new amnesty occurred. On the other hand, it can mean that the large majority of regularized migrant workers managed to retain a registered job and so to renew their permit of stay for working reasons and settle down in Italy.

Therefore, the recovery of a pool of unauthorized migrants two to three years after every amnesty was due essentially to new entries.

Until the early 1990s most of those entries were clandestine. As Italy has thousands of kilometres of coastline and controls on the border were poor, tens of thousands of boat people from nearby Morocco, Tunisia, Albania and Greece landed every year on the shores of the Southern regions. Since 1992 compulsory visas from many emigration countries were introduced, controls both at land borders and on the Mediterranean Sea became stricter, and police enforcement more efficient. Italian frontiers can no longer be considered Europe's easiest to cross.

Furthermore, the migratory inflows changed and migrants from South America, Asia and above all from Eastern Europe largely replaced those from Northern Africa and Middle East. Overstaying became the main form of unauthorized entry i.e. entering with a short-term visa (for tourism, study, etc.), which does not entitle the holder to work, then finding an undeclared job and staying with documents no longer in order.[7]

Two factors made such a pathway easier. Firstly, some East European countries (Poland and Romania) became EU candidate countries, whose citizens no longer needed entry visas. Secondly, the more open policy for short-term visas introduced by Germany and France made Italy's more restrictive policy futile. From 2000 to 2004 Germany and France issued a number of visas entitling holders to move to any country inside the Schengen area on over twice the scale of the tourist country Italy. As it was acknowledged by the German administration (Ismu, 2006), many migrants from Eastern Europe (as well as from South America and Asia) entered Germany (as well as France) holding a tourist visa and then moved to Italy (as well as to Spain), where it was much easier for them to get an undeclared job and to live, even long-term, without proper documents.

The underground economy in the receiving country was a major factor in promoting unauthorized immigration. When developed countries adopt a restrictive labour immigration policy, getting around border controls forces migrants to bear hardships, expenses and sometimes also risks. As most of them are migrant workers trying to improve their lives, they are deeply affected by information on what they might find in the countries of destination and they are willing to enter countries where afterwards they can stay for a long enough period of time to make enough money to recoup their economic and psychological costs.

[7] According to the Ministry of the Interior, among the regularized in 2002–2003 75 per cent were overstayers and 15 per cent who entered Italy using forged documents, whereas only 10 per cent were boat-people who landed on the Southern shores. The proportions were similar for unauthorized migrants who were intercepted by the police in 2004–2005.

Thus, migrants tend to enter without authorization only countries where it is easy to live and to work without a work permit. Unauthorized migrants are cut off from registered jobs and, if it were not for the shelter of a large irregular labour market, they would soon be forced back to their home country. Interviews with migrants support the hypothesis that before leaving their countries of origin they knew a lot about how easy it was to work in Italy without a proper permit (Reyneri, 1998; Kosic and Triandafyllidou, 2004). Migratory chains as well as networks organizing migrants' trips spread that information.

Unauthorized entry of labour migrants, however, was also driven by an important demand for registered workers that was not satisfied by the restrictive and ineffective quota system. Quotas were fixed more on a political basis than on the basis of labour demand. A proxy measure of that labour demand is offered by a survey among a large sample of private firms concerning their job vacancies, which is carried out by the Union of Chambers of Commerce. According to that survey, from 2001 to 2006 firms were forecasting hiring between a minimum of 105–140,000 and a maximum of 150–220,000 non-seasonal immigrant workers annually, equal to a bracket from 14–22 to 21–30 per cent of all job vacancies. Those forecasts referred also to foreign workers already living in Italy, but they did not take into account the growing demand for housekeepers and caregivers from families.

***Table 1.* Foreign population by main nationalities and total foreign population**

	21ts October 2001	1st January 2004	1st January 2007
Romania	74,885	177,812	342,200
Albania	173,064	270,383	375,947
Ukraine	8,647	57,971	120,070
Morocco	180,103	253,362	343,228
Other North Africa	87,597	109,213	154,599
Other Africa	118,794	169,521	227,364
China	46,887	86,738	144,885
Philippines	53,994	72,372	101,337
Latin America	122,186	171,997	261,659
Total	1,334,889	1,990,159	2,938,922
Proportion to total population	2.3%	4.1%	5.0%

Source: Istat, La popolazione straniera residente in Italia

Thus, the gap between those forecasts and quotas for non-seasonal workers (swinging from 11,000 to 65,000 from 2000 to 2004 and frequently announced towards the end of the year to which they applied) was sizeable and declined only after 2005, when the non-seasonal quotas were increased to 120–134,000.[8] Finally, a large unsatisfied demand also for declared jobs was confirmed by the fact that most of the regularized immigrants subsequently managed to get and to retain registered jobs. For them, too, only the backdoor of an unauthorized entry was open and the underground economy

[8] That gap was only partially reduced by immigrants who entered for family reasons, because they have been entitled to work immediately since 1998 and their number became important since 1999.

carried out the functions, first, of attracting them and, second, of allowing them to work and to live until they were able to take part in satisfying regular labour demand.

The characteristics of immigrants and their settlement process

As Italy has neither an important colonial heritage nor special relations with any undeveloped country (except Albania), immigration is quite heterogeneous and the mix of countries of origin has changed substantially over time. Until the late 1990s the largest proportion of immigrants were coming from North Africa (up to 20% of the permits to stay), afterwards the leading position was taken by Eastern Europe (up to 25%). The proportion of migrants from Asia was increasing a bit (up to 18%), whereas that from Central and Southern Africa fell slightly (down to 9%), that from South America was quite steady (around 8%) and the trend of those coming from countries of Former Yugoslavia formed an inverted U-shape. Of course, owing to the significant growth of new entries from undeveloped countries, the proportion of foreigners from EU15 and other developed countries fell substantially (to less than 13% of the permits granted in the early 2000s).

Morocco, which was the top supplier of immigrants into Italy until 2002, lost that position and fell to third place in 2004, overtaken by Romania and Albania. Meanwhile, Tunisia and the Philippines, which were at the top of the classification until the mid-1990s, by now have all sunk to the middle of the rankings. Whereas not only Romania but also Ukraine and Poland climbed many positions. Finally, China and also Senegal are always in the middle, whereas some countries (Egypt, Brazil, Sri Lanka) disappeared from the top list and others (Peru and Ecuador) have only entered it since the late 1990s. That trend is the outcome of a quite different pattern of growth: in fact, the average annual increase was quite low for some countries (above all for Morocco, Tunisia, Philippines and Egypt) and very high for others (above all Ecuador, Peru, Ukraine and Romania).

The surge in migrants from Moldova is so recent that only data from the 2002–2003 regularization and from population registers in 2006 observe it. With nearly 5 per cent, migrants from Moldova were in eighth position in the last amnesty, after Romania, Ukraine, Albania, Morocco, Ecuador, China and Poland. In very few years Moldovans came to make up nearly 2 per cent of all the foreigners registered as residents. As regards the impact of EU enlargement, the recent growth of female migrants from Poland was essentially due to the 2002 regularization, but on the whole inflows from EU8 countries were limited.

Thus, the restrictive approach adopted by Italy until mid-2006 was scarcely justified. On the contrary, the approach taken to countries that entered the EU in January 2007 will raise immigrant numbers because Romanians now have free access to all the jobs they are most needed for: from housekeepers and caregivers to blue-collar work in construction and the metals sector.

In contemporary migrations an increasing number of women migrate alone for working reasons. Such a process of feminization characterised Italy, too, as the proportion of

women is high also among immigrants holding a work permit: above 36 per cent since 2004. Three sets of data show that large numbers of working women migrated alone. First, 40 per cent of female migrants are single and quite a large number of married women also migrated alone, according to field studies. Second, the overwhelmingly majority of migrants from some countries are female:[9] among 2006 residents women are from 65 to 82 per cent of migrants from Poland, Ukraine, Moldova, Peru and Ecuador. Last, but not least, the proportion of women was high among immigrant workers who availed themselves of a regularization: from 26 to 31 per cent in 1990, 1995 and 1998 and above 46 per cent in 2002–2003, when nearly half of regularized migrants were working either as housekeepers or caregivers. In fact, the growth of female migrants was mainly due to large inflows of women from East European countries and South America who entered Italy to work as housekeepers and caregivers.

The large proportion of highly educated people is the other special feature of contemporary migrations. High education increased in less developed countries since the 1970s and for a long time in East European countries. Furthermore, emigrating is a selective process related to educational attainment, especially when emigrants must have important personal resources to manage to enter countries formally "closed" to someone of their nationality. In Italy in 2005, among residents coming from a developing country, nearly 7 per cent were university graduates and 37 per cent held a secondary-school qualification. Immigrants might appear even more educated than natives, because the proportion of old people, who are less educated everywhere, is much lower among immigrants than Italians. The most educated migrants come from the East European countries, Egypt, Middle East and South America,[10] whereas the least educated come from Morocco, Central Africa and the Asian countries.

The large number of women migrating alone prevents us considering the proportion of women as an indicator of the settlement process. For people coming from some countries this indicator should be, on the contrary, the proportion of males, who have rejoined their wives who already migrated alone ahead of them. Also a gender balance might be misleading as an indicator of settlement, because many men and women migrated alone from the same country. A better indicator, although indirect, could be the number of marriages, of births, and above all of children attending Italian schools. All those indicators show that a real process of settlement started only in the late 1990s, when we can guess that finally a large number of migrant families were well settled and adopted either a permanent or long-term migratory perspective.

The increasing proportion of immigrants living many years in Italy confirms that the settlement process is by now ongoing. Taking into account citizens from a most important countries of origin, who are registered as residents, in 2005 nearly 27 per cent had been living in Italy for over 10 years and nearly 24 per cent from 6 to 9 years, in spite of a huge

[9] On the other side, most migrants from other countries are men: from 62 to 83 per cent of people coming from Morocco, Tunisia, India and Senegal.

[10] The case of people from EU15, Switzerland, United States and Japan is different, because their very high proportion of highly educated people confirms that they are better described as mobile elites than immigrants.

inflow of registration in the population records after the 2002–2003 regularization. The most settled are immigrants coming from Croatia, Philippines, Ghana, Bosnia, Tunisia, Egypt, Morocco, Senegal, Sri Lanka and Serbia-Montenegro. The least settled are people from Eastern Europe, most of whom entered the country very recently, but also from other countries (Pakistan, India, Latin America), many of whom engage in "circular" migration.

The settlement process, however, is poorly supported by Italian policy. In fact, among people from high-emigration countries who are entitled to a permanent residence permit for at least 6 years, only half of them managed to get it, because qualifications are so restrictive and proceedings so long and cumbersome that many are discouraged from applying (Caritas, 2006). Furthermore, the legislation on citizenship is so strict that Italy has one of the lowest rates of nationality acquisition in Europe and 85–90 per cent of migrants were naturalized thanks to a marriage to an Italian citizen (Pastore, 2004).

Immigrants who enter Italy tend more and more to live in the Northern regions: at present 34–36 per cent of non-nationals are settled in the North-West area and around 27 per cent in the North-East area, whereas the proportions were respectively 29–31 per cent and around 20 per cent in the early 1990s. Thus, the proportion of non-nationals to resident population grew in the Northern regions from 1.4 per cent in mid-1990s to around 6.5 per cent at present, whereas it increased only from 0.5–0.9 to around 1.5 per cent in the Southern ones. Both the high geographic mobility of migrants inside Italy and the growing inflows from Eastern Europe supported such a process of concentration, which was driven by labour demand. Over time immigrants have been more and more living in the regions where the labour market is tighter and the demand for them is higher.

4.3 Migrants' insertion into the labour market

Back and forth from the underground economy?

The large number of labour migrants who have entered Italy not holding a work permit were forced to work in the underground economy until they managed to avail themselves of a regularization and got their first registered job, which they needed to apply for to get their documents in order. However, some regularized migrants return to undeclared work. Most of those migrants left Italy before the subsequent amnesty, but the combination of the in/out-flows from/to abroad and moving between various stay and work statuses means that stocks of undeclared immigrant workers include both people not holding a proper permit and people holding it.

According to the inspections made by the Ministry of Labour[11], which, however, do not take into account housekeepers, the percentage of migrants working in the underground economy remains high, although decreasing (from around 50 per cent in the early 1990s to less than 30 per cent at present) thanks to frequent regularizations. These reduced the number of migrant workers who do not hold a work permit by more than they

[11] Those estimates are very rough as controls are limited and depend on institutional and organizational factors.

reduced those working "underground" although holding it: the former decreased from 20 to 10 per cent, the latter from 30 to 20 per cent. A decreasing trend in the proportion of unregistered jobs among migrants entitled to have declared employment results also from a check between the permits of stay for working reasons and the number of non-EU15 workers registered by Social Security authorities: the gap, which was over 50 per cent in the mid-1990s, even seems to disappear in 2002, when a great many regularized migrant workers registered themselves with Social Security. Estimating the size of the underground economy, Istat noticed a similar impact. This might be temporary, however, because nearly half of migrants regularized in 2002 were caregivers and housekeepers, more prone to return to irregular work than immigrants working in other sectors.[12]

The irregular labour market not only seems to work well as a means of attracting, filtering incoming migrants, and providing them a transition into regular work (OECD, 2005), but also exploits the existence of a large migrant labour supply to reproduce itself. In fact, most authorized migrants might be prone to undeclared work. Those who plan to stay in Italy only for a few years have little to gain by seeking registered working status, because they do not plan to take advantage of the related welfare provisions.[13] The presence of authorized migrants in the underground economy depends on structural factors, too: immigrants usually work in areas where irregular labour is more widespread and, since their work is often unsteady and they can rely on very poor family and social support, they are forced to take the first job they come across. Nevertheless, for authorized immigrants a position in the underground economy cannot be other than temporary because the periodic renewal of the residence permit requires proof of a regular income. Above all in the areas of domestic work and personal assistance, where there is a strong demand for immigrants, some establish themselves in a registered position just at the time of renewal. This is, however, a high-risk strategy because the proceedings for renewing the permits are cumbersome and take a long time.

Migrants' insertion in regular employment has been impressive, as is shown by growth in the number of non-EU15 workers registered by Social Security: from just over 400,000 in 1997 to nearly 1,500,000 in 2002, with an annual rate of growth above 30 per cent. Furthermore, the proportion of non-EU15 employees on annual hires, which was around 10 per cent in 2001, rose to nearly 18 per cent in 2006.

This trend is paralleled by the settlement process of migrants, which had a remarkable increase after 2002 so that the Italian labour force survey, whose sample is based on population registers, finally managed to obtain data also for foreign labour. The 2005 labour force survey includes 2,400,000 non-nationals, equal to 4 per cent of the total population, just as many as those registered in population records if we take into account the timing lag. Nearly 93 per cent are citizens of high-emigration countries (both developing and East-European ones), whereas the others moved from EU15 countries,

[12] On the one hand, the pressures from families are stronger, because many of them have difficulties in paying social contributions, and checks on households are scarcer; on the other, most women, especially if working as caregivers, have a short-term migratory project and are not interested in welfare provisions.

[13] In order to oppose such opportunistic behaviour the 1998 Immigration Act provided that migrants leaving Italy before the age of retirement were entitled to receive in cash the social contributions paid during their working life.

Switzerland, Japan or the United States. As not only the unauthorized immigrants, but also over 10 per cent of foreigners legally living in the country, are not recorded in population registers, we must remember that any analysis based on the labour force survey is slightly biased in favour of the most settled immigrant population. Around 500,000, equal to 1 per cent of the population, hold Italian nationality, but were born in a high-emigration country. So we can guess that they are immigrants who either acquired Italian nationality through naturalization or came from a country where double citizenship is widespread (especially South America). On the contrary, Italians born in an EU15 or OECD country can be considered second-generation emigrants who returned to Italy.

High participation in the labour force

The unemployment rate for people coming from developing and East European countries in 2005 was only 50 per cent higher than the rate for Italians and that gap is due to the high unemployment rate for female migrants (15.5 versus 9.9 per cent), whereas the gap regarding men is very narrow (7.0 versus 6.1 per cent). On the other hand, the unemployment rate for people holding either an EU15 or OECD nationality is even lower than that for Italians (5.7 versus 7.6 per cent), confirming that most of them are workers moving inside multinational companies, international institutions and professional elites. Unemployment for naturalized immigrants does not differ from that for Italians as regards men (6.0 per cent), but it is much higher and closer to non-national immigrants as regards women (14.3 per cent), suggesting more difficulties in inserting female immigrants.

Table 2. **Unemployment rate by gender and nationality, 2005**

	Men	Women	Total
Italians born in Italy	6.1	9.9	7.6
Italians born in developing countries	6.0	14.3	10.1
Eu15 & Oecd	5.4	5.9	5.7
Other Eastern Europe	5.9	15.2	12.6
Albania	5.9	27.1	12.0
Ex Yugoslavia	4.1	17.5	9.0
Romania & Bulgaria	4.6	7.7	6.1
Central Southern Asia	1.8	29.8	6.5
Eastern Asia	5.5	3.2	4.4
Other North Africa	11.3	37.3	15.5
Morocco	10.2	26.5	13.6
Central Africa	11.3	17.3	13.2
South America	9.3	11.5	10.6

Source: Labour force survey (Istat)

Taking into account that immigrants concentrate in Central and Northern regions, where the unemployment for Italians is very low, their penalization in comparison to Italians is higher. Nevertheless in Italy, as in the other newly receiving South European countries, the gap between the unemployment rate for non-EU15 nationals and that for nationals is much smaller than in all the old receiving European countries. We might think that migrants who recently entered new receiving countries had to face fewer difficulties

because they were filling a real labour demand, although we might guess as well that a still weak settlement prevented them from availing themselves both of the (poor) welfare benefits and of the support of relatives and thus forced them either to get any available job as soon as possible or to leave the country. Not even 10 per cent of migrant job-seekers are young people living with their parents (versus 52 per cent of Italian job-seekers), whereas 40 per cent are either single or breadwinners (compared to below 24 per cent). Also the lower proportion of long-term migrant job-seekers (not even 25 as against over 42 per cent for Italians) can have a two-fold meaning: immigrant workers can be either heavily in demand or not very well able financially to remain unemployed for long periods.

***Table 3.* Unemployment rates by gender, nationality and regional area, 2005**

	North	Center	South	Total
Men				
Italians born in Italy	2.7	4.8	11.4	6.1
Italians born in developing countries	3.9	9.8	7.8	6.0
People from developing countries	7.6	5.9	6.3	7.0
Total	3.1	4.9	11.3	6.2
Women				
Italians born in Italy	5.6	7.9	19.5	9.9
Italians born in developing countries	13.2	18.4	13.0	14.3
People from developing countries	14.6	15.3	20.1	15.5
Total	6.2	8.5	19.6	10.3
Total				
Italians born in Italy	4.0	6.1	14.2	7.6
Italians born in developing countries	8.5	14.3	10.2	10.1
People from developing countries	10.1	10.1	11.7	10.3
Total	4.4	6.5	14.2	7.8

Source: Labour force survey (Istat)

The very high propensity of immigrants to geographical mobility makes regional gaps in their unemployment rates much narrower than for Italians. Migrants' unemployment rate is in the South only 1.6 percentage points higher than in the North, whereas for Italians the gap is above 10 percentage points. As regards male migrants, who can be supposed to be even more mobile, the unemployment rate is even lower in the South than in the North (6.3 versus 7.6 per cent), whereas Italian males' rate is hugely higher in the South than in the North (11.4 versus 2.7 per cent). Very few migrants remain in the South looking for a job, because they have fewer social ties and move easily towards the Northern regions where unemployment is very low.

The differences in unemployment are wide, seen by countries of origin. Migrants from China, Philippines, Romania, Sri Lanka, Senegal, India, Ecuador, Peru and Ukraine are the least unemployed, whereas those from Ghana, Tunisia, Egypt, Moldova, Central America and Brazil are the most unemployed. Female migrants are always more unemployed than males (the gap is huge for Albania, India, Egypt, Poland and Morocco), but women from Philippines, Ecuador and Peru, who are the most employed

in housekeeping. Cross-national differences in unemployment rates might be mainly due, however, to differences in both the personal characteristics of immigrants and their process of settlement.

The differences in the employment rate on the whole are evidence for the important contribution immigrants make to the Italian economy, as the proportion of employed is much higher than for Italians, especially among men. The employment rate for people aged 15–64 years is especially high for migrants coming from Pakistan, India, Bangladesh, Macedonia, Eastern Europe and the Philippines, as regards men, and for migrants coming from Philippines, Ecuador, Peru, Ukraine and Romania, as regards women. The gender divide in the participation rate is dramatic for North Africa, Senegal and above all for Bangladesh, India and Pakistan, as female migrants coming from those countries are almost excluded from the labour market, presumably for cultural reasons.

Table 4. **Employment rates by gender and nationality, 2005 (15–64 years old)**

	Men	Women	Total
Italians born in Italy	69.0	45.2	57.1
Italians born in developing countries	70.7	43.4	54.6
EU15 & OECD	79.1	55.2	65.6
Emigration countries	81.0	49.6	65.8
Total	69.7	45.4	57.6

Source: Labour force survey (Istat)

Migrants' participation in the labour force of course varies largely by gender, age and educational attainment, but the variations are quite different from those for Italians. As regards gender, migrant women are more penalized than Italian women. The employment rate of migrant women is over 31 percentage points lower than that for men, whereas the gap is not even 24 percentage points for Italians. The unemployment rate of migrant women is 8.5 percentage points higher than that for migrant men, whereas the gap does not amount to 4 points for Italians. Apart from those who are excluded from the labour market for cultural reasons, the peculiar penalization of female migrants is related to their family position. In fact, if they do not have small children living with them, the participation rate for migrant women is largely higher than for Italians (70 versus 53 per cent), whereas, in case they do have small children, their rate falls to substantially below that for Italians (46 versus 60 per cent). The fact is that female migrants have to face many difficulties in reconciling care for their children with paid work, because public care services are poor, private facilities are too expensive and the women cannot rely on support from relatives, who generally remain in their country of origin.

The very high labour market participation of immigrant men is due both to the very low proportion of elderly people and to the behaviour of young males, few of uhom attend higher-education courses. Thus, they give the Italian economy an important contribution in coping with the decline of labour supply not only for demographic reasons, but also because young native Italians increasingly delay their entry into the labour market and elderly native Italians are not willing to postpone their exit from the labour market.

The risk of unemployment largely depends on the length of time immigrants have been in the country: the unemployment rate, which is above 18 per cent for migrants living in Italy less than 3 years, falls to 10 per cent for migrants living from 3 to 5 years, to 9 per cent for those living from 6 to 9 years and finally to 7 per cent for those living in Italy 10 years and over. Such a trend is usually explained by the process of assimilation, during which immigrants acquire language skills, better understand labour market institutions and improve their qualifications. But we can guess, on the one hand, that social and professional expectations may decline over time and, on the other, that immigrants who have prolonged difficulties in finding a job are likely more prone to leave the country after time. Anyhow, from a quantitative point of view the insertion of immigrants into the labour force, which is important even at the time of arrival, tends to increase for those more settled.

Which jobs for immigrants?

Immigrant workers tend to concentrate in manufacturing, construction, personal[14] and cleaning services: nearly 70 per cent of immigrant workers, both among males and females, were employed in those sectors in 2005 according to the labour force survey, which, however, underestimates migrants employed in agriculture, because many of them are either unauthorized or seasonal workers, who are not registered in population records. According to Social Security data, the proportion of migrant workers employed in manufacturing slightly declined from 1997 to 2002, whereas that of those employed in construction and services increased and that of housekeeping remained constant. The sector mix of men is different from that of women: males concentrate in manufacturing (over 30 per cent) and construction (26 per cent), whereas females in personal services (over 44 per cent).

If we look at the proportion of migrants (naturalized included) to total employment, the sectors where their insertion is highest are: personal and social services, construction, hotel and restaurants, and, for men, manufacturing, whereas the sectors which migrants are least inserted in are: public administration, education and health (which are for the most part public as well), finance and banking (the most qualified and profitable sector) and retail trade (where the tradition of family-owned small shops is still alive, although quickly declining in metropolitan areas)[15].

The sectors already employing more immigrants are the same that are forecast to hire more migrants to cope with native labour shortages. According to a survey carried out yearly since 2001 among private non-agricultural firms, the highest proportion of job vacancies addressed to non-EU15 workers are in eight sectors: cleaning services for business, health services, hotels and restaurants, transport, metals, rubber and plastic products, wood and furniture, textile and leather products. The slight mismatches with the results from the labour force survey depend on two factors. On the one hand, the survey among firms underestimates needs for migrants in construction, because very

[14] Personal and social services include housekeeping and caring.

[15] The classification of sectors does not allow us to distinguish cleaning services from other business services, which are at the opposite end of the spectrum regarding qualification levels as well as in the insertion of migrant workers.

small firms and self-employment prevail in that sector, and does not cover the important demand for housekeepers from households; on the other, non-EU15 nurses are very much needed, but they cannot be hired by public hospitals, which prevail in Italy. Finally, the Institute of Agrarian Economy estimates that, including seasonal work, migrant workers amount to 10 per cent of total employment in agriculture and 20 per cent of employees, because most Italians in the sector are self-employed.

***Table 5.* Proportion of immigrants in total employment by sector, 2005**

	Men		Women		Total	
	Italians born in developing countries	Emigration countries	Italians born in developing countries	Emigration countries	Italians born in developing countries	Emigration countries
Agriculture	0.7	6.6	1.0	4.1	0.8	5.8
Manufacturing	0.9	6.5	1.1	4.0	1.0	5.8
Construction	0.9	10.4	0.9	5.0	0.9	10.1
Retail and wholesale trade	1.0	3.5	1.1	2.0	1.0	2.9
Hotels and catering	1.5	8.3	2.4	10.0	1.9	9.2
Transport and communications	1.3	5.0	0.8	1.9	1.2	4.3
Finance and banking	1.0	0.8	0.8	0.5	0.9	0.7
Business services	0.9	3.2	0.9	3.7	0.9	3.4
Public administration	0.5	0.1	1.3	0.1	0.8	0.1
Education and health	0.5	0.8	1.1	1.5	0.9	1.3
Social and personal services	1.1	10.2	2.4	21.3	1.9	17.1
Total	0.9	5.3	1.3	4.7	1.0	5.1

Source: Labour force survey (Istat)

Roughly speaking, immigrants are working mainly in low-tech and low-productivity sectors, where moreover they do the least skilled and the most gruelling work. As regards production of agricultural and manufactured goods, the availability of immigrants slowed down the “delocalisation” process towards lower-labour cost countries and helped to keep some production activity in Italy (OECD, 2005). Besides harvesting agricultural goods, this is also the case for textile-related activity, the leather and wood industry, and some mechanical and agro-industrial branches. As regards construction, hotels, restaurants and personal services, the availability of immigrants let Italian households obtain plentiful and cheap services and pass from their traditional model of welfare, based on unpaid family support, to a new private welfare system based on poorly-paid immigrant workers.

Even more than by sector, the employment of migrants is segregated by skill level. Citizens of an emigration country concentrate in the lowest-qualified jobs: more than one third occupy an elementary occupation, nearly 43 per cent are either skilled or semi-skilled manual workers and a bit above 14 per cent are shop-assistants; whereas 5.5 per

cent only work as managers, employers, professionals or technicians. Immigrants who managed to get Italian citizenship hold a higher proportion of the most qualified jobs, but they too are largely segregated in the lowest positions.

Table 6. **People in employment by occupation (ISCO 1-D) and migration status, 2005**

	Men			Women			Total		
	Italians	Naturalized	Emigration countries	Italians	Naturalized	Emigration countries	Italians	Naturalized	Emigration countries
Managers & employers	5.7	6.7	1.3	2.7	2.5	1.4	4.5	4.8	1.3
Professionals	9.1	7.4	1.2	11.7	10.5	1.2	10.1	8.8	1.2
Technicians	18.2	13.7	2.1	24.4	18.7	4.5	20.6	16.1	3.0
Clerks	8.0	3.3	3.1	18.5	10.3	2.9	12.1	6.6	3.0
Sales & personal services workers	12.1	12.0	8.4	21.3	24.3	24.1	15.7	17.8	14.1
Skilled workers	25.9	27.5	38.4	7.2	5.7	8.5	18.5	17.3	27.4
Semi-skilled workers	11.9	15.8	20.4	4.4	5.5	7.1	9.0	11.0	15.5
Elementary occupations	7.2	12.7	25.1	9.8	22.4	50.4	8.2	17.3	34.4
Army	2.0	0.9		0.0			1.2	0.5	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Labour force survey (Istat)

The better professional status of naturalized immigrants is largely due to their longer stay in Italy. In fact, the longer foreign immigrants stay the more qualified jobs they manage to get, but this upgrading over time is quite slow, especially for women. Nearly half of them work in elementary occupations even after 10 years of living in Italy. As regards women, the most frequent occupations are housekeeping and caring for the elderly, followed by waitressing, cleaning, and retail work. Regarding men, the most frequent jobs are bricklayers, labourers in agriculture, construction and manufacturing, waiters, dishwashers, warehouse keepers. However, a lot of male migrants are employed as plant and machine operators or skilled blue-collar workers in small and medium-sized manufacturing firms in highly industrialized Centre-Northern regions. All these (of course, housekeepers and caregivers excluded) are the occupations among the forecast job vacancies most needed to be filled by non-EU15 labour according to surveyed private non-agricultural firms.

According to the labour force survey, that excludes seasonal and unauthorized immigrants, workers from abroad in 2005 filled 20 per cent of elementary occupations and 10 per cent of semi-skilled jobs. Thus, they are now well established in all the lowest rungs of the labour market, and, although the only sector where immigrants are truly preponderant is domestic work, immigrants became increasingly important in many other occupations.

Table 7. **Employed persons by qualification ad selected nationalities, 2005**

	Albania	Former Yugo-slavia	Romania & Bulgaria	Ukraine	China	Philippines	India	Morocco	Other North Africa	Central Africa	Ecuador & Peru
Non-manual qualified	4.3	6.7	4.2	2.9	10.7	1.7	0.7	2.5	7.1	5.6	5.4
Non-manual non qualified	9.6	21.0	16.3	25.7	53.8	11.9	6.7	9.4	12.1	18.2	24.6
Manual skilled	46.4	39.3	30.2	15.2	10.4	8.4	30.2	28.9	36.4	17.9	12.0
Manual semi-skilled	17.6	17.1	15.6	4.5	3.2	5.5	32.1	23.6	12.3	23.1	9.3
Elementary occupations	22.1	15.8	33.7	51.7	21.9	72.5	30.2	35.6	32.1	35.2	48.8
Totale	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Labour force survey/Istat

Table 8. **Employment by industries (NACE 1 D) and selected nationalities, 2005**

	Albania	Former Yugo-slavia	Romania & Bulgaria	Ukraine	China	Philippines	India	Morocco	Other North Africa	Central Africa	Ecuador & Peru
Agriculture	8.0	6.8	4.5	3.9			23.8	5.8	8.6	2.6	
Manufacturing	20.6	23.7	22.6	10.7	13.6	10.1	44.8	43.2	24.5	41.5	11.7
Construction	37.7	27.0	22.1	10.9	0.4	0.5	6.7	15.0	24.0	3.7	7.5
Retail and wholesale trade	3.8	6.1	7.0	2.3	42.9	4.8	3.4	12.7	12.4	12.4	4.9
Hotels and catering	6.4	7.9	8.9	9.3	35.3	7.5	5.0	3.6	9.6	7.6	5.3
Transport and communications	6.6	11.7	4.0	1.4		1.5	2.7	4.6	5.5	4.0	2.3
Finance and banking		0.0		1.3				0.5	0.0	0.0	2.0
Business services	5.8	5.3	5.4	8.1	2.1	6.8	10.2	4.7	8.2	5.9	12.3
Public administration		0.0	0.3					0.4	0.0	0.0	
Education and health	2.0	4.8	3.6	5.7	4.2	0.5		1.8	1.0	4.2	6.9
Social and personal services	9.0	6.6	21.5	46.5	1.5	68.3	3.4	7.6	6.3	18.1	47.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Labour force survey (Istat)

Some sectors are largely identified with particular immigrant groups. Agriculture employs mainly people from Albania (men and women), Morocco (men), India (men) and Romania (women); construction male migrants from Morocco, Albania and Romania;

manufacturing people from Albania and Romania (men and women) and from Morocco (men). Commerce attracts mainly immigrants from China, Egypt, Senegal (men) and Romania (women); hotels and restaurants migrants from China, Albania and Romania and cleaning firms for business people from South America, Albania and Romania. Immigrants working as housekeepers and elderly caregivers are mainly women from Romania, Philippines, South America, Ukraine. The specialization by sector for migrants from certain countries of origin, however, varies from region to region since it depends mainly on incidental factors such as the sector in which the first arrivals found jobs and the subsequent employment path followed (OECD, 2005). More than by the culture of origin, ethnic specializations were promoted by the ways in which migrants entered the Italian labour market, where employment services are poor and social networks prevail (Ambrosini, 2001)[16].

The brain waste

In the old pattern of European immigration, the insertion of migrants into the lowest ranks of the occupational ladder was due to their poor educational attainment. This is not true in our case, because many immigrants who entered Italy are highly educated young adults, who often had carried out qualified occupations in their home countries. Thus, an important process of professional downgrading is occurring. Data on previous working life are not available on a large scale, but we can check the ongoing occupation of migrants with their educational attainment, as noticed by the labour force survey[17].

Highly educated migrants hold better jobs than poorly educated ones, but even they seldom managed to get highly qualified occupations and their penalization compared with highly educated Italians is enormous. Just over one quarter of graduated immigrants work as managers, professionals or technicians versus nearly 90 per cent of their Italian counterparts, whereas over half of them carry out manual jobs versus nearly no Italians. As regards those holding a high-school certificate, 42 per cent of male and 51 per cent of female migrants perform either semi-skilled or elementary occupations versus around 10 per cent of Italians. The case of a middle-aged female university graduate from an East European or a South American country who works as elderly caregiver is frequent, as well as that of an Albanian youth holding a high-school certificate and employed as a construction worker.

Such professional downgrading, which affects migrants also in Spain and Greece, can be explained only partially by their poor knowledge of Italian, because even after 10 years of living in Italy the probability that highly educated immigrants will get highly qualified jobs is only slightly higher than at arrival.

The main reasons for the poor performance of the many migrants who in their home country attained a higher education qualification can be found both in Italian labour demand being strongly biased towards the least qualified jobs and in social mechanisms that

[16] The main exception are the Chinese, who, as everywhere, concentrate in catering services and clothing and leather-work sweatshops.

[17] A risk of over-estimation does exist, however, because any check is missing and the educational certificates attained in the home country had to be classified according to the Italian system.

prevent migrants from entering the few highly qualified occupations. The procedures for recognising foreign educational certificates, which are long, cumbersome and uncertain, have a latent function of protecting native highly educated workers from competition by their immigrant counterparts. Moreover, although many firms prefer migrant workers for filling poor jobs as they are more prone to accept bad working conditions and work overtime (Zanfrini, 2006), research on employers' behaviour[18] regarding recruitment for semi-skilled jobs found that discrimination against immigrants in Italy is even higher than in Spain, Belgium, Germany and the Netherlands (Allasino *et al.*, 2004).

Thus, to work in a well qualified occupation, many highly educated migrants were forced to set up business on their own. We must wonder whether such professional downgrading could be consistent with the settlement process, when immigrants no longer have their home country, but the receiving society, as the reference for their earnings and their working conditions.

Self-employment and the ethnic business

The number of immigrants working as self-employed and employers has increased sharply since 1998, when the rule was abolished that prevented almost all foreigners from changing their permit of stay from dependent to independent work. However, the proportion of self-employed migrants is still low, especially if compared with the proportion of Italians, which is the highest among the developed countries.

The number of permits of stay for self-employment, stable around 30,000 from 1992 to 1997, began to rise after 1998. They passed 125,000 in 2004, equal to about 10 per cent of all work permits. Also the number of individual businesses run by non-EU15 individuals grew dramatically: from 85,000 in 2000 to 228,000 in 2006. Finally, the number of non-EU15 employers doubled from 1998 to 2003, attaining a proportion of 3.2 per cent among all the employers registered in the enterprises archive (Calzeroni, 2005). However, the proportion of self-employed is still less than half of that among Italians and regarding the proportion of employers the gap is even larger.

The proportion of self-employed among migrants is related to the number of years living in Italy; however, even for those who entered the country over 10 years earlier, the gap remains sizeable. This is both for employers (4.7 versus 7.4 per cent), and self-employed without employees (14.9 versus 20.1 per cent). As a lot of Italians run their own businesses, which they still see as a major route for improving their social status, there is scant room for newcomers, who have to cope with cumbersome and time-consuming bureaucracy.

Two thirds of self-employed immigrants concentrate in construction, retail trade, hotels and restaurants (versus 44 per cent of Italians), i.e. in artisan and commercial activities in which intergenerational succession for Italians is increasingly difficult because of hard working conditions and long working hours. Besides people from developed countries,

[18] The research was carried out using actors to apply for advertised jobs, according to an ILO methodology that was used before in other European countries (Zegers de Beijl, 2000).

and taking into account gender, educational attainment and years of living in Italy, the migrants most prone to self-employment are first of all those from China and secondly from Senegal, followed by migrants from Egypt, Russia, Croatia and Nigeria. At the opposite end the least likely to self-employ are people from the Philippines, Sri Lanka, Ghana, Bangladesh, India and Serbia. Ethnic specialization is noticeable: Chinese concentrate in retail trade and catering; the self-employed in construction are mainly migrants from Albania, Romania and Macedonia; in retailing those from Morocco, Egypt and Senegal; and finally in cleaning services for business those from Romania, Egypt and Latin America.

As regards the various hypotheses on the "ethnic business", research stresses that economic activities carried out by immigrants are mainly targeted at Italian customers and rarely take decisive advantage of ethnic financial and human resources. An exception is provided by the Chinese, who in their restaurants and clothing or leather-tanning sweatshops make an almost exclusive use of labour and financial opportunities from within their community. But customers are not ethnic and Chinese firms are often sub-contractors of Italian firms. The "vacancy chain" hypothesis prevails, according to which immigrant entrepreneurs enter economic activities that natives had vacated because they are regarded as insufficiently rewarding for the work they entail (Ambrosini, 2001).

Wages, working and living conditions

Coming back to over 87 per cent of migrants working as employees, we can look at the proportion of fixed-term jobs as a proxy measure of their insertion in the labour market. That proportion among migrants is not much higher than among Italians: 15 versus 12 per cent, but the gap would be far larger if we took into account seasonal migrants not included in the labour force survey: the nearly 80,000 seasonal workers admitted in 2006 amount to half of all the fixed-term migrant workers estimated by the survey. Immigrants work so much more in sectors and occupations that are used to hiring on a temporary basis, so that we can hardly speak of discrimination. Moreover, such a penalization of migrants is largely due to their short settlement: the proportion of fixed-term work is much higher for migrants living in Italy for less than 3 years (nearly 24 per cent), but it declines progressively. Among those who entered the country more than 10 years ago the level (11 per cent) is even below the Italian average. Nearly 20 per cent of missions carried out by temporary employment agencies (and in highly industrialized North-Eastern regions even 30 per cent) concern migrants, both because temporary work is mainly for blue-collar workers in manufacturing firms and because immigrants often lack social networks useful for job-seeking.

The settlement process had a less positive impact on another proxy measure of migrants' insertion. Most migrant employees are working in small firms, even more than Italians: more than 52 per cent versus less than 35 per cent work in firms that employ 10 workers or fewer. However, although that gap is declining over time, even for migrants who entered the country more than 10 years ago the proportion of them who are employees in small firms still amounts to 44 per cent.

A similar pattern prevails in part-time work for women.[19] Over 38 per cent of female migrants work part time versus fewer than 25 per cent of their Italian counterparts and the proportion drops only to 33 per cent for those living in Italy for more than 10 years. Also in this case, however, it is a matter of penalization more than of discrimination, because the higher proportion of part-timers is mainly due to the fact that female migrants are more employed in sectors and occupations that use part-time contracts more heavily.

As regards earnings, a report of Istat (2002) found small wage differentials between nationals and foreigners, although increasing from 1999 to 2002 and varying by sector: from 8.5 per cent in hotels and restaurants to 16.5 per cent in retail trade, from 17.8 per cent in construction to 24 per cent in manufacturing, up to 37 per cent in business services, where migrants concentrate in cleaning services. But this study does not take into account that the two groups are very different by age, skill level, and seniority and working hours. Checking the main characteristics of workers and companies, Venturini and Villosio (2002) emphasized that 80 per cent of wage differentials can be explained by the different characteristics of the two groups, more than wage differentials by gender, and that differentials almost disappear for the most settled immigrants, who supposedly have acquired a good command of Italian and the practices of social integration. A third study suggests that immigrants from Eastern Europe, Africa and South America earn 6–8 per cent less than Italians, taking into account all their different characteristics, and that wage differentials have been shrinking from 11–12 per cent in the early 1990s to 4 per cent in 2002 (Brandolini *et al.*, 2005). These studies, which underestimate housekeeping and agriculture, however, should let us conclude that in manufacturing and services the main problem for migrants is not wage discrimination, but the lack of opportunities to move into qualified work. Relatively low wage discrimination might be due to the high unionization of migrants holding regular jobs, which is even above the unionization rate of Italians in the private sector. In contrast, migrants' wages are strongly penalized if working in the undeclared economy (Baldacci *et al.*, 1999).

As migrants are employed in poorly qualified jobs, their earnings appear high to them only as long as their term of reference remains the poor living standards of their home country. In the first years of living in Italy the disposition to send home as much remittances as possible[20] forces migrants to restrain their consumption; afterwards, if migrant workers are rejoined by relatives, their earnings, although increasing over time, turn out to be not enough to support a decent way of life. Thus, even including the sent remittances into their disposable income, most immigrants are affected by relative poverty, calculated by Italian standards. According to a survey carried out in Lombardy, the largest Italian region, in 2004–2005 about 44 per cent of migrants' households were living below the poverty line versus 11 per cent of Italians (Ismu, 2005). The proportion of the relatively poor is much lower for migrants living alone and much higher for those who were joined by their

[19] As regards men, the proportion of part-time work for migrants is very low and only a bit higher than for Italians, but data on hires from employment services reveals a much higher proportion. Many firms likely hire with part-time contracts male immigrants who are expected to work full time in order to save on social contributions.

[20] According to a survey carried out in Lombardy, the largest Italian region, over 57 per cent of migrants send money home and the proportion reaches 85 per cent for those who have a spouse and children in their home country (Ismu, 2004).

family, as consumption exceeds former remittances. Excluding them, the conditions of immigrants living alone in Italy worsen substantially and the total proportion of relatively poor households reaches 65 per cent (Ismu, 2004). We can understand how many spouses and children resist rejoining: they risk moving from being relatives of a rich emigrant in their home country to being relatives of a poor immigrant in Italy.

Both the limited and expensive house market for rent and the serious scarcity of public housing combine with poor earnings in forcing many immigrants into uncomfortable and precarious accommodation. All the experts agree in stressing accommodation as the most critical problem for migrants in Italy. According to a survey carried out in Lombardy, where conditions are rather better than the national average, only 2 per cent of migrants are homeless or live in precarious situations, but over 15 per cent are accommodated in work premises, reception centres, very poor boarding houses or staying with friends or relatives (Ismu, 2004).

Quality of accommodation is strictly related to the settlement process and migrants living many years in Italy live in better conditions, although many of them are still forced to pay higher rents and to live in low quality housing. This explains why the number of migrants who buy their house has quickly increased, solidifying the settlement process: in Lombardy the proportion of migrants living in their own flats already exceeded 14 per cent in 2004 from 8.5 per cent in 2001 (Ismu, 2004).

4.4 Population, labour force trends and immigration

An ageing and poorly active society at present

Since the mid-1990s Italy has been the European country with the fastest ageing population and the lowest labour participation, so that the proportion of economically active people to the total population is the lowest in Europe. From a demographic point of view, on one side, the total fertility rate, which was among the highest in Europe until the late 1960s, fell very fast to less than 1.20 by the mid-1990s (the lowest rate in the world after Spain) and then recovered a little attaining 1.35 in 2006. On the other side, life expectancy has been increasing since the mid-1970s and attained 78.3 years for men and 84.0 years for women in 2006, among the highest in Europe. Those trends were so fast that the ageing process of an almost steady population has been dramatic.

The Potential Support Ratio (PSR), indicating how many people aged 15–64 are potentially available to support one person aged 65 years or more, which until the 1970s amounted to 6.0, largely above the European average, fell to 3.32 in 2006: the lowest level in Europe (Bijak *et al.*, 2007). This measure is even lower (about 0.20 less) in the Central and Northern regions.

Italy turns out to be in an even worse situation if we look at the burden of pension obligations on the working population, because the labour force participation of the 15–64-year-old population is the lowest in Europe: 62.7 per cent in 2004 versus an EU-25 average of 69.5 per cent. The Economic Elderly Support Ratio (EESR), indicating how

many economically active people aged 15 years or more are available to potentially support one retired person aged 65 years or more, in Italy amounted to 2.21 in 2002, by far the lowest in Europe. Furthermore, the Labour Market Support Ratio (LMSR), i.e. the ratio of the whole economically active population to the inactive population aged 15 years and more, in Italy amounted to 0.88 in 2002, again the lowest in Europe (Bijak *et al.*, 2007). As in Northern regions the participation rates are higher, in those regions both EESR and LMSR are higher than the national average (about 0.10 percentage points more), indicating a lower economic burden of inactive people on the working population.

The projections of the population

Several long-term projections of the Italian population have been carried out by Istat, European and international organizations, and other research centres. All the projections assume that both the fertility rate and life expectancy shall increase further, going on recent and long-term trends respectively. As regards the fertility rate, the highest assumptions are grounded on the hypothesis of a convergence of fertility patterns in Europe, which includes a bit of wishful thinking for a low fertility country like Italy, while the more conservative assumptions cannot neglect that the postponed timing of fertility results in many families having either no children or one child only. As far as the mortality rate is concerned, the assumptions appear to be (slightly) higher in more recent projections, according to a more general mood regarding Western European countries. Since forecasting international migration is an almost impossible task (Feld, 2005), all the projections adopt hypotheses realistically based on recent trends. Thus, as migratory flows into Italy have been increasing since 2000, the most updated projections assume higher migratory inflows.

Although assumptions and methods are different, outcomes do not differ much. The total population is expected to follow an inverted U-like trend with a top around 2015, whereas the ageing process is expected to continue at the same pace until 2040, when it is predicted to slow down markedly. Although the ageing process is a bit slower than in most European countries, at the end of the period the PSR should be still at the bottom of the ladder. A PSR around 1.50–1.60 means that for every person over 64 years old in 2050/2054 there will be only one and half people of working age. We should note, on one hand, the impressive growth of people aged 80 years and more, whose proportion is projected to increase from 5 to above 13 per cent, and, on the other, the dramatic shrinkage of the "productive" population, that aged 25–64 years, which is projected to decrease from 56 to less than 45 per cent. Changes in fertility rates and in migratory inflows shall have an important impact on the overall population size, but a rather restricted effect on the age structure of the population. In Italy, too, even the most optimistic assumptions manage only to mitigate, rather than stop the ageing of the population (Bijak *et al.,* 2004; 2007).

Labour force projections

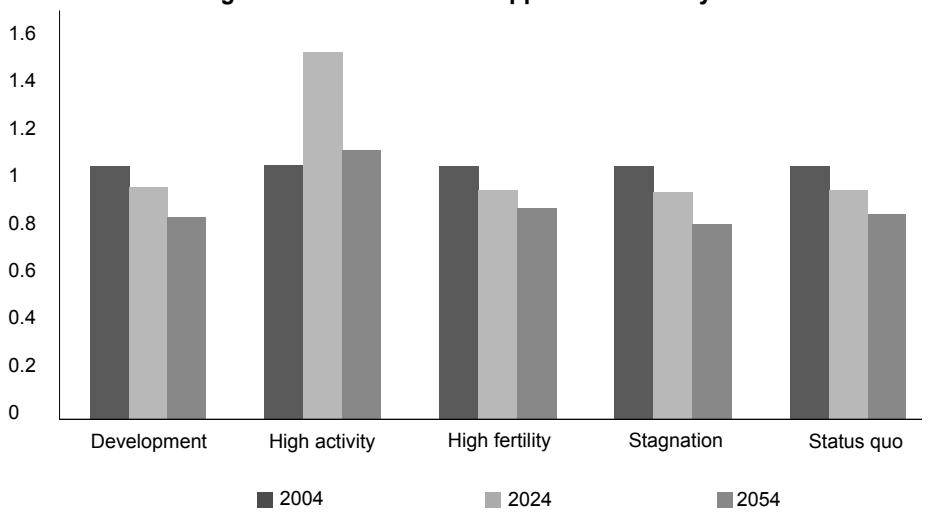
Forecasting the labour force is more uncertain because assumptions are needed for the participation rates of women, young and elderly people, whose rates can change more

over time. As for all the gender and age groups the activity rates are in Italy much lower than the EU15 average, and the long-term projections of the labour force tend to assume an increase in participation rates even higher than for most of the other European countries (Bijak *et al.,* 2007; Bijak and Kupiszewski, 2007), in particular for women aged 24–54 years (Saczuk, 2004).

In contrast, according to the Eurostat 2005 projection, the low rates for youth, both males and females, are expected to decrease a little more (EPC-CE, 2005). The activity rate for the 15–64-year-old population by Eurostat (2005) should increase 4.3 percentage points for men and 10.2 for women from 2003 to 2050, but for the total population it is assumed by Saczuk (2004) to decrease 4.2 percentage points for men and 4.8 for women from 2002 to 2052. Therefore, in Italy, population ageing should progress much faster than the growth of age-specific activity rates so that the behavioural effect is insufficient to prevent a labour force drop (Feld, 2005).

Also the labour force size should follow an inverted U-like trend with a top around 2045, but the trend of both the indicators is always negative, confirming the unstoppable growth of the economic and labour market burden on the active population. According to all the projections, the decline of the indicators is a bit slower than in most of the European countries, but Italy is still going to be in the worst position in 2050/2054 just as in 2002/2004. The baseline scenarios forecast that in 2052 the number of inactive people over 64 years old should be almost equal to the number of active persons and, therefore, it should be higher than the number of people in employment, because although the unemployment rate is expected to decrease, it will probably remain above 6 per cent even in 2052 (EPC-EC, 2005).

Figure 1. **Labour market support ratio in Italy**



Source: Bijak and Kupiszewski (2007)

The burden of the pension system on working people is destined to be unbearable, also because even in 2052 Italy is not expected to attain two out of the three targets set out by the Lisbon Council: the employment rate is forecast for 65.7 versus 70.0 per cent overall and 56.1 versus 60.0 per cent for women. As regards the third target, the rate for the elderly should amount to 54.6 per cent, over 4 percentage point above the Lisbon target, but this number looks like wishful thinking by policy makers. Finally, also for Italy even the highest scenario for immigration (an annual inflow of 300,000) will have limited effects on the ratio of the labour force to the total population.

"Replacement migration"

In order to really offset the ageing population in Italy migratory inflows should attain an amount very much higher than assumed in any high migration forecast. Some studies have estimated the migratory inflows that would be required to maintain either the size of the total population or the proportion of working-age population to the elderly. Taking for granted the assumptions concerning trends in the fertility rate and life expectancy, maintaining the size of the population would imply net inflows that are not different from those expected according to the most recent projections: 250–350,000 people yearly. Therefore, the long-term perspective of a steady population appears realistic in Italy, although according to a very recent study a socially sustainable inflow should not exceed 200,000 workers yearly (Einaudi 2007). On the second target, maintaining constant the proportion of the working-age population to elderly people would require a net migratory inflow of an annual 1.5 million to 1.9 million in the 2020s and 2 million to 2.9 million in the 2040s. Such levels of immigration would imply an impressive growth of the total population that should more than triple in less than 50 years and the problems of social and cultural insertion are likely to be insoluble.

Immigration and the policy mix to cope with the ageing process

All the projections come to the conclusion that immigration cannot be the solution to ageing problems, but only one of a number of instruments policy makers might adopt to cope with the increasing burden of the inactive elderly on the working population. However, if the slogan "let immigrants pay our pensions" is not a total solution from a demographic point of view (Feld, 2005), sizeable migratory inflows can help delay and lower the burden of the pensions system on Italian workers. As immigrants are mostly young adults and their employment rate is much higher than that of Italians, their net contribution to pensions system is at present positive and it may remain positive at least for 20 years, i.e. until the first important waves of settled immigrant workers retire. Furthermore, as migrants are supposed to have a lower life expectancy than Italians, a shift of economic resources will occur from migrants to Italians. An increase of 40–45,000 migrant workers in the yearly inflows has been estimated to reduce the ratio of pensions payments to GDP by 0.48 per cent in 2030 and by 0.36 per cent in 2050 (Coda Moscarola and Fornero, 2005). Migrants' contribution to the pensions system might be even more positive if many of them return to their countries before being entitled to retirement and Italy has not settled a pensions agreement with their home country, which is the case with most countries at present.

Alternative policies aim not so much to affect the ageing process as its economic consequences, because the expected effects of policies to increase fertility rates are already incorporated into population projections and it is of course politically unacceptable to aim at reducing life expectancy. Policy efforts should focus on older workers and women of all ages in order to increase their participation rates. Immigration can help those efforts because many female immigrants work as housekeepers and caregivers, potentially liberating their Italian female employers to enter paid work. However, the activation of this labour reservoir is not at all an easy task, because it is concentrated both on poorly educated women and elderly and in the South. Moreover, policies aimed at raising the retirement age are still tentative. The debate on "active ageing" has only just started, while measures for increasing labour participation of women are restrained by a permanent family-based approach to welfare provision and promoting South-to-North labour mobility is still considered a political taboo.

Increasing economic growth and labour productivity is the main way to let a shrinking labour force support a growing number of inactive elderly. From this point of view, Italy is not in a good position, because recent performance has been poor. Long-term projections of annual growth in GDP per capita and labour productivity depict a better scenario, although both the trends are expected to be lower than the EU15 average (EPC-CE, 2005; OECD, 2005; Carone *et al.*, 2006).

A large availability of migrant labour is supposed to push those trends because it provides responses to fast-changing needs for skills and personnel owing to technological development; this is not the Italian case, however. Migrant workers do not fill high-skill labour shortages, but poor jobs refused by Italians, so that they have the opposite effect of allowing low-tech and old-fashioned economic patterns perpetuate themselves. This is the main contradiction in Italy's migratory system.

4.5 Migration policy

An emergency approach between irrational rigidity and widespread tolerance

Law-making on immigration has always faced an "emergency" situation (Bolaffi, 1996). The first provisions in 1986 and 1990 were mainly targeted at regulating inflows to reduce unauthorized immigration and to reduce competition with Italian workers. To drain the pool of undocumented migrant workers both the acts introduced an amnesty, while, to prevent competition, they required checks on the unavailability of Italian workers before authorizing new entry of non-EU workers. However, the limited planned inflows and above all the long and cumbersome procedures for recruiting foreign labour discouraged employers from hiring non-EU workers officially. Thus, those provisions actually did not undermine the factors encouraging employment of immigrants in the underground economy and did not prevent new mass entries without proper permits to stay.

Afterwards, a broader act in 1998 as well as its revision in 2002 were introduced to end the emergency and both were joined by new regularizations, which, as before, were

proclaimed by the incumbent governments as the last ones ever, and putting the blame on the growth in unauthorized immigration during previous administrations (Chaloff, 2005).

"The policy of closing the front door of legal entry, while keeping the back door for illegal entry half open" always affected migratory policy making (Zincone, 1998). A strict approach to migratory policy was founded on the idea that immigrants entered Italy illegally not to fill labour shortages, but only because controls at the borders were lacking or ineffective. As for regulating entries for working reasons, besides overestimation of the unemployment of natives, neglecting both labour market segmentation and balkanization and the large underground economy, the main reason for implementing a tight quota system was public opinion not yet accustomed to coping with people from underdeveloped countries and affected by a deep fear of losing employment security. Furthermore, legislation increasingly strengthened requirements to get a permanent permit, making short-term visas (for tourism, etc.) compulsory for people coming from "high emigration countries" and restricted the procedures for granting them. In Italy no occupation has been exempt from work-permit requirements since 1998 and permanent work permits were never provided; so that its legislation regarding the admission of third-country nationals for paid jobs has been classified among the strictest in the EU-15 (Ecotec, 2000), even before the act passed in 2002 by a centre-right government that further restricted some rules concerning temporary permits of stay.

Special measures to fight clandestine entry are at the core of all the immigration acts: reinforcing border controls, hardening sanctions for smugglers and supporters of illegal entries, promoting agreements with countries of emigration for the readmission of their nationals who entered Italy without authorization. In particular, legislation tightened the procedures for holding unauthorized migrants in "detention centres" and for deporting them back to their home country.

The outcomes were completely different from the goals of the legislation, not only because they did not fill the labour needs of the economic system, but also because both discrepancies between the letter of the law and its concrete execution and inefficiencies in the bureaucracy are commonplace in Italy (Zincone, 2006b). Actual practices often do not follow legislators' wishes especially in case public bodies do not have the needed skills when unclear rules need "to be creatively interpreted". Thus, irrational rigidities (in particular regarding entry procedures) mix with indulgent laxities (especially as for controls inside Italy) in implementing legislation on migration, making it necessary to turn to frequent amnesties: a practice that Italy is usual in many fields, from taxation to housing.

Public opinion and the political cleavage in policy making

The idea that immigration is inevitable took a long time in Italy to enter public discourse: the 1998 Act was the first one that intended to treat immigration as a permanent phenomenon and conceived of it in a long-term perspective. On the contrary, a large part of public opinion is still influenced by media focussing on criminality and poverty in connection with immigration (Sciortino and Colombo, 2004). Such a picture is contrasted

only by that of housekeepers and caregivers, who are estimated to look after one very old person out of ten. According to polls, however, the opinion that migrant labour is indispensable for the economy and social welfare is still barely understood and, anyway, is grounded on the idea that migrant workers carry out jobs that Italians refuse to do (Chaloff, 2005).

This makes it unsurprising that some political parties exploit xenophobic and even racist attitudes from a nationalist or a local stance. It is more striking that those parties were not marginalized, but have been in power many times. Thus, the political cleavage on migration was and still is very harsh and choices in migration policy often dominated electoral campaigns. Such a partisan divide, however, was tempered by pro-migrant advocates that always had an important influence both on centre-right and centre-left coalitions: employers' associations, trade unions and above all the Catholic Church. The lobbying by employers and the Catholic Church on the centre-right government, in power from 2001 to 2006, and a cautious and restrictive approach by centre-left coalition, in power from 1996 to 2001, fostered relative continuity in migration policies, which were always based on a changing mix of four stances: solidarity, repressive-legalist, functionalist, and multi-cultural.

The main stance of 1998 Act was the solidarity one (aiming at widening immigrants' rights), followed by the repressive-legalist (aiming at preventing clandestine entries and unauthorized stay and at suppressing crime by immigrants), the functionalist (aiming at regulating migratory inflows according to labour demand) and the multi-cultural one (favouring the conservation of immigrants' language and religion). Furthermore, it included a certain degree of "integrative identitarianism", which calls for immigrants to respect democratic values and to learn Italy's national language in order to avoid cultural and social segregation, and differs from the stronger identitarian stance pursuing both the reservation of rights for citizens and long-term residents, and the limitation and screening of migratory inflows and naturalizations with a strong preference for immigrants of national origin or coming from areas considered culturally homogeneous (Zincone and Di Gregorio, 2002; Zincone, 2006a).

As regards the solidarity position, this act improved the recognition of "benevolent" local practices by confirming the right to education for minors regardless of their legal status and the access to "necessary, even if continuous" medical treatment for undocumented migrants. Concerning legal migrants, the Act equated them with Italians with regard to all social rights and included also a multiculturalist approach as it foresaw a need to hire cultural mediators and to support multicultural activities.

At the same time, the functionalist stance of previous legislation was revised, easing the access of non-EU workers, because the 1998 Act abolished the labour market test and the reciprocity requirement for self-employed activities, hastened family reunions and allowed the relatives of reunited families into work immediately, and introduced a permanent residence permit after five years of legal residence. The 1998 Act also adopted a repressive-legalist stance, mainly to respond to the pressures from other EU member states and to comply with the constraints of the Schengen agreement (Zincone, 2006a). Repressive measures against illegal entries were reinforced, various

forms of deportation were introduced and the possibility of holding undocumented immigrants in detention centres for up to 30 days was given to authorities in order to identify and possibly repatriate them.

These repressive measures were accompanied by easier access to the country thanks to the introduction of a one-year sponsored permit for job seeking and more generous quotas. Those two provisions combined solidarity, functionalist and legalist stances and were strongly supported by pro-migrant advocates. Moreover, according to the 1998 Act not only annual quotas, but also a triennial planning document, had to be prepared in order to set guidelines concerning integration policies and forecast inflows. However, after the Act was passed, pressure from public opinion, which mainly called for a halt to inflows and a curb to illegality, led to a shift of the centre-left government from solidarity to identitarian and repressive-legalist positions. Thus, a circular issued by the Minister of Interior made obtaining a permanent residence permit far more difficult and Albania was asked to destroy boats used to transport clandestine migrants to Italy. Furthermore, collaboration with France and Germany was initiated to fight international crime and Italy proposed a project for a European border police.

Repressive-legalist and functionalist stances were stressed by the Act passed in 2002 by the centre-right government. Besides reinforcing the repressive measures against undocumented migrants, the reform also suggested a revival of the guest-worker model. It tightened the link between permits of stay and employment, abolished sponsored permits for job seeking, reduced from one year to six months the period of tolerated unemployment and made the length of permits shorter, requiring more frequent renewals. As far as social rights were concerned, although the revision was less important than might have been expected (Colombo and Sciortino, 2004), foreigners returning to their home country before age of retirement were no longer entitled to get their social contributions except in cases where there were bilateral pension agreements. Also, public funds to support integration measures were considerably reduced. On the other hand, annual quotas, which were slightly reduced at the beginning of the centre-right government, afterwards were increased up to 2006, because of pressure from pro-migrant advocates and employers' associations. However, the increased quotas concerned more seasonal workers, a co-ethnic principle in favour of immigrants of Italian origin was introduced, reflecting an identitarian attitude (Zincone, 2006a), and a three-year moratorium on free labour movement was applied for the new EU8 member states, although providing for very high quotas.

The alliance between pro-migrant advocates and employers played an important role, lobbying successfully for increasing inflows and promoting further regularizations. At the same time, the need to restrict unauthorized immigration, EU agreements and public-opinion pressures led all the governments to reinforce repressive measures against undocumented immigrants, to increasingly regulate inflows and to adopt provisions oriented towards the identitarian stance, reserving civic rights for nationals (Zincone, 2006b).

More political rationales than economic criteria

Relative continuity in migration policy has been fostered by continuity in actors and lobbies, but it was not driven by economic criteria. In fact, policy making on migration has been totally separate from that on economic growth, and the political debate has more concerned unauthorized entries than the insertion of immigrant populations, the contribution of migrant workers to the economy and preventing labour force decline.

Demographic projections were seriously, although briefly, discussed only in the first document devoted to planning migratory policy in 2001, while the following ones neglected that issue and, in addition, cast doubts on the procedures to collect foreign-labour needs by firms, warning against difficulties of integrating too many immigrants and emphasizing priority for measures against clandestine entries. On the other side, the National Action Plans for Employment, drafted yearly by the Ministry of Labour, did not devote any room to immigration, but in 2002 and 2004 remarked on the impact of regularizations on reducing undeclared work. The lack of any connection in policy making between immigration and the future of Italy's economy is confirmed by the fact that immigration is not even quoted in the document that the Ministry of Treasury annually presents to Parliament in order to forecast economic trends for the next five years.

The discussion on benefits and costs of immigration has been restricted to academic circles, without any real influence on the public debate. Cost-benefit analysis has not had a large audience also because social provisions available to immigrants (as well as to Italians) are limited: social housing covers a very small proportion of the housing market and unemployment benefits are poor as well as subsidies for needy families (Chaloff, 2005). Thus, when very recent rough data on the sizeable amount of taxes and social contributions paid by immigrants were published, public opinion was a bit shocked. Also the attention given to immigrants as consumers is poor and the news that in 2006 over 20 per cent of housing purchases were made by immigrants was a surprise. Even detailed analysis of the insertion of immigrant workers into the labour market is starting only now, because labour force survey data broken down by nationality have been available only since late 2006. The debate on the ageing Italian society and the critical future of pension system is scarcely related to the forecast inflows of foreigners. Generally speaking, we must add that political debate in Italy is marked by a short-sighted perspective. For instance, as highly educated Italian youths face difficulties in getting qualified jobs, Italy did not even envisage any measure to attract highly qualified foreign workers who might support the competitiveness of its economy and foster a more positive attitude by the public towards immigrants.

Since 2001 a yearly survey has been devoted to collecting from non-agricultural private firms data on forecast labour shortages that cannot be filled by native workers. However, not only is no formal link provided by the legislation between that survey and the quota system, but its results were only very partially used as guidelines.

Moreover, political and ethnic criteria were adopted when specific quotas were reserved for migrants coming from countries which either had signed readmission agreements or hold special relations based on past Italian emigration. On the contrary, limited space was given to bilateral agreements suggesting job-training programmes to be set up in

the countries of origin for prospective emigrant workers. In fact, those labour agreements, actively carried out by the Italian branch of IOM in cooperation with employers' associations and local bodies, have been implemented for small numbers of workers in Sri Lanka, Moldavia, Tunisia, Morocco, Romania, and Egypt. Vocational training and Italian courses were successful, but the job matching was disappointing because small firms are not used to recruiting unknown workers (Chaloff, 2004).

If Italian migratory policy is largely framed by a domestic and political debate and constrained by scanty empirical data, it matters considerably who the stakeholders involved in policy making are (Chaloff, 2005). The arena is very large: besides three or four ministries (Foreign Affairs, Interior, Labour and Social Affairs), an important role is played by several employers' associations, the trade-unions, many NGOs, both Catholic and non religious, the association of municipalities and the regions. Most of policy making is informal through ad hoc committees and above all lobbying. An advisory board on integration policies, set up in 1999 and abolished in 2002, had only a limited impact.

Poor integrating policies for a subordinate insertion

All immigrant workers have the same social rights as Italians. However there is no national policy to promote their economic and social insertion. As occurs for other social policies, initiatives are left to the regional and local level. Until 2003 a special fund for integration measures was set up in order to provide local actors (public authorities, charities, etc.) with financial resources, but since 2004 this transfer was included within the general transfer of funds for social policies and regions, which are overloaded by social demands, were free to decide how much of their resources to spend on integrating immigrants. The result was that public expenditure was devoted much more to preventing illegal entries than to supporting social integration of immigrants living in the country (Caritas, 2005). Furthermore, the devolution process has fostered territorial differentiation in integration policies and has made local authorities more responsive towards citizens, often leading them to give priority to voters' demands and not to immigrants' needs and to avoid adopting the most useful, but sometimes challenged and expensive, measures (Ponzo, 2006).

On the other side, since legislation had not granted social rights to unauthorized immigrants, practices adopted by local bodies and NGOs (but financed by public funds) often disregarded the law in order to provide them with basic services (Zincone, 1998), thanks also to the tolerant attitude of the police, which has neither enough resources nor much interest in prosecuting this kind of lawbreaking (Ponzo, 2004, 2006). Over the years, these "benevolent" local practices, especially as regards health, education and housing, were gradually institutionalized in increasingly formal provisions (Zincone, 1998, 2006b). Thus, Italy is a rather peculiar case of a receiving country where immigrants holding a proper permit to stay receive social-welfare measures nearly as poor as those unauthorized immigrants receive. And the second generation of immigrants has not yet attracted much attention either, because the official multicultural policy outlined by the Ministry of Education in 1994 was undermined by lack of resources to fund tutors in primary and lower secondary schools (Chaloff, 2005).

The lack of a policy approach promoting permanent insertion of immigrants is confirmed by the legislation in force regulating both the renewal of permits to stay and naturalization. The 1992 Citizenship Act is highly restrictive (so that in practice 15–20 years of stay are needed to be naturalized) and since 2002 the conditions for stay were further tightened (shorter term for temporary permits, longer term and stricter requirements for a permanent permit). Therefore, even after many years of sizeable inflows of migrant workers and their families, Italian policy is not yet fully oriented to promoting settlement and permanent social integration. Too many policy makers do not yet see Italy as an immigration country and appear to indulge the illusion that a subordinate insertion of temporary immigrants can work forever.

Towards a turning point?

Currently the constant decline of unemployment, the rising unqualified labour shortages, especially in Central and Northern regions, and above all the change from centre-right to centre-left governments may support a turning point in Italian migratory policy aimed at increasing the authorised entries of migrant workers as well as reducing the pressures for "back-door" entry and at improving the settlement of permanent immigrants. Waiting for revisions to the quota system, in late 2006 the newly appointed government decided to accept all the applications exceeding the yearly quota forecast by the previous government. Over 350,000 unauthorized migrant workers were in practice regularized, but the procedure, although time-consuming and very cumbersome, avoided the usual pull effect as well as criticism by public opinion. Furthermore, the moratorium on free circulation of people from new EU8 member states was not renewed and a nearly open door policy was adopted regarding immigrants coming from the two states that entered EU January 2007, as free circulation was allowed for all the jobs particularly needed by Italian labour market: housekeepers, caregivers, construction workers, metalworkers, seasonal workers in tourism and agriculture. That choice did matter as Romanians are the largest group of migrants.

Even more important is the decision the centre-left government made in late April 2007 to bring in a bill to deeply revise legislation on immigration according to a more open and solidaritist stance. The main points of the bill concern: (a) quotas shall be fixed on a triennial basis, but an annual revision shall be possible taking into account data on labour needs collected by the Ministry of Social Solidarity (the Minister spoke informally of a quota amounting to 200,000 non-temporary workers, much higher than the previous ones, but around the level of *de facto* yearly entries in recent years); (b) housekeepers and caregivers could be exempted from the quota system; (c) lists of prospective migrant workers, detailing their personal and professional characteristics, shall be set up in sending countries so that they can be looked up on the Internet by employers; (d) the length of the permits of stay both for working and job-seeking reasons shall be substantially extended; (e) the sponsored entry for job seeking shall be reintroduced and the sponsors can be local bodies, employers' associations, trade unions, Italian and foreign individuals, and even the migrants themselves if they have suitable financial resources; (f) in order to promote their insertion, non-EU foreigners shall be entitled to vote and to be elected in municipal elections after five years of regular stay, the procedures to recognise educational certificates shall be simplified and access

to the public health system shall be improved. No news is yet available, however, on an increase of public spending to integrate migrants and some measures targeted at this aim, which were included in a first draft of the bill, were excluded in the final draft for budgetary reasons.

The bill received a warm welcome from employers' associations and the pro-migrant advocacy groups, but the centre-right parties stated their sharp opposition, so the bill was not passed and the reform of the migration legistation shall be discussed by the new parliament elected in April 2008. The fact is that a real public debate on Italy as an immigration society has not yet started.

Conclusions

Even though its economic and social system needs increasing inflows of migrant labour for demographic reasons, Italy looks as if it will suffer immigration as a tragedy, although an unavoidable one. The main reason that, at least until now, prevented Italy from adopting an open-minded and pro-active migration policy is the perverse connection between the underground economy and unauthorized immigration.

Firstly, because of a large underground economy, both official unemployment rates and social pressures for jobs appear higher than they actually are. That is why governments think they are responding to public opinion by closing the borders to new inflows of migrants seeking work. But a mix of closed borders and easily available opportunities for irregular jobs exerts a pull-effect on undocumented immigration. Furthermore, working in an underground economy, as well as living without documents, contributes strongly both to stigmatizing migrants and in arousing negative attitudes among natives. Not only is the working contribution of migrants to the economy and social system far less evident than it would be if they were working in the formal economy, but Italian society retains mixed feelings concerning migrants' insertion in an underground economy. On the one hand, this confirms the idea that there is scarce competition with local jobless. On the other, migrants as workers may appear redundant also because many of the irregular jobs carried out by migrants are scarcely visible. This is the case of housekeepers, caregivers, agricultural workers and other jobs in personal services, which paradoxically are the working activities most "useful" for the receiving society.

Secondly, as unregistered workers do not pay income tax and social contributions, many immigrant workers may appear as claimants for public subsidies. Newspapers often portray immigrants like this, but we can detect this also underlying some policies for immigrants from charities or public bodies. The fact that unauthorized migrants are prone to take the most "undesirable" jobs reinforces the idea that they are all poor people needing assistance. Third, even in Italy where natives working in an underground economy are quite legitimized by social consensus, migrants, instead, are highly stigmatized by working in this same sector. The reasons might be that in-group free riders are more tolerated than out-group ones and that crossing the borders between irregular work and illegal activities is considered an easier path for immigrants than for natives. This is only partially true, but a connection between unauthorized immigration and deviant behaviour may explain the start of a "short circuit of securitization", favouring repression

of migrants in place of social policies, thus causing an increase in the proportion of foreigners in jail. Advocates of this view are quick to state that foreigners have replaced locals as the objects of law enforcement (Barbagli 2004).

Breaking the link between unauthorized immigration and the underground economy is the first task for implementing a migration policy that fits the labour needs of the Italian economic and social system. Measures aiming at reducing the size of the underground economy cannot be discussed here. We have to remark, however, that such a target needs hard and long-term work, because the strength of the underground economy comes less from economic backwardness, an overlarge tax wedge or oversoft sanctions than from its deep roots in society, which allow it to escape any control thanks to widespread connivance. The measures recently adopted, in particular for construction, are only the first step in a long journey, which will need a new social consensus.

As migration policy is concerned, the first problem is not only to extend the yearly quotas, but to find procedures that could improve the match between employers and prospective migrant workers. The overwhelming majority of the demand for migrant labour comes from small firms and households that, before hiring, are used either to having face-to-face relations with workers or to collecting information on them through personal networks. The arrangement of detailed lists of workers ready to emigrate from sending countries and above all sponsored permits of entry for job seeking is targeted exactly at coping with this problem.

As increasingly fragmented labour demand often implies short-term contracts also for migrant workers, renewal of permits to stay should take into account the case of fixed-term jobs and of frequent spells of job seeking. Generally speaking, migratory policy should more promote permanent insertion both into the labour market and above all into the larger society, overcoming the *gastarbeiter* approach that informed the legislation of the centre-right government. Also the right to participate in local elections goes in such a direction, but a revision of the law on citizenship is needed to introduce the *jus soli* for whoever is born in Italy and to reduce and simplify qualifications for obtaining Italian nationality. Of course, policies promoting integration require more social spending, but, if migrants hold registered jobs, their net contribution to public budget is expected to remain still positive, as has been remarked for the pension system.

However, two points stress contradictions and both are related to unqualified jobs that most immigrants fill. A large availability of workers for unqualified jobs risks preventing Italy's economy from upgrading the technological level of its production activities. The danger is it will just carry on down its traditional low-tech pathway, grounded on cheap and unskilled labour. Even in case of large migratory inflows, in the medium-to-long run such an economic pathway is destined not to stand up to competition from developing countries. Furthermore, a large availability of migrants for housekeeping and elderly caring prevents Italian society from looking for other solutions to reconciling family and paid work for women and to caring for elderly people.

In addition to this, there is risk of a social contradiction for highly educated immigrants who carry out unskilled jobs. They can support such a situation as long as their term of

reference is still their country of origin, but, when they enter the viewpoint of a permanent settler, their professional downgrading is likely to become unbearable from an economic and social point of view. Even sooner than this, opportunities for occupational mobility should be offered to highly educated immigrants to avoid the risk of social tensions. But this is hardly going to be easy for an economy whose number of qualified jobs is still too small to satisfy even the expectations of its own young people with university qualifications.

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CHAPTER FIVE

Poland

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Introduction (Anna Kicinger)

The aim of this chapter is to provide a comprehensive overview of labour migration phenomena in Poland from the economic, demographic, social, and policy standpoints. The report collects, summarizes and organizes essential facts on migratory flows to and from the country, and compares this knowledge with the labour market and demographic perspectives. Furthermore, it presents and assesses the policy tools used to manage economically motivated immigration to and emigration from the country in order to inform policy-makers and other key stakeholders in the field.

The research presented in this report is based on existing data and research in the field except for the population forecasts. The latter were prepared especially for the purpose of this study using the most recent available data. However, given the frequently highlighted shortcomings of Polish migration statistics (Okólski 1997), all the data in the study were used cautiously and accompanied, as far as possible, with explanations on their limitations. Furthermore, an analysis of press cuttings was carried out (see sections 3 and 4) to track current policy changes on labour migration, as well as to study the impact of media on the changing social perception of the character and scale of migratory movements. For this purpose, a document analysis of three of the most popular Polish dailies, namely *Gazeta Wyborcza, Rzeczpospolita*, and *Dziennik*, and two weekly magazines (*Polityka, Tygodnik Powszechny)* was carried out.

The structure of this chapter is as follows: its fundamental part is the analysis of the demographic developments of Poland contained in Bijak and Kupiszewski (chapter one of this publication). It presents the forecasts of demographic development, analyzes the consequences of imminent depopulation and ageing and assesses the effectiveness of various population policies. Section 1 provides background information on Poland's economy and labour market, on current and expected trends in labour demand and supply, as well as introducing the complex links between unemployment and employment

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in the shadow economy. This is a particularly important aspect of migrant participation in receiving-country labour markets.

Section 2 presents an overview of basic data on economic migration in Poland. Data on inflows and outflows from the country are explained and various economic aspects of the phenomenon are analysed. The activity of immigrants in Poland's labour market is studied thoroughly, taking into account both regular and irregular employment. Economic effects of increased post-accession emigration are described, illustrated by a special case study on the outflow of medical staff and its consequences.

Finally, section 3 offers a brief overview of Polish migration policy developments after 1989 with special focus on labour mobility. Regulations aimed at managing the outflow and inflow of economic migrants from and to the country are scrutinized, complemented by policy considerations on the future development of Polish labour-migration policy. This overview of policy developments constitutes a background for the next and last section of the chapter – a summary of the main findings for Poland, migration and labour force policy recommendations, as well as suggestions for future research.

Due to limitations on space available in the book, this chapter is a condensed and adapted version of the full project report (Kupiszewski 2007), which can be downloaded from CEFMR web page http://www.cefmr.pan.pl.

5.1 Labour market developments *(Paweł Kaczmarczyk, Joanna Napierała)*

The aim of this section is to provide a broad overview of the situation in the Polish labour market in the transition period. Emphasis will be on trends and facts related to emigration and immigration.

The structure of this section is as follows. It starts with an overview of recent economic developments in Poland. This is the context for observed labour market performance. Then it continues with a general overview of past, recent and future trends in the labour market and labour market related issues, mainly the demand side of the process. The final part identifies major challenges to Poland's labour market, concentrating on those related to mobility and migration.

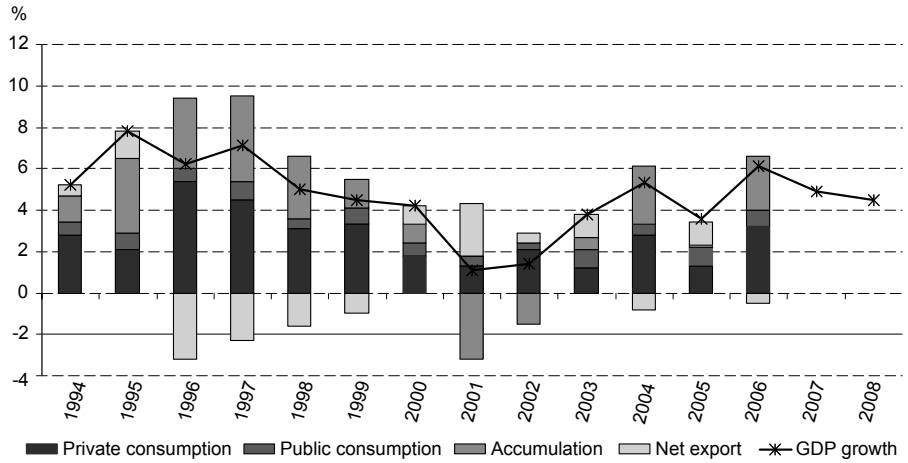
Background information on the Polish economy: recent developments

After a period of significantly low economic growth at the turn of this century, starting with 2003 the economic climate improved. This trend strengthened in the following years. Economic growth (measured by the rate of real GDP growth) equalled 3.8% in 2003, 5.3% in 2004, and 3.5% in 2005, and continued in 2006[3]. According to first estimates,

[3] A change in the economic situation is particularly noticeable on comparison with the developments in years 2001–2002 (1.1 and 1.4 % of GDP growth respectively).

in 2006 GDP growth equalled 5.8%[4]. From the forecasts available, it is likely that high growth will continue for the next few years (Figure 1).

Figure 1. **Decomposition of GDP growth in 1994–2005, and GDP growth forecasts (2007–2008)**



Source: Own elaboration based on the Central Statistical Office data, Center for Social and Economic Research (2006) and Ministry of Economy (2006b)

The data presented above suggest that the increase in investment and, to some extent, private consumption played a crucial role in recent GDP growth. However, the most stable growth factor over the whole period analyzed was domestic demand. This is attributable to stable growth in employment (see below) and gradual increase in nominal wages (on average by 5% annually), while inflation remains very low (real wages increased by approximately 4% annually). The increase in consumption was also a consequence of rising pensions and a slowly falling saving rate for the whole economy. Additionally, since the early 2000s, debts of Polish households have been growing significantly[5]. Between 2000 and 2004, an important growth factor was also net exports; however, because in the transition economy, international trade was very sensitive to cyclical fluctuations and exchange-rate changes, it would be extremely risky to assume that exports might become the most important factor of economic growth in the near future. A "negative" feature is the increase in imports from Asia, and particularly from China, whose imports to Poland grew by over 35% in 2006.

[4] E.g. in the third quarter of 2006, 5.5% growth in consumption was recorded (as compared with an analogous period in the previous year), while investment grew at the rate of around 20%.

[5] This was particularly due to expansion of mortgages but also credit for consumption purposes. As a consequence, the value of debt increased by 20% in 2005 only (a growth by 10.2 billion PLN), whereas consumption debt constituted around 47% of total debt (Ministry of Economy 2006).

General overview of the labour market situation

The level of economic activity of the population remains one of the major problems of the Polish labour market. The participation rate had been decreasing since the early 1990s and reached a very low level at the turn of the century. An increase in the participation rate had only been recorded for the 15–24 age group, particularly among those with tertiary education (see Table 1). In 2005, for the first time since 1992, an increase in the activity rate was recorded (this rate had reached its minimum a year before, in 2004). Still, the increase was marginal (0.2%), and the level reached (54.9%) was far below the average levels in EU. However, in 2006 a decrease in participation rate was noted, which interrupted the expected rising long term trend. Likewise, an increase in the employment rate was observed since 2003, reaching 45.2% in 2005 (Ministry of Economy 2006b). Interestingly, it follows from the data that even in the recovery phase there are no incentives to enter the labour market and start looking for a job.

Table 1. **Indicators of the situation in the Polish labour market, 1992–2006 (%)**

Year	1992	1998	1999	2000	2001	2002	2003	2004	2005	2006
Participation rate (people aged 15 and more)	61.7	57.1	56.6	56.4	55.8	55.0	54.8	54.8	55.2	53.9
Employment rate (people aged 15 and more)	53.3	51.0	48.0	47.4	45.5	44.1	44.2	44.9	45.9	46.5
Employment rate (people aged between 15 and 59/64)	61.6	60.6	58.0	56.5	54.9	53.0	52.8	52.7	56.6	n.a.
Unemployment rate (Labour Force Survey; people aged 15 and more)	13.7	10.6	15.3	16.0	18.5	19.7	19.3	18.2	16.7	13.9
Share of long-term unemployed among all unemployed	33.1	37.4	32.9	37.9	43.1	48.4	49.7	53.7	57.7	n.a.

Source: Ministry of Economy 2006a, Eurostat

Both data from labour offices and data gathered through the nationally representative Labour Force Survey[6] indicated positive trends with regard to employment and unemployment rates. In the 3rd quarter of 2006, employment increased by 2% as compared to the similar period in the previous year[7]. The highest increase was recorded in the private sector (3.5%). The most dynamic sectors included real estate and business activities, trade, and construction. Falling employment was recorded predominantly in the 'traditional' sectors, such as mining (a 2.9% decrease in the 3rd quarter of 2006 as compared to the same period in the previous year) (Central Statistical Office 2007a). The direction of these changes is consistent with the evolution of a general employment

[6] Data provided by the Labour Force Survey (LFS) differs from those coming from labour offices due to differences in the definitions applied. According to LFS, an employed person is somebody aged 15 or more who performed for at least one hour any work generating pay or income or conducted their own economic activity, or should have worked but did not work it due to sickness, maternity leave etc. during the reference week. Respectively, the unemployed are understood as all people who meet the following conditions: were not employed in the reference week, were actively looking for job and were ready / able to take up employment within two weeks after the reference week (definition coherent with the Eurostat recommendation).

[7] In the 2nd quarter, the year-to-year increase equalled 1.4 %.

structure: the share of employment in services is growing (over 53% of all employed in 2005) while the share of employment in agriculture (and to some extent in industry and construction) is decreasing (Bukowski 2006).

Poland is still a country with an 'archaic' structure of employment. In 2005 the share of those employed in agriculture equalled 17.4%, while the EU average was below 5%. According to experts, employment in agriculture is a reservoir that absorbs both open and hidden unemployment (the latter is estimated to comprise at least 1 million people) (Ministry of Economy 2006a, 2006b).

The most positive trends were for unemployment. The registered unemployment rate has been decreasing since 2004 and, in the case of the unemployment rate based on the LFS definition these changes appeared even earlier. At the end of the 3rd quarter of 2006, there were around 2.36 million registered unemployed, which means over 120 thousand fewer than in the previous quarter and almost 400 thousand fewer than in the same period in 2005. As a consequence, the unemployment rate decreased to around 15% (to compare, in the 3rd quarter of 2005 it equalled 17.2%) (Central Statistical Office 2007a). Such a strong decrease was predominantly a consequence of smaller numbers of people becoming newly unemployed. In the 2nd quarter of 2006, there were 23% fewer unemployed than in the the same period in 2005 and the unemployment rate decreased from 18.1% to 14.1%! (Central Statistical Office 2007a).

According to the Center for Social and Economic Research (2006), a significant reduction in the number of people becoming unemployed might have resulted from:

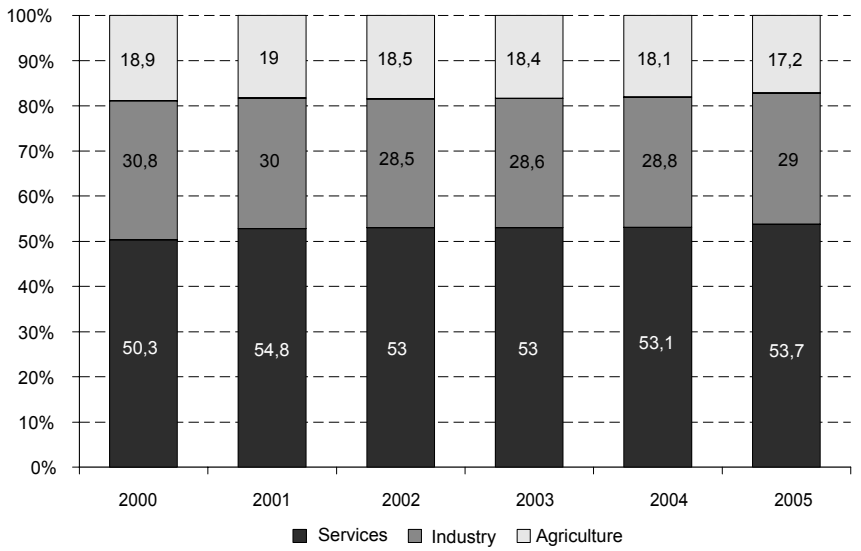
- a large number of inactive people who became discouraged from seeking work, which is clearly indicated by the very low participation rate: in the 2nd quarter of 2006 the number of economically active people was over 1.1% lower than a year before (decrease in participation rate from 54.5% to 53.6%);
- lower dynamics of dismissals in companies and the public sector; the number of people dismissed for reasons related to the business viability of the employer is decreasing very quickly, at the pace of around 25% annually (since 2005);
- migration by the unemployed and potentially unemployed (however, the extent of this phenomenon is still unknown).

On the other hand, in mid-2006, the number of unemployed people was still close to 2.5 million, and the average annual unemployment rate equalled around 16%. Interestingly, in 2006 for the first time the numbers of unemployed people registered in labour offices appeared to be higher than those indicated by LFS (whose definition is widely judged to give a figure closer to 'real unemployment'). This effect could be attributed to many factors including changes in legislation on access to public health care for the registered unemployed, as well as large-scale emigration since May 2004.

Current and expected trends in labour demand in Poland

Demographic and labour force developments have been discussed in Bijak and Kupiszewski (in this publication). In this section we will focus on labour demand[8]. Since the early 2000s, a gradual increase in the number of new workplaces has been observed. In the first half of 2006, over 207,000 new jobs were created (an 11% increase compared to the previous year). Workplaces were created in almost 40% of all the companies surveyed. Most workplaces were created in manufacturing (38% of all new vacancies), trade and repair (14.2%), real estate and business activities (12.8%), and construction (11.7%), in line with the structure of employment (Figure 2). This data shows a clear tendency towards improvement of production potential, particularly in construction and manufacturing. According to recent data, the available number of vacancies reported was consistent with the data given above, but also with the employment size in a given sector. Most of the vacancies were reported in manufacturing (39%), particularly in production, then in construction (15.4%), the trade and repair sector (11.8%), and in public administration, health care and social welfare related institutions. Beside the sectoral composition of vacancies, an important factor in the context of this report is the occupational characteristics of the vacancies. With respect to this issue, most vacancies were available for people with basic vocational education (48.6%), and secondly for people with tertiary education (19.2%). In terms of vacant positions at the end of the second quarter of 2006, most were for workers (34.5%) and specialists (17.3%) (National Bank of Poland 2007). Such a two-tier structure within labour demand is quite typical for most developed countries.

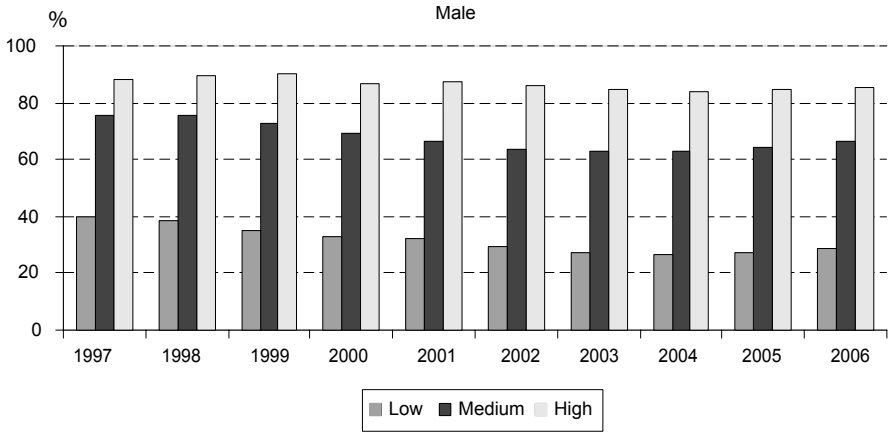
Figure 2. **Employment by sector (in per cent) according to LFS data, 2000–2005**

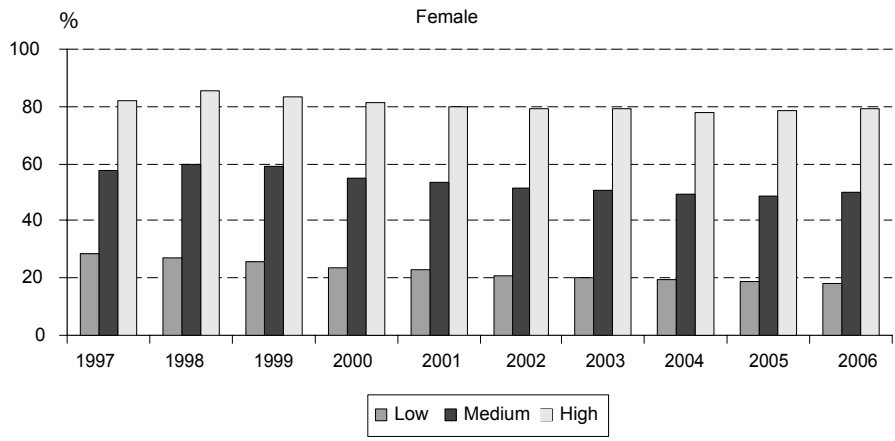


Source: Own elaboration based on Kwiatkowska (2007).

[8] Data on labour demand in Poland presented in this section comes from the quarterly survey carried out in the second quarter (Q2) of 2006 in companies with 10 or more employees (KPMG 2007). Additionally, data from a survey by the National Bank of Poland carried out in December 2006 among 824 non-financial companies (leaving out agriculture, fisherries, and forestry) has been used (National Bank of Poland 2007).

Figure 3. **Employment rates by the highest level of education* attained, 1997–2006**





** Low – Pre-primary, primary and lower secondary education*
Medium – Upper secondary and post-secondary non-tertiary education
High – Tertiary education
Source: Eurostat

After many years of excess supply in the labour market – a typical phenomenon for most CEE countries under transition – Poland suddenly and, mostly unexpectedly, entered a period of serious labour shortages. From the research carried out among Polish employers it follows that the question of filling vacancies has recently become one of the most serious problems for Polish companies. In 2006, 11% of surveyed companies – 6 times as many as in 2005 – reported serious labour shortages and this issue was reported as one of the leading barriers to growth for Polish firms[9]. These imbalances are

[9] The number of companies stating that this is an important barrier to growth increased from 1.8% in Q4 2005 to10.7% in Q4 2006 (National Bank of Poland 2007).

not only a consequence of shortages in the number of economically active people, but also of a mismatch between the educational attainment of the labour force and the needs of the labour market. Employers particularly need people with tertiary (58% of surveyed companies), secondary vocational (50%) and basic vocational (20%) education. Figure 3 shows clearly that the declared demand for employees with higher qualifications is fully consistent with the observed employment rates. The most demanded specializations included: professionals (finance, insurance, marketing, logistics, and IT specialists), technicians, and skilled or unskilled craft workers. Interestingly, labour market shortages are recorded not only in the case of highly skilled but also semi-skilled and skilled labour. This is, among others, a consequence of the structure of the Polish educational system. For example, the number of vocational schools is decreasing, even while there is a visible rise in demand for such schools. These trends are expected to have an important impact in the labour market in the future. The potential impact includes wage pressures (35% of companies planned to raise wages in the second half of 2006, which was the highest number since 2004) and long lasting imbalances in local and regional labour markets, leading to active recruitment of foreign labour (KPMG 2007). However, a serious empirical analysis of shortages in the Polish labour market and their consequences for economic development is still missing.

Selected challenges to the Polish labour market

Informal economy and employment

Typically, transition economies are marked by a relatively high share of informal activities in the labour market. Similar hypotheses are commonly put forward with regard to the Polish labour market. Nevertheless, the knowledge on the scale and scope of the Polish informal economy is rather limited. Some information concerning informal employment has been gathered through surveys carried out as sub-modules of LFS in the years 1995, 1998, and 2004 (Central Statistical Office 2005)[10].

According to the data provided by these surveys, the scale of unregistered employment decreased between 1998 and 2004. In the first 9 months of 2004, an estimated 1.32 million people worked in the shadow economy, while in 1998 (January – August) the relevant number equalled 1.43 million. At the same time around 1.02 million households took advantage of irregular work or services (1.42 thousand in 1998). Both surveys showed clearly that irregular employment is a common phenomenon in Poland. In fact, in 2004 unregistered workers constituted 9.6% of all those (legally) employed, while in 1998 this share equalled 9.3%.

Additionally, as compared to 1998, the number people for whom unregistered employment constituted their main job was relatively higher in 2004 and increased from

[10] In all of these surveys the point of interest was unregistered employment understood as employment without a valid contract (no social or health security payments, no taxes paid) or self-employment, whereby in the latter case the self-employed person did not fulfil his or her fiscal duties.

650 to 829 thousand. Women and urban residents are more frequently employed in the shadow economy.

Unregistered employment is performed by almost all generations of Poles, people coming from various social groups, however:

- men constituted the highest share among unregistered workers (63%),
- shares of people living in urban and rural areas are similar (52% and 48%, respectively), but we should keep in mind that the number of households in urban areas is twice as high as in rural areas,
- the highest propensity to undocumented employment was recorded in the case of people aged 45–49, and also 25–34 (men), and 35–44 (women),
- around 70% of those taking up employment in the illegal economy was constituted by people with basic or vocational education, and only by 6% of people with tertiary education (the only group dominated by women).

With regard to sectoral composition, the most important role was played by agriculture related activities (278 thousand employed people in 2004, additionally 227 thousand engaged in neighbourly help), then repair or installation services (188 thousand), construction (149) thousand), repairs (cars and machines, 83 thousand), and trade (83 thousand). Segmentation of the shadow economy with respect to sex was clearly visible: men were employed predominantly in construction and repair, women in household services and trade.

Foreigners in Poland's labour market

As with the shadow economy, knowledge on participation by foreigners in the Polish labour market is very limited. Analyses based on registered employment only showed that the largest demand for foreign labour is generated by small and medium-size enterprises; however, this is not relevant to their share in the total number of active companies in Poland (Golinowska 2004). For example, in 2000–2002, companies that employed fewer than five workers employed around 35% of all foreigners in Poland, yet they constituted almost 95% of all companies in Poland. The demand for foreign labour is strongly concentrated with respect to sectors of economy: the highest share of foreigners who received work permits was employed in the trade and repair sector (over 30% of all holding a work permit in 2002), followed by industry (17%), education (14%), and real estate (11%).

With regard to skill level and occupations, the dominant group consisted of professionals and managers (over 50% in 2002), then specialists and advisers (27%), and teachers (22%). Foreigners legally employed in Poland are very well educated: most of them completed at least secondary education. This kind of structure shows clearly that available statistical data provides information on only one specific sector of the labour market that is relatively easily accessible to foreigners. There is no information on employment in the shadow economy and low-wage sectors, but various estimates suggest that the number of immigrants employed in these sectors may be much higher than for those employed legally.

From other sources it seems that Polish employers have demonstrated rather limited interest in employing foreign workers so far (Kalski, Łazarczyk 2005). Almost 90% of the surveyed companies did not even attempt to recruit foreign labour, and this type of employment was typical only for companies with foreign capital participation (foreigners were employed in over 40% of them, predominantly in expert positions). However, every fifth company declared a willingness to employ qualified workers from other EU countries. This suggests that increasing labour shortages are pushing Polish employers to consider workers from abroad.

5.2 Migration and employment of migrants *(Weronika Kloc-Nowak)*

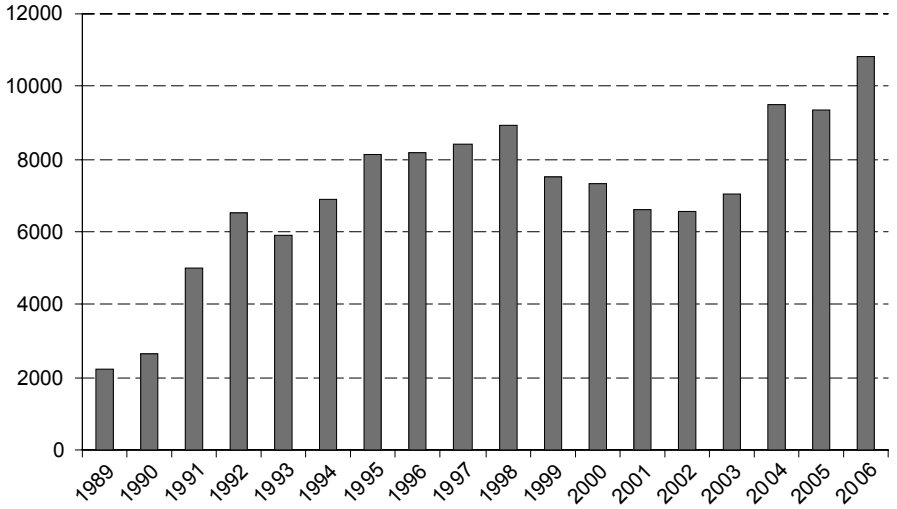
Data on migration to Poland have been heavily criticized for their incompleteness and inadequate choice of definitions (Kędelski 1990, Okólski 1997, Sakson 2002). Therefore, to draw the most accurate picture of migration to and from Poland we have to confront a variety of sources such as the National Census of Population of 2002, Central Statistical Office data on registered migration, Office for Repatriation and Aliens data on residence permits issued and Ministry of Labour and Social Policy concerning the work of foreigners. Polish data on emigration are compared and supplemented with receiving countries' statistics, especially those of the UK.

Immigration to Poland: basic trends and features

Each year Poland's Central Statistical Office reports the number of immigrants registering for permanent residence with the local administration. This does not reflect the actual inflow of foreigners in the given year, but rather the number of residence permits issued and those granted refugee status plus Polish nationals returning from abroad. This means immigration statistics report administrative actions, rather than actual migration. Immigration of a foreigner may be reported even a few years after his arrival – or may not be reported at all if the person fails to satisfy the permanent residence-permit criteria.

Generally, over the last 15 years immigration to Poland increased significantly as illustrated in the Figure 4. In 1989 the Central Statistical Office registered 2,200 people (inflows), which then started to rise to reach over 8,000 annually in the period 1995–1998. Then registered immigration fell and remained below 8,000 for 5 years. This was a result not only of the decrease in the inflow but also of the introduction of the Aliens Act in 1997, which extended the period of stay on a temporary permit, before an immigrant needed to register for permanent residence, to 5 years. Accordingly, growth since 2003 can be attributed to postponed registrations. The number of registered permanent immigrants surged to a maximum level – since 1959 – in 2006 (Central Statistical Office 2007c).

Figure 4. **Permanent immigration to Poland, 1989–2006**



Source: 1989–2005: Central Statistical Office statistical and demographic yearbooks, various years, 2006: Central Statistical Office press release (Central Statistical Office 2007c).

According to the Central Statistical Office statistics, during the last 15 years, Germany, USA and Ukraine have been the main origin countries of registered emigrants to Poland. The analysis of the number of residence permits issued to foreign citizens (Office for Repatriation and Aliens 2006) reveals that Ukraine is the country sending to Poland the largest number of foreigners. 1,518 Ukrainian citizens received permanent residence permits and 8,304 temporary residence permits in 2005. In the same year, 1,027 German citizens were granted temporary and 5,090 permanent residence permits of the type for EU citizens. One might suspect that immigrants from Germany and USA are largely Poles coming back from abroad. This is justified by the fact that registered inflow from these countries, less affected by the Aliens Act, did not decline significantly in 1999–2003. Poland's Central Statistical Office also provides data on immigrants registered for temporary residence for more than two months. These numbers were increasing from 18,000 in 1997 to 43,600 in 2000 and have been fluctuating afterwards. In 2005 there were 42,417 temporary immigrants (Central Statistical Office 2006).

The National Census of Population in 2002 made it possible to characterize the stock of foreigners living in Poland at that time. The analysis below will concern only the immigrants with foreign citizenship, not Polish return migrants. The number of foreign citizens, born abroad and residing permanently in Poland in 2002 was 29,748, while those residing on a temporary basis – 23,032. Among both categories of migrants, citizens of the former USSR were found most frequently (see Table 2).

Table 2. **Foreign population in Poland according to type of residence permit and citizenship, 2002**

Citizenship	Ukrainian		Russian		Belarusian		Vietnamese		German		Total foreign population
Category	[%]	number	[%]	number	[%]	number	[%]	number	[%]	number	
permanent residence	23	6 723	14	4 016	7	2 023	6	1 666	5	1 547	29 748
temporary residence	29	6 610	8	1 912	8	1 820	4	806	5	1 106	23 032

Numbers in the table refer to foreign-born people with foreign citizenship.
Source: Napierała 2006, based on the National Census of Population, 2002.

Immigrants in the Polish labour market

According to the Census, in 2002 there were 21,415 working foreigners (62.5% of them were male; 62% permanent residents). This was only 0.17% of the working population of Poland. Foreign immigrants were economically less active than Polish citizens were. Although male immigrants' level of activity was close to the country's average, the difference was more evident among females: only 33% of immigrant women worked, while 42% were economically inactive (Okólski 2006).

Annually the Ministry of Labour and Social Policy supply data on work permits issued to foreigners in Poland. They do not include certain EU citizens or foreigners who have the right to be employed, such as spouses of Polish citizens. The number of work permits was growing in the 1990s until it stabilized around 20,000 per year between 1998 and 2001. The peak reached in 2002 (over 24,500 permits) marks a change in regulations (a new category of migrants had to obtain permits). Since then the number of work permits has dropped significantly (Kępińska 2006). The decline in the number of work permits was the strongest for the citizens of EU countries, especially those with whom Poland reciprocally opened labour markets: UK, Ireland, Sweden, and new member states. As a result, the share of permits issued to non-EU citizens increased: in 2005 among all work permit holders[11] Ukrainians alone accounted for 26% with 2,897 work permits issued (Central Statistical Office 2006). The share of women among work permit holders declined from approximately one third in 2004 to one fifth in 2005, as women were more numerous among EU workers than among the non-EU applicants (Kępińska 2006). Approximately 43% of permits issued in 2005 were first-time permits for newly arrived foreign workers (Kępińska 2006).

Hardly any data are available on undocumented residence and employment of foreigners in Poland. The number of recognized cases of irregular employment of foreigners fell by 40% between 2003 (2,711 cases) and 2005 (1,680), yet over the same period the number of labour inspections decreased by 20%. Half of the recognized foreign workers were Ukrainians, a quarter – Belarusians. It is striking that the largest number of cases (795 irregular foreign workers, 47% of the total number identified in Poland) was recorded in

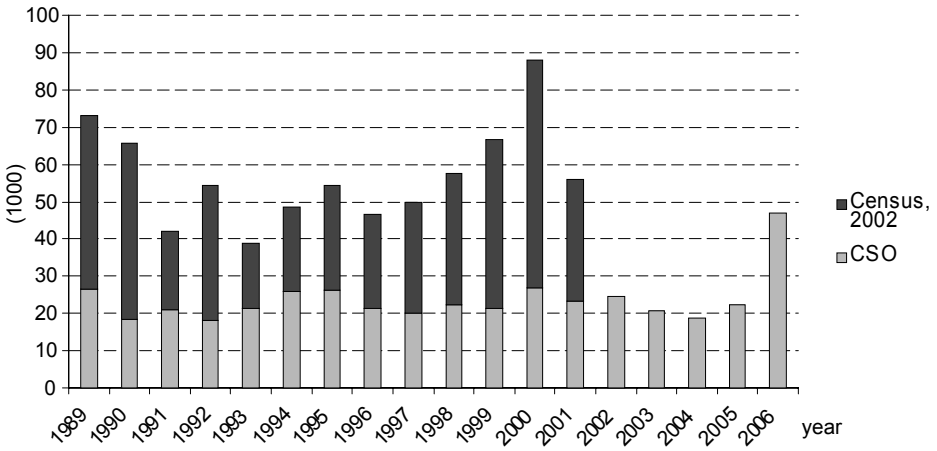
[11] Including foreigners working in sub-contracting foreign companies, which is a much smaller group than individuals.

the Lubelskie voivodship (region) in eastern Poland, which in contrast had one of the lowest numbers of work permits (Kępińska 2006). However, the number of identified irregular employees can not be used for estimation of actual numbers, as it depends not only on these numbers, but also on the efficiency of detection and enforcement.

Emigration from Poland before and after EU accession

The Polish Central Statistical Office publishes data on the number of people deregistering from their place of residence with the intention of moving abroad permanently. This number has been fluctuating around the level of 20 thousand per year since 1989 (Figure 5). However, these data do not reflect real trends as most people avoid deregistration. If we compare the Central Statistical Office data with the information obtained during the 2002 Census about the year of departure of people who had been absent for at least 12 months, we find that the census revealed 449,000 more emigrants in this category. Central Statistical Office accounted for 293,000 deregistrations for the period 1989–2001, while the National Census of Population 2002 recorded 786,000 registered residents of Poland who had been abroad for more than two months, of which 626,000 for over 12 months. Most of them left between 1989 and 2001, but the year of departure of 79,000 emigrants remains unknown and 98,000 left in 1988 or earlier (Central Statistical Office 2003). All these people were still registered and regarded by the Central Statistical Office as inhabitants of Poland. However, for 2006, the Central Statistical Office reported permanent emigration increasing to almost 47,000 (Central Statistical Office 2007b). The rapid increase in the number of deregistrations, due to those migrants who decided to change their tax residency and avoid double taxation of their foreign income, finally began to reflect the increasing outflows since EU accession.

Figure 5. **Emigration from Poland (in thousands), 1989–2006**



Source: Central Statistical Office yearbooks, various years (1997–2006); Central Statistical Office press release (Central Statistical Office 2007c), Central Statistical Office 2003 (census data on emigrants from the period 1989–2001).

A profile of Polish emigrants can be realized thanks to the National Census of Population 2002 (the stock of emigrants at that date) and the Central Statistical Office data on outflows. 53.8% of those identified in the census as temporarily abroad were women and usually younger (the most numerous group was aged 20–24) than men (the most numerous group was aged 25–29). With regard to the destination countries, 294,300 emigrated to Germany, 158,000 to USA and 39,300 to Italy (Central Statistical Office 2003). Of 576,000 emigrants aged 15+ who at the moment of census had lived abroad for over 12 months, 14% had tertiary education, compared to 10.4% of the resident population in 2002 (Fihel, Kaczmarczyk, Okólski 2006).

In 2005, out of 22,200 registered permanent emigrants, 46.6% were women. Among female emigrants, most of them belong to either of the 25–29 and 20–24 age groups, while among male ones – 15–19 and 20–24. The rate of permanent emigration among youngsters is higher than in the period 1989–2001. As for temporary migrants, of 31,100 people registered abroad in 2005, 72% were males; half of them aged 20–24. Among women, the group aged 25–29 was most numerous.

The main destination countries of Polish migrants are Germany, the UK and – outside Europe – the USA. However, due to differences in definition and registration methods, Polish data on destinations of emigrants from Poland are not comparable with the statistics of receiving countries, as proven by the double entry vectors in Table 3 below.

Each year there is also a group of short-term migrants – seasonal workers employed under bilateral agreements. The numbers show clearly that seasonal work is the most popular type of work abroad for Poles (Table 4).

Table 3. **Emigration from Poland to selected European countries, 2005**

Country of destination:	Germany	United Kingdom	Austria	Spain	Netherlands	Sweden	Norway	Denmark	Cyprus	Czech Republic
Reported by:										
the receiving country	159157	51915	7245	7187	6672	3516	3271	2082	1625	1246
Poland:										
permanent emigration	12317	3072	308	265	393	268	72	58	6	49
temporary stay (> 2 months)*	8070	7843	657	793	2126	356	234	127	80	110

** Numbers of people de-registering for a temporary stay of over 2 months are not treated as emigration data in Poland. They were presented here for the sake of comparison, as other countries usually have much more liberal definitions of migration than Poland. Still, even including registered temporary emigrants, Polish data underestimate the flows from Poland in comparison to the receiving countries' data.*
Table presents 10 countries with the highest flows among those for which all the figures were available.
Source: Eurostat data, Polish Central Statistical Office.

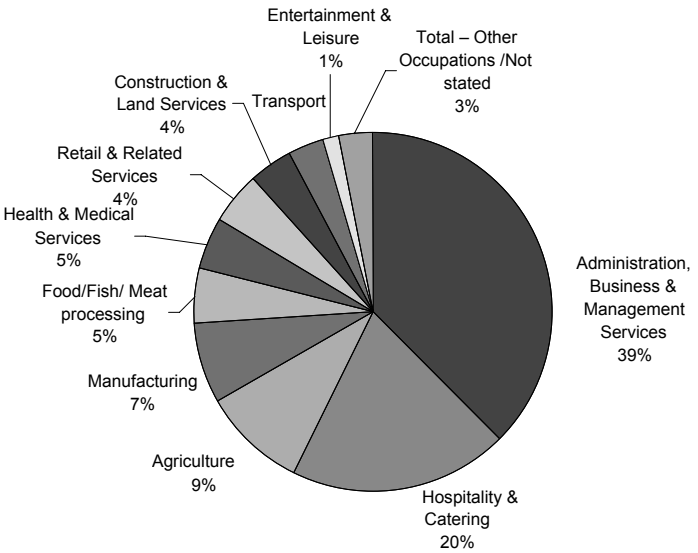
Table 4. **Work permits issued to Polish citizens in selected EEA countries (in thousands), 2005**

Country	Austria	Belgium	France	Germany	Italy	Switzerland
number of seasonal work permits	5.2	3.1	8.2	273	20.5	2.6

Source: Polish Ministry of Economy 2007.

The most important receiving country is Germany, where the number of workers exceeded 250,000 in 2002 and 320,000 in 2005 (World Bank 2006). Although seasonal work often generates significant income to the migrant household, in the long term it may prolong economic inactivity by other household members or keep unemployed people passive in the national labour market during the rest of the year[12]. As a result, a seasonal worker, although earning an income, can become permanently marginalized in the Polish labour market (Fihel 2004).

Figure 6. **Polish applications to Workers Registration Scheme by occupation, May 2004-December 2006**



Source: Home Office 2007.

The sectors in which Poles work abroad can be identified using data from the respective destination countries. For example, in the UK (see Figure 6) the majority of those over 350,000 Polish workers registered between May 2004 and December 2006[13] were found in administration, business and management services. However, this does not

[12] According to LFS 28% of all the unemployed found employment within one year, while among the unemployed who took part in seasonal work abroad – only 10% became employed in Poland within the year. Since seasonal workers are not available during some part of the year, they may also avoid the kind of stable employment that would prevent them from going abroad next year (Fihel 2004).

[13] For the details of the methodology of Workers Registration Scheme and the limitations of its data see "Accession Monitoring Report May 2004 – December 2006" (Home Office 2007).

identify their position, as they might be only auxiliary or even cleaning staff in offices. Moreover, all workers employed through employment agencies fall into this category, despite the sector they really work in. Poles in the UK frequently do unskilled physical work in industry, agriculture or services (mainly in the Hospitality and Catering sector). At the same time the UK tends to attract highly educated Poles (over 30% have tertiary education), which suggests that their human capital is wasted there. In Ireland, migrants from Poland and other EU8 are employed in both low and high-skilled sectors (World Bank 2006).

Apart from the relatively new massive inflow to UK and Ireland, the patterns of Polish illegal labour migration developed in the 1990s still pertain (e.g. to Belgium – Grzymała-Kazłowska 2001) or even earlier (to Germany – Kaczmarczyk 2001). Irregular employment of Poles in these countries prevails in construction (males), care, and domestic services (females). The scale of employment of Polish women as domestic workers or carers is difficult to estimate in Germany or Belgium, while for example in Italy 25,000 Poles revealed such activity during the regularization in 2003 (Rosińska-Kordasiewicz 2005).

The impact of emigration on Poland

Emigration from Poland has been rising since 1998, but the post-accession increase is not a simple continuation of the trend. The outflow visibly strengthened after May 2004, leading to shortages of labour, especially qualified, causing managerial problems and rising salaries to retain workers. In construction, the effect of emigration is combined with lack of qualified workers. A few years ago depression in this sector led to changes in qualifications of some workers and closing of vocational schools. In 2005, the increase of salaries in that sector doubled the national average increase. In regions with a construction boom (Warsaw, big cities) the increase was even bigger. In 2006, regional labour offices reported 42.5% more job offers in the construction sector. The number of unemployed qualified to work in building diminished, but still was relatively large, either showing that certain unemployed people are not skilled enough to be hired or are not unemployed in reality. Using responses from employers, the Ministry of Construction estimates a shortage of at least 150 thousand workers for construction of buildings, leaving aside construction of roads or other infrastructure[14]. Most employers want the labour market to open to workers from the East (Janczewska 2006, Ćwiek 2007). Another solution for companies would be to invest in vocational training to guarantee a supply of qualified labour. Emigration might help adjust the vocational training system to the needs of the Polish economy.

A positive effect of labour emigration is the flow of remittances. Savings sent by emigrants, especially those who had been unemployed in their country of origin, can significantly increase the financial resources of emigrants' households. In 2005, in comparison to 2002, the balance of private transfers doubled and equalled 19 million PLN (6.9 million USD), of which the Ministry of Economy (2007) estimates over half to be transfers of salaries earned abroad. In 2005, private transfers equalled 35% of the value of another

[14] Minutes from the meeting in the Polish Parliament, 14.02.2007, during which the report was presented: http://orka.sejm.gov.pl/Biuletyn.nsf

development factor – direct and portfolio foreign investment. A large proportion of migrants in personally bring their money or send it through friends, relatives or non-registered couriers. Thus, a significant share of remittances enters the country through informal channels and evades registration. Although remittances are only in small part (ca 6%) invested in business, and largely support current expenditures of households (ca 45%), the increased consumption still benefits the local and national economy, due to the multiplier effect (Ministry of Economy 2007).

Returning migrants also bring back economic and human capital earned abroad. After 1989 Poland became an attractive destination for return migrants for both political freedom and economic development reasons. Yet data on return migrants are not recorded systematically – migrants who had not deregistered when going abroad (a frequent situation when emigrating from the communist regime) do not need to register their return either. During the National Census of Population in 2002, there were 50,074 immigrants with Polish citizenship. Although some of them might have acquired citizenship in Poland, the vast majority are returning Poles. The return migrants were well educated: 31% had tertiary and 31% secondary education. 40% of return migrants with only Polish citizenship and 30% among return migrants with two or more citizenships were aged between 30 and 49, therefore at the same time quite experienced and still at a productive age. Returned migrants settled mostly in urban areas or regions with high emigration rates and emigration tradition (e.g. southern Poland). Among return migrants with tertiary education 90% settled in towns, of which one third were in the Warsaw agglomeration. Among 12,000 returned migrants with higher education 75% worked and 8% looked for employment – the level of economic activity was much higher than in the entire Polish population. In general, 48% of the employed returned migrants were working as specialists and managers – the top positions in the labour market (Fihel, Górny, Matejko 2006).

Among the Polish citizens recorded in the National Census of Population in 2002, 71% were born in Poland. Among the citizens with dual Polish-German citizenship, 59% were born in Poland, whereas among Poles holding dual citizenship other than Polish-German only 44% were born in Poland (Fihel, Górny, Matejko 2006). This suggests that the latter group contains the largest share of people who immigrated to Poland as foreigners and subsequently acquired Polish citizenship.

Poland experienced significant brain drain in the communist period, when emigrants were better educated than the whole population. Then, between 1990 and 2003 in the light of official data, Poland experienced a brain gain – the number of highly-educated immigrants (including return migrants) was higher than the parallel group of emigrants (Kaczmarczyk, Okólski 2005). Still the National Census of Population showed a slightly higher share of highly educated people among emigrants (especially emigrating after 1997) than among the whole population. After joining the EU, increased emigration started to be perceived as serious brain drain, as migrants are often highly skilled (doctors, IT specialists) or have potential to become skilled in future (students and graduates). As they often take on jobs below their qualifications, this is brain waste and is rightly headlined in the media as: “Our elite working in Tesco” (Miączyński 2006) or “I fell down to the lumpen proletariat” (Wilczyński 2006).

The situation is perceived as dramatic in the health care-system. A very low number of medical specialists available to the population[15] makes even low-scale emigration a serious problem. In the period between May 2004 and July 2006 5% of Polish medical personnel requested certificates confirming their diplomas, as this certification is necessary for working abroad – 2.3% are estimated to have already gone abroad. By specialization, the largest migration potential is shown by anaesthesiologists (15%) and surgeons. Loss of qualified nurses is also an issue: 6,000 nurses[16] and midwives asked for their certificates (Ministry of Health 2007). In addition, nurses often leave Poland without asking for a certificate, as they plan to work as carers in private care centres.

The real effects and the dramatic perception of the emigration resulted in a few initiatives to attract various types of emigrants back to Poland. In research, the Foundation for Polish Science decided to offer scholarships for returning migrants with a PhD (called the "Homing" programme[17]). The scholarship include 100,000 PLN (ca 25 thousand Euros) paid over 2 years, roughly the equivalent of a professorial salary. In 2006, the foundation granted 16 scholarships[18] for which there had been forty-six applications. Among local authorities' initiatives, the city of Wrocław became famous with its 2006 campaign to attract return migrants[19]. The city has an unemployment rate of 10% but has severe labour shortages in various professions, which might hinder planned investment. Thus, the target of the city campaign is not only its former inhabitants but also all well educated Poles, dissatisfied with their unskilled jobs in the UK or Ireland. Several other towns decided to follow this example and appeal to emigrants[20]. Finally, this year Poland's government has started a campaign "Patriotism of tomorrow", promoting modern patriotic and civic attitudes, aiming to persuade young people to stay in their homeland[21].

5.3 Formulating migration policies: changes in the making
(Anna Kicinger)

A brief overview of the Polish migration policy developments after 1989 will be presented in this section with special focus on labour mobility. The basic characteristics and general description of policy developments is presented in Kicinger (2005). In this section, we examine the regulations aimed at managing the outflow and inflow of economic migrants. Policy considerations on the future development of Polish labour migration policy will be presented in the end of the section.

15 In Poland in 2004 there were 432 people per working doctor, compared to 295 in Germany and 251 in Belgium (Central Statistical Office 2006).
16 3% of the total number of employed in Poland
17 http://www.fnp.org.pl/ang/programy/homing_more.html
18 http://www.fnp.org.pl/aktualnosci/aktualnosci.html#startHoming07
19 Information on the campaign: Young Wroclaw portal: http://www.e-lama.pl/artykul.php?id=1064 ; article in a Polish newspaper in the UK: www2.blackpooltoday.co.uk/polish/polski.doc.
20 For example http://www.srem.pl/index.php?k=aktualnosci&ads=jeden&nrs=183.
21 Information about the programme: http://www.nck.pl/?pj.

Managing the outflow of Polish nationals: past experience and contemporary challenges

Poland, as a country of emigration, gained experience in regulating outflow, both during the interwar period (1918–1939) when the state actively supported emigrants (Kołodziej 1982) as well as during the communist regime (1945–1989) when various restrictions (mostly limited access to passports) turned out to be more or less effective in reducing the outflow (Stola 2001). The lifting of restrictions after 1989 led to a liberal exit policy, as in Western liberal democratic states, but the freedom to leave was also supported by an active state engagement to ensure that Poles could travel and work abroad. Several policy tools were used for this purpose, among them bilateral agreements with various European countries.

Poland's Government used bilateral agreements with immigration countries in the interwar period as a policy tool to regulate outflow of migrants. An emigration convention with France was concluded as early as 1919, shortly after the resurrection of the Polish state. The rationale behind the agreements was not only to provide access to foreign labour markets by Polish nationals, but also to negotiate the best conditions for Polish workers and protect them.

The practice of the communist regime was opposite. Bilateral agreements on exchanges of labour were perceived through the ideological lenses of cooperation among socialist states, yet they had also some more pragmatic bases. Agreements concluded with socialist (e.g. the German Democratic Republic) and Arab countries in the 1970s enabled certain Polish workers, mostly in construction, to take up employment abroad. Due to the political system and international relations both within the East and between the East and West, employment of Polish workers abroad was organized and supervised by the state.

In 1989, Poland was bound by several agreements on the exchange of workers that no longer corresponded to the new reality[22]. Instead, soon after the fall of communism a network of new agreements with neighbouring countries was established. The rationale behind them was mainly to establish or develop good neighbourly relations between the countries. In practice, agreements with Czechoslovakia (1992), Ukraine (1994), Russia (1994), Lithuania (1994), and Belarus (1995), turned out to be of no importance for the migratory flows as they did not provide for any quotas or privileges for the mutual employment of nationals. The agreements stated that employment would be unlimited yet subject to national laws on the employment of foreigners, which in practice meant the normal work permit system (Dworańczyk 2002).

More important, in terms of the impact on flows, were the agreements with western countries on the exchange of trainees or on seasonal employment, concluded between Poland and Germany (1990), France (1990 and 1992), Luxembourg (1996), Switzerland (1993), and Spain (2002). Of these, the most important proved to be agreements on

[22] Only one of them, the agreement with Libya of 1980, modified in 1994 and limited to medical staff, is still in force.

seasonal employment with Germany, Spain and to some extent France[23]. The rationale behind the agreements on the part of Poland's government was to enable Poles to work gainfully abroad as one of the means to combat domestic unemployment. Seasonal work abroad as a policy tool to alleviate growing problems in the Polish labour market, was clearly described in the documents issued by the Ministry of Labour and Social Policy in 1991 and 1994 (Okólski 2004: 26–27).

The agreement with Germany was signed on 8th December 1990 as the Statement by Ministries of Labour and Social Policy of Poland and Germany. The unpublished agreement provided for unlimited seasonal, for up to three months, employment of Polish nationals in the Federal Republic of Germany, without sector or branch limitations, yet with labour market examination (Korczyńska 2003: 91). For Germany, the agreement constituted a policy tool to build good neighbourly relations. A political rationale behind the agreement on the German side was to help transforming economies with the problems of unemployment[24]. Korczyńska (2003) and Okólski (2004) rightfully point to the low-key status of the Polish-German agreement that has been in sheer contrast to its impact on migratory flows between the two countries.

Seasonal employment was unlimited but dependent on demand by German employers. Based on the agreement, procedures on employing Poles in Germany were quickly implemented. They proved to be very effective and transparent (Okólski 2004: 26). Over 90% of the job offers related to employment in agriculture. A German employer wishing to employ a Pole could issue a blank or named invitation that, after the agreement of the local German labour office, was passed to Poland to a regional labour office or to the selected person. Interestingly enough, as shown by Korczyńska (2003: 99), the vast majority of all job offers from the beginning constituted named invitations directed to specific people (always more than 98% of all offers). This is especially important from the point of view of migration management. Possibilities for Poland to steer job offers to regions with the highest unemployment levels were therefore seriously limited.

Regulations on the conditions of employment of Polish seasonal workers in Germany (working conditions, social security, accommodation) were developed in the Agreement between the State Labour Office and Bundesanstalt für Arbeit in 1999 (Korczyńska 2003: 91). According to the agreement, Polish workers have to be employed on an equal basis as native workers in relation to working hours and pay. Social-security schemes were also regulated. Polish workers, like other national or non-national workers in Germany, are subject to obligatory social security contributions, unless they are employed for fewer than 50 working days a year and their employment has no professional character (e.g. they are students, housewives, self-employed, or employed in Poland and work in Germany during their annual leave).

Seasonal migration from Poland to Germany, based on the unpublished bilateral agreement of 1990, can be claimed a success and an example of fruitful collaboration

[23] Other bilateral agreements did not significantly shape migratory flows as they provided for very small limits (e.g. 30 trainees in case of the agreement with Luxembourg).

[24] Similar agreements were concluded with Romania, Slovakia, Czech Republic, Hungary and Bulgaria.

in migration management in Europe which was beneficial to both sides. Seasonal migration was rising constantly throughout the 1990s and has continued to rise after 2000. According to the latest data, the number of Polish seasonal workers in Germany in 2005 reached over 270,000 people (in comparison with 131,000 in 1992) This was a slight decline after the peak in 2004 when over 286,000 seasonal work permits to Polish workers were issued (Kępińska 2006: 34–35). Generally, as acknowledged by research (Korczyńska 2003, Kaczmarczyk, Łukowski 2004), the economic impact of seasonal employment in Germany on the local, family and individual level in Poland was hard to overestimate given the hardships of structural economic transformation in the country. On the other side, Polish seasonal workers alleviated severe labour shortages in German agriculture where unemployed Germans, despite several attempts by the government, were unwilling to work (Dietz 2004). However, as rightly suggested by Okólski (2004: 33), the success of the bilateral agreement did not depend only on clear and effective institutional regulations. The basis for the smooth development of the migratory stream was the earlier, pre-1989, mobility of Poles and their experience of irregular employment in Germany during what were officially "tourist" visits. These earlier contacts between Poles and German employers enabled the latter to issue from the beginning named job offers to specific Poles, as soon as such an opportunity arose.

Other bilateral agreements that provided the basis for the legal outflow of seasonal workers from Poland were concluded with France (1992) and Spain (2002). The agreement with Spain was signed on 21 May 2002 and provided for mutual employment of seasonal workers for periods not exceeding nine months in any year. The recruitment procedure was established based on specific offers by employers from the receiving country channelled through the government agencies of the sending country (Kępińska, Okólski 2002: 3). The number of Polish seasonal workers in Spain has been rising and exceeded 12,000 people in 2004. The agreement on seasonal work of Poles in France (1992) was similar to the one with Germany (unlimited seasonal employment up to 6 months, mainly in agriculture, with blank or named offers issued by French employers and passed to Polish Ministry of Labour via Office Des Migrations Internationales – OMI). Yet the numbers of Polish seasonal workers in France, (alike in Spain), never reached German levels, and amounted only to 7,300 workers in 2004[25].

Apart from international intergovernmental agreements, possibilities to work abroad were provided by the agreements between the State Labour Office (Krajowy Urząd Pracy, between 1993–2002 a central governmental institution in charge of state labour market policy) and its partners abroad. The agreements were sector specific and related to medical staff (mainly nurses) (agreement with Norway Labour Directorate of January 2000 and collaboration with branch organizations in Italy) or to workers in hospitality and catering (for training in Ireland, or for seasonal employment on Jersey, UK).

Working possibilities abroad, apart from jobs offered by regional labour offices, are also provided by private job agencies, many of which specialize in sending Poles abroad. The system of recruitment agencies is to some extent regulated by the state to eliminate

[25] Data on the seasonal employment of Poles in France and Spain from the Ministry of Labour and Social Policy: http://www.mps.gov.pl/index.php?gid=5&news_id=259.

abuses. A job agency has to have a certificate issued by the Ministry of Labour and Social Policy (earlier by the State Labour Office). According to official statistics, in 2007 over 1,700 agencies for recruitment abroad legally operated in Poland (www.kraz.praca.gov.pl). The dynamic rise in the number of the agencies was noticeable in recent years (in 2001 there were only 114 agencies for recruitment abroad).

Apart from various bilateral agreements, another opportunity to manage the outflow from Poland arose in the run-up to Poland's membership of the European Union. The freedom of movement idea that guarantees EU citizens' right to undertake gainful employment in any EU country on a non-discriminatory basis, became in the public perception one of the main practical benefits of EU membership. Two dimensions of government involvement could be discerned in this area: first the battle during negotiations over the transition periods clauses and secondly, government efforts to ensure labour markets of the EU-15 were open once the transition periods were agreed. Poland's Ministry of Labour or even Prime Ministers actively lobbied for the opening of EU labour markets first before 2004, and then, before the end of the first two-year period of restrictions in May 2006.

This post-accession outflow attracted great media attention in Poland and become a primary source of the politicization of migration issues in the country. The access of Poles to European labour markets became topical already during the negotiations and later, when the subsequent countries – in a domino process – announced that the transition periods would be used. The opening of the British, Irish, and Swedish labour markets attracted media attention and the post-accession outflow to these countries was enthusiastically reported in all dailies, TV and other media (compare the "Bitwa o Anglię (Battle of England)" cycle in *Rzeczpospolita* or "Przystanek Europa (Europe stop)" in *Gazeta Wyborcza*). Subsequently, the unexpected scale of the post-accession outflow, albeit hard to estimate accurately, raised serious policy concerns in Poland. Current policy developments are state efforts to ensure the protection of Polish workers abroad. This is especially important after dramatic reports on the work camps of slave labour of Polish workers in Italy, but also on rights abuses in countries such as Spain or the UK. The interventions of the Ombudsman who actively works to protect Polish workers abroad have triggered reactions by various government bodies (www.rpo.gov.pl).

Another important dimension to recent policy developments are local initiatives aimed at promoting the return of Polish migrants from the West. The local authorities of Wrocław launched such an initiative and were soon followed by those from Śrem.

To sum up, we underline that policy and politics changes occurred after EU accession. The scope of migration policy on outflows was broadened. Policy action, until then dominated by efforts to ensure work possibilities abroad, developed to better protect migrants' rights and return initiatives. More involvement by various policy actors marked also a political change, with an important part played by the media in stirring public debate.

Managing the inflow of immigrants: a work-permit system with growing numbers of exemptions

Predominately a country of emigration, Poland does not have long-standing tradition in regulating the inflow of economic immigrants. Both the interwar and communist period experiences with migrant inflows were restricted mainly to relatively small politically motivated immigration (e.g. Greek and Chilean refugees invited by communist governments). Only the liberalization of international movement in the whole Central and Eastern European region after 1989 enabled citizens of Eastern countries to travel to Poland on a more substantial scale and attracted economically motivated foreigners to Poland. This resulted in a need to establish rules on employment of foreigners in Poland.

The first regulations on employment of foreigners were issued as early as December 1989 (Act on Employment of 29 December 1989[26]). The Act introduced an obligation by employers to apply for a regional labour office's (*Wojewódzki Urząd Pracy*) agreement in order to employ a foreigner. The regional labour office was obliged to take into account the situation in the local labour market in its decision. This might be considered a regulation issued in anticipation of the skyrocketing unemployment levels that became one of the most burning challenges of the transition process in Poland (Kicinger 2005: 19).

Regulations introduced already in 1989 were then developed in the changing acts on employment, followed by the ordinances by the Ministry of Labour that created the work permit system in Poland. The basic principles of the work permit scheme were laid down already in 1991. According to the Act on employment and unemployment of 1991[27], the work permit for foreigners was to be issued by the regional labour office for a specific time, specific position and specific employer. The regional labour office was obliged to consider the situation in the local labour market. The procedure became more complicated after 1995. According to the Act on employment and combating unemployment of 1994[28], the foreigner wishing to be employed in Poland had to receive first a residence permit to stay and consent for employment, and only then could a work permit be issued. The cost of a work permit was fixed to equal the minimum monthly wage in Poland.

Rules on employing foreigners have not been radically liberalized since then, and until now the decisive criterion for issuing a work permit in Poland has been the state of the local labour market (labour market testing procedure – it must be proved that no Polish or, since 2004, EU applicant is available for the position). Since 2007, the Marshal of the Voivodship (Province) issues work permits. Work permits are issued for a fixed period, specific employer and employee and for a specific job position. Generally, the work permit scheme could be perceived as a policy tool to enforce labour market protection. However, two groups of foreigners fall outside the work-permit scheme: first, various groups of incomers that were exempted from work permit procedures by law, and second, people that did not manage (or for various reasons did not want) to enter the scheme and undertook irregular employment.

[26] Dziennik Ustaw 1989, No 75, item 446.
[27] Dziennik Ustaw 1991 No 106, item 457.
[28] Dziennik Ustaw 1995, No 1, item 1.

The number of groups of foreigners that are exempted from work permit procedures has been rising steadily. First, researchers employed in the higher education institutions and in Polish Academy of Sciences, foreigners with a permit to settle in Poland (then renamed the permanent residence permit) and recognized refugees were allowed to work in Poland without work permits. Over time, new groups were covered by exemptions from the work permit system. According to current regulations[29], groups exempted from work permit procedures encompass: people granted a permit for tolerated stay, or people under temporary protection, EU long-term residents (that received their status in Poland or in other EU country), spouses and dependants of Polish nationals that have been granted a temporary residence permit. Additionally, free access to the Polish labour market is provided for spouses and family members (holding a temporary residence permit) of: refugees, long term residents, people with settlement permits, permits for tolerated stay or under temporary protection. Moreover, students pursuing daily studies are exempted from this procedure (for 3-month employment) as well as foreign language teachers if they teach their native language. Overall, the regulations are very detailed. One of the recent important developments was that since September 2006 nationals of neighbouring countries have been allowed short-term employment in agriculture (up to three months). In July 2007 this rule was extended to all kinds of under-three-months employment for Russian, Belarusian, and Ukrainian nationals[30].

The categories of foreigners not obliged to apply for work permits have been recently enlarged because of EU accession. Following EU accession, Poland used the opportunity to apply reciprocal restrictions in labour market access against old-EU countries for a two-year period. However, since January 2007, all restrictions towards EU, including Bulgarians and Romanians, EEA, and Swiss nationals and their family members were lifted and Poland allowed full free access to its labour market.

Long-term or short-term irregular workers naturally fall outside the work permit system. State policy on these groups has been recently marked by government attempts to regularize their status. An unprecedented event in Poland was a one-off regularization action (*abolicja*) aimed at foreigners that had resided undocumented in Poland for several years. The opportunity to regularize their status was provided by the 2003 Act on Aliens (article 154). According to the Act, foreigners that resided continuously in the territory of Poland for at least six years (at least since 1 January 1997) could apply to the *voivod* (a regional administrative office) for the legalization of their stay under certain conditions. They had to prove that they could support themselves and their dependants for the period of a year without public support and that they had a place to live and an offer or a promise of a job. Applications for the one-year temporary residence permit that would legalize their stay in Poland were to be launched between 1 September (when the new Act entered into force) and 31 December 2003. 3,508 foreigners from 62 countries decided to apply for the legalization of their stay. Armenian

[29] Currently, it is regulated by the Act on the promotion of employment and labour market institutions of 2004 (with the following changes) Dziennik Ustaw 2004 No 99 item 1001; and the Ordinance of the Ministry of Labour and Social Policy of 30 August 2006, Dziennik Ustaw 2006 No 156, item. 1116.

[30] Ordinance of the Ministry of Labour and Social Policy of 27 June 2007, Dziennik Ustaw 2007 No 120, item. 824.

and Vietnamese accounted for the majority of applications, as they lodged 1,626 (46%) and 1,341 (38%) applications respectively (Kepińska 2004:13). Most applications were lodged in the Mazowieckie region (36%). Positive decisions were issued to 2,413 applicants, including 1,052 for Armenians and 1,001 for Vietnamese nationals. To sum up, representatives of Vietnamese and Armenian diasporas in Poland benefited most from this regularization.

As shown in section 2, the market for short-term irregular employment of foreigners developed and persisted in Poland during the 1990s and in the beginning of the 21st century. An ambivalent approach to this phenomenon developed, called by Kicinger (2005) a silent tolerance policy. As claimed by the author, from the formal point of view, the state authorities had always declared they fight all forms of irregular employment, for Poles or foreigners. At the same time, regulations that would actually hamper the inflow of irregular workers were not rigoronsly implemented. Visas were not introduced until it was obligatory from the point of view of EU demands; the possibility to refuse entry because the actual aim (irregular employment) was different from the declared (tourism) was not regularly used. Use of fake "invitations" or "vouchers" by false tourists as a border crossing strategy with the silent consent of the Polish Border Guard was acknowledged by empirical research (Stola 1997). In addition, labour inspections, generally ineffective in combating "hidden" employment in Poland, did not help reduce employment of foreigners in Poland (Kicinger 2005: 21). Overall, Polish authorities have *de facto* tolerated irregular workers, mainly from Ukraine. The rationales behind such toleration were the foreign-policy goals and economic benefits that arose from this kind of employment (see section 2). The toleration policy had to remain "silent", in other words not officially declared, due to the general policy line in managing the inflow that was based on labour market protection. Given high unemployment levels, more openness towards workers from the East was in fact never seriously on the political agenda until 2004.

The economic, social and political changes after EU accession enabled a significant policy turn in this regard. EU enlargement and its aftermath turned out to be of utmost importance for migration policy and politics in Poland after 2004, especially in policy fields relating to economic migration. Post-enlargement enthusiasm relatively soon gave way to the first reports on the potential or real labour force gaps in Poland resulting from higher emigration. The fact that the number of emigrants became widely exaggerated in the media (the highest number was cited by headlines of the popular daily *Gazeta Wyborcza* – 2 million Poles that emigrated since enlargement, June 2006), fuelled additional doubts about mass emigration. Alongside the media campaign, the economic trends that started after EU enlargement also contributed to the changing perception of migration and politicization of the issues. Post-accession economic growth has helped lower unemployment since 2004. Combined with media interest in emigration, these made grounds for policy changes. The last but not least political factor that contributed to the policy change was the rise in activity of various, earlier almost non-existent, groups lobbying for increased legal immigration from the East. Economic growth and positive social attitudes made a better climate for these claims and encouraged some interest groups to articulate better their demands. Most active were employers' organizations in construction and agriculture, i.e. those suffering an acute shortage of workers.

Government undertook several steps to meet the demands of interest groups. This change made a great difference to the whole policy-making process in Poland, until then an administrative and bureaucratic area without public opinion or interest group involvement. First, as mentioned above, since September 2006, nationals of neighbouring countries were exempted from the work permit procedure for up to three months employment in agriculture. In line with the openness of the policy lies also the government decision to abandon all restrictions on access to Polish labour market by EU nationals, irrespective of the reciprocal restrictions. This freedom of movement encompassed also new EU members – Bulgaria and Romania. Finally, Poland's government revealed in January 2007 their plans to make an appendix to the bilateral agreement with Ukraine and eventually to negotiate a new agreement (which takes more time, about a year) on mutual employment[31].

Summarizing, it must be stated that after fifteen years of administrative policy aiming at enabling Poles employment abroad and limiting the possibilities for the employment of foreigners in Poland, a significant policy turn is in the making since about 2005. Economic growth combined with considerable and media-catching outflow after EU accession resulted in policy and political changes. A more cautious approach to emigration, combined with return initiatives, was complemented by a more liberal labour market admission policy.

Conclusions *(Marek Kupiszewski, Jakub Bijak, Anna Kicinger)*

Summary of the main findings for Poland

Throughout the twentieth century, Poland suffered population losses due to migration, albeit with different intensities. Poland's transition from an emigration country to an immigration country, heralded in recent years, has not occurred yet and it may take some time to happen. However, a transition from emigration to emigration-and-immigration country is apparent. The last years, after the accession of Poland to the European Union, have been characterized by substantial outflows, especially of young people. It is difficult to assess now, whether this outflow is predominantly permanent, or of medium-, short-term, or circular nature. According to the forecasts, including the one presented in the current study (Bijak and Kupiszewski in this publication), large-scale outflows are bound to decrease in the near future. Yet, nowadays brain drain and brain waste seem to be phenomena that attract increasing research attention and raise serious political concerns. Deskilling occurs while many people with tertiary education take unskilled jobs after emigrating from Poland where emigration of medical staff is a typical brain drain example.

The main features of population dynamics are, as discussed in section 1: negative net migration, low fertility, well below replacement level, decreasing mortality, and negative

[31] Announcement by government representatives during the Conference on Polish Migration Policy organized by the Ministry of Interior and Administration on 25 January 2007.

natural change. These components have led to a total population decline and ageing, which are most likely going to intensify in the future. A related phenomenon, consequent to population decline and ageing, is a decrease and ageing of the labour force, which may lead to labour shortages, unless there are substantial changes in labour demand.

On the labour market, we currently witness two parallel processes: on the one hand, substantial unemployment, although decreasing due to economic boom and emigration, and on the other hand, increasing labour shortages on specific markets (i.e. construction, agriculture), enhanced by emigration of specialists and skilled workers. In addition, the shortages of unskilled labour are acute, especially in the agriculture sector.

Migration and labour-force policy recommendations

In the short-term perspective, four main challenges arise: (1) how to reduce emigration from Poland, (2) how to attract emigrants back to Poland, (3) how to lower the unemployment level, and (4) how to fill existing vacancies in the labour market.

As shown by many studies, there are two main economic reasons for emigration, namely domestic unemployment and low salaries. Both these push factors are likely to fade over time, as labour shortages are already visible in local labour markets. This should reduce unemployment and augment salaries, especially, but not exclusively, in the construction sector. These factors, combined with depletion of the potential pool of migrants in Poland, will lead to reduced outflows in the relatively near future. Deep and permanent falls in emigration could be reached only by far-going economic change and reform of the state suggested below.

Brain waste is difficult to tackle with any policy measures – increased tertiary education, sometimes of mediocre quality, resulted in an excess supply of graduates not matching the labour market demand. This made it impossible for many graduates to find a job corresponding to their qualifications. Many of them emigrate and their qualifications are either not recognized by recruiters or simply do not match demand in the receiving countries' labour markets. In the short term, this can be alleviated by a better adjustment of tertiary education institutions and students to market needs and in the long term by the development of a post-industrial knowledge-based economy.

A clear example of brain drain is in the medical professions. The main reason for this is the dire state of Poland's health care system, continually reformed, mismanaged, with blocked promotion and training paths for younger staff and humiliatingly low salaries for staff of public health care institutions. The only recommendation we can offer here is a far-going reform of the health system. Current proposals in this regard include the introduction of competing insurers, a catalogue of illnesses and medical procedures to be insured, additional insurance for those who wish and have resources to pay, a system of contributions from patients to insured medical procedures and cash flow following patients' choices. In our view, cleaning up the health system should lead to the improvement of working conditions and salaries of medical professionals and ultimately lead to the reduction of emigration.

A more complex problem is how to attract emigrants to return to Poland. Kicinger, Kloc-Nowak and Kupiszewski (2006) noted that emigrants perceive Poland's business environment as hostile and foreign (Irish in this case) sectors as more friendly. Indeed, this subjective perception finds confirmation in the World Bank (2007) ranking of the ease of doing business, where Poland is ranked 75th out of 175 countries, well behind the newest EU member states (Bulgaria ranked 54th and Romania – 49th). Inefficiency in the Polish legal system (e.g. contract enforcement takes in Poland 1000 days in comparison to only 20 in the Netherlands; World Bank 2004), enormous cost of employment and the lowest employment rate in the EU, making half of the working-age population pay the benefits of the other half, do not make Poland an attractive place for return migration. Given the "wait and see" attitude by the migrants (Eade, Drinkwater and Garapich 2006) there is a need for radical reforms aimed at improving the business environment in Poland. The changes should focus on simpler taxation legislation, including transparent and fair tax procedures, an improved judicial system and eliminating contradictory legal regulations.

The reduction of unemployment is one of the most complicated challenges to be faced. Currently, apart from a relatively high unemployment level, there is a strong local demand for labour, combined with the lack of willing and trained workers available in local labour markets. Partly this is due to a stark difference between the salaries employers want to pay and the wages demanded by potential employees. This difference is broadened by two factors: availability of competing job opportunities in other EU countries and the high costs of employment in Poland. Whereas the former factor will not change, the remaining solutions are higher salaries and lower costs of employment.

The problem of filling existing vacancies with native workers is complex. It seems that there are three decisive factors: salary expectations of the unemployed, which sometimes exceed wages prevalent in the market, lack of adequate qualifications or unwillingness to work by some groups of unemployed. The first issue has been already discussed. The lack of qualifications of workers could be attributed to two factors: one is reduction of vocational training of skilled and semi-skilled manual workers. Another problem is that older workers' skills are not updated, or that their vocations are no longer needed and they need complete retraining. These two problems should be addressed by reinstating vocational education and intensification and popularization of life-long learning. Another factor that may help in filling local job vacancies is internal migration. The recommendation for state policy would be to look at the mechanisms of internal migration in Poland in order to facilitate the geographic redistribution of labour available within the country.

There are also other possibilities to tackle labour shortages. In theory, longer working hours could help, but Polish employees, with 42.8 hours of work per week in 2004, already have the longest working hours in Europe, 20% longer than in France and 13% longer than in Germany (European Industrial Relations Observatory 2006). Another option is to increase productivity, Poland lagging well behind the richest countries in Europe. This probably is a promising way to alleviate some of the demographic and economic problems ahead and should be seriously considered by the government.

However, the most important possibility is raising labour force participation. Unfortunately, the social security, fiscal and employment regulations contribute to keeping people outside

the labour market. Early retirement schemes and an inadequate invalidity benefit system places too many Poles on benefits at a very young age. High taxation on labour results in low net salaries in comparison to the cost of salary for the employer. A very narrow gap between the minimum salary and available benefits makes unskilled employment unattractive for workers, whereas the low value of benefits forces many people to combine incomes from benefits with incomes from irregular work. Finally, employment legislation is very protective, making termination of employment both difficult and expensive. The remedy to this would be to cut early retirement schemes, make access to invalidity benefit much more restrictive, reduce the cost of paying salaries and liberalize to some extent employment legislation.

In the long term, another key problem is the decline and ageing of the Polish population and labour force, forecasted in many demographic studies, including this one (Bijak and Kupiszewski in this publication). The most urgent issues related to these changes will be maintaining the social security systems, especially pension schemes. This challenge is faced by most European countries. Simulations show that in the case of Poland reasonable mid-term and long-term results could be obtained from combining policies aiming to raise fertility and labour force participation, ensuring that policies undertaken in order to achieve both of these objectives do not contradict each other. As indicated in Bijak and Kupiszewski (in this publication), migration cannot be seen as an efficient long-run solution to problems posed by population decline and ageing, its impact being exclusively limited to filling workforce shortages in particular sectors of the economy. Acknowledging these subtleties and addressing them with due attention, not only the demographic and workforce aspects, but also taking into account the socio-economic setting, as well as the interdependencies and trade-offs between various phenomena, seems to be one of the key challenges for Polish policymakers in the first half of the 21st century.

Implications and suggestions for future research

The policy recommendations above cover a much wider scope of issues than those, which are traditionally identified as “migration policy”. This is because we believe that migration decisions stem from a much wider set of factors. However, the proposed research agenda will be strictly limited to migration related issues. The first fundamental problem is migration measurement. Analysis in section 3 of this report shows clearly that Polish population statistics are dysfunctional and unable to reflect actual migratory trends. Needless to say, an important item on the research agenda should be the design of a new migration statistics system.

Second on our agenda would be in-depth research into post-accession emigration. One possibility to assess the long-term consequences of the outflow is research on the plans of post-accession migrants, bearing in mind the acknowledged limitations of such an approach. Such analysis should answer the basic questions: do migrants plan to settle abroad permanently or return? What are the conditions of the planned return? The studies on intentions should be supplemented by research on actual migrants’ behaviour. Such research could possibly outline how migration policy might attract emigrants back to Poland. Another stream of research should look into the push factors of migration and their consequences. Such studies could possibly also help answer the questions of

how emigration affects the labour markets in Poland. Additionally, it would be useful to have a good understanding of imbalances on local labour markets: the need for labour, including short-term and seasonal, as well as the labour supply, which ideally should be continually monitored and studied.

Brain drain and in particular migration of medical personnel need to be investigated thoroughly. Kaczmarczyk and Okólski (2005) do not see this as a problem. However, their analysis did not take into account the regional dimension of the phenomen. Nor did it look at the consequences of emigration of doctors of the same specialization from peripheral hospitals. Our hypothesis is that brain drain of medical specialists may harm provision of services at regional or local levels, especially in provincial hospitals, where replacement of a specialist might be almost impossible.

Following Korcelli (1994) and Jaźwińska and Okólski (2001), there is a clear need to research the relationship between internal and international migration and examine the substitution effect hypothesis. Such research is of practical value, as it could be used to desing a policy aiming at replacing emigration with internal migration.

As demonstrated above, there are many possible directions of future research on the links between migration and the labour market in Poland. These studies should be interdisciplinary and encompass various aspects of the challenges highlighted in the current analysis. In this way, overall knowledge on migration and the labour market would be broadened in a synergetic manner, in order to be successfully applied to develop and spread the best practices in managing labour migration in all Europe, including Poland.

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CHAPTER SIX

Portugal[1]

Alexandre Abreu[2] and João Peixoto[3]

Introduction

Across most European societies, demographic ageing began to make itself manifest a few decades ago and is only now beginning to show its true dimension. It is the necessary consequence of two inter-related processes, whose origins can themselves be traced back far into the past. One is unquestionably positive: successive victories in the battle against death that have made it possible to increase average life expectancy ever further. The other is far more controversial, though also a "natural" consequence of socioeconomic development: a sharp, sudden decrease in fertility, or the average number of children that people eventually bear. Together, these two processes shift the age structure of the societies experiencing them and bring about a series of potentially serious social and economic consequences. These range from potential labour shortages to changes in the structure of demands with which public budgets are faced, to difficulties in ensuring the sustainability of public welfare systems.

In this context, the relevance of migration, labour immigration in particular, is being increasingly acknowledged. Immigrants (at least, labour immigrants) add to the labour force directly and typically help fill the fertility gap in the societies hosting them – hence the idea that immigrants might "replace" the declining autochthonous population and provide a decisive contribution to addressing the problems associated with present

1 The authors wish to thank the Lisbon offices of the International Organization for Migration (especially Ms. Monica Goracci and Ms. Marta Bronzin) and International Labour Organization (particularly Mr. Paulo Bárcia and Ms. Albertina Jordão) for their assistance throughout this project. The workshop that was jointly organized by these two offices and which brought together representatives from government bodies and employers' and workers' organizations provided essential inputs to this report – we wish to thank all the participants for their contributions. We are also especially grateful to Joana Figueiredo and Elmar Hönekopp (scientific coordinator of the Project ARGO 2005) for their careful reading of early versions of this report and for their valuable comments and suggestions. Administrative and academic support from SOCIUS (Research Centre on Economic and Organizational Sociology, School of Economics and Management, Technical University of Lisbon) is also acknowledged. Finally, we wish to thank Diogo de Abreu, Jorge Malheiros, Isabel André and Ana Estevens (from the Centre for Geographical Studies of the University of Lisbon) for providing insights, background material, references and other forms of assistance to the writing of this report. As usual, the authors bear full responsibility for any errors and omissions.

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and future labour shortages. However, poorly-managed migration flows can also bring about undesired outcomes: poor integration (at times resulting in deviant behaviour and antagonistic subcultures), xenophobia and racism and labour-market outcomes that may involve many winners, but also leave some of the losers unprotected.

Searching for the "best practices in labour migration" in this context has thus become an essential strategic concern for present-day European societies – and is the overriding concern of the eponymous project undertaken by the International Organization of Migration. This involves a number of in-depth analyses of these issues in several European countries of immigration, emigration, or both. Portugal, the country covered in this report, is one of these countries. It is not a particularly unusual case study as far as its demographic dynamics are concerned, but its recent migration history is certainly more original: from a country of mass emigration throughout most of the 20th century, peaking in the 1960s, Portugal underwent some significant changes in its migration regime to eventually find itself in a mixed situation in which inward flows relatively recently overcame, in size, outward flows that nevertheless refuse to wane completely.

This report seeks to provide an overview of the past, present and (as far as possible) future of these processes and dynamics insofar as they affect Portugal's society and economy. This exercise is carried out in several successive steps. First, Section 1 briefly outlines Portuguese demographic dynamics and their likely future developments. As a complement to this section, the reader is also referred to the general chapter on demography included in this volume. Then, because the social and, especially, economic consequences of ageing may differ depending on a number of intervening variables, which might themselves be regarded as policy instruments, Section 2 discusses some of the past and likely future developments in the labour market, which provides the mediating link between demography and material production. This involves such crucial aspects as the level and characteristics of labour-force participation, unemployment, average working time, labour productivity and undeclared work. Section 3 focuses in on migration issues and provides a characterization of the past, present and likely future of migration flows and of the migrant labour force in Portugal. Due to the specific characteristics of the Portuguese case, this involves addressing both emigration and immigration and, in particular, the main labour market and broader economic consequences of these two types of flows. Section 4 then analyses the various available policy options from the point of view of their costs and advantages and the extent to which they have been drawn upon in the Portuguese context. Finally, because immigration must be regarded as a possible partial solution to the problems posed by ageing, and because effective (and, most will agree, also humane) migration policies are a goal in themselves, Section 5 focuses specifically on immigration and integration policies in the Portuguese case. This is done by way of an analysis of the main policy developments in the recent past and a presentation of the main conclusions of a workshop involving multiple stakeholders that was held specifically for the purpose of writing this report. The conclusion sums up the main findings and puts forth a number of recommendations.

When it comes to such politically sensitive issues as those addressed in this report – demographic and family policies, employment and unemployment, redistribution, migration and integration, to name a few – the decisions over the desired outcomes

should be the result of broad democratic discussions engaged in by well-informed societies. Like it or not, Portuguese society will have to keep making those decisions in the decades to come – failures to decide and act upon those decisions will in themselves constitute decisions by omission. By bringing together data, analyses and interpretations that touch upon all of these issues, this report seeks to help a better-informed Portuguese society make these decisions.

6.1 Demography: Recent Trajectory and Projected Developments

Recent trends

As highlighted by Ferrão (1996), among other authors, the years between 1960 and 1990 saw the belated modernization and convergence of Portuguese demography. By modernization we mean the gradual adoption of social, cultural, economic and epidemiological patterns and behaviours that characterize modern (as opposed to traditional) and (sub)urban (as opposed to rural) societies. It was a belated process, insofar as it paralleled, in many ways but with a considerable lag, similar trends experienced in most of the more advanced European societies in the previous decades towards which Portuguese society has been gradually converging.

Probably the single most expressive development in this period was the change in fertility behaviour: from 3.1[4] in 1960 (well above replacement level), the Portuguese Total Fertility Rate[5] (TFR) had dropped to 1.6 by 1990 – a trajectory that provides a clear illustration of the social, cultural, economic and even territorial changes experienced by Portugal. These changes in fertility were sudden, significant and came to stay: the total fertility rate dropped below the replacement level of 2.1 in 1983 and has not recovered since. In turn, changes in mortality have not been as radically concentrated in time as those in fertility. The epidemiological transition can to a certain extent advance through gradual technological progress, without necessarily requiring socioeconomic rearrangements of the magnitude of those involved in the fertility transition – and, indeed, life expectancy at birth[6] (LEB) rose consistently in Portugal throughout the entire 20th century. After a period of intense expansion between 1920 and 1960, from 35.8 and 40.0 for men and women, respectively, to 60.7 and 66.4, the LEB kept on the increase and had reached 70.2 and 77.3 by 1990.

If the years between 1960 and 1990 were those of the most historically profound changes in Portuguese demography, those between the early 1990s and the present have seen the consolidation of these “modern” patterns. So it was in particular with respect to the

4 All the data in this section are taken from the website of the Portuguese Statistics Office, or Instituto Nacional de Estatística (INE): www.ine.pt.

5 I.e., the average number of children that women in a given population would give birth to over the course of their lifetime if they were to be subject to the age-specific fertility rates prevalent in that population in a given year. It is computed by adding up the age-specific fertility rates.

6 I.e. the average number of years that a person in a given population could expect to live if s/he were to be subject during the course of his/her lifetime to the age-specific survival rates prevalent in that population in a given year. It is computed by adding up the age-specific survival rates (which are the reciprocal of the age-specific mortality rates).

TFR, which continued to drop, albeit at a significantly lower rate (to 1.4 in 2005). It can in fact be argued that, in a certain sense, Portuguese society continues to lag behind the most advanced European societies in this respect – in this case, in carrying out the social and institutional rearrangements (e.g. a greater level of child-care provision or greater work-schedule flexibility) that are needed in order to bring the TFR back up again in the context of a modern society (although under no circumstances do these return to the levels experienced in the "traditional" past). Still, it is worth joining Nicola (2006) in noting that, while lagging behind in this sense as compared to more advanced European societies, the current levels of the TFR in Portugal are nevertheless above those currently experienced in other Southern European countries (e.g. Italy and Spain), where the TFR has dropped below 1.3 in the final years of the 20th century – a level characterized by Kohler et al (2002, cit. in Bijak, 2004) as "the lowest-low fertility". Nevertheless, the current trend in this fundamental determinant remains decelerating decrease.

Looking at mortality, the past two decades have also been characterized by the persistence and consolidation of previous trends: the LEB for both men and women has continued to rise (from 70.2 and 77.3 in 1990 to 74.9 and 81.4 in 2005), as the country continued to modernize. Also, at the beginning of this period, there remained significant room for convergence with regard to the more advanced European societies. The pace of this convergence is expected to decelerate in the future as the absolute gap diminishes further, but the pace of the expansion itself will ultimately also depend on the trajectories of the countries farther along the epidemiological transition, as they reflect the state-of-the-art technologies available for postponing death.

While the consequences of these changes in the determinants of natality and mortality upon the age structure (hence, upon the level of population ageing) typically take a few decades to fully manifest, they take even longer to have an effect upon the overall population volume. In this latter case, the expansion in life expectancy can exert – and indeed has exerted – a (temporary) countervailing effect with regard to the drop in fertility. Until the generations born in the days of high fertility complete their life-cycle (a time that is fortunately still being postponed by the reduction in their age-specific death rates), they will indeed continue to ensure that the drop in the absolute population volume does not occur neither as soon nor as suddenly as the increase in the level of population ageing. The evolution of the total resident population of Portugal, from around 9,867,000 in 1991 to around 10,356,000 in 2001 (Census data) and an estimated 10,599,000 in 2006 – i.e., not having yet begun to decrease despite more than two decades of below-replacement fertility – supports this conclusion[7].

Projected developments

Sustained rises in life expectancy and falls in fertility to below-replacement levels necessarily entail a process of population ageing. That process has come to stay in Portugal. Its lesser or greater magnitude in the decades to come, however, depends

[7] Bear in mind, however, that the total resident population also includes the immigrant population, which has indeed increased substantially, particularly throughout the 1990s and early years of the 21st Century. Nevertheless, immigration by itself does not fully account for the aforementioned increase in the total resident population.

not only on the past and present behaviour of the population fundamentals referred to in section 1.1, but also on the their expected *future* behaviour. Therefore, in order to be able to adequately plan for the future, one has no option but to work with *population projections*, which in turn should be based on informed assumptions. In this section, we draw on the population projections published by the Portuguese Statistics Office (INE) and by the Central European Forum for Migration Research (CEFMR) in order to quantify the magnitude of the ageing and population-decline trends under varying assumptions so as to illustrate the most likely future developments.

Both projection exercises followed the cohort-component method, whereby assumptions are separately made for each component of population change (mortality, fertility and net migration), and considered similar time horizons (2000–2050 for INE; 2004–2054 for CEFMR). The reader is referred to INE (2004) and Magalhães and Peixoto (2006) for a detailed presentation of the assumptions made by INE, as well as to the dedicated internet website[8] set up by CEFMR and to Bijak and Kupiszewski (2007)[9] for a detailed explanation of those considered by CEFMR.

The INE projections yielded the following results (Fig. 1): in the Base scenario, from an initial 10,356,000 in the beginning of the period, the total resident population is expected to increase to 10,626,000 by 2010, before dropping to 10,206,000 in 2030 and 9,302,000 in 2050. The relatively moderate character of this decline is due to the joint impact of positive migration flows, a relatively optimistic recuperation of fertility and the time horizon of the projection (since, under expanding LEB conditions, many children of the days of high fertility will still be alive by 2050). By contrast, under the assumptions considered in the Low scenario (zero net migration flows and "lowest-low" fertility), Portugal's total resident population would decrease from 10,356,000 (2001) to 10,127,000 (2010), 9,109,597 (2030) and 7,467,000 by the end of the period (a return to the levels of the 1930s). Finally, in the High scenario, the effect of the past drop in fertility would be largely offset by its hypothesized future increase to 2.0 and by significant net immigration, leading to a relative stable total population over the period: 10,027,000 in 2050, from 10,356,000 in 2001, 10,694,000 in 2010 and 10,513,000 in 2030. While absolute population decline by the end of the period is a constant in all three scenarios (most notably, of course, in the Low one), it is partly offset in all three cases by the increase in LEB. Its full foreseeable magnitude is only partially disclosed: a time horizon extending further into the future would reveal a further decline.

Still, there are not really good grounds for considering population decline *per se*, of this order of magnitude and at the national level, as a relevant policy concern: a much more pressing concern is the issue of population ageing. The INE projections are telling in this respect, since the indicator most commonly used to analyse population ageing, the Old-age Dependency Ratio[10] (ODR), undergoes a massive increase in all three scenarios (Fig. 2): in the Base scenario, from 24.5% in 2001 (i.e., roughly four people within working age for each person within the traditionally defined retirement age) to a projected 57.7%

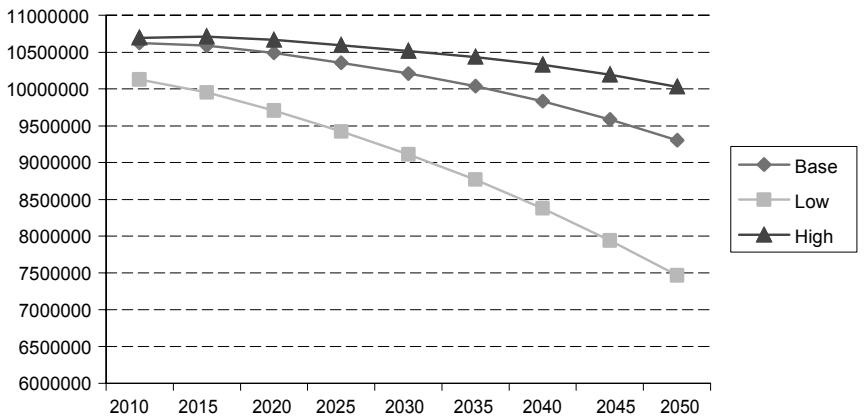
8 http://www.cefmr.pan.pl/browser/

9 Accessible through the "Help" section of the aforementioned website.

10 I.e., the ratio of the population aged 65 and older to those between the ages of 15 and 64.

in 2050 (i.e., a ratio of 1.7 to one). The end-period level in the Low scenario is even more impressive (67.1%, or 1.5 potential workers for each person within retirement age) and only slightly more favourable in the High scenario (53.7%, or a potential support ratio of 1.9 to 1). This is because even the much greater number of births optimistically allowed for in the High scenario does not start to have an impact upon the population of working age until after fifteen or so years into the future, and even then only a gradual one. In any imaginable scenario, then, population ageing will be an inescapable reality in the next few decades that will call for major social and economic rearrangements, not least due to a much greater strain upon the pension and health-care systems.

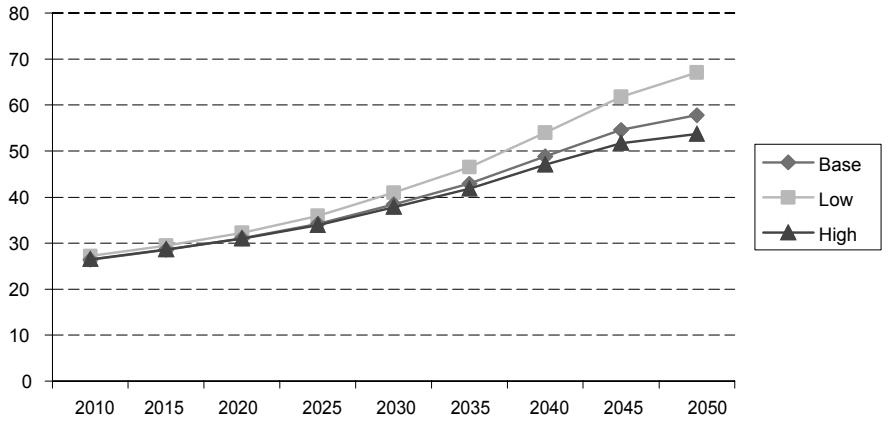
Figure 1. **Total Resident Population of Portugal 2010–2050, INE Projections (Base, Low and High scenarios)**



Source: Portuguese Statistics Office (INE)

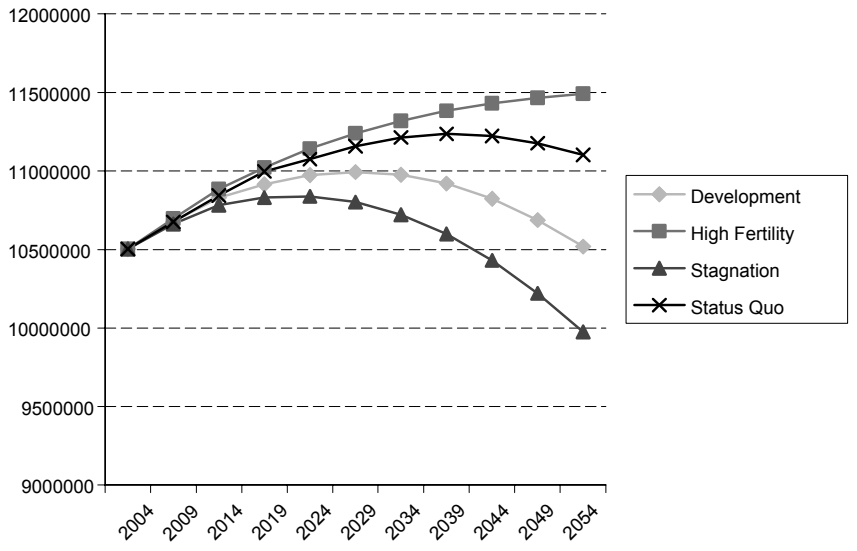
Comparing the results of the INE projections (as regards the total resident population) with those produced by the CEFMR (Fig. 3), it becomes clear how sensitive population projections are to differences in assumptions. In contrast to the former, CEFMR's "most populous" scenario results in a projected total population of 11,491,834 by 2054 (compared to 10,027,348 in INE's High scenario by 2050), whereas the total population in its "least populous" scenario by the end of the projection period (9,975,623) is much larger than that in INE's Low scenario (7,466,983). These differences are due to more "optimistic" assumptions with regard to LEB and migration.

Figure 2. **Old-age Dependency Ratio (65+/15–64), 2010–2050, %, INE Projections (Base, Low and High scenarios)**



Source: authors' calculations based on data from the Portuguese Statistics Office (INE)

Figure 3. **Total Resident Population of Portugal, 2004–2054, CEFMR Projections (Development, High Fertility, Stagnation and Status Quo scenarios)**



Source: Central European Forum for Migration Research

Nevertheless, what is most noteworthy is that the differences are much less significant when we look at the ageing indicators: the projected 2054 levels of the ODR in CEFMR's four scenarios (60.6%, 57.5%, 56.1% and 63.4%) are in fact quite similar to those for 2050 in INE's three scenarios (57.8%, 67.1% and 53.7%), which is explained by the fact that the greater expansion in the LEB allowed for in the CEFMR projections (compared

to the INE assumptions) reinforces the effects of the assumed relatively greater rise in fertility and relatively greater levels of net migration as far as the total population figures are concerned, but offsets them as regards the ageing dynamics.

Thus, the main conclusion to be drawn is that while population decline can be expected to occur in all of INE's three scenarios, but may be offset to a large extent by immigration, recuperating fertility levels and an expanding LEB (as shown by the results of the CEFMR projections), population *ageing* will inevitably occur very significantly in any conceivable scenario based on the available information. It inevitably follows from the massive change in the fertility behaviour of the Portuguese, and it will only be compounded by increases in life expectancy.

6.2 The Labour Market: Linking Population and Output

As hinted at by the use of the ODR as an indicator of population ageing, the main problem with ageing concerns the decreasing ability of a shrinking labour force to provide for an expanding share of dependents. However, the relationship between a society's total population – or that within the working age – and the total level of output (which must provide for the dependents and the economically active alike) is not a straightforward one. Rather, it is mediated by a series of other variables that ultimately determine the extent to which a given potential labour force is able to sustain the burden associated with an evolving age structure. These variables can be divided into two groups: i) the first one concerns the labour market and is made up of those variables that express the relationship between the *potentially* active population and the *actual* labour supply (labour force participation rate, unemployment rate, average number of working hours per employed worker); the second one concerns the average *productivity* of labour – productivity increases being one of the ways in which a shrinking labour force can sustain the same, or an increasing, dependent population. On the other hand, yet another aspect of relevance to this discussion is the size and characteristics of the informal or underground economy. Informal activities inherently entail several disadvantages[11] (including the illegal character of some of them, the fact that they give rise to unfair competition and the impossibility of ensuring that labour standards and regulations are respected), but of greatest importance for our purposes is the fact that, by definition, taxes and social security contributions cannot be levied on them. Therefore, a higher incidence of informality will inevitably imply placing an even greater burden upon those citizens who, through taxes and contributions levied on their (formal) activities, have to support the dependent share of the population.

The following sections provide an overview of the Portuguese economy as far as all these variables are concerned.

[11] Although possibly also some positive ones, including the possibility of greater flexibility benefiting both workers and employers (DGEEP/MTSS, 2006a).

Labour force participation

The overall labour force participation rate[12] (LFPR) in Portugal is both relatively high and rising: by 2004, it amounted to 73.0% (as compared to 69.7% for the EU-25), upwards from 70.6% in 1998 (OEFP, 2006). The latest Eurostat data (Eurostat, 2007) confirms the persistence of this trend: by the second quarter of 2006, the Portuguese LFPR had continued to rise to 73.8%, against 70.4% in the EU-25. This differential is accounted for by the sex-specific LFPRs of both men and women, but especially so by the latter: the female LFPR in Portugal in the second quarter of 2006 was as high as 68.4% (EU25: 63.0%), whereas the male one was 79.4% (EU-25: 77.9%). Portuguese women are more economically active than the EU-25 average from the age of 25 upwards, and especially so in the older economically active age groups.

Future significant increases in most age-specific labour force participation rates do not seem likely in the Portuguese case, as they are already at relatively high levels in comparative terms. Indeed, under current institutional conditions, they probably could take place only at the expense of other outcomes, such as raising the fertility rate or ensuring the improvement of the future skill level of the working population. The exception, in line with the epidemiological transition theory, may consist of the group of the older potentially active, as further decreases in morbidity among the individuals in this age group may, especially in the long run, still leave substantial room for further active ageing – even for a radical rethinking of the concepts of "ageing", "old age" and "retirement age". On the other hand, it is true that the population ageing and decline scenarios presented in the section 1 will, by way of the labour shortages that they will most likely give rise to, probably turn labour into a more scarce – and consequently better paid – production factor, which will automatically create an added incentive to keep on working or to actively seek employment across all sex and age groups.

Employment and unemployment

The recent increase in labour force participation in Portugal has allowed the employment rate[13] *and* the unemployment rate[14] to increase simultaneously. Between 1999 and 2005, employment grew slightly from 67.5% to 67.6%, while unemployment (as computed from the labour force survey) rose from 4.5% to 7.6% (OEFP, 2006a).

Despite this latter – and significant – increase, the unemployment rate in Portugal has in recent times always stayed below the EU-25 average, even though the gap has been diminishing (4.5% compared to 9.1% in 1999, 7.6% compared to 8.7% in 2005: id, ibid). Before the recent surge in unemployment from 2001 onwards, which has been largely due to a combination of business cycle (insufficient effective demand) and structural factors (economic restructuring resulting in a mismatch between skills and jobs), unemployment in Portugal was in fact less than half that in the EU25. The characteristics of the unemployed are indicative of a labour market undergoing restructuring, but whose institutional framework values security of employment over efficiency and job creation.

[12] I.e. ratio of the economically active – employed or unemployed – to total population over the age of 15

[13] I.e., the ratio of the number of employed people to the total population of working age.

[14] I.e., the ratio of the number of unemployed people to the labour force.

Despite the fact that Portuguese firms certainly still need a more highly skilled labour force to help them move to a higher value-added competitiveness model, both the relatively skilled (secondary or tertiary education) and young people are significantly represented among the unemployed (id, ibid). On the other hand, Portuguese unemployment is also gender-biased, indicating patterns of discrimination against women in the labour market (Casaca, 2005): unemployment for women in 2005 was 8.7%, i.e. 2 percentage points above that of men, 6.7%[15]. Finally, there is a very significant overrepresentation of workers previously employed in manufacturing and construction (OEFP, 2006).

If we turn to the Portuguese *employed* population (a total of 4,583 million in 2005, for an employment rate of 67.6%), we find a considerable overrepresentation of males inside the middle interval of the working age interval, i.e. 25–54 years of age (OEFP, 2006). On the other hand, compared to EU-25 figures, the Portuguese employed population shows a lower incidence of part-time employment (11.3%, compared to 17.7%) and a higher percentage of both employees with temporary contracts (19.8%; EU-25: 13.7%) and self-employed workers (24.1%; EU-25: 15.9%)[16]. The relatively higher share of the self-employed is again partly a reflection of the skewed Portuguese labour-regulatory framework, since, as indicated by DGEEP/MTSS (2006a: 48), many of them are not self-employed professionals in the true sense of the term, but rather workers performing permanent or semi-permanent functions who are forced to "disguise" their work as self-employment to enable their employers to circumvent the much more demanding requirements associated with other types of contracts.

The vast majority of jobs are accounted for by the service sector (57.3% in 2005, although at some distance from the EU-25 level of 69.7%; OEFP, 2006) – and will undoubtedly be so even more in the future, as the Portuguese economy continues to expand its tertiary sector, even without having fully modernized most of its industrial and agricultural sectors. As manufacturing subsectors such as textiles, clothing and footwear are finding it harder and harder to compete in the global market – largely due to competition from emerging economies with much lower labour costs – the service sector has become by far the main source of new jobs, including for low-skilled workers.

Ribeiro (2000) argues that the decline of the "mature"-industries model (metallurgy; chemicals; electrical appliances and devices; cars; textiles, clothing and footwear; etc) is forcing developed economies to look elsewhere for their sources of competitive advantage (health; environment; information; software and automation; leisure; financial, business-to-business and business-to-customer services). In an exercise aimed at identifying specific potential niches for this latter type of industries in which Portuguese firms may be able to sustain a competitive advantage in making internationally tradable goods in the future, DGEEP/MTSS (2005) highlight the following: communications and electronics manufacturing; hi-tech components for the aeronautical, automotive, oceanic exploration, medical and pharmaceutical sectors; plastics; specific computer software, web services and multimedia; and the production of high value-added agricultural goods.

[15] Source: INE website.
[16] Source: Eurostat (data for 2005).

Tourism will remain important in terms both of its weight in the total output and of employment generation, since it is based upon the exploitation of the country's resources as a partial international monopoly. Finally, certain Portuguese firms may also continue to be globally competitive in carrying out large-scale infrastructural work in developing countries undergoing rapid urbanization and modernization, as already visible in the examples of large-scale infrastructural projects in the transport, telecommunications and construction sectors won by Portuguese corporations throughout the developing world. It should be pointed out, however, that the goal of international competitiveness by Portuguese firms is partly undermined by a fundamental weakness: the share of the adult population (aged 25 to 64) that had completed upper secondary education by 2005 amounted to only 26.5 per cent, as compared to a EU-25 average of almost 70 percent – even though the former 26.5% did constitute a significant improvement from a total of less than 20 per cent in the late 1990s. Similarly, Portugal is one of the OECD countries with the fewest adults who have completed a tertiary education degree (12% in 2005, compared to an OECD average of 25%[17]).

Alongside this (hopefully large and dynamic) internationally competitive sector, another one will co-exist that will mostly provide non-tradable goods and services protected from global competition by virtue of their *proximity* requirements: urban, household, personal care and health services; services to businesses; certain local retail and business outlets (e.g. restaurants and cafés); and the social economy as decentralized provider of collective goods. As a consequence of population ageing, the demand for these activities is likely to experience especially high growth in the field of personal care and health services. The changes in the structure of employment by professional categories are consistent with the aforementioned thesis: the largest professional category (*blue-collar*, *craftsmen and similar workers*, accounting for 18.6% of the employed population in 2005: OEFP, 2006) was also the one which experienced the greatest drop between 1998 and 2005: a net loss of 146.5 thousand. Conversely, the occupational categories that have grown the most have been *intellectual and scientific professionals* (a net +134.9 thousand) and *upper-level managers in the public and private sectors* (+112.9 thousand).

Average number of hours worked and labour productivity

The data provided by the OECD concerning the *average annual number of hours of work per worker* is computed by dividing the total number of hours worked in the economy by the total number of persons in employment. This data allows for two main conclusions: the first one is that this indicator has in the Portuguese case been undergoing long-term decline, but remained relatively constant over the past few years (1,685 annual hours of work in 2005 compared to 1,691 in 2000[18]), as indeed has been the case in most OECD countries. The second conclusion is that while Portugal's figures are not very distinct from those in, say, Spain, France, Germany or the United Kingdom, they do seem to be considerably below those in Greece (a Southern European country commonly used as a benchmark with respect to economic performance) and, most notably, Korea. Although it is important to look at these figures with some caution – the OECD itself

[17] Source: OECD.
[18] Source: OECD.

warns that the differences in the data-collection methodologies used in the various countries can compromise the adequacy of international comparisons (as opposed to diachronic analyses for a single country). The magnitude of the differences in the two former comparisons (with Greece and Korea) seems to suggest that there might remain some room for the Portuguese economy to accommodate a greater number of average working hours. This is a possible "solution" to the additional burden associated with population ageing that, of course, entails trade-offs in terms of time available for leisure and for "non-productive" labour in the household and in the community.

Another possible way in which both the total output and the tax base can increase (or be kept from decreasing as much) in the presence of a decreasing labour force is through increases in labour productivity, or the average output produced in the economy per hour of work. The gap is in this case a huge one – by 2005, labour productivity (GDP per hour worked) in Portugal (24.1 USD) stood at less than half that in France (49.0 USD) or in the United States (48.3 USD)[19] –, the problem consisting of how to narrow it in the context of rising global competition and a relatively unskilled labour force. Even though labour productivity in Portugal increased considerably in the 1990s, it has stagnated since the turn of the millennium and failed to significantly converge with the more advanced industrial economies over the past twenty years.

The informal economy

The size of the informal or underground economy in Portugal has been estimated by Schneider and Klinglmair (2004) as amounting to 22.3% of GDP in 2002/2003. It stabilized, around 22%-23% throughout the late 1990s and early years of the 21st century, after having apparently increased very significantly in the early 1990s. The figures presented for Portugal by these authors are relatively similar to those found in Spain or Italy and, though below those in Greece, significantly above those in all the northern and western European countries.

Few scientific studies, however, have sought to assess or measure the Portuguese informal economy as a whole. Research has more often focused on one of its aspects, namely undeclared work. Weber (1998), for example, has found undeclared work in Portugal to be "(…) the preserve of illegal immigrants and women. Sectors particularly affected are textiles, the retail trade and construction". Reyneri (n/d:7) specifies further, although for the group of Southern European countries taken together (Portugal, Spain, Italy and Greece), that the sectors and occupations in which undeclared work is most commonly found are "seasonal harvesting in agriculture, manual labourers and bricklayers in construction, housekeeping and caring for the elderly, low-skill services in metropolitan areas (waiters, dishwashers, cooks and other jobs in restaurants; gas-pump operators; guardians, concierges, night watchmen, painters; blue collar workers in repair workshops, garages and cleaning firms; porters and transport workers; home delivery workers; cleaners, low-level workers in butcher shops and bakeries, and so on)".

[19] Source: OECD website.

The construction sector (Baganha, 1998a and 1998b; Baganha, Marques e Góis, 2002) has traditionally been one in which migrants make up a large share of the labour force and, at the same time, one in which the prevalence of informality is especially high. Based on information from privileged informants in the sector, DGEEP/MTSS (2006b) have estimated undeclared work to account for 15% to 37% of the total work performed in construction in the Lisbon region in 2001. Another specific area characterized by the coexistence of significant informality and the recruitment of foreign workers, in this case mostly women, is cleaning and caring. Indeed, given the exhaustion of the unskilled labour-intensive industrial model, it is likely that undeclared work will increasingly be a feature of the "secondary" labour market associated with the service sector – with construction continuing to contribute very significantly in highly pro-cyclical fashion.

6.3 Migration Flows to and from Portugal: Economic and Labour Market Impacts

In a context of rapid and significant change in the demographic profile of the Portuguese society, with potentially serious impacts upon the labour market and the economy, it is especially important to scrutinize international migration flows as one of the main variables with the potential to either attenuate or aggravate the problems in the aforementioned domains. The reasons for this are simple: positive net migration flows increase the resident population both directly (through the migrants themselves) and indirectly (through their offspring); migrants are typically characterized by higher than average labour-force participation rates, which renders them particularly relevant from a labour-market perspective; and migration (especially *labour* migration), whether primarily governed at the state level or within the context of formal or informal migration networks and chains, constitutes a relatively immediate and automatic "adjustment valve" for the problems of either labour shortage or excess. Since it is *net* migration (i.e., immigration minus emigration) that is relevant, however, and because Portugal is characterized by a "mixed" migratory regime in which both flows coexist, this section looks at the background and characteristics of both emigration and immigration.

Emigration

Portugal has long been a country of emigration, but both the main destinations and the characteristics of the flows have changed considerably over the long run. Throughout most of the last century, the vast majority of Portuguese emigrants were permanent emigrants, who settled by the hundreds of thousands first in the American continent (the predominant destination area in the early 20th century) and then mostly in the more developed European countries (particularly France, Switzerland and Germany). As a consequence, the number of Portuguese nationals or individuals of Portuguese origin scattered throughout the world *in the present day* adds up to around 4.8 million (Pimentel, n.d.), compared to a total resident population of just over 10 million.

More recently (from the early 1980s onwards), an important qualitative change took place, as emigration of a temporary character gradually increased and overtook permanent emigration (Peixoto, 2004a). The latest available figures indeed show that temporary emigration accounts for around 75% of total emigration flows (INE, 2004b), which reflects the increasingly "contemporary" character of the Portuguese emigration regime – one in which international mobility is regarded as a strategy for upward social, economic and professional mobility that possibly involves just a short-term phase in the life-cycle. It is likely that this relative upsurge in temporary emigration corresponds to the increasing predominance of short-term, often "circular", migration intentions – rather than to a subterfuge for permanent migration, disguised as temporary for legal reasons, as initially thought (Baganha, 1993). The estimated number of annual temporary emigrants thus amounts to around 20,000 in the latest years for which data is available, after peaking at close to 30,000 in 1997 – which contrasts with annual permanent emigration figures consistently below 10,000 since 1994 (dropping to a historical minimum of 4,000 in 1999). Despite the increasingly temporary character of their migration intentions, the main destinations chosen by the emigrants of the recent past have not differed very significantly from those of the days of mostly permanent migration. In particular, France and Switzerland remain the most significant destinations (INE, 2004b). Arguably the most notable developments in this respect have been the emergence of Spain and the United Kingdom as relevant receiving countries and the waning interest in Germany as a destination country for Portuguese emigrants.

Immigration

Like Portuguese emigration, so has immigration to Portugal undergone some profound changes in the recent past. In itself, it is a relatively recent phenomenon, at least on a significant scale: it was not until the 1970s that immigration to Portugal became truly considerable, following the democratizing revolution in Portugal and the independence of the former colonies in Africa, which led to the inflow of both nationals of those countries and, especially, hundreds of thousands of Portuguese return migrants who fled the turmoil in the newly independent African countries.

While the formation of a post-colonial migration system dates back to the moment of democratization and decolonization (or even before that), it was the political, and especially economic stabilization and development of the Portuguese society – particularly after joining the EU, then EEC, in 1986 – that lay the foundations for Portugal to become a more significant country of immigration, drawing in migrants from a wider variety of origins. Since, as we have seen, emigration from Portugal did not wane concomitantly – rather, it changed its predominant character from permanent to temporary – it can certainly be said that Portugal has come to be characterized by a "mixed" migration regime of an increasingly complex, global and "post-modern" character. Why this is this case with regard to immigration is easily explained. On top of the post-colonial migration flows that inaugurated the era of immigration to Portugal, layer upon layer of subsequent flows with distinct characteristics have been superposed. There is a contingent of relatively skilled migrants from Brazil (typically professionals moving independently) and the EU (mostly within the framework of the internal labour markets of transnational corporations) beginning in the 1980s; steady though relatively minor migration flows

from areas such as China and South Asia from the 1990s onwards; and much more impressive migration flows from Brazil and a variety of Eastern European countries, only this time consisting mostly of labour migrants targeting low-skilled segments of the labour market, in the late 1990s and early 21st century.

The stock of foreign citizens regularly staying or residing in Portugal is a reflection of the accumulated history described in the previous paragraph. There are three different legal titles in Portugal that confer to foreigners the right to long-term permanence in the country. These are residence permits, permits to stay[20] and long-term visas. Adding up the numbers in the three categories yields a total of 415,934 foreigners in a regular situation as of 2005, the latest year for which data is available (INE, 2006). At that time, the most numerous national groups were the Capeverdeans (67,457), followed by the Brazilians (63,654) and the Ukrainians (43,799). These figures reflect the massive relative increase in the stock of foreign citizens that took place around the turn of the century, from around 178,000 in 1998 to the aforementioned 416,000 in 2005. Despite this significant increase, however, the share of foreign citizens in the total resident population of Portugal (just over 4%) remains well below those in countries such as Spain, France or Germany – even though their weight in Portugal's labour force is higher than that: a calculation based on the fact that two of the three main legal titles enabling foreigners to remain in the country require that they be employed (permits to stay and long-term work visas), and on applying the Census 2001 LFPR for foreigners to the remaining legal title (residence permits), makes it possible to estimate that foreigners probably account for at least 5.1% of the labour force (and most likely more than 6% if irregular migrants are taken into account).

Despite their still relatively limited share in the Portuguese population, the significant increase in the number of foreign citizens has had some relevant effects on the overall demographics of Portuguese society. For example, Rosa, Seabra e Santos (2004) pointed out that foreigners accounted for 22% of the increase in the total resident population of Portugal in the inter-census period 1991–2001 – and the equivalent figure for the years since the last population census is certainly higher than that, as the natural balance has continued to decrease and immigrant inflows have persisted at relatively high levels well into this century[21]. The foreign population's contribution to fertility in this country is also attested for by the fact that the total fertility rate among foreign women was much higher (2.4) than that of Portuguese nationals (1.5) (Rosa, Seabra and Santos, 2004) – despite the well-documented tendency for migrants' fertility rates to gradually converge with that of the autochthonous population.

The participation of foreign nationals in the Portuguese labour market may be characterized as considerably more "polarized" than that of the Portuguese: foreigners

[20] Even though the law that instituted "permits to stay" was revoked in 2003 and no new such titles were issued from then onwards, those that had been issued have been prolonged on an annual basis, subject to certain conditions.

[21] It is not possible, however, to rigorously compute a comparable figure, since the methodology used in the census (which aims to survey foreigners with both regular and irregular status) differs from that used in computing the stocks previously referred to (which consist only of foreign citizens with regular status).

are over-represented both in the highly skilled categories and in the low-skilled end of the occupational spectrum. However, the timing and the main nationalities of the immigrant flows contributing to the two sides of this over-representation exhibits considerable differences. While migrants associated with post-colonial "lusophone"[22] migration have traditionally taken up low-skilled and low-paid jobs (particularly in construction and cleaning, in the case of males and females respectively), the nationals of the other EU countries and the first wave of Brazilian immigrants have typically occupied positions in the "primary" labour market (Baganha, Ferrão and Malheiros, 2002; Baganha, Góis and Pereira, 2005; Peixoto, 2002a).

The most recent and numerous immigration wave, made up for the most part of Brazilian and Eastern European nationals, was again directed overwhelmingly to the "secondary" labour market, despite the fact that the latter are known to possess higher average skills' and educational levels than the Portuguese population in general. This is a well-documented instance of deskilling and "brain waste". Within the "secondary" labour market, however, even the typical labour market insertion trajectories of these two latter groups have exhibited distinct features. Whereas the Brazilians' command of the Portuguese language and their stereotypical cultural characteristics have rendered them particularly attractive, from the employers' point of view, for jobs that involve dealing with customers (e.g., in cafés, restaurants and commerce), the integration paths of the Eastern European immigrants have been relatively similar to those traditionally followed by the African nationals – with jobs in the agricultural sector, providing the main exception. This has placed these two latter "macro-regional" immigrant groups in direct competition against each other in sectors such as construction and household cleaning – although that competition is likely of much lesser significance with regard to the autochthonous population. In fact, as already stated, the domestic Portuguese population has grown less and less willing to take up the sort of low-paid and "3-D" (dirty, dangerous and difficult) jobs performed by these immigrants, even while many *emigrants* consider doing just that in the context of their host countries.

Data on "socio-economic groups" (a statistical category that is mostly based on occupation and professional status) indicate that, among the economically active foreign population surveyed in the Census (142,442 in 2001), 15.4% were employed in commerce and service outlets, 54.2% were blue-collar workers (four fifths of which unskilled) and only 12.9% were independent professionals, upper cadres and intellectual/scientific professionals (dominated by EU nationals). Another aspect worth highlighting is overrepresentation (9.1%), compared to the autochthonous population, of foreign entrepreneurs and owners-managers of small businesses. As confirmed by recent research on this topic, immigrant entrepreneurship remains most significant in the case of the EU and Asian nationalities (Oliveira, 2004).

The patterns of professional occupation of the foreign population(s) are naturally related to their levels of educational attainment. Census data[23] show that the foreigners' educational attainment distribution is significantly associated with their geographical

[22] I.e., originating in Portuguese-speaking countries.
[23] Accessible through the INE website.

origin: by 2001, 47.9% of the EU nationals had completed either secondary or tertiary education, as opposed to only 17.5% of the Africans – Americans with 39.3% and Asians with 33.2% standing somewhere in between. Unfortunately, no systematic data has recently been collected on the educational attainment of the nationals of all the countries with an immigrant presence in Portugal. However, both the Census figures and some latter research indicate that Eastern European nationals stand clearly above the average, in educational terms, of both the entire immigrant population and the Portuguese population. Their level of professional deskilling is therefore high, as they perform low-skilled jobs despite their relatively high levels of educational attainment.

In closing, it is worth mentioning the attempt by Ferreira, Rato and Mortágua (2004) to assess the impact of immigration upon the Portuguese economy by estimating the foreign population's contribution to Gross Value Added, on the one hand, and to enhancing labour productivity in two sectors in which foreign workers are especially represented – (i) construction; and (ii) commerce, hotels and restaurants – on the other. Although highly compromised by the lack of satisfactory primary data, these authors concluded that foreign workers accounted for 5% of domestic Gross Value Added (at a time when their share in the total labour force amounted to 6%) and that immigration accounted for an increase in average labour productivity in the two aforementioned sectors in the range of 30%-35% (taking 1992–1997 and 1998–2001 as the two reference periods in this econometric estimation). In a similar vein, Almeida (2003) has estimated that the foreign population has had a net positive impact of 324 million Euros upon the public budget in 2001 (the only year for which that exercise has been carried out), i.e. over 1,000 Euros per foreign citizen with a regular status – a result that seems plausible given the foreign population's relatively lower dependency ratios (hence, relatively lower health and education expenditure requirements) and their relatively higher labour force participation.

6.4 Policy Options

Even though immigration may not be *the* solution to the problems associated with population ageing (the scale of the migration inflows required to offset them is inconceivably large), it certainly is *a* possible partial solution – as is reliance upon greater labour force participation, more working time, diverting gains in labour productivity to addressing this issue, and/or seeking to raise fertility levels. Each of these possible partial solutions has its own associated costs and benefits, which is why the determination of the *optimal* combination of them in order to address the problem at hand is a political, rather than technical or scientific, issue.

Portuguese society, through its democratic decision-making mechanisms, may well decide that it wishes to forego using its productivity gains to improve its standard of living and simply divert them to compensating the worsening ODR – in order to avoid working a greater number of hours, avoid having a larger number of the economically inactive enter the labour force and avoid letting a larger number of immigrants into the country. Or it may instead decide that it wishes to adopt a "Korean" working-time regime, so as to offset the ageing problem while channelling productivity gains to improving standards

of living and letting zero immigrants into the country. Or, which would be more typical, it may adopt a more balanced solution to this implicit joint optimization exercise and draw on each of these solutions to the extent that the gains from doing so more than exceed the disadvantages implied by them. In sum, it is clearly a matter of trade-offs.

It should be stressed, however, that there are several reasons – besides the "deterioration in the dependency ratios" argument – for immigration to be considered a potentially positive (and probably unavoidable) feature of the future of Portuguese economy and society. First, labour shortages may occur not only due to the endogenous demographic dynamics, but also as a result of changes in preferences: the existence of a dual labour market implies that a part of the native population may prefer other forms of living, or even emigration, to taking up socially or economically disregarded jobs. Therefore, even in a demographic "steady-state" situation, there may well be temporary or structural labour shortages that require immigrant labour in order to be filled. Second, ageing by itself (i.e. regardless of the countervailing trajectories of labour force participation, labour productivity, etc.) will most likely bring about specific skills shortages. In particular, health and caring for the elderly will in the future be fast-growing sectors, in which it is extremely likely that the demand for labour will increase too fast to be met by the autochthonous labour supply. Given the fact that these sectors rely mostly on labour-intensive technologies and that many of the jobs involved cary low social status and pay badly, it is very likely that they will increasingly rely on "secondary" immigrant labour. Third, the increased liberalization of labour flows benefits a lot of people in some very real ways: the migrants themselves, of course (otherwise they would hardly choose to migrate), but also the host-country consumers (who thereby benefit from a higher *real* standard of living due to lower labour costs) and the holders of complementary production factors (e.g. employers and skilled workers). Finally, a country's migration policy need not – and arguably should not – be driven by strictly utilitarian criteria; rather, it should reflect a country's stance towards international solidarity and human rights and the role it wishes to play in the international arena. This is all the more obvious in the case of a country like Portugal, whose diaspora amounts to millions and who wishes to maintain friendly and mutually beneficial relations with its EU partners and its former colonies (to name the two most obvious examples).

Returning to the issue of the joint optimization exercise referred to above, it is important to note that the "instruments" are not independent from each other and cannot be treated as such. For example, measures aimed at increasing fertility will, all other things being equal, bring about a decrease in the employment rate. This is because some parents will not be able to work, at least in the few months prior to birth and immediately after it. Measures aimed at increasing the employment rate by raising the labour force participation of young adults may be possible only at the expense of additional schooling, thereby compromising productivity gains. The list goes on. On the other hand, some of these instruments have an "automatic stabilization" component to them. For example, a decreasing (in relative terms) labour force, in the presence of relatively stable total demand, capital stock and investment rate, is likely to lead to gains in labour productivity (due to greater capital intensity). It should also lead to an increase in wages (due to labour becoming more scarce), which will in turn increase the likelihood of potential immigrants wishing to enter the country and of the economically inactive (re)entering the

labour force. The implication of these automatically stabilizing effects is that, even in the case of a total inability to acknowledge the ageing problem or of a total lack of political will to address it, the consequences will in reality never be as dire as in the scenario of a shift in the age structure alongside an unchanged trajectory of the remaining influencing variables. In the following paragraphs, a brief presentation is made of the various policy options available for addressing the demographic challenge presented in section 1. It lists their main costs and benefits, some of their interrelationships, some of their "automatic stabilization" characteristics and the extent to which they have been mobilized in the Portuguese case in the recent past. It should not be regarded as an exhaustive treatment of these issues, but as a basis for further research and a contribution to a better-informed political discussion.

Thus, the first "group" of policy options consists of family and fertility policies with a view to influencing the fertility behaviour of the population and increasing the number of births. This may be done, for example, by increasing the availability and/or subsidizing the cost of child care, or by providing direct financial support to parents as a function of the number of children that they decide to bear. Its beneficial effects with regard to the demographic problem are obvious, since the increase in the number of youths offsets both population decline and population ageing. However, it should be borne in mind that it also brings about an increase in the total dependency ratio in the short run: it is not until at least 15 years into the future that those born in response to these policies start contributing to the production of output; in the meantime, they add to the pool of dependents. Moreover, fertility policies are often remarkably expensive and relatively ineffective – the decision to bear (more) children is probably much more responsive to the conditions in the housing and labour markets, for instance, than to (necessarily moderate) direct financial incentives. Finally, it is worth highlighting that fertility policies are among those that entail a series of trade-offs, as suggested before: on the aggregate, bearing and rearing a larger number of children reduces the labour force participation rate and the average working time. In the Portuguese case, no integrated family or fertility policy of this kind has been implemented: the impact of the modest and isolated measures impinging upon fertility that have been implemented (maternal leave, subsidized pre-school, financial support) must be regarded as necessarily limited due to the existence of structural constraints (e.g. the lack of widely available child care facilities, low income levels and the restrictions on maternal leave imposed by many firms).

The second group of policies in the portfolio of options to address the demographic challenge consists of policies which aim to increase the employment rate. As mentioned before, a decreasing (in relative or absolute terms) potentially active population can sustain an increasing (also in relative or absolute terms) dependent population without having to endure a larger burden, provided that the increase in the employment rate makes up for that shifting balance. Typically (and especially so in the Portuguese case), it is particularly hard to raise the labour force participation rates of those in the middle cohorts of the working age. The most effective possible measures concern younger adults, by way of measures making it easier to reconcile (part-time) work and education, and older adults, by raising the retirement age, removing compulsory retirement requirements and fostering active ageing. On the other hand, the employment rate may be raised not only by raising the labour force participation rate, but also by reducing unemployment. The

latter is obviously a policy goal *per se*, but it may be argued that more can yet be done in this field in the Portuguese case, particularly by enhancing the sectoral and geographical mobility of the workers and by further liberalizing the labour market (provided that the social safety net is reinforced, in line with the so-called flexicurity model). The "costs" associated with measures to increase the employment rate are mostly measured in non-monetary welfare terms and have to do with the smaller number of people available to perform essential but largely "invisible" socially reproductive work in the context of the household and community. Moreover, these policies also involve trade-offs: increasing the activity rate of young adults can occur at the expense of time dedicated to education and, hence, future labour productivity; it may also be possible only by drawing on the "marginally productive" (e.g. some of the older) workers, thereby lowering labour productivity; and it may jeopardize policies aimed at raising fertility. However, the employment rate has a built-in automatic stabilizer component: labour shortages directly increase the attractiveness of being economically active by raising wages; moreover, as labour becomes scarcer, unemployment tends to fall.

In the Portuguese context, several policy initiatives have been taken in recent times with the aim of curbing unemployment and fostering job creation. Presently, the single most important policy framework document in this field is the National Action Programme for Growth and Employment 2005–2008 (PNACE, 2005), which constitutes the national-level expression of a European Union initiative within the ambit of the Lisbon Strategy. It includes a series of strategic plans with an impact at the macro and microeconomic levels, addressing issues such as training and human capital formation, employment and social cohesion. Another important public strategy document is the National Employment Policy Plan 2005–2008 (MTSS, 2005), whose goals are to achieve full employment, improve the quality and productivity of labour and reinforce social and territorial cohesion. Its main priorities consist of attracting more people into work (and retaining them), improving social protection mechanisms, enhancing the adaptability of workers and firms and fostering human capital formation, namely by seeking to improve the skills and educational levels of the working population through a variety of measures (MTSS, 2005; PNACE, 2005; Soares, 2006).

In rather loose and piecemeal fashion, many other specific measures have been taken by various recent governments with the aim of increasing employment, improving labour productivity and reducing unemployment, some of which concern the rules of access to social protection mechanisms. These have included more systematic checks on the employment status of the registered unemployed and harsher conditions of access to unemployment benefits – for example, by making it more difficult for recipients to turn down job offers.

The third option, in line with our "decomposition" of the relationship between the potential labour force and the actual output produced in the economy, consists of increasing the average working time. This particular variable is liable to change mostly through its "automatic stabilizer" properties (when labour becomes scarcer, hence better paid, there is an incentive for each individual to supply a larger quantity of it). This is because it can only be implemented directly in the case of civil servants and it involves the risk of serious negative political reactions if imposed compulsorily. Moreover, the costs associated with

the reduction in leisure time and in the time available for socially reproductive work must also be borne in mind, as must the fact that the productivity of the additional working time will typically be lower. The most that can be done by public policies in this domain (and an option which is yet to be explored systematically in the Portuguese case) is to provide positive incentives for workers to work longer hours of their own free will.

The fourth policy option consists in increasing labour productivity, so that the same (or a decreasing) labour force can sustain an expanding dependent population. In reality, increasing labour productivity is a policy goal *per se*, so the *real* policy option in this case is to channel the actual or potential productivity gains to addressing the welfare problems associated with population ageing: diverting any of those gains to this particular use instead of other alternative (public or private) uses is therefore equivalent to a tax (one, of course, which the Portuguese may well decide to approve). Still, with or without population ageing, it is obviously commendable that all efforts be made to increase labour productivity, namely through lifelong education and training and by way of facilitating institutional changes. Fortunately, labour productivity has a partial "automatic stabilizer" component in the context of population ageing: labour shortages create an incentive to the adoption of more capital-intensive technologies, which increase labour productivity directly.

There is widespread consensus on the need to raise levels of schooling and professional training of the Portuguese population and workforce. Various successive governments have consistently introduced measures and reforms to achieve this. Even though the educational levels of the Portuguese population are still among the poorest in the EU, the relative number of individuals holding secondary and tertiary educational diplomas has been constantly rising, as has the number of those in vocational training. In this sense, it can be said that the stage is set for a steady – albeit slow – future increase in labour productivity.

The domain in which public policy has been most active in recent years when it comes to addressing the welfare consequences of population ageing is that of social security mechanisms. Due to the increasing burden associated with public budget deficits and the rising number of pensioners, a number of actions have been taken in order to reduce the additional financial burden that is being caused by demographic ageing and to protect the system from the risk of financial collapse in the long run. Given the politically sensitive character of the issues at stake, this process has been neither linear nor fully consensual. Still, some important steps have been taken, particularly in the past two years. In October 2006, the left-of-centre government and the main social partners managed to bridge most of their differences and signed an Agreement on the Reform of Social Security within the ambit of the Social and Economic Council, which brings together government, public administration, employers' associations and trade unions (CES, 2006). The reforms agreed upon included measures that impinge upon the social-security mechanism and its funding, such as convergence of the social security regimes, elimination of special regimes, postponement of the retirement age, a new pension calculation method, introduction of a new "sustainability" factor, taxes on pensions, penalties (in terms of the calculation of pensions) for anticipated retirements, and bonuses for postponed retirements. These various measures entered into force by way of a new law (Law no. 4/2007) in January 2007.

The final option in this portfolio is replacement migration, i.e. actively encouraging migration inflows in order to adjust the present and future age structure of the population, both directly (as most migrants belong to the potentially active cohorts) and indirectly (since the migrants' total fertility rate is typically higher than that of the autochthonous population). Generally speaking, this can be done both by way of greater liberalization of migration flows (presumably, labour shortages will automatically lead to in-migration) and through state-led direct recruitment schemes (more costly and often less effective).

From an economic perspective, replacement migration is particularly attractive as an option, given that it constitutes an immediate response to the problem of population ageing (without the 15-year or longer time lag associated with the policies to raise fertility) and because migrants (especially, and by definition, *labour* migrants) exhibit higher than average labour force participation rates. Of course, it is not without its costs, namely the risks of an adverse reaction on the part of the autochthonous population (racism, xenophobia) or of the failure of the migrants to integrate (possibly leading to the formation of ghettoes or antagonistic subcultures). Mitigating these risks requires substantial investment in measures to promote integration and to educate the general public. Moreover, under certain circumstances, replacement migration as an option to address population ageing may amount to "pushing" the problem further into the future, as the migrants themselves get older and eventually retire. In any case, given that they exhibit higher fertility rates and that many of them return to their home country after a few years, the contribution of their dependency ratios to the overall dependency ratios of the receiving society is usually a very positive one. It is therefore highly likely that they will be given much greater consideration in the future, as the welfare consequences of population ageing become more pressing. Up until now, however, Portuguese migration policies have never been explicitly regarded as instrumental in the context of the demographic challenge – instead, they have typically been driven by other (usually more short-term) objectives. The following section contains a brief presentation of the past, present and likely future of those policies in this national context.

6.5 Formulating migration policies

It is likely that the Portuguese society will seek to tackle the future challenges associated with demographic and economic change through a policy mix that includes a significant amount of immigration. This is due to the fact that the social and economic pressures in favour of greater liberalization of labour flows will likely increase significantly in the future; that Portugal will probably continue to be the source of relatively significant *emigration* flows for at least some time to come; and that, *de facto* if not *de jure*, the traditional Portuguese approach to migration policy cannot in fact be considered protectionist (rather, migration policy in Portugal has been largely *reactive* to market outcomes, rather than *proactively* selective or restrictive: Baganha, 2005).

As a consequence, the search for the best practices in the field of immigration and integration policies – and those best suited to the Portuguese case – certainly is, and will increasingly be, an important concern. In order to contribute to meeting this aim, this section: i) provides an overview of the main features of Portuguese immigration and

integration policies in the recent past; ii) presents the main results of a recent tripartite consultation exercise volving workers', employers' and government representatives and iii) seeks to draw a number of conclusions and present a few recommendations.

Immigration and integration policies in the recent past and present

As highlighted by several specialists in migration policy (Baganha, Marques and Fonseca, 2000; Baganha and Marques, 2001; Baganha, 2005), it was not until the early 1990s that the Portuguese government took the first systematic measures aimed at regulating immigration flows. This should not be surprising, given that it was not until that time that immigration stocks and flows became truly significant in quantitative terms.

The purported aims of this initial policy reaction in the early 1990s, by a conservative government and against the background of Portugal's recent accession to the EU (then EC), were to achieve a better integration of those immigrants that had already settled in the country and to close the country's doors to further immigration (i.e. its aims were avowedly protectionist). The former aim was pursued by way of the first regularization campaign to be carried out in Portugal (in 1992–93), in the context of which 39,166 "residence permits" were issued to foreigners already in the country (Baganha e Marques, 2001; SOS Racismo, 2002). The second purported aim did not give rise to any substantial changes in the laws and rules regulating the access to the country and, as a consequence, the protectionist discourse was not followed through in practice. What followed was in fact an increase in immigration flows, especially originating in the Portuguese-speaking African countries, in a market response to the increasing demand for labour in the various segments of the Portuguese economy (particularly construction), as the country benefited from considerable EU financial support for infrastructural development.

Immigration policy then underwent a significant shift in the mid-1990s. The election of a new left-of-centre government led to a series of measures specifically aimed at facilitating the integration of immigrants. One of the most remarkable was the creation in 1995 of the High-Commissioner for Immigration and Ethnic Minorities (ACIME) – a relatively independent government-sponsored entity that has continued to grow in importance ever since. At the same time, as the level of control over settlement in the country continued to prove weaker than the market forces, a second regularization campaign ensued in 1996. This second regularization sought to address some of the same general concerns as the previous one, but was based on a closer and more active relationship with immigrants' representatives and civil-society organizations, and introduced a "geostrategic consideration", since preferential conditions were given to citizens of Portuguese-speaking countries[24] (SOS Racismo, 2002; Baganha, 2005). Over 31,500 new residence permits were granted within this second campaign (id, ibid).

Meanwhile, the implementation of the Schengen agreement in 1995 introduced a new twist to migration policy, as the Portuguese state no longer held the monopoly of control over the access to its territory: holders of short-term visas issued by any Schengen

[24] Particularly as regarded the latest date of entry into the country for which candidates were eligible for regularization.

Area member-state could now legally enter the country. This was one of the main reasons that accounted for the massive increase in Eastern European migration to the country, often supported by more or less organized smuggling and trafficking networks. In fact, most of these immigrants entered the country in possession of a legal title (often a tourist visa to a Schengen country) and then overstayed. Moreover, as Brazilians citizens and those from the Portuguese-speaking African countries continued to enter the country with relative ease, either due to preferential legal treatment or to a *de facto* incapacity to prevent them from doing so, the logical outcome was again that market forces overpowered official restrictions. The "permits to stay" legal mechanism was thus introduced in 2001, and in practice constituted yet another way to regularize the pockets of irregular migrants that were being persistently formed.

The 2001 law was also a landmark in immigration policy as it represented a shift from a completely passive policy stance to a more active one, namely by introducing the first policy instrument specifically aimed at planning and managing the inflow of foreigners. That instrument was to be the annual Report on Labour Market Opportunities, produced by the government's employment agency (IEFP), which would indicate the number of job vacancies in each economic sector to be filled by immigrant workers. This new mechanism therefore consisted of a quota-setting process, based on lengthy consultations with employers and representatives from a wide variety of productive sectors and on assessment of the potential domestic supply of labour to those sectors, particularly from those registered as unemployed. The publication of the first report in late 2001 marked the beginning of a new phase in which the government displayed a more overt intention to actively regulate inflows, which accounts for the fact that "permits to stay" were only issued between the passing of the law in March 2001 and the publication of aformentioned the report at the end of the year.

Yet another change in both government discourse and the law occurred after a new right-of-centre government took office in 2003, abolished the "permits to stay" mechanism (which in practice served as an *a posteriori* way to regularize the outcome of market forces) and introduced a new, more protectionist stance. But again, the strength of market forces in determining the flows proved too much for the bureaucratic capacity of the state to regulate entry, settlement and labour market matching. Despite the overall decrease in immigration (see chapter 3), irregular migration inflows continued, just as the quota mechanism failed to be significantly used: while the 2004 Report on Labour Market Opportunities made allowance for a total of 8,500 job vacancies (distributed by construction (2900), hotels and catering (2800), agriculture (2100) and other services (700)), only 899 work visas were eventually issued under this mechanism. At the same time thousands of new migrants entered the country and found work irregularly[25].

Throughout successive changes in both governments and laws, the concern with irregular immigration and its associated integration problems was always present and was often the main reason for the various limited regularization campaigns implemented in order

[25] The figures for 2007 are slightly better, but confirm that the system is far from effective in regulating labour inflows. Recent data on the execution of the Report on Labour Market Opportunities indicates that, between May 2004 and January 2007, around 5,700 job vacancies out of a total of 8500 have been filled.

to try and address the problems created by the foreigners' irregular status (MAI, 2006). Besides the ones already referred to, two further campaigns were carried out in 2003 and 2004: the first one meant only for Brazilian nationals and conducted in the wake of President Lula da Silva's visit to Portugal in 2003; and the second one meant for workers who could attest their previous contributions to the Portuguese labour market and economy, particularly as regarded past tax payments and social security contributions (Fonseca, Malheiros and Silva, 2005; Malheiros, 2006). Both of these regularization processes were lengthy and cumbersome, but eventually resulted in a limited number of regularizations, thereby again illustrating the difficulties experienced by the Portuguese state in the management of immigration flows.

Yet another attempt to regulate migration inflows was made by signing temporary labour agreements with some of the most relevant sending countries. The first one was signed with Cape Verde in 1997, but has had little practical effectiveness due to administrative and bureaucratic difficulties. Subsequent agreements were also signed with Bulgaria, in 2003, and Romania and the Ukraine, in 2005, whose main aims were to curb irregular inflows and to create effective channels for regular migration. This was sought by creating specific procedures enabling Portuguese employers to recruit workers from these countries. Given the absence of data, it is impossible to assess the impact of these latter agreements (it is not possible to distinguish the visas that were issued under the general immigration law from those that were issued within the ambit of these agreements). However, because labour immigration decreased significantly in the past few years, their impact was probably low (Marques and Góis, 2007). With regard to this type of instrument, then, it seems that given the general failure of the agreement with Cape Verde and the lack of data and debate on the success or failure of the agreements with the aforementioned Eastern European countries, Portugal is still a long way from setting up an effective migration policy based on bilateral labour recruitment agreements.

Turning to the current state of affairs, the latest change in immigration policy was introduced by the left-of-centre government that took office in 2005, which immediately took it upon itself to put forth a new regulatory framework. The latest immigration law, passed in 2007, constitutes a renewed effort to regulate immigration while displaying a relatively open stance towards it. Among other aspects, the new law has abolished the sectoral quota system, while still requiring the setting of a "global contingent" of foreign labour needs to serve as the basis for the management of the flows. Therefore, it has again tilted the scales to the side of the market, by granting legal right of entry to prospective immigrants holding a declaration of interest on the part of potential employers or who match job vacancies available in Portugal. *De jure*, the new legal framework remains protectionist, as it contains a universally applicable "national and EU preference" clause. However, in practice and save for some radical and unlikely changes in the policies aimed at controlling settlement (given that control over access to Portugal remains limited by the Schengen agreement), it is likely that it will continue to result in the market regulation of migration, though probably in a context more conducive to tackling irregularity from an earlier stage.

In conclusion, it is difficult to escape the conclusion that fifteen years of government attempts to regulate migration flows have so far had disappointing results. For those

endorsing a protectionist stance, because each successive regularization campaign has constituted a *de facto* recognition of the incapacity to curb the flows; for those in favour of greater liberalization but seeking to minimise the social and economic costs of integration, because the fact that regular status has systematically been granted *a posteriori* has meant that each successive wave of immigration could not be adequately planned for, met by appropriate integration measures and prevented from contributing to the underground economy. This is not an exclusive feature of Portuguese society, however: the "crisis of control" over migration flows has been identified as a current challenge all over Southern Europe and in most industrialized receiving countries (Cornelius et al., 2004).

At the same time and somewhat paradoxically, recent Portuguese integration policy (or policies) has been met with greater success. A series of specific legal measures and programmes have been implemented over the years in many of the main arenas of integration – e.g. employment, education, housing, health, addressing the specific problems of second-generation immigrants – some of which have indeed proven good practices. Many of these initiatives have involved the High Commissioner for Immigration and Ethnic Minorities (ACIME)[26], which has undertaken a plethora of measures aimed at safeguarding immigrants' legal rights, addressing their social exclusion, producing and disseminating information, matching employment needs, promoting a culture of tolerance and hospitality, and strengthening immigrants' associations and political participation. In pursuing these aims, ACIME often works in cooperation with other entities, both within the public administration and from civil society, including immigrants' associations. ACIME has also launched an effective network of National and Local Immigrant Support Centres (CNAI and CLAI), one-stop shops where immigrants can access a variety of services. To name but two specific measures, ACIME provides information in the employment domain and works alongside the Portuguese official employment agency (IEFP) to provide job-matching services. Measures in other fields and by other government agencies have included safeguarding the right of foreign children to education, regardless of their parents' legal status; and the Escolhas ("Choices") Programme[27], which has sought to prevent criminal behaviour and to foster the social insertion of youths from run-down and deprived neighbourhoods in the Lisbon, Porto and Setúbal regions (and which has successfully targeted, though not exclusively, many second-generation immigrants).

Also in the integration domain, the recent passing (May 2007) of a National Plan for the Integration of Immigrants, again an initiative led by ACIME, is a multidimensional effort to address the problems of immigrants, containing measures in the areas of employment, education, health, housing, etc. Finally, a new nationality law was passed in 2006 that has increased the immigrants' access to Portuguese citizenship, thereby facilitating their integration into Portuguese society. While still a mix between the *jus sanguini* and *jus soli* criteria, the conditions under which immigrants and their offspring are eligible for naturalization have been extended compared to previous laws.

[26] More information can be found at www.acime.gov.pt.
[27] More information can be found at www.programaescolhas.pt.

Formulating migration policies: stakeholder perspectives

With a view to assessing the perspectives of a number of stakeholders with respect to the recent past, present and future of migration policy in Portugal, a workshop was organized during the writing of this report that brought together representatives from trade union federations, employers' organizations and government agencies. The main aim was to identify the points of consensus and contention between these stakeholders, who in principle represented quite different – in fact, rather contradictory – interests.

In this workshop, it became clear that there is an acknowledgement on the part of the Portuguese workers' representatives that ageing is highly likely to lead to labour shortages, particularly in the less skilled segments of the labour market, and that the immigrant and autochthonous labour forces are often complementary, rather than substitutes, as expressed in the catch phrase "most immigrants do the jobs that the Portuguese are no longer willing to take up". For this reason, what matters the most for these representatives is equality of treatment in the labour market. This necessarily involves tackling the problem of undeclared work, insofar as it introduces unfair competition in the labour market from which immigrants (and employers) have traditionally benefited over-proportionally. This latter aspect is in fact a point of consensus between all the participants in this workshop: if immigration is to provide a solution to the problems of ageing and labour shortages and to assist the country's development, it is vital that the immigrants' fiscal contribution not be lost and that they do not help sustain the underground economy.

Another source of relative consensus concerned the shortcomings of the migration policies adopted until now: there is a general recognition that the various policy instruments and solutions adopted in the past, particularly the sectoral quota system, have failed to bring about satisfactory results. The differences emerge when it comes to attributing the source of these failures to the instruments and policies themselves, or to other intervening causes largely outside the reach of government powers. Some government representatives argue that, for all their insufficiencies, instruments to regulate the flows are an essential part of sovereignty, that they should reflect the demands of the labour market (albeit with a national preference proviso) and that, while some reformulation may have positive consequences, the fundamental spirit presiding over the current system should remain unaltered. Other government representatives, though more concerned with the integration dimension of immigration than with flow management *per se*, maintain that the defensive character of the current flow management approach is largely unsustainable given both the foreseeable developments in the demographic sphere and the fact that a more pro-active approach to migration flow management would probably bring about better integration outcomes.

In turn, employers are most concerned with the lack of flexibility and the bureaucratic character of the current system and with the effects of this upon the labour pool on which they draw, as it creates exogenous barriers to their economic activity. This is all the more evident in the case of those sectors of activity in which investment and output decisions have to be taken on a short-term basis, e.g. those involving the production of perishable goods (such as agriculture) and those with largely seasonal characteristics (such as tourism). The burdensome, top-down and bureaucratic nature of the current migration flow management system makes it simply impossible for employers to flexibly

draw on migrant workers to fill gaps in the domestic labour market. Apparently, a very positive note with regard to the employers' stance in this process concerns the fact that they do not seem to regard immigration as a way to postpone the restructuring of the predominant competitiveness model – rather, it is seen as a way to meet specific unmet labour market demands *while* seeking to reinforce the value-added component of the Portuguese economy, namely by promoting skill acquisition by workers in various sectors.

In sum, there was a great deal of consensus among the (represented) stakeholders in this workshop on the desirability of attaining two goals: (i) improving migration policy in general, and the flow management system in particular, so as to provide them with greater flexibility and a more bottom-up, decentralized and market-friendly character; and (ii) retaining some sort of "national preference" mechanism so as to protect domestic workers from international competition. The suggested ways in which this latter goal should be attained are, however, rather unimaginative and typically consist of government surveys of the demand and supply sides of the labour market in order to identify those segments in which there is a shortage that clearly cannot be met by drawing on the domestic labour force.

Given that most (though not all) of the participants in this workshop concurred that the system currently in place could be considered largely unsatisfactory, we also sought to find out which alternative systems might in their view perform better. Here, the answers were varied and, meaningfully, did not always coincide with the solutions contained in newly-passed legislation. Some participants argued in favour of direct recruitment by recruitment agencies in countries or origin (possibly complemented by co-development initiatives); others defended points-based selection mechanisms, so as to raise the skill profile of future immigrant flows (although with enough caution so as not to bring about excessively negative "brain drain" consequences); others still argued in favour of the current sectoral quota system, though welcoming improvements aimed at making it possible for it to more accurately reflect the demand side of the labour market. However, the issue of the specific flow management instrument to be adopted was considered relatively secondary by many of the participants in this debate, particularly representatives of employers and workers: what matters the most is for it to flexibly respond to market demands, ensure retention of sovereign state control over immigration and preferably protect national workers against foreign competition.

Conclusions and recommendations

Like other European countries, Portugal is currently faced with a rapid and structural process of population ageing, brought about by declines in fertility and increases in life expectancy. All the projection exercises based on the available information forecast unprecedented increases in the absolute size of the elderly population and in the old-age dependency ratio. Though gradual, this process will require massive social and institutional rearrangements and bring about serious social and economic consequences (most obviously, labour shortages and unsustainable social security costs).

To make matters worse, none of the possible solutions to this problem are without their costs or disadvantages. Seeking to raise fertility levels, increasing the employment rate, channelling productivity gains, drawing on replacement migration and increasing the average working time all entail costs, are sometimes mutually contradictory and in some cases take years or decades to enter into effect. However, Portuguese society will be faced with such an immense challenge that it will have no choice but to draw on at least some of these partial solutions, in search of a combination whose associated costs and advantages might maximize national welfare. Considering the current status of some of the relevant variables (e.g. the already relatively high labour force participation rate) and the degree of relative ease with which each of the policy options can be mobilized (e.g. the difficulties that beset pronatalist policies), at least partial recourse to two of the aforementioned policy options seems almost inescapable: changes in retirement age and in social-security mechanisms, on the one hand; and replacement migration, on the other. The need for the former has already been explicitly recognized and measures to implement them have already been adopted; the second is yet to be regarded as instrumental, both in discourse and in practice.

There is a growing consensus among the "enlightened" and politically aware in Portugal that this country's migration policy has underperformed ever since immigration became a socially and economically significant phenomenon. The very fact that over half of today's legally resident migrants acquired their legal status through regularizations provides enough evidence of the "strong market, weak state" (Peixoto, 2002b) characteristics of the Portuguese migration regime.

Moreover, despite the relative successes of many integration policies and programmes in the recent past, it is clear that the failure to prevent the irregular entry of numerous immigrants, alongside the (necessarily consequential) failure to ensure from the outset that those migrants have the same rights and duties as the autochthonous population, has run counter to the goals of integration policy and prevented it from maximizing the benefits and minimizing the costs of immigration.

If the Portuguese society should choose (or be forced) to draw on increasing levels of replacement migration in order to tackle the challenge of population ageing, and if it objectively recognizes the successes and failures of its migration policies in the past, then decision-makers may wish to join many of the participants in our workshop in calling for and enacting a more market-based and less protectionist approach to the labour market. The protection of uncompetitive domestic workers might still be pursued as a policy objective – only *ex-post*, by way of social safety nets and training programmes, rather than *ex-ante*, through international barriers that come at a cost to national welfare *and* compromise integration. The full adoption of a policy stance of this sort would involve liberalizing the rights of immigrants to access the country and engage in work contracts in equality of circumstances with regard to national workers, while requiring that they register with government authorities at each stage of the process, meeting them (on a local basis) with appropriately targeted integration measures and making every effort to discourage undeclared work and informal economic activities. Portuguese tax-payers might then subsidize support to their less competitive co-national workers explicitly, i.e. through fiscal policy, rather than implicitly, by bearing the costs of protectionism as consumers.

Given the irreversibility of the ageing process and the fact that immigration will have to be part of the solution, the Portuguese society will in the future have to learn to live with an older and more diverse population and to manage these processes more efficiently. Some tough choices will inevitably have to be made – but a more timely and better-informed reaction will certainly make them less tough.

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CHAPTER SEVEN

Romania

Sebastian Lăzăroiu and Monica Alexandru

Introduction

This study looks at the relationship between migration and demographic trends and labour market developments in Romania. Relying on a comprehensive literature review but also on the results of a quantitative study of a sample of 2,000 Romanian migrants, it offers insights into how the country's location at the crossroads of Europe and the Balkans has structured its migration flows over the past 17 years. In view of Romania's status as the eastern gate of the European Union, we will also assess inflows and their expected development in the coming years. The last part of this report includes a brief overview of legislative provisions as well as recommendations for further efforts to strengthen migration management and research in Romania.

Unlike most western countries, Romania's recent history of migration is rather short. The communist leader Nicolai Ceausescu supported a closed migration policy restricting both inflows and outflows. Migration was only allowed under the close supervision of the state. Outflows were restrained to labour exchanges, student visits, short-distance border traffic, organized tourism, ethnic minorities' migration, and defecting dissidents. In these cases, those who managed to leave the country were generally subject to close scrutiny or had connections with the political elite. Also, certain groups such as critics of the regime, and German and Jewish ethnic minorities were permitted to leave the country. There were also people who crossed the border illegally heading either to Western countries or to the United States or Australia.

As regards immigration, the communist state's policy was equally restrictive. In this context, inflows were low and reduced to student travel, tourism, and short-term commercial activities –"suitcase trade" associated with Polish, Russian, and Moldovan migrants disguised as tourists but coming to Romania to sell various goods that were in short supply, especially in the 1980s.

The fall of communism in December 1989 set the scene for a gradual change in the political, economic and social environments. A brief assessment of the economic environment in its aftermath reveals high costs in terms of mass layoffs caused by economic decline and restructuring, persisting hyperinflation, (e.g. 256.1% inflation rate in 1993), and an approximately EUR 100 average gross salary. It was these workers who first resorted to international migration to escape Romania's difficult economic

environment. Their emigration was eased by the opening of the borders shortly after the collapse of communism. Lagging national migration legislation has further triggered emigration. However, fearing massive labour inflows, Western countries imposed restrictive regulations on former communist countries. In spite of legal obstacles, many Romanians sought jobs abroad under the guise of tourists taking advantage of regulations permitting stays of up to three months. Circular movements developed as the main migration trend. Only a few thousand people emigrated for good. The number of migrants travelling for educational or business purposes is also insignificant as compared to the extent of labour migration.

Thus, after 1990, Romania became an origin country for circular labour migration while immigration remained secondary. It was mainly Moldovans and Ukrainians that came to Romania for a job. The most numerous immigrants in Romania now are business immigrants coming from China, Turkey, and Arab countries. The number of refugees is still low. Most asylum seekers were actually transit migrants trying to cross the border to travel further west. In June 2006, 671 people who had been granted refugee status or other form of protection were living in Romania. Most refugees come from Iraq, Somalia, and Eritrea (MAI, 2007).

At the moment, the profile of the average immigrant indicates rather young males aged 18–35, with vocational or high school studies, working as skilled workers in big cities and Bucharest (CURS survey 2003). While there is no doubt that out-migration absorbs some of those unemployed it might also be viewed as youth drain or labour force drain considering several sectors in particular. As discussed below there are already labour deficits both in the primary and secondary labour market. Chinese workers have been brought in to fill vacancies in the textile industry. Also, as young people from rural areas choose to emigrate abroad, so large agricultural areas remain uncultivated. Agriculture is not only affected by labour outflows but also by changes in the lifestyles of the non-migrant population who no longer need to work the land so as to make a living now that some are supported by remittances. More numerous than the Chinese workers but less visible, Moldovan migrants coming into rural localities for agricultural jobs are the second category of immigrant workers that we will look at throughout this study.

Research on international migration in Romania faces significant gaps in statistical data. Nowadays there are few scholars in Romania studying different aspects of international migration and, paradoxically, more research studies conducted by Romanian students abroad on Romanian migration. However, increasing interest has emerged in the last seven years in studying migration, especially the impact of remittances on local communities, the regional causes of labour migration and even migration of the highly skilled.

The International Organization for Migration (IOM) office in Bucharest has since 1993 funded several important studies on trafficking in women and circular migration. In addition, IOM's mission in Brussels and its headquarters in Geneva have funded studies on assisted voluntary return. The Academic Society in Romania (SAR) and the European Institute in Romania have likewise conducted several studies on international migration. Furthermore, the phenomenon of international mobility has recently been

included in the academic curricula of some important universities such as the National School for Political and Administrative Sciences and the University of Bucharest.

The National Institute for Statistics has no dedicated study or module of questions in its periodical surveys that refer to international migration. Only data about permanent emigration are officially released in the annual statistical yearbook. The last census in 2002 did not include any question about labour migration abroad, circular migration or any other aspects that proved to be important for the Romanian economy.

There are also studies of emigration abroad, carried out by private research agencies or major donor-funded surveys. For example, the Public Opinion Barometer has conducted surveys twice a year with a large sample, funded by the Open Society Foundation. Data resulting from this periodical survey offer a dynamic perspective on migration. Also, the Centre for Urban and Regional Sociology (CURS), a private research institute, conducted in 2005 the first quantitative research on a sample of returned economic migrants, with support from the World Bank.

It must be noted that certain forms of migration are hard to capture in classical methodological frameworks. For instance, measuring circular migration should take into account different cycles, short periods of staying abroad, changing patterns and destinations and also complex itineraries across several country borders. Other difficulties come from the selectivity of migration, absence of migrants themselves, and different levels of analysis (individual, community and households). Single-method research studies can face even more difficulties as we are dealing with a sensitive issue and under-reporting is one of the main problems in interviewing various actors involved in this process. Immigration in Romania has also been under-researched during the last 17 years. It was seen as volatile and short-term as long as Romania was a major route for transit less than a destination country.

In this study, we will focus on some of the implications of international migration on the structure of the Romanian labour market. We will also assess demographic and economic trends as well as their influence on labour supply and demand.

Furthermore, we will discuss Romania's institutional framework in the field of migration. A significant part of this study will rely on analysis of survey data. In 2005, a survey involving 2000 returned migrants was carried out in order to analyze migration behaviour and investment patterns associated with remittances. This survey will guide much of our conclusions related to the impact of the migration of labour on Romania's labour market. While this will offer us generous information about outflows, studies regarding inflows are less numerous. Governmental departments have coordinated some of the few studies conducted in the area of immigration to Romania. Our conclusions will thus rely on comprehensive desk research.

The first part of this study presents several demographic scenarios. We look at the evolution of the fertility rate and analyze predictions about the evolution of the labour market and the social protection system in several given scenarios. The study then focuses on labour market development, assessing the balance between supply and

demand. We will then look at international migration flows and employment of migrants, considering both inflows and outflows. In relation to this, another section is dedicated to the institutional framework and its evolution in the context of EU accession. The last part of the report includes recommendations aimed at supporting migration management in the context of EU membership.

7.1 Demographic developments

An appraisal of the latest demographic developments

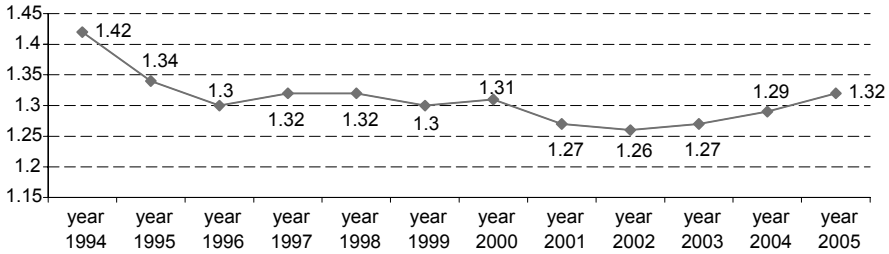
When discussing migration and labour market in Romania it is essential to first assess the country's demographic situation. This will help us have a better understanding of how migration trends might affect the structure of the labour market. Is the demographic decline so abrupt that it could give reason for worries related to labour outflows? Is the present demographic structure able to support the social security system or in the absence of regulated immigration might Romania face a ruinous imbalance between the active and inactive population?

Throughout Europe the increasing percentage of old people in contrast to falling numbers of the working-age population has raised concerns about the sustainability of the social welfare system. The fertility rate has dropped to 1.5 children per woman in the EU 25, a rate much lower than the desired 2.1 rate that would lead to the avoidance of the most pessimistic demographic scenarios (EC, 2006). This process of demographic transition has taken its toll in Romania as well. As the graph below shows, the fertility rate in Romania had fallen to 1.32 in 2005.

A recent study indicates that the 17 years of transition coincided with 17 years of demographic decline that caused the loss of approximately 1.5 million persons from 1996 to 2006, with a total population now 21,673,326 (Ghetau, 2007). The table below shows that in the 1990–2005 period, the cumulative effect of negative natural increase and registered net migration (immigrants minus emigrants) has led to a decrease in the total population of almost 700,000. Should this estimate of the population drop be correct, it would mean a loss of 3% of the total population in 16 years, which, as the author said, can be considered rather insignificant. However, the demographic research also shows another factor not registered in the table below but essential in determining demographic developments: *temporary migration*. If such temporary movements are also considered in this analysis and if we add natural decrease and migration between 1990–1991 and 2002–2006[1] we would reach an estimate of the population drop of more than 1,400,000 inhabitants.

[1] The last two censuses were organized in January 1992 and March 2002.

Figure 1. **Total fertility rate in Romania 1994–2005**[2]



Source: Eurostat

Table 1. **Natural increase and external migration in 1990–2005 (in thousands)**

Year	Live births	Deaths	Natural increase	Immigrants	Emigrants	Net migration	Natural increase and net migration
1990	314.7	247.1	+ 67.7	3.1	96.9	-93.8	-26.2
1991	275.3	251.8	+23.5	1.6	44.2	-42.6	-19.0
1992	260.4	263.9	-3.5	1.8	31.2	-29.4	-32.9
1993	249.0	263.3	-13.3	1.3	18.4	-17.2	-30.5
1994	246.7	266.1	-19.4	0.9	17.1	-16.3	-35.6
1995	236.6	271.7	-35.0	4.5	25.7	-21.2	-56.2
1996	231.3	286.1	-54.8	2.1	21.5	-19.5	-74.3
1997	236.9	279.3	-42.4	6.6	19.9	-13.3	-55.8
1998	237.3	269.2	-31.9	11.9	17.5	-5.6	-37.5
1999	234.6	265.2	-30.6	10.1	12.6	-2.5	-33.1
2000	234.5	255.8	-21.3	11.0	14.8	-3.7	-25.0
2001	220.4	259.7	-39.2	10.4	9.9	+0. 4	-38.8
2002	210.5	269.6	-59.1	6.6	8.2	-1.6	-60.7
2003	212.5	266.6	-54.1	3.3	10.7	-7.4	-61.5
2004	216.3	258.9	-42.6	3.0	13.1	-10.1	-52.7
2005	221.0	262.1	-41.1	3.7	10.9	-7.2	-48.3
1990–2005			-397.2			-291.0	-668.2

Source NSI data; Ghetau, 2007

Furthermore, predictions are again pessimistic when looking at the percentage of the fertile population. In 2005, the population in the 18–40 age cohort represented approximately 36% of the total population but if considering this percentage in relation to migration, it would rise to almost 55%. The author thus states the migration of people

[2] This refers to the mean number of children that would be born alive to a woman during her lifetime if she were to pass through her childbearing years conforming to the fertility rates by age of a given year. This rate is therefore the completed fertility of a hypothetical generation, computed by adding the fertility rates by age for women in a given year (the number of women at each age is assumed to be the same). The total fertility rate is also used to indicate the replacement level fertility; in more highly developed countries, a rate of 2.1 is considered to be replacement level.

in this age group should not only be viewed as *a youth loss* but also as *a loss of the children* that these people would have had.

To conclude, Ghetau states that such a demographic decline might not have had visible negative consequences in the short term since it allows a more efficient allocation of resources (education, health, social security and the public social assistance system) but it will greatly affect future development. The percentage of the active population will decrease and this downfall will not uniformly affect all age groups: age cohorts between 40–64 and 65 and over will widen while the population between 15–24 and 25–39 will decease in numbers since these categories will be replaced by the less numerous youths born in the post '89 period. The mean age of the active population would increase from 40 to 45. Looking at the economic impact of the demographic decline, while considering age groups, clearly reveals that even with an improvement in the fertility rate, the negative consequences would not diminish.

Discussing possible demographic scenarios

In view of these demographic trends, there are several scenarios that need to be considered in relation to the fertility rate. According to Ghetau, **the pessimistic scenario depicts a stagnation of the fertility rate to 1.3 children per woman**. For a stable demographic situation allowing generation replacement the average woman would have to give birth to at least two children. Should the fertility rate stagnate to only 1.3, the natural annual decrease of the population will strengthen from – 50,000, to – 100,000 in 2025 and would finally reach – 170,000 in 2050. If this should happen, demographic trends will only stabilize after eight or even ten decades from the moment the fertility rate starts to increase again. By 2050, the 20–64 population will have decreased by four million, dropping from nine million people presently, and the population older than 65 will reach five million people increasing from the current number of 3.2 million people. If currently for every 100 adult people there are 24 elderly people, then in the pessimistic 2050 scenario for every 100 adults there will be 54 elderly. If we add to this figure the young inactive population, then for every 100 adult people there will be 82 inactive young and old persons[3].

The optimistic scenario predicts two possible outcomes. The first one relies **on an increase of the fertility rate from 1.3 to 1.8** by 2010 followed by stagnation. In this scenario, in spite of the rise in the fertility rate, any positive effects will be counteracted by the replacement of the fertile population with the less numerous post '89 generation. To give an image of the decrease of the young fertile population the author posits that if the 24–35 population that gives rise to more than half of the total number of births is today 1.7 million, in 2025 when the 1990–2005 generation will reach fertile age, the number of women in this age cohort will drop to only 1 million. So in this scenario demographic decline will not be stopped.

In the second optimistic scenario, the fertility rate would reach 2.1 and then stagnate, which would prevent the country from sliding into a demographic decline

[3] This prediction should be read while bearing in mind that not all adults over 20 are employed.

and other associated negative socio-economic consequences. While this scenario might be viewed as the most desirable one, the first negative scenario is more likely to happen. What is then to be done to avoid the damaging social and economic results of radical demographic decay? An increase in the fertility rate, at the same time as diminishing mortality and encouraging immigration, might be helpful in preventing the worst scenarios.

7.2 Labour market developments

How economic transition affected the labour market

After 1990 it became clear that the communist economic foundations could not support development. Restructuring was going to target large non-productive companies that had been earlier founded partly for prestige purposes and for disguising unemployment. However, although the Government was aware of the non-sustainable foundations of the economy, there was still a fear that privatisation would actually mean, *"*selling the country*"* (ASR, 2006). The government therefore postponed the dismantling of old companies in favour of another policy that was meant to avoid high unemployment rates: anticipatory pension schemes. Although this seemed to be a good option for the short term, since it avoided social discontent, it later proved to be the basis of an unsustainable social-security system since the number of pensioners soon overtook the number of contributing workers.

However the transition period from a state governed economy to free market competition could not be long delayed. It was thus often said that selling an enterprise to a private owner at a price of one dollar was better than keeping it in state ownership (Zamfir, 2006). Unfortunately, many of the attempts to create the conditions for a more efficient economy failed. Some companies were sold to private owners that were more interested in selling the capital assets of the companies than in investing in their development. Moreover, the supply of companies that the state could no longer support was much higher than the demand to buy them. The prolonged transition thus led to degradation of the labour force and increased poverty. Poverty rates increased from 25% in 1991–1993 to 36% in 1997–2000 (Zamfir, 2006).

The table below is relevant for the severe structural changes after the fall of communism. Variations of occupational status, whether involving horizontal mobility or more radical changes, such as unemployment or dismissals during the restructuring process, were frequent.

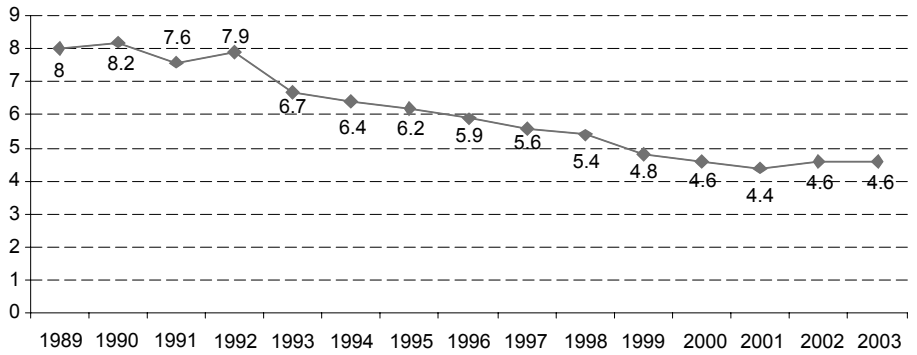
Changes in the labour market are even more visible if looking at trends in the number of employed people. Immediately after the fall of the communist regime there were 8 million employees, while in 2003 the number reached only about 4.6 million employees, representing only 57.4% of the 1989 number.

Table 2. **Occupational instability in the transition period**

Structural changes	%
Changed occupation after '89	30.2
Changed job after '89	27.3
Discharged after '89	7.3
Unemployed after '89	20.3
Retired based on an anticipatory pension scheme	10.8
Attended re-qualification courses after '89	7.2

Source: CURS, June 2003 (N= 36 436)

Figure 2. **Decline in the number of employees, 1989–2003**



Source: NSI data
Zamfir, 2004

Predictions for the labour market

To understand how migration might affect the occupational structure, we need to first look at potential developments of the labour market. In a study conducted in 2006, the authors made an in-depth analysis of the labour market in Romania assessing possible developments in the following years (Parciog/MLSSF, 2006). The table below indicates the distribution of occupations in 2004 as well as some scenarios for the evolution of the labour market until 2010. The largest occupational niche in Romania is agriculture with 26.8% of the occupied population working in this field. The second largest area of activity is craftsmanship and qualified workers specialized in maintaining and repairing machines, absorbing 17.7% of the occupied population. Services and commerce rank third in this hierarchy (11.7%).

The table also shows some possible scenarios for the evolution of the labour market by 2010. In two of the three scenarios presented, *"the pessimistic scenario",* and the *moderate-pessimistic scenario*[4], the researchers predict a growth in the agricultural

[4] For the pessimistic scenario, researchers rely on the evolution of the occupational structure from 1996 to 2004 while for the moderate pessimistic scenario, they use the 2000–2004 period to formulate predictions

employment, which proportionally is already more extensive than in other European countries[5].

Table 3. **Predictions on the evolution of the occupational structure in Romania by 2010**

	Romania 2004	Pessimist scenario 2010	Moderately pessimistic scenario 2010	Moderate scenario 2010	Optimistic scenario (A) 2010	Optimistic scenario (B) 2010	Optimistic scenario (C) 2010
					0.5	1.6	2.4
Unqualified workers	9.8	7.5	7.5	8.8	8	8.9	8
Mechanics and machine operators	11.7	11.7	10.6	11.9	8.7	9.4	7.4
Craftsmen, and specialized workers in maintaining and repairing machines	17.7	16.4	16.5	19.5	19.2	18.2	17.7
Agriculture and qualified workers in agriculture, forestry and fishing	26.8	35.5	35.4	21.6	17.7	3.4	2.2
Service and commerce	9.2	8	7.8	10.9	10.1	15.5	11.6
Public servants	4.4	4	4	5.6	7.8	13.8	12.6
Technicians, foremen	9	7.7	8.1	9.5	11.6	15.4	19.7
Intellectual work & science	8.4	7.3	7.5	9.3	10	10.1	12.6
Members of Parliament, Government representatives, representatives of the public administration, managers of economic, social and political entities	2.8	1.3	2.7	2.9	6.4	3.3	5.7

Source: MLSSF, 2006

In the moderate scenario, predictions are based on several hypotheses: first, the annual growth rate should be 5.5% from 2006 to 2010; second, the annual growth in investment should reach 35% and labour productivity should increase by 6%. Should this happen, the population working in the agricultural sector will significantly decrease. Other occupations requiring higher capabilities such as public servants, commerce and services will register slight increases.

[5] In Romania, the urban area is 54.9% of the country, according to recent UNFPA reports. In Europe, only Albania and the former Yugoslav Republics have smaller urban areas, while no other European Union state has less urban area than Romania (http://www.unfpa.ro/presa/com_presa/swop2007).

The remaining three scenarios, *all optimistic,* make some bold assumptions about the evolution of the occupational structure. The author associates three models of economic development with the potential development of Romania:

- In 2010, Romania will have a similar occupational structure to that of Poland; a structure mainly marked by a larger distribution in the occupational structure of those professions requiring higher educational skills.
- In 2010, Romania will have a similar occupational structure to that of Italy; this model is associated with a very low share of agricultural occupations; here again we see that a knowledge economy is more developed than the secondary labour market. The agricultural sector is small, reaching only 3.4%.
- In 2010, Romania will have a similar occupational structure to that of Germany; the last scenario is again marked by a very low percentage of the population absorbed by the agricultural sector, 2.2%.

The authors thus conclude that while we should hope that the pessimistic scenarios would not become a reality in the economic development of Romania, the three optimistic scenarios are unlikely to happen in the projected time. The most probable scenario is the moderate one, should the three conditions regarding the economic growth, the investment rate, and the gradual increase of the labour productivity be met (MLSSF. 2006).

Thus, in the moderate scenario, first steps to a more knowledge based economy will be made, which means that demand for highly qualified labour will increase. However, apart from agriculture, that will gradually reduce, other areas requiring low and medium qualifications will remain rather constant (unqualified workers, machine and plant operators) or will slowly increase as is the case with craftsmen and specialized workers. It is actually these economic niches in the secondary labour market or those requiring specialized qualification that register labour shortages, as we will see later on in this report.

Need for skilled and unskilled labour

There are various regional differentials as regards labour supply and demand. Table 4 is a synthetic representation revealing the characteristics of the labour market in each off the country's 8 development regions. The assessment was made based on the data registered by the regional and central agencies for labour in two weeks (22 June-5 July 2006). One can see that the region with the highest labour deficit throughout the monitored period was the Western region followed closely by Bucharest. The highest labour deficit is associated with the service and commerce area. The second area demanding higher numbers of workers as compared with existing supply is mechanics, machine operators, assemblers, and drivers.

In Bucharest-Ilfov especially and in the Western region there seems to be a higher demand for unqualified workers working in services and sales but also in mining, construction, manufacturing, transportation and public utilities. It is still in these two regions that the demand for craftsmen and specialized workers in maintaining and repairing machines

(workers in the mining industry, construction and food processing especially) is higher than the supply. From the table below, it is also clear that with only one exception in the Western region (intellectual work and science) these two regions have higher demand than supply. The reason for this is quite straightforward since economic development has been higher compared with the national average.

The opposite situation – with more supply than demand is primarily associated with professions needing unqualified workers and it is mainly a characteristic of the South Muntenia and South Western regions. These regions are not only less developed from an economic perspective but also rank lower in terms of education rates[6].

Table 4. **Demand/ supply balance by region and occupation**

	Demand-supply								
	TOTAL	**North-East**	**South-East**	**South-Muntenia**	**West**	**South-West**	**North-West**	**Centre**	**Bucharest-Ilfov**
Total	1045	**-112**	**-272**	**-490**	**1938**	**-1127**	**369**	**-1071**	**1810**
Unqualified workers	-2653	-554	-205	-878	190	-920	-134	-531	379
Mechanics and machines operators	1723	318	15	187	647	116	183	52	205
Craftsmen, and specialized workers in maintaining and repairing machines	-309	-259	-66	-34	552	-250	-138	-465	351
Agriculture and qualified workers in agriculture, forestry and fishing	-256	-64	-30	-12	4	-176	12	-19	29
Service and commerce	1838	290	144	210	348	167	245	68	366
Public servants	586	112	-12	73	79	115	102	40	77
Technicians, foremen	-24	41	-69	-58	106	-63	36	-137	120
Intellectual work and science	12	-29	-48	-12	-7	-103	26	-83	268
Members of Parliament, Government representatives, representatives of the public administration, managers of economic, social and political entities	128	33	-1	34	19	-13	37	4	15

Source: MLSSF, 2006

In assessing the occupational structure affected by labour shortages, gaps are registered in "unskilled workers for packing solid or semi-solid products/manufactured goods, unskilled workers for roads, driveways, dams and bridges, unqualified workers for building demolition, confectionery and textile workers, salesmen, locksmiths, security agents, bricklayers, and workers that load and unload merchandise. The most significant labour

[6] For an evaluation of educational differences in the 8 regions see for example NSI 2004.

shortage is registered in construction and confectionery" (MLSSF, 2006). Apparently, these last two sectors have become unattractive in Romania because of better paid jobs in the same sectors abroad.

Unemployment trends

According to the National Institute for Statistics, in the last eight years the unemployment rate has in Romania gradually dropped from 11.8% in 1999 to only 5.7% in 2006. Female unemployment is lower than the average rate. Eurostat figures on unemployment in Romania differ slightly – showing for example a 7.3% unemployment rate in 2006. However, both estimates show the average unemployment rate in Romania below the average rate in the EU 27 (7.9%) in 2006.

Table 5. **Evolution of unemployment rate 1991–2000**

	Total UR[1] (NAE)	Female UR (NAE)	Total UR (ILO)[2]	Female UR (ILO)	Total UR (Eurostat)
1991	3.0				
1992	8.4				
1993	10.2				
1994	10.9		8.2		
1995	8.9		8.0		
1996	6.2		6.7		
1997	9.3		6. 6		5.3
1998	10.4		6.3		5.4
1999	11.8	11.6	6.8	6.2	6.6
2000	10.5	10.1	7.1	6.4	7.2
2001	8.8	8.4	6.6	5.9	6.6
2002	8.4	7.8	8.4	7.7	6.4
2003	7.4	6.8	7.0	6.4	7.0
2004	6.3	5.6	6.8	6.9	8.1
2005	5.9		6.5		7.2
2006	5.7				7.3

Source: 1999–2004, INS; 2005–2006, BNR, INS, Unicredit Romania, Macroeconomic research-Unicredit CEE Romania (2006); Eurostat

Romania's unemployment figure in 2006 for people under 25 was 21.4% and thus exceeded the average 17.5% in the 27 EU member states. For people over 25, unemployment, is, according to Eurostat, close to the EU 27 average (6.6% in the EU 27 and 5.7 in Romania).

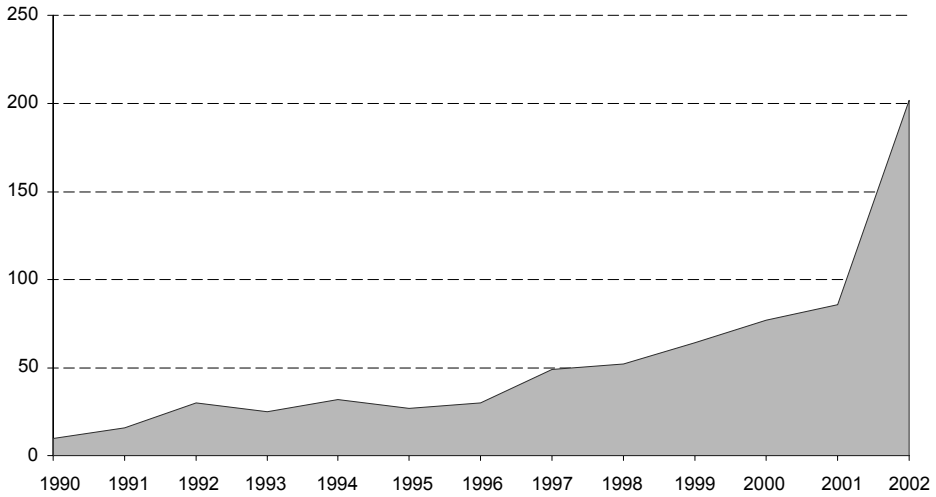
It seems that most people with no employment have primary, secondary or vocational school education. Thus, 67.78% of the total registered unemployment rate was associated to this educational category while 25.22% were people with high school and post-high school education and only 6.98% had graduated from a university. For all educational categories, the average unemployment rate is lower than the EU 27 rate (Source, Eurostat, 2006),

7.3 Migration and employment of migrants

Emigration and immigration data in the last 10 years

Outflows. Surveys indicate that 4 to 7.3% of the population has worked abroad at least once since 1990[7]. Also 13% of households in 2005 had 1.5 members abroad, which means approximately 1,400,000 labour migrants (Source, CURS survey, 2005). The Figure 3 below describes the evolution of labour migration from 1990 to 2002. After the opening of the borders in 1990, labour migration flows have gradually risen. In 2002, visa restrictions were lifted. This coincided with a turning point in the extent of labour migration: the number of people having worked abroad more than doubled but was still below some estimates that indicated a potential labour exodus as a consequence of the relaxing of border-transit conditions.

Figure 3. **Increase in labour migration 1990–2002**



Source: Public Opinion Barometer 2002 – reported last year household member went abroad

From 2002, variations in labour migration trends were less noticeable. Unfortunately, there were no data that would allow us to extend the above analysis until 2006. Other indicators are however useful to support the assertion of a rather constant trend of labour migration from 2002 to 2006. If in May 2002 5% of the adult population declared they had worked abroad, in May 2006, this percentage rose to 7.3%, meaning approximately 1,250,000 people. The analysis of another indicator, “household members abroad at the moment of the interview”, reveals a similar trend: from May 2003 to May 2006, the number of household members abroad at the moment of the interview rose from 8.3% to 10.1%. This means that approximately 580,000 households have at least one member abroad.

[7] See for example the Public Opinion Barometer 2003-to-2006 or CURS survey 2005

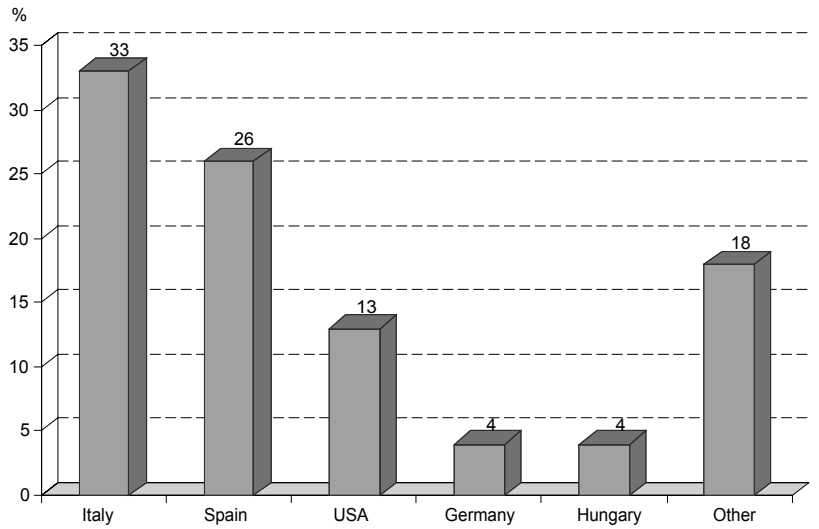
Table 6. **Estimates regarding migration trends in Romania (percentage of adult population)**

	Nov 01	May 02	Oct 02	May 03	Oct 03	May 04	Oct 04	May 05	Oct 05	May 06
have you ever travelled abroad	25	26	31				21.1			19.1
have you ever worked abroad	5	5	6		4,4		5.6	6.9		7.3
household member ever worked abroad	12	13	17				14.1			8.8
household member working abroad at the moment of the interview				8.3	8,9	9.1		9.9		10.1
plan to go abroad for tourism	18	13	21				14.2			8.6
plan to go abroad for work	16	11	17				12.1			9.0
plan to go abroad for studies	6	4	8				3.8			
plan to leave the country for good	6	3	5				3.4			

Source: Public Opinion Barometer

In terms of favoured destinations for labour migration, the Figure 4 below indicates that Italy, Spain and USA ranked highest in 2005. Actually, the destination profile gradually changed from early 90s when outflows spread across various destinations such as Israel, Turkey, Italy Germany or Hungary to a more focused migration model with Italy and Spain absorbing more than a half of the total migration flows.

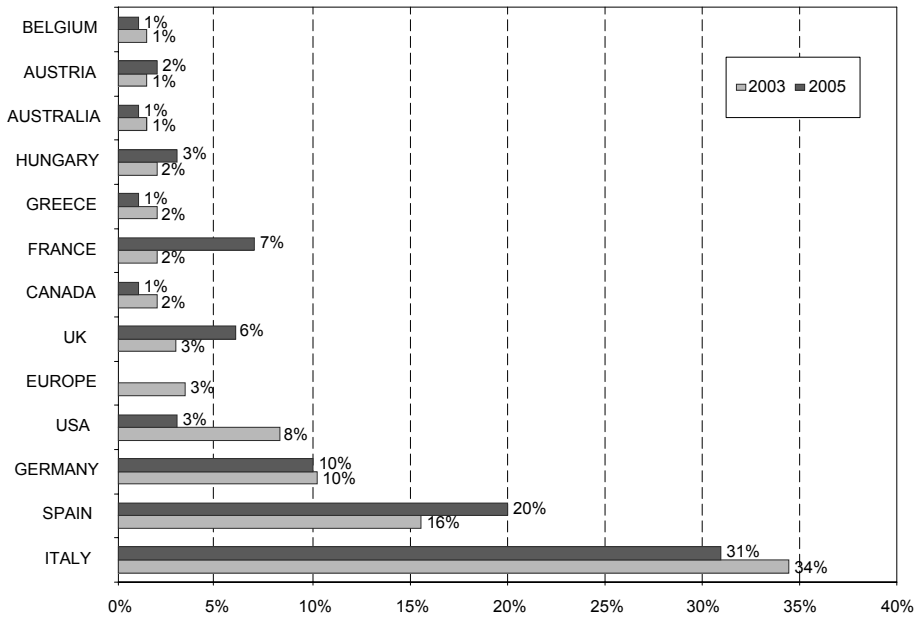
Figure 4. **Main destinations for labour migration**



Source: IOM Bucharest 2005

It will probably take a few years to assess if and how these destinations changed after accession. In terms of intentions to migrate, there was a slight change even before accession pointing to France or UK as potential new destinations. As the Figure 5 below shows, the percent of would-be labour migrants favouring these two destinations doubled from 2003 to 2005. Even so, those shares were still far less significant than those associated with Italy or Spain. Thus, in 2005, 31% of respondents intended to leave to Italy for labour purpose, 20% favoured Spain, 6% UK and 7% France.

Figure 5. **Potential of labour migration**



Source: IOM Bucharest 2005

Inflows. There are only disparate studies referring to immigration and its effects on the labour market. According to a recent study, Moldovan immigrants are the most numerous foreign citizens in Romania, followed by Turkish and Chinese immigrants. 89.88% of these had a temporary residence permit and 10.12% had a permanent residence permit (Ministry of Interior, 2006). It is worth noting that from 2005 to 2006 the number of foreign citizens in Romania increased by 8%.

Table 7. **Foreign citizens with permanent or temporary residence permit**

Citizenship	Total 2005	Total 2006	% comparison 2005–2006
Moldova	9571	11392	19%
Turkey	5765	6337	10%
China	4393	4974	13%
Italy	4022	3595	-11%
Germany	2134	2233	5%
USA	1961	1976	1%
Syria	1874	1929	3%
France	1477	1591	8%
Libyan	1262	1321	5%
Ukraine	1010	1254	24%
Other countries	16016	17004	6%
Total	49485	53606	8%

Source: Ministry of Interior 2006

Also, from table 8, one can see that the most numerous group of immigrants was those with a visa for study purposes. Second and third largest categories are residence for commercial activities or family reunification of foreign citizens with Romanian relatives. Working ranks forth in this hierarchy. From 2005 to 2006 the number of granted visas for labour purpose increased from 3628 to 5694, 57% higher than the previous year.

Table 8. **Temporary visas by purpose of stay**

	2005	2006
Study	12,651	13,883
Family members	7,375	8,530
Commercial activities	9,872	8,317
Employment	3,628	5,694
Family Reunification	5,059	5,175
Other Activities	2,610	2,824
Transferred	1,967	1,265
Religious	1,267	1,199
Humanitarian	1,133	1,028
Teaching	114	121
Professional activities	50	39
Stateless persons	101	35
Individual family members	39	30
Medical purpose	19	22
Economic activities	5	15
Total	45,890	48,177

Source: Ministry of Interior 2006

Business immigrants – effects on labour market

Currently, immigrants in Romania are mainly business persons active in those sectors of the market that are not sufficiently explored by Romanians either because of the nature of the business (mainly Arabic and Turkish immigrants) or for the relatively lower prices of their products addressing a specific category of buyers (the Chinese case). Less significant in numbers but having an impact on the local economy are Italian, German, and American investors. The case of Italian investors in Romania, especially in the North Eastern part, respectively the Moldavian region, might explain selective emigration flows in terms of destination. After the fall of communism many state-owned enterprises were restructured or went bankrupt. Italian investors took over the textile industry in the area and, apparently, the presence of Italian capital became an important explanatory factor for the high incidence of economic migrants from this area to Italy. Cultural contacts, interaction with Italian nationals and swift information flows contribute further to structuring migration intentions. In other words, where linkages with foreign markets are already set, labour outflows are likely to follow these networks.

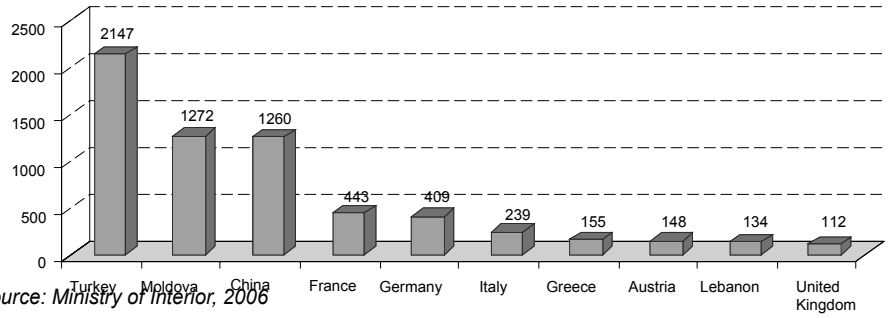
An emergent trend, still unexplored, seems to be an increase in labour opportunities for Romanian nationals as a result of the presence of foreign business persons. It is not only the foreign capital enterprises that absorb part of Romania's unemployed. A little-noted

but interesting phenomenon is the development of care and housekeeping services for foreign nationals living in Romania. Housekeeping and baby-sitting seem to be a labour niche especially for Romanian unskilled women or Moldovan migrants.

How immigrants affect the formal labour market?

Figure 6 shows the top ten nationalities in 2006 in terms of work permits issued to foreign citizens. The largest groups of labour immigrants are Turkish (2,147), Moldovans (1,272) and Chinese (1,268).

Figure 6. **Number of labour permits issued by the National Office for Labour Force Migration in 2006**

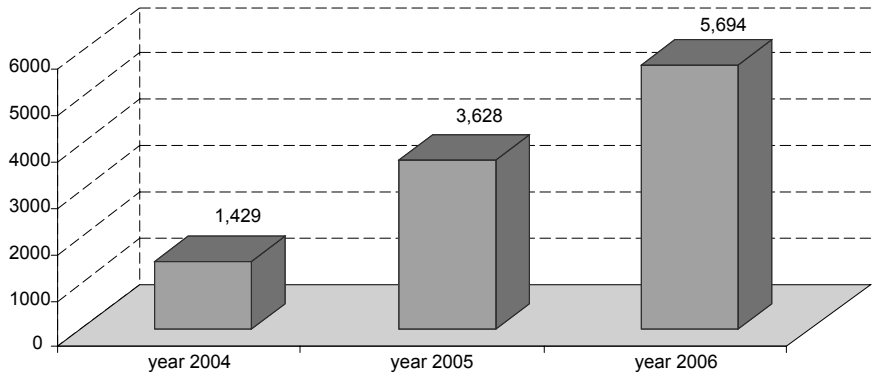


Source: Ministry of Interior, 2006

In terms of gender, the distribution of work permits is highly disproportionate. 82% of labour permits were granted to male immigrants and 18% to women. Most work permits were granted for the Bucharest Ilfov region (63%) while the lowest number of work permits is associated with the south-western Oltenia region, the latter being less developed than the other Romanian regions.

As figure 7 shows, the number of employed foreign citizens increased in three years from 1,429 in 2004 to 5,604 in 2006. It is worth noting that the number of legally employed foreign citizens represents only 0.58% of the active population.

Figure 7. **Number of foreign employees 2004–2006**



Source: Ministry of Interior, 2006

While the figures above refer to the formal sector, the number of labour immigrants in Romania is much higher if we take into account the informal labour market. We will later show that in the rural sector for example, Moldovan (i.e. Republic of Moldova) female migrants are responding to the demand for labourers in agriculture.

Labour migration and circular migration

To reiterate, the main pattern of migration in post-communist Romania is circular labour migration. It is thus likely that the most important push factors for migration are economic in nature. When asked how much of their income migrants were able to save before migrating, 81.6% of the migrants stated they were not able to save any money. Also, most migrants had difficulties buying food, accessing education and health (32.4%) services, managing to provide basics but having difficulties in paying bills and clothing, (31.1%) or affording clothes, utility bills, but not durable goods such as a TV or a car (21.8%) (see table 9 below).

Table 9. **Household economic status before migration**

	Valid Percent
Difficulty paying for basic food, education and health	32.4
Manage to pay for basic goods but not bills, clothing	31.3
Able to buy basics, clothes, utility bills, not goods: TV, car etc	21.8
Able to buy a TV, refrigerator but not car, new house etc	12.8
Able to buy a car, new house, travel abroad etc	1.7
Total	100

Source: CURS, 2005

It is interesting to note that, in families with migration experience, the mean of dependants reaches 8.84 persons. Considering the fact that the number of members in the average household with migration experience is 3.68 persons, it is likely that migrants do not only assist financially household members, but also other relatives or friends.

When asked to indicate motives for migration, most migrants noted economic rationales (earning more money-78.7% of the respondents). Finding a job ranks second in this hierarchy, with 44.7% of the respondents indicating this motivation (see table 10). These results clearly show that economic rationales are strongest among migrants' motives for migrating. The literature on migration shows that migrants are risk takers, sometimes resorting to irregular methods such as informal migration strategies to reach their objectives (Lazaroiu, 2000, Lazaroiu 2003). The option for migration was, in this context, a way to reach and maintain a stable life trajectory while seeking alternatives to an unwelcoming economic environment. Looking at the leaving strategies, the high-risk tolerance is clearly visible. During the first migration cycle, interviewed labour migrants relied on tourist visas to cross the border (35.5% of responses). Only 21.2% of the respondents mentioned working with a contract or work permit (CURS, 2005).

Table 10. **Migration reasons**

	Count	% of Responses	Cases
To find a better paid job	536	19.4	44.7
To study and learn new languages and ski	78	2.8	6.5
To acquire a new profession	27	1.0	2.3
To make more money	944	34.2	78.7
For adventure	94	3.4	7.8
To save money for my children's education	161	5.8	13.4
To buy a house upon return back home	146	5.3	12.2
To buy land upon return back home	27	1.0	2.3
To buy household appliances	234	8.5	19.5
To pay off my debts	222	8.0	18.5
Because other people were also leaving	77	2.8	6.4
To gain the respect of my community	8	0.3	0.7
To make the initial capital to start my business	100	3.6	8.3
To join other members of my family or friends	51	1.8	4.3
Other reasons	54	2.0	4.5
Total responses	2759	100.0	230.1

Source: CURS, 2005

Migrants' occupational status before migration abroad and on return

In the Table 12 below, one can see that most migrants working abroad had jobs in construction (36.1%), agriculture (28.1%), private households with employed people (probably doing house cleaning and caring services) 14.6%, and hotels and restaurants (11.6%). It is noteworthy that the percentage of people without employment before and after the migration strategy almost doubles at the moment of return. Statistical analysis actually shows that there is a positive association between the intention to leave abroad again and the absence of employment in the home country at return. Thus, 67.5% of the interviewees who stated that that they have not returned permanently were part of the category with no employment on return (CURS, 2005). Also, those intending to leave abroad indicated among the negative effects of the migration experience that on return, they felt unable to find a job in Romania (13.5% of the migrants who intended to leave abroad again as compared with 6.4% of the migrants who stated that they were permanently back).

After working abroad, fewer people are interested in returning to do the same job with much lower pay in the country of origin. If before leaving abroad 18.4% of the population was working in construction, on return the percentage dropped to 8.3%. It is obvious that migrants working in construction considered this sector much less interesting economically if working in the home country as compared with construction abroad. Also, when looking at the table below one can see that working in a private house with employed people, although ranking third in the hierarchy of jobs performed abroad is not at all attractive in the home country (14.6% worked abroad in this sector as compared with only 0.3% before leaving and 0.8% on return). Also, jobs in the hotel and restaurant

business seem to be more profitable abroad than at home (11.6% of migrants interviewed had a job in this sector as compared with 2.8% before migrating and 1.2% on return)

Table 11. **Occupational status of migrants**

	Before migrating	Abroad (% of cases)	On return
Agriculture, hunting and forestry	10.3	28.1	9.5
Mining and quarrying	0.8	0.1	0.4
Manufacturing	4.3	3.3	2.6
Electricity, gas and water supply	2.3	1.8	1.0
Construction	18.4	36.1	8.3
Wholesale and retail trade, repair of motor vehicles...	7.0	3.1	9.0
Hotels and restaurant business	2.8	11.6	1.2
Transport, storage and communications	4.0	3.5	3.1
Financial services	0.6		0.3
Real estate, renting and business activities	0.2		0.4
Public administration and defence; compulsory social security	2.8	0.8	2.6
Education	3.5	0.7	2.3
Health and social work	2.4	2.3	2.0
Other community, social or personal services	0.3	0.4	0.2
Private households with employed people	0.3	14.6	0.8
Extra-territorial organizations		0.4	0.1
Fishing		0.2	
I was not employed[3] /NC/ does not work	26.7		47.5
Other	13.4	6.8	8.9

Source: CURS 2005 (the assessment of occupational status abroad is based on multiple-response questions as compared to status before and after migration where the percentage is the result of a single response question)

Effects of migration on unemployment rate – reducing labour market pressures

We have previously shown that significant percentages of economic migrants were unemployed before leaving which might suggest that international migration might reduce unemployment. Negative effects should however not be ignored. As we previously mentioned, data show a constant ageing of the population and a high polarization between the number of dependants and that of the active population. A falling unemployment rate might also be caused by a shrinking available labour force.

It is interesting to note that if before migration 26.7% of interviewed migrants stated that they had no employment before going abroad, on return, the percentage of unemployed people among migrants increased to 47.5%. Previous qualitative studies show that generally, working abroad for temporary periods becomes a life strategy and these migrants do not actually consider accepting a job in the home country as long as salaries remain substantially lower than potential earnings abroad. It is however worth noting that most economic migrants working abroad have irregular status and do not contribute

to the social security system. This means that they do not support retired people in the destination country but also that on return they will not benefit from a state pension scheme due to the period spent abroad, nor while living on their savings after return.

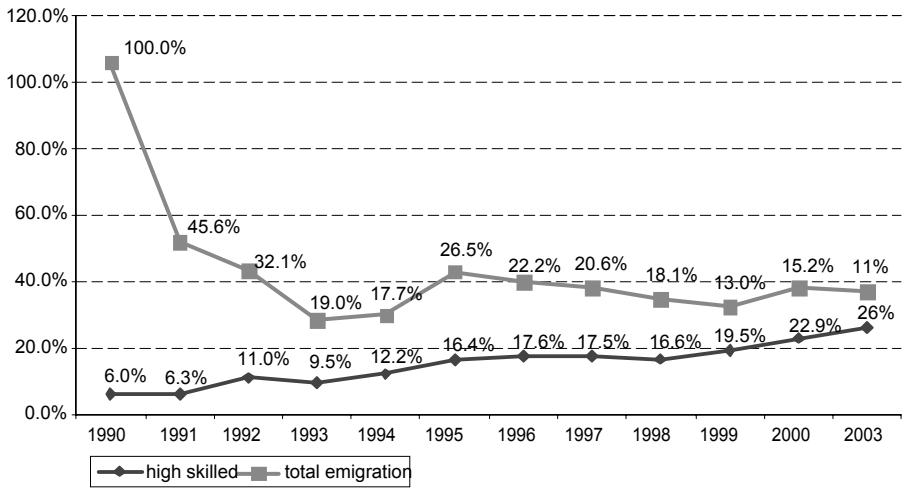
Brain gain – how to get them back

In the aftermath of the 1989 events, there was lax oversight of academic mobility. Certain professionals left the country for good. In other cases universities compelled beneficiaries of government grants to commit themselves to return after completing studies. Students' mobility increased through international donors and programmes (Soros Foundation, Fulbright, IREX, and individual applications to U.S. universities) and a brain drain to Western Europe and North America, especially for high-skilled young graduates in the IT sector, was also encouraged by foreign countries.

Romanian students and teachers had plenty of opportunities to study abroad. Insofar as beneficiaries returned and found a job in Romania, studying abroad was felt to have benefited the whole society. Other students chose to settle in the country where they graduated, as part of a large brain drain affecting ex-communist countries.

Emigration rates have considerably reduced in the last 16 years. However, migration of the highly skilled continues to climb. Official figures suggest the percentage of university graduates leaving Romania permanently rose from 6% in 1990 to 26% in 2003 (National Institute for Statistics), which is double the percentage of university graduates in the total adult population (almost 10% of university graduates according to polls). Without appropriate policies it is likely that Romania will be affected by labour deficits in some sectors of the primary labour market such as the IT sector or medicine.

Figure 8. **Evolution of emigration rates and highly-skilled migration, 1990–2003**



Source: National Statistical Institute, 2003

Furthermore, problems were reported in adaptation and integration of Romanian graduates at foreign universities starting from recognition of certificates and school grades to lack of access to academic circles. In addition, salaries and working conditions are not attractive in Romania except for some multinational private companies.

Previous research indicates that the rationales behind emigration of the highly skilled lie especially in more attractive career opportunities as compared with economic migrants for whom push and pull factors revolve around the need to gain more money. These studies also show that highly skilled migrants living abroad make a condition of their return the emergence of a more welcoming economic and political environment and also attractive career and investment opportunities (Ferro, 2004, Delta, 2005).

Return migration – what do we expect?

The table 12 below indicates that only 4.2% of return migrants interviewed stated that they intended to settle permanently abroad. Most migrants planned to return after a temporary stay abroad (60%) or after a longer period of time spent abroad (21.1%). 7.9% of the migrants interviewed stated that they did not plan the moment of return although they intended to come back.

Table 12. **Intentions regarding return**

Before you went abroad what were your intentions regarding your return?		
	Frequency	**%**
To leave temporarily and to return later	719	60
To leave temporarily without a plan to return	95	7.9
To leave for a long time and then return	252	21
To leave permanently and never return	50	4.2
DK/NA	83	6.9
Total	1199	100

Source, CURS, 2005

As long as the transitory periods imposed by some of the EU Member States limit labour migration flows, return trends will probably not significantly change. In spite of constant development of the Romanian economy, the gaps between the last accession wave and older EU members will still foster emigration. Assuming that undocumented labour migration is not favourable to circulation between destination and origin country, we might suppose that with the lifting of obstacles, such a migration policy might encourage return of Romanian migrants.

This regularization of economic migration might also favour emigration. Though impossible when working without documents, family reunification might become an attractive option for labour migrants once their status is legalized. However, if this trend should emerge, it will probably be far less significant than circular migration. This prediction is best proved not only by Romania's history of migration that clearly shows a prevalence of circular migration but mostly by the experience of other newer EU member states.

Migration as training new skills for the home market

We stated before that the most important push factors for migration lay in financial motivations ("earning more money" and "finding a better-paid job"). When assessing the positive impact of migration on the interviewed migrants' perception we could conclude that generally migration has been a success since most migrants stated that they managed to increase their income (23.7% of the responses) or that they found a better-paid job that allowed them to support family back home (14.3% of the responses). As the table below shows, success in learning a new language and skills ranks third in the hierarchy summarizing the positive impact of migration, with 13.9% of the responses.

However, when looking at other variables that could indicate the likelihood of integration in the home labour market, predictions are more pessimistic. In spite of all the acquired benefits, only a few returned migrants stated that they had more opportunities on return (2.4% of the responses), or felt freer than before leaving abroad to find a job or start a business (2.3% of the responses).

We actually noticed an increase in the percentage of people without employment and a decrease of the population working in construction and agriculture, which might mean that some migrants resort to circular migration (alternating periods of work abroad and not working at home) as a life strategy instead of investing the accumulated knowledge in their country of origin.

Table 13. Positive Impact of Migration

	Count	Responses	Cases
Found a better paid job and helped my household	529	14.3	44.1
Succeeded in learning new language and skills	515	13.9	43
Increased my revenues	876	23.7	73.1
Enjoyed adventure	140	3.8	11.7
Saved money for the future	269	7.3	22.4
Saved money for my children's education	136	3.7	11.3
Purchased a house	111	3	9.3
Purchased land	54	1.5	4.5
Improved household standards with new appliances	278	7.5	23.2
Paid my debts	319	8.6	26.6
Became more independent	109	3 (3.2% females)	9.1 (9.9% females)
I have become the main breadwinner in my household	115	3.1(2.4% females)	9.6 (7.4%females)
I am more respected in my community	42	1.1	3.5
I feel that I have more opportunities now	90	2.4	7.5
Feel freer to find a new job or start a business	84	2.3	7
Do not know	26	0.7	2.2
Total	3,693	100	308

Source: CURS 2005

Economic impact of labour migration

In 2006, labour migrants sent approximately EUR 4,8 billion back home, through official channels only. It is estimated that about 40% of the transfers are made through informal channels (e.g. friends or relatives, bus drivers). Investment patterns indicate a clear hierarchy of consumption: first, food, clothing and household appliances, second, savings or home repairs, and third, children's education.

Table 14. **Use of Remittances**

	Count	Reponses	Cases
Savings	441	17.7	36.8
Investment in business	65	2.6	5.4
Education of children	321	12.9	26.8
Food, clothing, household appliances	613	24.6	51.1
Medical expenses	120	4.8	10.0
Re-qualification and education	27	1.1	2.3
Buying property	121	4.8	10.1
Home repair	393	15.8	32.8
Wedding, celebration, funeral	63	2.5	5.3
Buying land	54	2.2	4.5
Buying car	115	4.6	9.6
Starting a business	44	1.8	3.7
Charity	6	.2	0.5
Other	112	4.5	9.3

Source: CURS, 2005

Only a few migrants use accumulated money to start a business. It is worth noting however that the propensity to invest in a business is higher for the migrant population as compared with the average population. Sectors favoured for developing a business are: agriculture, construction, and wholesale and retailing (CURS, 2005). There are already some studies indicating that migration and entrepreneurial behaviour are strongly related and that multiple migration cycles favour investment in a business (Lazaroiu and Diminescu 2002, Lazaroiu 2003, Sandu, 2006). Once the migrant has covered basic necessities and has accumulated the necessary human and social capital, it is more likely that he/she will seek possibilities to invest in a business in the home country or sometimes even in the destination country.

In rural areas, there is constant population ageing, which already has dramatic consequences for developing sustainable agriculture. Due to the shortage of young workers to accumulate land and establish profitable farms, there is widespread subsistence agriculture in Romanian villages. In this context, young people leaving to work abroad have a negative impact on agriculture unless they return and invest in this domain. However, it seems that migration cannot solve the problem of poverty in rural areas. Even though it has a definite positive impact on individual and household level, labour migration does not contribute substantially to sustainable community development, as long as first-cycle migrants are consumption oriented or at best investing in their own households.

In the long term, a large volume of remittances to migrant-sending villages might create incentives for migrants to invest in local infrastructure or start a business. This will in exchange create an entrepreneurial environment that will eventually make the community more prosperous.

It is likely that large flows of labour associated with low returns in productive investment will lead to structural inflation. As, in some areas, labour migration is still very selective, large categories of people are going to have restricted access to different markets (like housing). Local council or government programmes should create incentives for returned migrants to invest money in productive businesses.

7.4 Implications of the recent developments

Effects of recent demographic trends and labour market development on the social security system

How will the ageing process affect the social-security system? In 1990 there was a dependency ratio similar to most European states, meaning that each employee supported 0.42 retired people. Now the dependency ratio is very close to 1:1. The number of pensioners would be even higher if we count pensions allocated to people working in agriculture who never contributed to the pension fund (ASR, 2007).

The setting up of the system "Pay as you go", specific for Romanian social security policy, assumes that the retired are supported by monthly taxes paid by employees. Up to this moment, this system allowed no savings. All that is gathered in one month is redistributed to pensioners next month. This has led some economists to state that the pension system is actually a sort of pyramid investment fund that will only survive as long as the number of contributors is higher than the number of people presently benefiting from the collected money (ASR, 2007).

Currently, pension quantum represents about 30% of the average salary, which is a clear indicator of the low living standard of most retired people in Romania. The percentage of contributions to the social security system is also approximately 30% of the salaries, this quota being among the highest in the EU (ASR, 2007). Increasing contributions will thus not help to the founding of a more sustainable and resourceful pension fund. Such a measure will probably only contribute to a greater extension of the informal labour market as a result of employers' strategies to evade taxation.

Considering this, it will probably not be wrong to state that the current pension system is very fragile. The retirement age has dropped considerably below 60, as a result of government attempts to avoid an increase in the unemployment rate. Thus, the number of employed persons contributing to the pension fund has decreased while more and more retired people need to be paid from social security funds. Some studies show that about half of the number of retired people benefiting today from state pensions are "anticipatory" retired people (ASR, 2007).

In an attempt to correct these deficiencies in 2000, the Government restricted anticipatory pension schemes and begun to gradually increase the retirement age. Thus in less than 13 years the retirement age should be similar to elsewhere in European Union, with men leaving working life at 65 and women at 60. Also the minimum and maximum contribution period have increased by 5 years (the minimum contribution period is now 15 years and the maximum period is 30 for women and 35 for men). If before 2000 the number of pensioners had increased by 4 to 5% yearly, in 2005 that increase dropped to 0.31% each year (ASR, 2006).

In spite of these measures, there are still pessimistic views associated with the social security system based on the date of 2030 when children born during the baby boom supported by the communist regime will reach retirement age. Also, in the coming decades, the less numerous generations of post-1989 children will enter the labour market. The age-dependency ratio will thus worsen, as more and more pensioners will have to be supported by a decreasing number of contributors (ASR, 2006).

What is then to be done? Considering the fact that the number of pensioners is not going to decrease, but will actually increase in the coming decades, an effect generated not only by the retirement of the baby-boom generation but also by an increase in life expectancy, the only viable measure is to increase employment rates. Studies show that for an average pension of 150 EUR more than 8 million employees should contribute to the pension fund while for a higher pension of approximately 200 EUR, 11 million employees are required (ASR, 2006).

At present there are only 4.71 million employees and 5.58 million pensioners (including people working in agriculture – ASR, 2006). It thus remains to be seen how the government can manage to support the recent decision to increase pensions to about EUR 130 from EUR 118 and especially the projected 40% increase in pensions at the beginning of 2008. It is also still uncertain whether increasing pensions to 37.5% of the average gross salary in 2008 and to 45% in 2009 is indeed sustainable, considering the demographic trends that we discussed earlier.

How migration influences labour market deficits

What is the impact of labour force migration on the structure of the labour market in the origin country? To answer this question we need to look first at the profile of the average labour migrant. Most migrants came from occupational niches such as construction with 18.4% of labour migrants. Another sector including agriculture, forestry and hunting follows with 10.3%. 26.7% of the migrants interviewed stated that they were not employed[8] before migrating (CURS. 2005).

It is thus clear that migration relieves some of the pressure exerted on the social welfare system by absorbing some of the active and inactive population without employment. While this might be interpreted as a positive effect of migration, labour outflows also have

[8] This category includes 2.5% pensioners and 5.5% students adding to the 18.7% active people with no employment.

an effect on the domestic labour supply. There are already some sectors with significant labour shortages in both the secondary and the primary labour market. Whereas in the primary labour market, gaps might take longer to absorb high skilled migrants, due to low salaries, the secondary sector will gradually pull immigrants from less developed countries such as Ukraine or the Republic of Moldova. Also, Romania might become a destination country for refugees.

Some occupations in the construction sector also register labour deficits: masonry and unqualified workers especially. Moreover, as we previously showed, the supply of service workers is lower than the demand. Also, labour supply for agricultural jobs and repair of motor vehicles is very low (MLSSF, 2006). Sectors such as construction and services that are affected by labour shortages also account for the largest pool of migrants. In construction and services, salaries were still lower than the gross average salary in 2004. Thus, economic push factors associated to these sectors might have been strong throughout the transition period[9].

Replacement migration – immigrants replace emigrants

Immigration can already be noticed in some of the sectors affected by labour shortages. The arrival of Chinese workers in a textile factory in Bacau has received vast media coverage. It was also the first visible indication that soon Romania will need replacement workers in some areas that have become unattractive for Romanian workers.

In some rural communities, interest in agricultural jobs has dropped considerably. Much of the young people in such communities have gone abroad and those who remain live on remittances. In these communities migrants from the Republic of Moldova have increasingly undertaken agricultural jobs. As table A1 in the appendix reveals, the percentage of Moldovans staying in rural areas for less than three months and more than one year, is higher than the average (11% and 27% as compared with 6% and 8%). Moreover, table A2 (appendix) shows that the percentage of females from the Republic of Moldova staying less than three months and more than one year is higher than the average values for the two periods (49% and 65% as compared with 40% and 32%). It is likely that, due to labour deficits in farming, poorer female migrants from Moldova will gradually replace the missing unskilled labour force. Durations of stay longer than one year might mean that they do not only come in specific seasons for agricultural jobs but also for long-term residence, most likely being accommodated in the employer's house. In these cases, employment is usually based on individual, oral agreements (employer/immigrant) and their identification and legalization might prove to be difficult[10].

[9] In 2004 the gross average salary was RON 8,021,787. The average salary in construction was RON 6,298,378. In some of the areas defined as services – hotels and restaurants – the gross average salary was RON 4,752,809.

[10] Considering the language similarities, the identification of Moldovan workers is furthermore difficult

Projections on in/out migration

In the last four years there is a slight increase of labour outflows starting with the easing of the border-transit regime for Romanian citizens. The country's accession to the EU will probably have an insignificant impact on current migration flows, although a full analysis on this is not yet available. Although Romanian citizens can now freely circulate in the European Union, access to the labour markets is still restricted by several countries, including old member states that are among the main destinations for Romanians, such as Italy or Spain.

Numbers of immigrants are expected to gradually grow as the economic environment becomes more attractive. Romania's position on the outer EU border might also contribute to an increase in the number of transit migrants trying to enter Romania in the hope that border controls on the internal EU frontiers are less rigid, and will allow them to travel to a more developed occidental state. Some of these intending transit migrants might stay in Romania, should they find an attractive labour opportunity.

The number of refugees is now very low in Romania, but as a signatory to the Dublin Convention this might significantly change. Before accession, Romania was just a stopping point on the way to further western destinations. In 2007, it became the outer EU border, which means that immigrants and asylum seekers from eastern and southern countries might head to Romania to enter the EU. According to the Dublin Convention, EU member states decide which state will have to assess the asylum application and grant protection to the soliciting party. Generally, the state where the migrant has first been registered in the EURODAC[11] database is responsible for assisting migrants and completing assessment procedures. If our projection of Romania as EU gateway comes true, numbers of refugees might grow.

7.5 Formulating migration policies

Migration policy-making

Actions directed to the adoption of the EU regulations generated repeated changes in the legislation before and after the accession date. In order to obtain the lifting of tourist visa restrictions for Romanian citizens travelling to Schengen countries, the Romanian government issued a set of conditions to be met by travellers when they exit Romania. Before Romania's accession to the EU, Romanian border police used to check the exit conditions that Romanian travellers should meet once they arrived in a EU country – sufficient amount of money for the period of stay, health insurance, round ticket and accommodation vouchers if needed. These were not conditions that one should meet to exit a country but to enter one. This set of obligations was aimed at ensuring that the traveller is going to come back to Romania and will not recourse to public funds or seek a job while abroad. A round trip was to be proved by the transportation documents within a 3

[11] EURODAC is a database implemented in all EU member states including fingerprints of illegal immigrants and asylum applicants. This database helps identify the EU member state responsible for assessing the asylum application, according to the Dublin Convention.

month period after leaving Romania. Also an amount of EUR 100 per day and valid health insurance should have proved that the traveller had enough resources to support himself and did not need to seek a job or public funds. Those rules would not totally guarantee all travellers are tourists, but there were other sanctions enforcing regular migration.

It is a fact that after lifting visa restrictions for Romanians within the Schengen area, there have been international media reports and even official claims by EU countries' authorities on irregular Romanian migrants. Fears that visas might be re-imposed determined Romanian authorities to further strengthen regulations and oversee migration flows. For instance, irregular migrants (like those who overstayed the legal period of three months in an EU country or those who committed crimes or broke laws abroad) could have been sanctioned by Romanian law with penalties ranging from suspending the right of free circulation to annulling the right to bear a passport. The authorities gradually increased the period of temporary suspension of the right to travel abroad from three to twelve months to a period up to three years long and later to five years.

All the previously mentioned prerequisites and sanctions in the area of domestic regulations regarding Romanian migrants and travellers were aimed at avoiding a major exodus to EU countries. However, sanctions to control irregular migration to EU countries proved to be hard to implement. Although flows of migration have not dramatically increased after lifting visa restrictions, irregular movements were just slightly reduced. This might suggest that informal channels of migration were established long before the new legislation was in place. The new laws did not consider the long experience of Romanian migration since 1990, thus they could not prove effective in curbing further irregular migration. New strategies and innovative ways of crossing borders required periodic changes in legislation. The strength of informal ties could not always be obliterated through prohibitive legislation.

Important progress in legislation and institutions has been made regarding Romanian citizens working abroad. Only in the last few years Romania's government has signed several bilateral agreements with countries that turned out to be important destinations for Romanian workers (like Spain, Portugal and Italy). Agreements of this kind usually aim to guarantee equal working conditions for Romanian citizens and natives, but also to create a legal framework within which labour mobility can develop while the transition periods are still in force.

In April 2004, a National Strategy on Migration was adopted. During the same period the National Strategy for the Integrated Border Management of Romania 2004–2006 was approved by the government. Both legislative initiatives contributed to the orderly development of migration by setting up comprehensive criteria framing migration flows and discouraging irregular migration while contributing at the same time to the free movement of people. Also, in 2006 a new strategy for managing migration has been elaborated targeting the post-accession period 2007–2010. The project, still to be approved by the government, emphasises that migration should not be viewed as a problem that needs to be solved but as a process that needs to be managed. The main objectives of the strategy are: controlled immigration; prevention and control of irregular immigration; asylum and integration (Ministry of Interior, 2006).

Progress has also been made in visa applications and their issuance. In 2006, Romania has finalized the process of enlisting its 115 embassies and consular offices in the online visa system which is expected to reduce the period of examination of applications coming from states with a high migration potential (Ministry of Interior, 2006).

Main institutions regulating labour emigration

Before 2001 a small market for sending labour abroad started to grow. Private companies were entitled to deal jobs in different countries based on contracts between economic agents and individual workers. The proliferation of intermediaries was quickly followed by public reports on migrant workers being deceived by mediating companies (e.g. having paid money but not got the job) or migrant workers cheated by employers abroad (e.g. not complying with conditions in the contract).

Therefore, the Romanian authorities issued a set of criteria that labour mediating companies must meet in order to obtain a full licence to operate. These criteria refer to firm agreements between intermediaries and foreign employers, transparent procedures for selecting candidates and a ban on requesting money from applicants while not abiding by the contract. Given these new regulations targeting the authorization of labour intermediaries, private firms soon complained that there was unfair competition between them and the state departments operating in the same market, while at the same time checking their activity. The actual legislation only allows the periodic checking of private firms' activity by the responsible state department (the Labour Inspection Department under the Ministry of Labour Social Solidarity and Family) without much interference in the registration process.

In 2002, the Romanian Government created a Labour Migration Office, under the Ministry of Labour and Social Protection, which actually operates in the same market of mediating labour with the private companies mentioned above. The Office seemed to be more efficient in upholding migrants' rights than the various private agencies but the number of labour contracts intermediated by this governmental department has been much below demand, mostly channelled to the irregular market. Only a few tens of thousands of contracts are intermediated each year while the number of Romanian labour migrants is much higher, as we previously showed.

At the end of 2004 two departments aimed at protecting migrants' rights were founded: the Attaché's Body on Labour and Social Problems and the Department for Labour Abroad. The latter, responsible for protecting migrant workers' rights and liberties and promoting information campaigns on the risks of irregular migration, was closed after accession in an attempt to restructure services addressing migrant needs while creating a more fluid network of state departments in this field.

The Attaché's Body on Labour and Social Problems represents a new interface between the Ministry of Labour, Social Solidarity and Family and the destination countries, aiming at defending the rights of Romanians working abroad by providing consultancy in matters of work controversies in accordance with the laws of the respective country. Four attachés were sent at the end of 2004, to Germany, Italy, Spain, and Hungary,

four major destination countries for Romanian economic migrants. This new initiative is expected to help fight irregular migration, trafficking in human beings and particularly at assuring labour conditions for Romanian migrants similar to those for native citizens. An overall goal of the Attaché's Department is to form policy recommendations based on experience gained while evaluating migrants' complaints. However, public trust in these authorities might be still low, suspicions being especially associated with passport suspensions before EU accession.

The Romanian Office for Immigration was founded in 2007 by merging into one institution the National Authority for Aliens and the National Office for Refugees. This institution has assumed responsibility for issuing labour permits to foreigners. Before 2007, it was the Labour Migration Office that issued work permits to both Romanian migrants and foreigners.

Romanian migrants – travelling and working in the EU

Romanian citizens have the right to freely circulate within the territory of the European Union while carrying an identification document. Most EU states have eliminated the visa regime for Romanians in 2002 while the UK decided to lift visa regulations from 1st of January 2007. The situation is however different in the case of labour mobility. The EU Treaty allows EU members to impose transitional labour restrictions that may vary from 2 to 5 or 7 years (the so-called 2+3+2).

Of the 15 EU member countries (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, the Netherlands, Portugal, Spain, Sweden, United Kingdom), Finland and Sweden decided not to impose any restrictions for Romania. Among the 10 countries that acceded to the EU in 2004 (Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia), the opposite situation happened with Hungary being the only country that imposed restrictions. To work in Hungary, Romanians must still have work permits, although for several sectors, the issuance of work permits has been greatly simplified.

Immigrants – admission, stay, return, detention and expulsion

Law 194/2002 modified in March 2007

Foreigners may enter Romania on the basis of the state-border-crossing documents stipulated by Romanian regulations and the Romanian visa. Thus, there are 4 types of visas that may be grated to foreign citizens: airport visa, transit visa, short-term visa and long-term visa. Foreign citizens are entitled to receive a short-term residence visa if they can prove that they have EUR 50 for each day of their stay but not less than 500 EUR total. Visa requirements do not apply in case of international agreements or if there has been visa-waiving for certain countries.

Romania has adopted EU regulations in terms of free circulation of labour and persons within the EU. Thus the regulations below that apply to third countries do not apply to EU citizens.

Admission for employment. Romanian legislation has special provisions regarding work permits for foreign citizens. Foreigners coming from countries covered by bilateral agreements with Romania and foreign citizens who are going to be employed by the public administration can be hired without a work permit. The National Office for Immigration is entitled to issue work permits. Aliens may be hired when vacant positions cannot be filled locally.

Refugees and other foreigners who have acquired a form of protection and foreigners hired by multinational companies have the right to work in Romania without a work permit. However, for some refugees there is no way to be legally employed. In spite of their being exempted from needing a work permit, a contract cannot be signed due to the lack of identification documents (Lazaroiu, 2003).

Admission for self-employment. The new law concerning foreigners raised the threshold for investing in private limited companies in Romania to EUR 70,000, raised from EUR 50,000 in 2002, USD 10,000 in 1993 and USD 100 in 1990. The new law discourages small businesses of immigrants from Asia (especially China) and Middle East (Turkey and other Arab countries).

Admission for study purposes. Romania is open to receiving students at all levels. The Romanian government offers a large number of grants and scholarships to students from the Republic of Moldova as part of a wider cultural programme between the two Romanian-speaking countries. Foreign students coming to Romania are allowed work during their study period here.

This channel is rarely used to enter Romania, as without a scholarship from the Romanian state, a would-be migrant needs to pay in advance one year tuition as well as a financial guarantee – a deposit at a bank.

Family reunification. The 2002 law regarding status of aliens modified in March 2007 has refined procedures for evaluating such cases. The husband/wife and the children resulting from the marriage, or the adopted children as well as first-degree relatives, can apply for a family-reunification procedure. Foreign citizens who have previously been issued a temporary visa (employment, study and so on) may have their right to stay renewed if they have not committed any crimes threatening national security and if they have not carried out a convenience marriage. Foreign citizens applying for such a procedure also have to prove that they have support worth at least one net average salary for each family member.

Family members who have been granted refugee status or other subsidiary protection are also entitled to ask for a prolongation of a family-reunification visa without having to prove that they have enough financial resources to support their family.

Irregular employment of third-country nationals. According to the law, irregular employment refers to hiring a foreigner who does not have a valid work permit. We have previously shown that most cases of immigrants' employment are those of Moldovan workers in rural areas. Due to the informal nature of some of the agreements between

the employer and the employee, it is hard to monitor and find appropriate solutions for this issue.

Marriages of convenience. When a temporary right to stay is requested on the basis of marriage, its renewal shall be refused in case of marriages of convenience. Although not many convenience marriages have been discovered in Romania (43 in 2006) it seems that some migrants resort to this either to obtain a visa or to facilitate the renewal of their visa. Syrian, Pakistani and Turkish citizens rank highest in this list.

Citizenship issues. The legislative framework for citizenship issues includes the chance for an alien to obtain Romanian citizenship after a 5-year stay in Romania. It seems that most immigrants wishing to obtain this status are those who came here for study purposes and, more recently, migrants coming from Moldova.

Expulsion. Foreign citizens can be expelled if they have committed crimes in Romania under conditions set out in the Penal Code or if the alien's right to stay has ended. The court may decide that, until the moment of expulsion, the alien should be taken into public custody especially if the alien has illegally crossed the border or does not hold a valid travel document and/or if he/she does not have enough financial resources for return.

Cooperation between Member States for facilitating expulsion. The Romanian Office for Immigration can ask support from other Member States for airport transit, in case a migrant cannot be sent on a direct flight to their home country. The Romanian Office for Immigration can also organize or participate in common flights aimed at returning irregular migrants to their home countries. These flights are organized in collaboration with one or more Member States.

Readmission. Readmission procedures are highly important in combating irregular migration. Bilateral agreements between a Member State and a third country provide a common framework for both Romanian citizens and aliens to return to their country of origin. Thus, whenever regulations in the area of circulation of people or labour migration are broken, Member States can resort to urgent return procedures targeting the identified undocumented or irregular aliens. Upon the request of one of the signatory states, the alien who is subject to a readmission procedure may be allowed to cross Romanian territory to a third state on the condition of an escort and submission of guarantees that he can continue his trip and enter the destination state.

Voluntary return. Foreigners who do not have enough financial resources to return to their country of origin can ask the Romanian Office for Immigration or other international and nongovernmental organizations to grant them support for voluntary repatriation.

Bilateral agreements and their role in migration control

Important changes in legislation and institutions have been made regarding Romanian citizens working abroad. In 2002 the National Office for Labour Migration was founded under the Ministry of Labour and Social Solidarity, its main purpose being to enact labour-

exchange conventions between Romania and destination countries and to mediate labour contracts for Romanian migrants. Only in the last few years, the Romanian government signed several bilateral agreements with countries that turned out to be important destinations for Romanian workers (like Spain, Portugal and Germany). The purpose of these bilateral agreements is to guarantee equal working conditions for Romanian citizens and natives, but also to create a legal framework within which labour mobility can develop. Such bilateral agreements, as well as the quota system, might be useful tools for regulating migrants' movements during the transition period imposed by other member states.

In the area of security systems, steady progress has been made towards Romania's compliance with European standards. The following institutions are involved in applying rules to co-ordinate social security schemes: the Ministry of Labour and Social Solidarity, the Ministry of Health and Family, the National House of Pensions and other Social Insurance Rights, the National Agency for Employment, the National House of Health Insurance, the Ministry of Education and Research. The Ministry of Labour and Social Solidarity plays an important role in coordinating the institutions involved in the application of Council Regulations (EEC) No 1408/71 on social security schemes referring to employed people, to self-employed people and to members of their families moving within the Community and of the Regulation (EEC) No 574/72 establishing the procedure for implementing Regulation (EEC) No 1408/71.

Before the regulations came into force, Romania had signed bilateral agreements with some European, Arab and Asian states, such as France Germany, Slovakia, Belgium, Luxemburg, Netherlands, the Czech Republic, Spain, Italy, Hungary, Austria, Portugal, Turkey, Bulgaria, Albania, Russia, Algeria, Libya, Korea. Some of these agreements, especially those with non-EU countries, were signed before the fall of communism and did not comply with European laws on social security.

Also, Romanian legislation on social security had several provisions that were not in accordance with EU standards: for example social security services were only available for citizens with their primary residence in Romania, meaning that Romanian employers whose firms were located abroad or freelancers who are paid abroad were excluded from the group covered. According to the new legislative provision however, a labour period in a foreign EU country will be counted as work experience if migrants have contributed to the social security system in the respective countries. The 1408/71 Regulation was transposed into national legislation through the Emergency Ordinance no. 102 from the 14th July 2005, modified and completed by the Ordinance no. 30 from the 19th July 2006. Starting with Romania joining the EU in January 2007, the regulations became a reference point in social security policy.

Policy constraints: securing eastern borders, debates on new immigrants

With the EU accession, Romania became the eastern border of the Community and it has often been stressed that this geographical position requires attentive border management. Although Romania is no longer at the crossroads between the EU and the Balkans it is still at the crossroads of two important routes of trafficking and smuggling in

human beings. One comes from Russia through the Republic of Moldova and Ukraine, reaching Romania and thus further EU states that are considered to be more profitable destinations. The other one comes from Turkey, transiting Bulgaria and Romania to further EU states.

Thus the Government has made special efforts to control migration from the East and South East. As part of these efforts, it has imposed visas for Turkey, Serbia and the Republic of Moldova. While visas for the first two neighbouring countries are granted on account of an entry fee, Moldovan citizens can be issued visas free of charge as part of a bilateral agreement between the two governments. This policy is consistent with other attempts of the Romanian government to facilitate circulation between Romania and the Republic of Moldova another such policy being to grant financial support for Moldovans needing passports (International Studies Centre, 2002), or the more recent simplification of procedures for examining citizenship applications.

Approximately 64.5% of the Moldovan population are Romanian-language speakers[12]. We have previously showed that Moldovans account for a significant percentage of the flow of immigrants. Many of them visit their relatives in Romania or come for studies, business, and work. The only Romanian consular office releasing such visas for Moldovans is in Chisinau. Various media reports have emphasized that the number of visa applications is much higher than the consular office's capacity to examine each request. To meet this deficiency the Romanian and Moldovan Presidents agreed to open two other consular offices at Cahul and Balti, two localities in Moldova. However despite a preliminary concord this project has not been finalized after the Moldovan President reconsidered his position, stating that the so-called agreement was nothing but a rumour getting media coverage because of an opposition party initiative[13]. The subject of entry visas for Moldavians has caused great controversy since, even giving rise to claims of corruption.

The increased number of citizenship applications added to this debate, especially since some Moldovan authorities feared mass emigration after Romania's accession to the EU. Especially after 2002, when the visa regime was lifted for Romanian nationals, potential Moldovan migrants, discouraged by the restrictive conditions for the granting of Romanian citizenship would sometimes resort to forged passports as a way to cross the border (Lazaroiu, 2003).

Given the restrictive conditions for granting Romanian citizenship, in September 2007 the Government modified the legislation so as to reduce the waiting time and the number of documents needed for each application file. It is now expected that the waiting time will fall from several years to only a few months. The setting up of a special Commission that will examine each application will also improve efficiency. Though until recently the Commission included judges in Bucharest Court Law with other responsibilities than

[12] The impact of the New Schengen Frontier on the Bilateral agreements between Romania and the Republic of Moldova, Public Policy Institute, International Studies Centre Oct 2002

[13] Source: Hotnews, 27 August 2007

examining citizenship applications, the present Commission set up within the Ministry of Justice will only focus on this process.

7.6 Cooperative policy to manage eastern borders

To strengthen border management Romania has been supported by PHARE programmes and twinning initiatives. Neighbouring ex-communist countries still raise security concerns though, especially the situation in Transnistria. The instability of the self-proclaimed republic adds to worries connected with organized crime or migration.

To diminish the risks associated with Transnistria, several agreements have been signed by Romania, the Republic of Moldova and Ukraine. As an example, a first agreement was signed in 1999 in Kiev and ratified in 2001 by Romania. This agreement sets up a basis for cooperation against organized crime and irregular migration (IPP, 2002).

There are two schools of thought in the debate regarding ways to secure eastern borders: the first that the Republic of Moldova will finally merge with Transnistria, while the second is similar to the Cyprus example. In this second scenario the Republic of Moldova is recommended to separate from the Transnistrian Republic and try to make progress towards acceding to the European Union. Some analyses refer to the latter as being more likely and recommendable. Since international intervention is unlikely in the area, Moldova will have to break any connection with the separatist Republic while substituting energy supplies that currently come from Russia through Transnistria (ASR, 2005).

Conclusions and recommendations

With an increase in average gross salaries in January 2007 to approximately EUR 369 per month and an average annual inflation rate of 6.56% in 2006, the economic environment is expected to pull in a higher number of immigrants especially in the context of the recent EU membership. The Republic of Moldova and Ukraine will probably become the main countries of origin, considering the language similarities and the common history in the first case and the significant Romanian minority in the latter. Since they already have a history of migration to Romania, existing networks might support new arrivals.

It is likely that the number of refugees will also increase. Most asylum seekers crossing the Romanian border before accession were actually transit migrants. Some of them were disguised economic migrants while others intended to apply for asylum in a more developed state further west. There were also cases when foreigners who could not extend their residence permit on Romanian territory applied for refugee status in an attempt to prolong their stay (MFA, 2006). Changes in Romania's migration profile will be slow to appear but considering Romania's expected economic development, migrants from southern or eastern less-developed countries will gradually fill vacancies in the secondary labour market.

Although only recently a member of the European Union, Romania faces the same challenges in terms of demographic developments. With a low fertility rate and an

expected increase in the dependency ratio there are pessimistic views of the sustainability of the social security system.

Apart from the negative demographic trends that need to be managed, Romania's labour market is also very different from that of other EU member states. The rural areas in Romania represent 45% of the territory and about 27% of the population works in agriculture. Considering that a significant percentage of emigrants come from rural areas, extended arable properties remain uncultivated, as farming became less and less attractive compared to emigration. This is probably one of the economic sectors that will draw in more and more migrants, especially from Moldova and Ukraine. Other sectors such as construction and services also register significant labour shortages generally as a result of labour migration outwards.

So far, most studies have been of circular labour migration. Since the fall of communism Romania has been a country of origin for migrants generally using temporary migration strategies. As long as transition periods imposed by some Member States that are primary destinations for Romanian migrants – Italy and Spain – are not lifted, out-flows drained to the secondary labour market will probably not change significantly.

The number of immigrants in Romania is however gradually increasing and the few existing studies in this field are more likely to be useful in evaluating the number of legal immigrants rather than the extent of undocumented migration or migration strategies used in this emerging trend. To do this, comprehensive studies on in-flows would be a good start. These studies might help to assess how immigrants could fill the gaps in the Romanian labour market and thus support the social security system.

In terms of legislation, Romania has made significant progress in adopting EU regulations. There are however no impact studies assessing the effectiveness of legislative provisions in managing migration flows. Supporting research in this field might prove a useful tool to counter irregular flows while promoting circulation of labour.

Recommendations

1. Low fertility seems the main cause of population decrease and unsustainable dependency ratios. Unfortunately, influencing fertility without also creating undesired effects might prove difficult. If for example, higher allowances were granted for children, it is likely that poor families will be stimulated to have more children and thus poverty rates will increase. Similarly, access to education of children in poor families is limited and thus such a policy might feed a vicious cycle instead of creating conditions for higher life quality.

   Some studies consider that it might be better to grant an allowance for mothers during maternal leave in line with their income. This allowance is now equal for all mothers who have contributed at least one year to the social security system. Women with high incomes are thus not stimulated to have children, since their incomes would drop[14].

[14] see for example ASR, 2003

2. To avoid most pessimistic forecasts for dependency ratios, policies such as a higher retirement age (now 60 for women and 65 for men), or finding ways to stimulate people at retirement age to stay active and enter the pension system later might be more useful in the short term than trying to increase fertility rates.

   Increasing employment rates of other categories such as disabled people, Roma, or people in rural areas could also benefit the pension system[15].

   At this point we should not ignore the growing number of immigrants. Considering that some sectors already register sizeable labour shortages, and that costs of labour in Romania are rapidly rising, migrant workers have started to arrive from less developed countries. Studies on the extent of undocumented and legal labour performed by foreigners will help assess how immigrants could contribute to the social security system or the labour market.

3. In terms of the labour market, research is necessary in order to determine the balance between supply and demand in different economic areas. It is clear that some areas such as construction, confection or services, register significant gaps. How employers will manage these deficiencies is still to be researched. Some studies however, suggest that most are not yet considering the possibility of hiring immigrants[16].

4. Higher productivity leading to increased salaries, investment in technology and in human capital, might reduce the effects of labour deficiencies, probably reducing turnover of employees.

5. Demographic predictions indicate that shrinkage of the active population will not slow down but rather accelerate once the post '89 generation enters the labour market. Since labour migration in Romania can be regarded as a youth drain, out-flows of labour will further decrease the active population. It is expected that labour demand will accentuate since some sectors, already registering deficiencies such as construction, are rapidly expanding. Currently, the immigrant population in Romania represents only 0.58% of the active population and 0.2% of the total Romanian population. As the economy develops, immigration will probably become an alternative supply of labour.

6. At present there are certain economic sectors that face difficulties in recruiting labour due to lack of skilled workers in these areas. Also, there are areas where the supply is much higher than the demand, especially in the fields requiring low training. Revisions are recommended to the quotas of vocational and higher levels of training, to better meet the transforming labour demand.

7. The fact that many Romanian migrant workers abroad are irregular might in the long term exert pressure on the social security system in the home country. It is not only that irregular migrants do not contribute to the pensions fund in the destination country,

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15 ASR, 2006
16 Serban and Toth , 2007

but also that when these migrants return to Romania, the period abroad will not be counted as work experience and thus will not be helpful when they reach retirement age. Facilitating labour circulation might therefore be beneficial for both sending and receiving countries in supporting social security systems and reducing poverty.

8. All institutions involved in migration and also the National Institute for Statistics should collect as much detailed data as possible on immigration and emigration. This data should be organized and published in order to support any decision related to migration (a special annual publication on migration issued by the NIS is recommended).

9. For some issues like immigration, remittances and brain drain, small pieces of qualitative and quantitative research should be initiated to fill existing gaps in research. As academic research in Romania is rarely focused on migration issues, a national migration research centre should be set up under the authority of the Romanian government, in partnership with IOM, UNHCR and other international organizations.

10. Regarding labour migration, more cooperation among institutions responsible for controlling and monitoring migration flows is needed. A coordinating body should be established to effectively monitor this process and to create coherent policies in the field of migration.

11. In respect of labour-mediating actors, the creation of a state body (National Office for Labour Migration) is not going to regularize the market. Efforts to stabilize demand and supply of labour abroad are still very dispersed between state bodies (NOLM), private actors (labour-mediating companies) and non-governmental agencies (trade unions). Each actor has advantages and disadvantages in the market, which means that coordination among various actors instead of market competition would be in the interest of migrants.

12. Multiple studies initiated in the field of trafficking in human beings reveal that there is a strong association between potential irregular migrants and entrapment in trafficking networks. A Migration Information Centre should be established (e.g. under IOM authority) in order to repair some of the damaging effects of irregular migration in EU countries.

13. Remittances represent the second most important source of foreign currency in Romania. Much of these financial resources are spent on consumption rather than invested. Also, a significant amount of this money is transferred to the home country informally. Local level policies or governmental programmes should create incentives for returned migrant workers to invest money in productive businesses. Rapid money transfer services with low taxes might encourage official transfers.

14. Considering the expected rise in the number of refugees and immigrants in the near future, governmental structures might be caught unprepared. It is foreseeable that in a few years Romania will turn from a transit country to a destination one for migrants from Africa, Middle East and the Former Soviet Union countries. The transitional

character of in-flows might lead to this phenomenon being ignored up to a critical point. A preparation phase would help both authorities and population deal with large groups of immigrants.

There is already data indicating that public perception is to a significant extent negative towards the presence of foreign citizens and thus likely to support discrimination, which might favour extremist parties[17]. In addition, informal labour markets absorbing immigrants, especially in rural areas, might grow because of increasing migration flows. In this context, more emphasis on the consequences and utility of present laws and on the design of management models forecasting migration trends would be recommended so as to preclude potential negative effects from emerging immigration trends.

15. It is interesting to note that Romania's legislative framework regarding immigration does not include any provisions for economic immigrants. The legal terminology does not contain the term immigration or immigrants. Existing regulations refer to foreign citizens only.

16. In the case of refugees, laws are very comprehensive and include EU regulations. Several gaps were noted however since the passing of the first law on refugees in 2000, in terms of the effectiveness of the legal and institutional framework in providing the appropriate environment for refugees' integration. As an example, in some localities, local authorities set conditions for access to social lodgings with the requirement that applicants should have their primary residence in Romania, which, according to Romanian legislation is only granted to non-Romanian nationals after a 5-year-stay in the country[18].

17. Further progress in securing eastern borders is recommended. This greatly depends however on the political stability of the neighbouring countries as well as on cooperative policies in managing migration. Currently, relations between the Republic of Moldova and Romania are quite tense. Disagreements related to visas and citizenship have worsened relations between the two states. Renegotiation of migration management so as to include the Moldovan perspective might prove to be difficult but is undoubtedly necessary in the attempt to strengthen border control at the last EU border.

18. Post-accession strategy emphasizes immigration in migration management control. While this might be useful in terms of adapting polices and practices to a coming reality it risks ignoring outflows. During transition periods imposed by some EU member states, irregular circular migration of Romanian labour migrants will probably follow the same pattern as in the period before accession. Thus, just as with immigration, emigration by Romanians will need attentive management to tackle problems and promote development.

[17] IRSOP survey 2005
[18] Lazaroiu and Chindea, 2005

ABBREVIATIONS LIST

MFA – Ministry of Foreign Affairs

ASR – Academic Society in Romania

CURS – Centre for Regional and Urban Sociology

IOM – International Organization for Migration

ILO – International Labour Organization

MOI – Ministry of Interior

MLSSF – Ministry of Labour, Social Solidarity and Family

NSI – National Institute for Statistics

POB – Public Opinion Barometer

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APPENDIX

Table A1. **Foreign citizens by origin, duration of stay and temporary residence**

	Total		under 3 months		3–11 months		12 months+	
	urban	rural	urban	rural	urban	rural	urban	rural
All origins	25,626	2,284	4,140	266	2,434	332	19,052	1,686
Row %	92%	8%	94%	6%	88%	12%	92%	8%
China	1,932	11	20	1	46	1	1866	9
Row %	99%	1%	95%	5%	98%	2%	100%	0%
Germany	1,511	256	885	75	83	42	543	139
Row %	86%	14%	92%	8%	66%	34%	80%	20%
Greece	1,656	25	68	1	52	2	1,536	22
Row %	99%	1%	99%	1%	96%	4%	99%	1%
Italy	2,176	202	525	13	127	18	1,524	171
Row %	92%	8%	98%	2%	88%	12%	90%	10%
Republic of Moldova	2,872	704	321	38	992	100	1,559	566
Row %	80%	20%	89%	11%	91%	9%	73%	27%
Syria	1,137	43	9	1	30	0	1,098	42
Row %	96%	4%	90%	10%	100%	0%	96%	4%
USA	997	132	274	9	90	13	633	110
Row %	88%	12%	97%	3%	87%	13%	85%	15%
Turkey	2,185	159	135	7	70	9	1,980	143
Row %	93%	7%	95%	5%	89%	11%	93%	7%
Other continents	2,970	84	300	14	272	5	2,398	65
Row %	97%	3%	96%	4%	98%	2%	97%	3%

Source: National Institute for Statistics, 2002 Census

Table A2. **Female foreign citizens in Romania in 2003**

Duration of stay	under 3 months	3–11 months	12 months+
All origins	29%	40%	32%
China	14%	38%	42%
Germany	37%	31%	32%
Greece	26%	20%	32%
Italy	13%	21%	15%
Republic of Moldova	17%	49%	65%
Syria	10%	17%	22%
USA	32%	49%	46%
Turkey	6%	15%	15%
Other continents	25%	27%	28%

Source: 2002 Census

CHAPTER EIGHT

Slovak Republic

Boris Divinský

Introduction

Mass migration, with its multifarious forms and impacts, belongs to the major civilization challenges the world faces at the beginning of the 21st century. The number of international migrants in 2005 accounted for approximately 191 million persons (UN, 2006; UNFPA, 2006; IOM, 2006b) constituting thus 2.95% of the world's population, and there is an evident upward trend. Between 1990 and 2005, the world's migrant stock rose by 36 million, from 155 to 191 million (ibidem).

If we accept a classic simplified division of migration into labour, family and asylum migration, contemporary developments suggest some changes, particularly within the European Union. Labour migration seems to have acquired a new problematical quality needing new approaches. The situation has been further complicated by two waves of EU enlargement during 2004–2007, efforts to achieve a stronger position for the European Union in the world (the Lisbon Strategy) and certain universal challenges (globalization, new geopolitical interests, war on terrorism, need for decent work etc.).

The Slovak Republic acceded to the European Union on May 1st, 2004, as one of the so-called "New Member States". Since the collapse of communism in 1989, the country has undergone fundamental transformations, notably in economic, social, political, cultural, and demographic domains. Accession obviously stimulated several of them, including migration. This brings about a multitude of consequences for the country and attracts new attention to the entry, departure, stay, activities or integration of migrants in Slovakia.

However, labour migration issues are in Slovakia practically still – despite their increasing importance – at the periphery of social debate and very seldom analyzed (cf. Divinský, 2007b, 2005a). Institutions and actors involved in labour migration have not reacted adequately, effectively and in time to the outflow of migrants *from* the country over the last decade and to problems ensuing from this emigration. Nor has there been a serious effort to address labour immigration *into* the country. Indeed, no worked-out strategies, evaluations or prognoses of labour migration impact on Slovak society exist in the country. The lack of reliable data, exact surveys or estimates pertaining to Slovak labour emigrants is visible; no clear standpoint on labour immigration has been articulated by respective State or other institutions. No vision, role or labour migration policies for the present or future have yet been discussed in Slovakia.

Especially, so far no comprehensive research on labour migration has been carried out in Slovakia; in contrast to a few studies on illegal migration, asylum matters or migration management. Therefore, it is high time to begin to study labour migration in all its forms, manifestations, trends, prospects, causes, consequences, policies, etc. The research presented here on labour migration in the Slovak Republic is not only of a pioneering character but tries to fill a gap in the given field and lay foundations for further research activities.

The Report – in line with the orientation of the entire project, the substance of the topic examined and overall objectives, as well as with the above described limitations and needs – sets itself the following goals*:*

- to analyze the structure, prevailing trends and forecasts of Slovak population with special regard to the labour force;
- to evaluate the labour market of Slovakia and performance of its economy, to identify economic sectors benefiting or suffering from migration, to outline possible future trends;
- to characterise the migration situation in the Slovak Republic and to assess the flows, attributes and effects of labour migration to and from the country;
- to present institutional, legal and other arrangements for labour migration and to discuss the role of labour migration for society;
- to assess existing labour migration schemes, policies and management in the Slovak Republic and to highlight good practices;
- to propose a set of recommendations and policy options for the main actors involved in labour migration.

The methodology used in the Report comprises standard methods of collecting, processing, interpreting, and presenting data from various sources and literature, predominantly economic, demographic and migration. In case of the absence of important data (not a rare event), requests for specific information or short interviews with responsible persons from relevant Slovak institutions were necessary and fruitful.

Basically, information and data used in the Report originate from statistical and data-providing organizations (for instance, the Slovak Statistical Office, respective Slovak ministries, other central organizations in the country; Eurostat, UN, OECD and others). Various documents, articles, studies, analyses, evaluations, reports, etc. mentioning labour migration in Slovakia from whatever institutions or individuals were very useful too. No less significant were legal norms, conceptions and strategic materials.

The comparative dimension of the project is vital; hence, unifying data, terminologies, and methods used across all Country Reports was *conditio sine qua non*. This is important especially in statistics – data from national sources can be substantially different from those obtained from Eurostat, EC, OECD, WB or UN.

This Slovak Country Report consists of an Introduction and six other sections divided into sub-sections – according to their thematic orientation and logical premises of all the work. The Report begins by evaluating population developments, specifically in relation to the

country's labour market. It continues by discussing recent trends in the Slovak economy, then offers a comprehensive picture of both immigration and emigration movements in the country with an emphasis on labour migration. Further, the Report analyzes diverse aspects of labour migration schemes and practices applied in the country as well as its migration policy. Finally, it ends by outlining a series of recommendations for key stakeholders within labour migration in the Slovak Republic.

8.1 Demographic and labour force developments

Principal characteristics of population movement

Slovakia's population has undergone substantial changes over the past 15 years. Many of its demographic indicators are converging to average values seen in old EU Member States. However, it still exhibits certain specificities.

At the end of 2006, the number of inhabitants in the country reached 5,393,637 persons (Table 1). The fundamental trend from 1996 to 2006 was population stagnation. The rate per thousand of live births gradually fell (from 11.2‰ to 9.5–10.0‰), therefore Slovakia in 2001–2003 – for the first time in the post-war period (Infostat, 2005) – recorded a natural decrease in the population (0.1 to 0.2‰). This caused almost zero total increase; the situation was counterbalanced by the stable death rate (still below 10‰) and net migration being positive though rather low (0.2 to 0.7‰) during the whole period.

Table 1. **Development in elementary population indicators in Slovakia in 1996–2006**

Indicator / year	1996	1998	2000	2002	2004	2006
End-year population (in thousands)	5,379	5,393	5,402	5,379	5,385	5,394
Live births	60,123	57,582	55,151	50,841	53,747	53,904
per 1,000 persons	11.19	10.68	10.21	9.45	9.99	10.00
Deaths	51,236	53,156	52,724	51,532	51,852	53,301
per 1,000 persons	9.53	9.86	9.76	9.58	9.63	9.89
Natural increase	8,887	4,426	2,427	-691	1,895	603
per 1,000 persons	1.65	0.82	0.45	-0.13	0.35	0.11
Net migration	2,255	1,306	1,463	901	2,874	3,854
per 1,000 persons	0.42	0.24	0.27	0.17	0.53	0.71
Total increase	11,142	5,732	3,890	210	4,769	4,457
per 1,000 persons	2.07	1.06	0.72	0.04	0.89	0.83
Total fertility rate	1.47	1.37	1.29	1.19	1.24	1.24

Source: Statistical Office of the Slovak Republic on-line data; Eurostat on-line data

As documented in Table 1, since the 1990s, a striking decline in fertility has been evident in Slovakia, with historically the lowest total fertility rate in 2002 (Infostat, 2005; Robert-Bobée et al., 2005). Slovakia, along with Poland and the Czech Republic, has the lowest value of this indicator in all the EU (1.19 to 1.25 within 2002–2006 – Eurostat on-line data; cf. EC, 2006a).

Development in the last decade may also be characterized by the lowering crude marriage rate (4.4‰ in 2001 as the lowest value from 1938), gradual growth of the mean age at marriage (by 3 years), and the rise in cohabitations (Infostat, 2006). The share of extramarital live births in the country exceeded 27% in 2006 compared to 14% in 1996; divorce records an unchanged increasing trend with the total divorce rate equalling 49% in 2006. In contrast, the induced abortion ratio fell significantly (from 41.7% in 1996 to 26.4% in 2006) and infant mortality rate noticeably dropped too in the Slovak Republic to 6.6% in 2006 though this figure was still the 3rd highest value within the EU in 2006 (Statistical Office of the Slovak Republic on-line data; Eurostat on-line data).

Age structure and the ageing of population

Recent development in the age structure of Slovak population can be interpreted as an acceleration of population ageing. Low fertility weakens the child component; stabilised mortality prolongs human life and thus enhances the elderly component. These two factors speed up the process of ageing in the population. Therefore, the age pyramid of Slovak population has now a regressive shape.

The proportion of children (persons under 14) in the overall population has dramatically decreased – from 21.7% in 1996 to 16.1% in 2006 (Table 2) – and has come to its historic minimum. The falling total fertility rate and smaller young population cohorts have left unambiguous traces in intensifying the process. The country's population at productive age (15–64) is comparatively numerous, constituting 72% of the total, with a rising tendency. Within 2003–2006, it had the highest share in the entire Union (EC, 2006b; Eurostat on-line data). The highest increase (expressed absolutely as well as relatively) was recorded in the age group of 45–64. Slovaks aged 65+ account for almost 12% of the total in 2006 – here women largely dominate over men (in the ratio of 62.7% to 37.3%) due to excess male mortality. The proportion of the elderly in Slovakia is constantly growing and is at its highest level ever. The ageing index – as a logical consequence – grew alarmingly in the past decade and is historically also the highest (Table 2).

From the territorial viewpoint, two population macro-regions in Slovakia may be identified (see ŠÚ SR, 2007a; Infostat, 2006): the *progressive west-south* (manifested by low fertility, higher age of women at first birth, low to average mortality, mostly natural decrease, low share of children, higher proportion of population at productive age, high share of the elderly, high ageing index and high mean age – i.e. by traits more similar to those of the EU-15 population as a whole) and the *conservative north-east* (distinguished by higher fertility, higher nuptiality, lower age of women at first birth and marriage, average to higher mortality, chiefly natural increase, higher percentage of children, lower proportion of population at productive age, lower share of the elderly, lower ageing index and lower mean age – i.e. by features typical of the old model).

Table 2. **Age structure of Slovak population by main age components and basic indicators of ageing in 1996–2006**

Age group / year	1996	1998	2000	2002	2004	2006
Age structure as %						
Age group 0–14	21.66	20.43	19.18	18.13	17.06	16.14
Age group 15–64	67.25	68.26	69.35	70.42	71.31	72.00
Age group 65+	11.09	11.32	11.47	11.46	11.62	11.86
Basic indicators						
Life expectancy at birth – males	68.9	68.6	69.1	69.8	70.3	70.4
Life expectancy at birth – females	76.8	76.7	77.2	77.6	77.8	78.2
Mean age – males	33.3	33.8	34.4	34.9	35.5	36.1
Mean age – females	36.3	36.9	37.5	38.0	38.7	39.3
Ageing index[a] – total	51.2	55.4	59.8	63.2	68.1	73.5
Ageing index[a] – males	38.7	41.5	44.5	46.5	49.7	53.5
Ageing index[a] – females	64.3	69.9	75.8	80.8	87.5	94.5

[a] *= calculated as a percentage of population aged 65+ to that aged 0–14*
Source: Statistical Office of the Slovak Republic on-line data; Eurostat on-line data

In general, Slovakia – according to its reproductive characteristics – belongs to the East European demographic region on the continent (Infostat, 2005). However, the population of the country modifies its behaviour towards the patterns of West European populations. With ongoing changes, differences between single countries (and the Slovak macro-regions too) should be reduced (cf. EC, 2006a).

Forecasts of Slovak population development until 2050

As regards the development of Slovak population from a longer-term perspective, decline in the population number and the accelerating ageing of population will be the principal attributes in the country's demography until 2050. A slight positive natural increase is expected until 2010–2015. Then, a period of constant decrease of population – mainly due to growing natural decline – will come (Infostat, 2002). A decrease in the number of Slovak inhabitants from the current approximate 5.4 million down to between 4.6 and 4.9 million by 2050 is predicted (Table 3). By UN (2007), the Slovak Republic, with a projected 13.5% fall in its total population during 2007–2050 has been ranked 17th fastest in the world.

In the next few decades, population ageing will speed up; this will show especially between 2025 and 2050 (Table 3). It will be a consequence of declining births and rising life expectancy (from 70.4 in men and 78.2 in women in 2006 to 77.7 in men and 83.4 in women in 2050 by Eurostat on-line data). Changes within the basic age groups will be as follows. The share of children should fall from 15% in 2010 to below 13% in 2050. The proportion of people of working age 15–64 is supposed to drop from 72.6% in 2010 to a mere 57.8% in 2050 (i.e. by 31%), which is economically very alarming. The growth of the elderly in 2010–2050 will be unprecedented – from 12.3% to 29.6% (i.e. by 108%!). The population of Slovakia will thus become the 11th oldest in the world (increasing the median age to 51 years and the ageing index to 235 – UN, 2007).

Table 3. **Comparison of selected indicators in projections of Slovak population development until 2050 by most significant sources**

Indicator/year	2010			2025			2050		
	by Slovak source	by Eurostat	by UN	by Slovak source	by Eurostat	by UN (others)	by Slovak source	by Eurostat	by UN (others)
Total population (in thousands)	5,401	5,347	5,396	5,396	5,237	5,308	4,880	4,738	4,664
Natural increase	1,385	-4,276	-3,000	-10,863	-12,703	-14,000	-32,528	-33,670	-33,000
Net migration	2,439	-2,430	2,000	4,999	4,617	2,000	4,999	4,700	2,000 2,500[b]
Total increase	3,824	-6,706	-1,000	-5,864	-8,086	-12,000	-27,529	-28,970	-31,000
Total fertility rate	1.28	1.18	1.25	1.55	1.43	1.38 1.50[c]	1.70	1.60	1.63 1.50[a]
Age group 0–14	814,000 = 15.1%			732,000 = 13.8%			588,000 = 12.6%		
Age group 15–64	3,917,000 = 72.6%			3,583,000 = 67.5%			2,695,000 = 57.8%		
Age group 65+	665,000 = 12.3%			993,000 = 18.7%			1,381,000 = 29.6%		

[a] = estimates by Bijak, 2004; [b] = base scenario by Bijak, Kupiszewski et al., 2004; [c] = estimates by Robert-Bobée et al., 2005
Other sources: Infostat, 2002; Eurostat on-line data; Eurostat, 2007b; medium variant by UN, 2007

Slovakia's labour force: the current situation and essential trends

The Slovak labour force has also been undergoing great transformations over the past decade. The volume of economically active (EA) population grew by some 150 thousand persons (i.e. by 5.8%) in 1996–2006 owing to a rise in the working age population; the number of EA inhabitants in Slovakia thus amounted to 2.6 million in 2006 (Table 4). However, the participation rate for those aged 15–64 only fluctuated between 68 and 70% during the whole period, which is less than the EU15, EU25 averages both for men and women (Eurostat on-line data). In 2006, over 31% of Slovaks at working age were outside the labour market (Statistical Office of the Slovak Republic on-line data; cf. ŠÚ SR, 2006a). The country thus has a substantial pool of unused labour, chiefly among women and younger people.

The number of employed Slovaks oscillated around 2.2 million in the given period. Growth in employment has been noticeable since 2001 only. At present, the number of employed in the country is the highest in history (2,301 thousand in 2006). 56% of all the employed consist of men and 44% of women. This represents a 59.4% employment rate 15–64 in total; 67.0% for men and 51.9% for women (Statistical Office of the Slovak Republic on-line data) – higher figures than the average in the EU10, but lower ones than in the EU15, EU25 (Eurostat on-line data). Low employment rates in Slovakia particularly

affect younger males (due to very high youth unemployment and the inclination to stay longer in education) and females aged 55–64 (early retirement).

A continuous rise in the number of self-employed persons – by 103% within 1996–2006 (Table 4) – as a result of economic reforms is deemed positive. Likewise, the gradual transfer of employees from the public sector to the private sector (only 39% of the total in 1996 but 65% in 2006). Other changes have been reflected in the marked transformation of the Slovak labour force structure. The share of persons employed in agriculture and forestry fell significantly (to 4.5%). After a decline in the secondary sector until 2000 due to structural reforms, intensive foreign investment brought about the sector's growth, including the number of its employees (to 39%). Employment in the tertiary sector grew most, but it is still relatively low (57% – ŠÚ SR, 2006a).

The education level of employed persons in the country is low and unbalanced. In 2005, the share of those with any kind of tertiary education reached 16.7% (the EU-25 average was 25.9%). Most of the employed have completed secondary education; the proportion of those with only primary education in Slovakia did not exceed 5% (compared to 25.5% in the EU). However, the employment rate of the latter achieved a mere 13.1% – an absolute minimum in the Union (EC, 2006c) as a consequence of extremely high unemployment among the low-skilled in the country.

Full-time employment is the dominant form of employment in Slovakia; the share of part-timers accounts for a minimum in the whole EU-25 – 2.5%. Fewer than 5% of employees in the country are employed on a fixed-term basis (the EU average equals 14.5%). Then, 22% of the employed do night work, with as many as 15.5% of those doing it on a regular basis (the highest rate seen in the entire EU). Likewise, Slovakia has the highest proportion of those working on Sundays in the Union (19.1% – Eurostat, 2007b; EC, 2006c).

Table 4. **Some data on labour force development in Slovakia in 1996–2006 on the basis of the Labour Force Survey (absolute data are in thousands)**

Year	1996	1998	2000	2002	2004	2006
Economically active population	2,509.1	2,544.8	2,608.2	2,628.2	2,658.6	2,654.8
I. Employed persons	2,224.9	2,198.6	2,101.7	2,127.0	2,170.4	2,301.4
of wich women (in %)	44.5	44.9	45.9	45.6	45.0	43.9
A Employees	2,082.5	2,046.2	1,931.0	1,940.9	1,904.2	2,002.6
in public sector	1,271.6	1,096.7	1,026.5	893.7	797.5	698.3
in private sector	810.9	949.6	904.5	1,047.3	1,106.7	1,304.4
B Self-employed[a]	142.3	149.6	167.4	183.1	259.9	289.2
II. Unemployed persons	284.2	317.1	485.2	486.9	480.7	353.4
Participation rate 15–64 (in %)	69.7	69.3	69.9	69.9	69.7	68.6
Employment rate 15–64 (in %)	61.8	60.1	56.5	56.7	56.9	59.4
Annual change in the employed (in %)	3.6	-0.3	-1.4	0.2	0.3	3.8
Unemployment rate (in %)	11.3	12.5	18.6	18.5	18.1	13.3

[a] = entrepreneurs and contributing (unpaid) family workers
Source: Statistical Office of the Slovak Republic on-line data; ŠÚ SR, 2007b

The size and structure of unemployment are the most critical problems with the Slovak labour force. Within 1996–2001, the number of unemployed persons increased by almost 80% and the unemployment rate reached almost 20%. Unemployment in Slovakia became alarming. The unemployment rate in the country is still the 2nd highest in the EU (after Poland – Eurostat on-line data) and the OECD countries (OECD, 2006b) constituting 13.3% in 2006 (Table 4); 12.3% for men and 14.7% for women.

Some attributes of unemployment in Slovakia are even worse than its total volume. Above all, the extent of long-term unemployment is really dramatic. About 73% of unemployed Slovaks had been without a job for over 1 year in 2006, and as many as 30% had been jobless for longer than 4 years (both are the highest values within the EU and OECD – ŠÚ SR, 2007b; Eurostat, 2007b; OECD, 2007). Such long-lasting unemployment substantially reduces a person's chances of finding a job. The proportion of the long-term unemployed in the country has been steadily rising since 1996. Many Slovak graduates seem to go directly into unemployment or leave the labour market discouraged. Young people aged 15–24 are particularly affected by unemployment; their unemployment rate was 26.6% in 2006 (the 2nd highest in the EU-25 – cf. WB, 2007a).

The most common reason for persisting high long-term unemployment in Slovakia is the low level of education among the unemployed. In 2006, the unemployment rate of persons with tertiary education was negligible – 3.2%, while that of persons with only primary education reached 48% (52.9% for men, 43.7% for women – Statistical Office of the Slovak Republic on-line data). Another negative factor is the lack of any work experience among many unemployed persons – over 20%. In addition, the offer of training courses, counselling, life-long or distance learning in Slovakia is absolutely insufficient (the 2nd lowest percentage in the EU-25 – EC, 2006a).

Unemployment in Slovakia is apparently region-specific. A negative West-East gradient is discernible through elementary characteristics: the further to the east in Slovakia one goes, participation as well as employment rates are gradually lowering, and correspondingly, the proportion of inactive inhabitants as well as numbers/shares of the unemployed are rising (ŠÚ SR, 2007a). For example, the current unemployment rates in the Banská Bystrica and Košice regions are almost five times that in Bratislava (ŠÚ SR, 2006a). This situation has been one of the country's gravest challenges for a longer time.

Forecasts for the Slovak labour force until 2050

The forecasting of labour force developments is in its very beginnings in Slovakia. So far, only one prognosis by domestic analysis has been dedicated to this topic. By foreign sources, the representative AWG (EU Economic Policy Committee's Ageing Working Group) base-line scenario projects an increase in the numbers of both EA persons and employed ones in the country to 2015–2020; then their sharp decline – notably after 2035 (Table 5). Likewise, both participation and employment rates in Slovakia should peak in 2025; and later go down. The Slovak labour force 15–64 is thus supposed to decrease by over 600 thousand persons, i.e. by 23.7% until 2050. However, its fall from 2025 to 2050 should be more pronounced: by over 700 thousand persons – i.e. more than ¼, which is the highest anticipated relative decline in the EU-25 during this period (EC, 2006b, 2005).

Expected changes in the number of employed persons aged 15–64 in Slovakia are as follows: +369 thousand in 2003–2025, – 672 thousand in 2025–50 (then with the fastest annual rate of decrease in the EU-25 – 1.2%), making the *overall decline in 2003–2050 more than 300 thousand persons* (Table 5). This will mean a 13.9% total fall of those employed in the country from 2003 to 2050.

Unemployment in Slovakia until 2050 is expected to plummet (by 70%). Not only should the number of unemployed in the target year be 3.3 times lower (less than a 1/3 of) the 2003 value, but also the unemployment rate will be reduced by 2.5 times (ibidem).

At the same time, the labour force in the Slovak Republic will be subject to ageing in all given periods. This process will be gradual, but rather intensive, as corroborated by figures in Table 5.

***Table 5.* Projection of selected labour force indicators in Slovakia until 2050 according to the AWG base-line scenario**

Year	2003	2010	2020	2025	2030	2040	2050
Economically active population 15–64 (in thousands)	2,654	2,849	2,845	2,748	2,657	2,363	2,026
Employed persons 15–64 (in thousands)	2,187	2,415	2,568	2,556	2,471	2,198	1,884
Unemployed persons 15–64 (in thousands)	466	434	277	192	186	165	142
Share of older workers[a] (in %)	5.5	9.5	13.3	12.8	14.6	18.8	18.6
Effective economic old-age dependency ratio[b] (in %)	28.3	27.0	33.1	38.2	43.2	54.3	73.0
Total dependency ratio[c] (in %)	102.7	87.7	85.3	90.5	95.2	111.7	133.9
Participation rate 15–64 (in %)	70.1	73.3	77.8	78.2	78.0	74.7	73.9
Employment rate 15–64 (in %)	57.8	62.1	70.2	72.7	72.6	69.5	68.7
Unemployment rate 15–64 (in %)	17.6	15.2	9.7	7.0	7.0	7.0	7.0

[a] = labour force aged 55–64 as a percentage of labour force aged 15–64; [b] = inactive population aged 65+ as a proportion of employed population 15–64; [c] = total inactive population as a percentage of the total labour force
Source: EC, 2006b, 2005

8.2 Concise characterization of recent developments in the Slovak economy

Basic parameters, structure, trends, short-term forecasts, strengths and shortcomings of the national economy

The economy of Slovakia has undergone several, mutually incompatible, stages since communism. The first stage until 1998 was influenced by the Mečiar government's voluntarism and many non-transparent interventions. This was replaced by the right-wing government under Dzurinda with a multitude of radical economic reforms carried out. Since mid-2006, the new leftist Fico government's economic policies – much benefiting from previous developments – have been applied.

The most positive economic changes made in Slovakia until 2006 included: restructuring and enhanced support to the private sector; privatization of State monopolies; stabilization and privatization of the banking system; liberalization of foreign currency and money markets; joining the ERM-2 system earlier than planned and preparations to adopt the euro; liberalization and deregulation of prices; active promotion of foreign direct investment; deepening economic relations with the EU and OECD; amendment of the Labour Code to make the labour market more flexible; implementation of a tax reform adopting a 19% flat tax on both individual and corporate incomes; pension reform (Okáli, 2006; Zachar et al., 2005; OECD, 2004a, 2002; and others).

The main shortcomings should be mentioned as well: orientation to an economy with low added value; some structural deformations; high energy demands of the economy; poorly developed capital market; low share of hi-tech exports; insufficient economic infrastructure (like the incomplete motorway network); high acceptance of corruption; weak enforcement of law; low expenditure on research and development; still high unemployment; low internal labour mobility; low occurrence of flexible forms of employment; accelerating emigration for work; large regional economic disparities in the country; unfinished reforms in education and the public health system (ibidem).

Progress in the Slovak economy in 2005, 2006 and the beginning of 2007 has been well reflected in the trends of fundamental economic indicators (Table 6). GDP growth – from values around 2 to 4.6% within 2000–2003 – achieved 6% in 2005, 8.8% in 2006 and was predicted at 9% for 2007, i.e. record-breaking figures in Slovak history. In 2006, Slovakia had the highest rate of GDP growth within the OECD countries (OECD, 2006b) and the 3rd highest in the EU (after Latvia and Estonia). Slovak GDP per capita in purchasing power parity standard is constantly moving up, at over 60% of the EU25 average (Eurostat on-line data). GDP growth was helped especially by a rise in labour productivity, new industrial capacities installed by foreign investors and a relatively large increase in the labour force (cf. ŠÚ SR, 2007b; Okáli, 2007, 2006). *Labour productivity* has reached the highest increases since 1997 (4.6%, 5.9% and predicted 5–6.7% for the respective years 2005–2007 – Table 6).

The high performance of the Slovak economy is also associated with rising inflows of *foreign direct investment* since 2000. They have been realized chiefly in the export-oriented manufacturing sector, primarily the automobile industry (three large car factories – Volkswagen, PSA Peugeot-Citroën and Kia). Foreign trade is the most open ever but its balance is negative (-4.4% to GDP in 2006). This is predominantly owing to more extensive investment activities of companies along with the import of expensive fuels. Exports from the country are dominated by the products of car factories, plus output from other essential Slovak industrial branches – engineering, electronics, chemicals, or wood processing. In 2006, Slovakia's industrial production increased by 9.9% (historical high).

Table 6. **Performance of the Slovak economy during 1996–2006 and its forecast for 2007–2008**

Year	1996	2000	2004	2006*	2007f	2008f
GDP at current prices (in billion SKK) (in billion EUR)	 655.2 16.8	 941.3 22.1	 1,355.3 33.9	 1,636.3 43.9	 1,815.6 47.2	 1,958.5 50.9
Annual GDP growth (in %, constant prices)	6.1	2.0	5.5	8.8	7.2–9.3	5.5–7.5
GDP per capita, PPS (EU-25 = 100)	47.0	47.4	54.4	60.3	63.1	65.2
GDP per capita (in EUR – PPS, current prices)	7,516	9,419	12,196	14,800	16,100	17,400
Annual growth of labour productivity per person (in %)	5.6	2.6	5.8	5.9	5.0–6.7	4.5–5.7
Foreign trade balance (as % GDP)	-10.5	-2.4	-3.0	-4.4	-1.3–2.0	-0.7
Inflation rate – HICP (in %)	5.8	12.2	7.5	4.5	1.5–3.4	1.9–2.5
Foreign direct investment inflow (in million US$)	357.5	2,031.9	979.7	2,328.4		
Average nominal monthly wages (in SKK)	8,154	11,430	15,825	18,761		
Index of real wages (previous year = 100)	107.1	95.1	102.5	103.3	104.2	104.0

*Notes: for data on employment development see Table 4; * = some values for 2006 may still be subject to slight revisions; f = forecasts (here including also several recent estimates, published in the media).*
Source: Statistical Office of the Slovak Republic on-line data; Eurostat on-line data; Okáli, 2007; Eurostat, 2007b; ŠÚ SR, 2007b; WB, 2007a; National Bank of Slovakia on-line data; ECB, 2006; OECD, 2006b; ECB, 2004

Fiscal, monetary and budgetary policies also contributed to overall macro-economic stability in Slovakia during the past period maintaining confidence with investors, population and international institutions. The inflation rate fell to an unexpected value of 2.8% in 2005, which was the best result during the entire transformation period. At the same time, the public finance deficit fell, for the first time too, below 3% of GDP (from 12.3% in 2000) – thus matching one of the key criteria to enter the Eurozone. Similarly, gross public debt in Slovakia in 2006 plunged to 30.7% of GDP (i.e. by 20 percentage points from the 2000 value – National Bank of Slovakia on-line data).

At present, the Slovak economy continues to show promising trends (Table 6); its development is among the most robust within the EU. The growth of GDP in the 1st quarter of 2007 matched an annualized 9% (ibidem). The harmonized index of consumer prices (HICP) for 2007–2008 is anticipated at 2–3%. On March 19, 2007, the Slovak crown reached its strongest value, revaluing against the euro by 8.5% (OECD, 2007). The foreign trade balance is improving and might finish 2007 in surplus (Table 6).

Within employment in 2006, favourable trends from previous years substantially strengthened. The number of employed Slovaks increased by 85.2 thousand – by 3.8% – to 2.3 million (Statistical Office of the Slovak Republic on-line data), which was the highest

absolute increment and annual growth rate during the entire period when Slovakia has been independent. The employment rate 15–64 also remarkably expanded by 1.7% to almost 60%. No progress, however, was seen in the participation rate (Table 4 above).

Also, the unemployment rate in Slovakia dropped historically most intensively – from 16.2% in 2005 to 13.3% in 2006. The total number of unemployed persons decreased by 17.3%, thus approaching the 1998 figure. However, long-term unemployment rose in 2006 again and is uncomfortably close to total unemployment at 73% of it (ibidem; cf. WB, 2007a). It covers the group of unemployed persons with chronic problems in the labour market; any solution should imply the application of special instruments and policies.

Developments in the Slovak labour market in the immediate future

As for this development, dynamic growth in employment as well as decline in unemployment are anticipated for 2007 and 2008 with a certain slowing down in subsequent years. According to the most realistic estimates (cf. Infostat, 2007), a rise in the number of the employed in 2007 should achieve 2.4 to 3% (probably falling later back to 1.5%). Further development in employment should be conditioned particularly by new working positions due to strong GDP growth stimulated by foreign direct investment inflows, increasing performance of production, announced and expected investment projects, and expanding market services – all acting as pro-employment factors.

Unemployment is expected to continue to decrease in the country during the next few years. The falling unemployment rate is assumed because of increasing employment, changes in the age structure and participation rate, and a slowly rising retirement age. Long-term unemployment may fall as a consequence of economic growth and realized reforms of welfare and employment. However, the low regional mobility of workers will contribute to keeping the duration of unemployment still quite high in Slovakia compared to other EU countries (OECD, 2007). According to various domestic estimates, the unemployment rate should be reduced to 10–12% within 2007–2010. But already in the 1st quarter of 2007, Slovakia's unemployment rate fell to 11.5% (from 14.9% in the 1st quarter of 2006) thus representing one of the largest year-on-year declines among the EU-25 countries (Statistical Office of the Slovak Republic on-line data; cf. Eurostat, 2007a).

Regional aspects of economic development

In Slovakia, unfortunately, significant regional economic disparities still persist; they are even deepening in some indicators. There are large discrepancies mainly in GDP per capita, wages and unemployment rates among the Slovak regions. Especially noticeable are contrasts between Bratislava and the remaining three NUTS 2 regions in the country (the ratio of GDP per capita in the Slovak capital to that in the least developed region of eastern Slovakia is roughly 3:1 – ŠÚ SR, 2007a). A secondary differentiation may be discernible between prospering western and northern Slovakia on the one side and stagnating southern and eastern Slovakia on the other.

Due to these disparities, eastern Slovakia was one of the most backward regions in the Union before Romania's and Bulgaria's accession. On the other hand, the region of Bratislava surpassed the EU average level of GDP already long ago (in 1996). In terms of GDP in PPS in 2004, the Bratislava region accounted for 129.3% of the EU-25 average, while the poorest region in the country – eastern Slovakia – merely 42.3% of it (Eurostat on-line data).

8.3 Immigration and labour market nexus

From the viewpoint of modern history (the past three centuries), Slovakia was an emigration rather than an immigration country. The collapse of communism brought about a radical change of migration patterns and existing migration tendencies were broken. New phenomena such as mass undocumented immigration, human smuggling and trafficking, asylum seekers, growing labour emigration, more naturalization, need for a new migration policy and the like have emerged in the country since 1990. Slovakia officially became a transit country for migrants (Divinský, 2004).

Since the end of the 20th century, the presence of immigrants in Slovak society has been more conspicuous. The number has markedly increased after the country's accession to the EU in 2004 (cf. Divinský, 2006). However, Slovakia still remains a country with comparatively modest immigration flows and pronounced propensity to emigrate.

Foreigners with a permit to stay

The most numerous group of immigrants in Slovakia is foreign nationals holding residence permits. They are defined legally as foreign persons granted the right to reside in the country with a (permanent, temporary or tolerated) permit to stay; they are registered by the police in the *Register of Foreigners*.

At the end of 2006, the stock of these immigrants living, working or studying in the territory of Slovakia reached 32,153 persons (Table 7). This makes up 0.6% of overall population in the country. Compared internationally, it is a low figure – the lowest in the EU (Eurostat, 2006) and one of the lowest in all Europe (Salt, 2006). From a long-term perspective, there is a gradual growth trend in the number of foreign nationals and their share in the total population of Slovakia. This growth has accelerated particularly since 2004 following the country's accession to the EU and creation of much simpler conditions for the movement of persons and their family members from the Union.

The Czechs are the largest group of foreigners with a 16% share (5,113 persons) of all foreign residents in the country. Neighbouring countries (the Ukrainians rank 2nd with 3,927 persons and the Poles are the 3rd with 3,646 persons in 2006) logically head this list – their citizens have had close kin (family reunification and formation) and working (employment or doing business) relations in Slovakia for a long time already (statistics from Office of Border and Alien Police).

Another subgroup is represented by countries with historically developed migrant communities in Slovakia and a Slovak minority within their borders (Russia, Serbia, Romania, Bulgaria, Croatia). Their citizens work, study and create families and gradually join their national minorities in Slovakia (cf. Divinský, 2005b).

Rising inflows of immigrants from Asian countries form a new trend in the country. Though the Vietnamese have lived in Slovakia for some decades already, the Chinese community is recent and very dynamic. Both nationalities act chiefly as small entrepreneurs, retailers, vendors, wholesale importers of cheap goods from their mother countries, and operators of typical restaurants. In contrast, the fast-growing South Korean community (merely 36 persons in 2003, but 837 in 2006) are mainly top managers and highly-skilled workers in one of the new large car factories in the country (Divinský, 2007a).

Table 7. **Development in the major migration components in Slovakia since 1996**

Year	1996	1998	2000	2002	2004	2006
Migration flows						
Immigrated persons	2,477	2,052	2,274	2,312	4,460	5,589
Emigrated persons	222	746	811	1,411	1,586	1,735
Net migration	2,255	1,306	1,463	901	2,874	3,854
Foreigners with permits to stay (stocks)						
Permanent stay permits	15,584	17,564	17,410	17,108	17,003	26,028
Temporary stay permits	5,898	10,855	11,391	11,333	4,517	5,894
Registered stay permits	--	--	--	1,050	477	--
Tolerated stay permits	--	--	--	14	111	231
Persons in total	21,482	28,419	28,801	29,505	22,108	32,153
Newly issued permits to stay to foreigners (inflows)						
Persons	5,442	6,346	4,622	4,799	8,081	12,631
Persons in the asylum procedure (inflows)						
Asylum seekers	415	506	1,556	9,743	11,395	2,871
Procedure suspended	193	224	1,366	8,053	11,782	1,940
Asylums rejected	62	36	123	309	1,592	861
Asylums granted	72	53	11	20	15	8
Newly naturalized citizens (inflows)						
Persons	1,342	975	4,241	3,484	4,016	1,050
Apprehended irregular migrants (inflows)						
Persons	3,329	8,236	6,062	15,235	10,946	7,620
Total number of inhabitants in Slovakia (stocks)						
Persons (in thousands)	5,379	5,393	5,402	5,379	5,385	5,394

Source: Statistical Office of the Slovak Republic on-line data; statistics of Office of Border and Alien Police, Migration Office, Administrative Section of the Ministry of Interior

Since 2004, foreign nationals from "old" EU countries have been the fastest-growing immigrant group in Slovakia (accounting for 21.5% of the total stock of foreigners in 2006 compared to 9.8% in 2003). They carry out economic activities mainly in the tertiary and quaternary sectors as analysts, representatives, advisers, lecturers, researchers

etc. Nevertheless, their participation in the management of industrial companies in the country is not negligible either. The reunification of family is rarer here (ibidem). Altogether, the number of all EU citizens in Slovakia's immigrant stock rose from 10,803 in 2004 to 17,971 in 2006 (i.e. to 56%).

The majority of residence permit holders are concentrated in the regions of Bratislava and Košice (out of the 8 administrative Slovak regions). In 2006, about 29% of foreign nationals lived in the former, nearly 15% in the latter (statistics of Office of Border and Alien Police). The spatial distribution of foreign residents in Slovakia apparently reflects the distribution of labour and business opportunities, advanced infrastructure, existing educational facilities as well as housing.

Not many demographic and social characteristics of immigrant populations have been observed in Slovakia. According to data from 2006, children (age 0–14) form less than 6%, persons aged 15–64 make up 88%, and the elderly (over 65) exceed 6% of the end-year total. The most numerous age category is 30–39; it comprises almost a quarter of overall foreign population in Slovakia. Then, 60% of foreign nationals with a permit to stay are men (ibidem). Regrettably, other statistics on foreign nationals (besides types of stay, purposes of stay, countries of birth – all by countries of origin or Slovak regions) are not registered. We lack especially data on their education, family status, mother tongue, religion, occupation, etc. This data needs to be collected.

Labour immigrants – a problem of accurate statistics

As regards the economic activities of immigrants in Slovakia, it is quite difficult to provide any reliable data. The domain of labour immigration is in fact the least examined and evaluated out of all immigration phenomena in the country (cf. Divinský, 2005a, 2004). The essential problem, however, is the poor, imprecise and often illogical data coverage of labour immigration. In addition, systems for registering/issuing the permits for labour immigrants are kept separately by two different State authorities (Ministry of the Interior, Ministry of Labour and Social Affairs) and are mutually little consistent and comparable.

Doing business is administratively not so complicated in Slovakia – foreign nationals may in principle conduct business under the same conditions as native inhabitants. Furthermore, the national *Commercial Register* (Register of Entrepreneurs) does not distinguish between foreign and domestic entrepreneurs.

At the end of 2006, the Slovak Ministry of the Interior registered 3,363 labour immigrants – i.e. employed persons and those doing business (statistics of Office of Border and Alien Police). This was clearly too low a figure – 0.13% of overall EA population or 0.15% of the stock of the employed in the country. By adding other categories of immigrants – though not registered by the Ministry explicitly as labour migrants, but economically active as well – the estimated aggregate number of immigrant workers and entrepreneurs might reach 15,000, i.e. 0.65% of all employed persons.

Statistics of the Ministry of Labour, Social Affairs and Family say 6,546 foreign residents were employed (not doing business) in Slovakia in 2006 – either with work permits

(1,156 persons, i.e. almost 18% of the total), or on the basis of work registrations or information cards (5,390 individuals, i.e. over 82%). This was 0.28% of the stock of employed persons in the country in 2006. There is evident an upward trend in 2004–2006, confirming the acceleration of immigration to Slovakia since it joined the EU. The overwhelming majority of employed foreigners in the country (almost 73%) consisted of citizens of the EEA, of which Czechs (17.6%), Poles (15.6%), French (11.4%), Germans (6.8%), Hungarians (5.2%) and Austrians (3.7%) led in 2006. Among the non-EEA citizens (over 27% of the total) dominated Ukrainians (6.2%), South Koreans (5.7%) and Romanians (2.9%) (statistics of Ministry of Labour, Social Affairs and Family). But the presented absolute figures should be seen as underestimates.

According to statistics of labour immigrants in Slovakia in 2006, the most numerous were persons aged 25–39 (over half the total), the ratio of men to women was 80:20, higher levels of education dominated (labour immigrants with secondary level formed 48% and those with tertiary one 46%). A high share of the employed foreigners planned to work in the country from 7 to 12 months (43.5%).

In terms of *immigrants doing business* in Slovakia, their stock – as of January 1st, 2005 – was 2,960 persons (ŠÚ SR, 2006b). Of this number, 37.5% came from the EU-25. By single countries of origin, the most numerous were predictably entrepreneurs from the Czech Republic (20.0%), Vietnam (18.4%), Ukraine (18.3%), Poland (6.0%), Serbia (5.4%) and Hungary (3.8%). Men outnumbered women (72:28); the age category 40–54 dominated (43.5%). Most foreign businessmen develop their activities in retail, wholesale, services and the building industry; they live chiefly in Bratislava and in western Slovakia.

Summarizing, the estimated total number of labour immigrants in Slovakia in 2006 ranged approximately between 3 and 15–20 thousand persons; the higher figure seems much more realistic and we recommend using it. *This segment of labour supply thus constituted some 0.75% of total EA population or 0.87% of all employed persons in the country at the end of 2006*. The number and share of foreign citizens in the Slovak labour market are extremely low, also in comparison with other countries in transition – Slovakia belongs to the three lowest countries in the EU in this parameter (Salt, 2006) and is the 2nd lowest in the OECD (OECD, 2006a). Therefore, immigrants have today only a marginal impact on the extent, quality and structure of the country's labour force as a whole.

Other groups of immigrants; unknown regularization

The unexpected large growth in asylum seekers over recent years has been a typical feature of immigration in Slovakia. In 2004, their inflow for the first time exceeded 11,000 persons a year (Table 7) rising to an impressive 130 times their 1992 level (Divinský, 2005a). But only a minimum number of applicants (now mostly from India, China, Iraq, Bangladesh, Pakistan, Russia, Moldova, Georgia) have been granted asylum in the country. This circumstance is often a subject of criticism by non-governmental organizations, international institutions and migrants. (Development in 2005–2006, however, suggested a heavy decline in the number of asylum seekers in Slovakia in line with European trends.) Another problem is the unattractiveness of the Slovak asylum system for refugees.

Trends in the undocumented migration of people crossing Slovakia have also been dramatic since 1996. A huge upsurge in the number of irregular migrants started in 1998 reaching a peak in 2001 and 2002 (over 15 thousand a year – cf. Divinský, 2006); the current inflows are half this size (Table 7). The given dynamics mirrored migration pressure to Central Europe from a multitude of countries (particularly Asian ones), a well-organized network of smugglers in Slovakia and the difficulty protecting its mountainous eastern border. Undocumented migration into the country is mainly of an economic character, i.e. it is made up by voluntary economic migrants – mostly from South and East Asia, certain poor European regions as well as a few African countries.

As for immigrants staying illegally in Slovakia, there is a clear growth tendency here. The number of apprehended irregular migrants of this kind increased from 2,612 persons in 2004 (no earlier data available) to 3,491 persons in 2006 (statistics from Office of Border and Alien Police). This fact supports an important finding: Slovakia is slowly becoming attractive for foreign nationals as a destination country too.

When assessing numbers of undocumented immigrants working in Slovakia at present, we have to use a very broad range of estimates. According to these, the number of illegally employed foreigners ranges from several thousands to several dozens of thousands. Notably, a large percentage of Ukrainians, Balkan nationals, Vietnamese or Chinese work without a permit. They are primarily involved in the building industry, manufacturing, forestry, agriculture, auxiliary industries, retail, services and catering, i.e. in economic branches with a need for low-skilled workers (Divinský, 2004).

No regularization programmes for immigrants illegally staying in the country have ever been carried out in the Slovak Republic. However, we are convinced that the improving situation in the Slovak economy, development in the labour market, anticipated demographic changes in the labour force and, above all, rising immigration flows will eventually lead to the application of this tool in the future.

Forecasts of immigration to the country

According to projections, net immigration should gradually expand up to 2025. Later on – to the end of the projection period (2050) – maintaining the surplus level of 2,000–5,000 immigrants a year is anticipated. Within the EU-10 plus Romania and Bulgaria, net migration into Slovakia in 2050 should be the 3rd lowest (Bijak, Kupiszewski et al., 2004). The country is thus predicted to gain about 100 (UN, 2007; EC, 2006b) to 200 thousand (Infostat, 2002) persons net cumulatively until 2050.

In the next few years, immigration from developed countries (the EU/EEA) to Slovakia will most likely continue with the same intensity. This will be conditioned by the further expansion of mutual relations in both economic and non-economic areas. However, it is assumed that migration to the country after 2010–2015 will largely be influenced by immigrants from developing countries, especially from South Eastern and Eastern Europe (the Balkans, Moldova, Ukraine, Belarus), from CIS countries in Central Asia as well as from certain other Asian regions (cf. Divinský, 2005a; Robert-Bobée et al., 2005). Immigrants may settle down in the country permanently, often followed by members of their families.

It is quite sure that migration for work will dominate future immigration to Slovakia. The following fundamental trends are expected – an increasing share of immigrants in the total labour force of the country (up to 15% after 2050?); the growing internationalization of the Slovak labour market; continuing demand for the educated and highly skilled labour force; later the qualitative restructuring of the Slovak labour market reflecting increasing inflows of low-skilled immigrants; the deepening of disparities in the regional distribution of labour immigrants; and the rise in illegal work performed by (above all) low-skilled migrants in the country.

8.4 Emigration and labour market nexus

Profile of labour emigrants from Slovakia and some consequences of emigration

We studied also the migration profile of Slovaks who wish or already realized their intention to emigrate and arrived at the following findings: The most common type of emigration from Slovakia is for work; general propensity to move abroad is high (every 3rd resident of the country), but the real migration potential and/or realized emigration are rather low; there is an obvious inclination of Slovaks to temporary stays abroad (with the most preferred duration between 1 month and 1 year); the highest interest in labour emigration is characteristic of younger age groups (principally those aged 18–30) and men; the most favourite countries for labour migration – Germany and Austria – were replaced by the UK and Ireland after Slovakia's accession to the EU.

The predominant motives for emigration are economic – i.e. higher earnings abroad, large wage differentials, lack of adequate labour opportunities at home. Surprisingly, unemployed persons are not the most numerous group within Slovak labour emigrants. Various migration channels to look for a job abroad are used – paid job mediation agencies, unlicensed agencies, the EURES system, individual searches, social networks (EFILWC, 2006; IOM and ICMPD, 2002; IOM, 1998; and others).

The emigration of Slovak citizens is an important economic and social phenomenon from several viewpoints. Firstly, it helps resolve tensions in the domestic labour market where unemployment is still quite high. Labour emigration then helps improve social conditions in Slovakia, notably through remittances sent to the country by expatriate Slovaks. Not negligible are also further, non-economic (cultural, language, education etc.), contributions of emigration.

On the other hand, large-scale emigration of Slovak natives abroad may cause deformations in the population structure or have negative impacts on the economy and social system in the country. At present, for example, shortages of the labour force due to rising emigration are already evident in certain Slovak regions.

Labour emigrants from Slovakia: figures and structures

Despite all difficulties associated with statistics on labour immigration, data on labour emigration from Slovakia are much more restricted. Only a few persons leaving the country notify the authorities (and "de-register" thus cancelling their permanent residence) though they are obliged by law to do that. By our comparisons of numbers of Slovaks registered as immigrants in some receiving countries and the numbers of officially emigrated Slovaks to these countries, de-registered emigrants make hardly 5–10% of the formen each year. In other words, around 15–20 thousand persons leave Slovakia annually without being registered. Losses (particularly of the young labour force) thus generated each year by emigration from the country are not only noticeable but imply serious demographic and economic consequences for the future (Divinský, 2006, 2005a).

Estimates of Slovaks currently working abroad, chiefly in the EU Member States, vary to a great degree. Slovak official institutions have very little information or evaluations of the shape of labour emigration flows or their impacts on the labour market of the country. We have to, therefore, rely on data from the domestic Labour Force Survey or on data obtained from abroad.

The former source provides a relatively good, though limited, picture. According to the *Labour Force Survey* (unpublished data from the Statistical Office of the Slovak Republic), labour emigration from Slovakia has risen dramatically over recent years. From 2000, the number of Slovak nationals employed abroad (both employees and employers) has increased from 49.3 to 158.1 thousand in 2006 (and almost 170 thousand at the very end of the year). This means a 3.2-fold growth or an increment of 221% in the course of six years and the trend has been accelerating (Table 8). In addition, some researchers (e.g., Košta, 2006) believe the given figures are underestimated by ¼ (mostly those working abroad more or less illegally and/or simultaneously receiving unemployment benefits in Slovakia unlawfully).

Those 170 thousand persons employed abroad comprised 7.3% of the total country's stock of employed persons at the end of 2006. Moreover, by comparing general data on employment development in Slovakia and data above, we find that about 55% of the increment in the total number of employed Slovaks during the period of 2000–2006 was constituted by persons who left for work abroad. This is a very important finding.

There are not many parameters on emigrant workers included in the Labour Force Survey; only few basic ones. For instance, men outnumber women by 65 to 35. Data on age show that the majority of Slovak labour emigrants are younger – over half are aged 25–44, while the share of the youngest (15–24) is not negligible either. The predominant education level of labour emigrants is secondary (more than 85%); the proportion of those with university education is slightly larger than 10%. The preferred emigration countries for Slovak workers are the Czech Republic (41.9%), UK (15.1%), Hungary (11.6%) and Austria (7.3%) (Statistical Office of the Slovak Republic unpublished data).

Labour emigrants from Slovakia work especially in low-skilled positions. The major part of migrants is employed in manufacturing (30.7%), building (28.8%), catering and

accommodation services (10.9%), wholesale and retail trade (6.1%), transport and warehousing (5.9%), health and social services (3.7%); seasonally in agriculture. Broken down by Slovak administrative units, migrants from the Prešov, Nitra, Žilina and Banská Bystrica regions dominate (28.3, 16.6, 16.4 and 10.7%, respectively), those from the Košice, Trenčín, Trnava and Bratislava regions are less numerous.

Table 8. **Development in the number of Slovak nationals employed abroad in 2000–2006 by the Labour Force Survey (in thousands; annual averages)**

Year	2000	2002	2004	2005	2006
Men	35.6	55.4	71.1	85.5	104.7
Women	13.7	23.0	32.5	39.9	53.4
Total	49.3	78.4	103.6	125.4	158.1
Share in the total stock of employed persons (in %)	2.3	3.7	4.8	5.7	6.9
Growth index	100	159	210	254	321

Source: Statistical Office of the Slovak Republic (Labour Force Survey data)

Slovak labour emigrants in selected countries

The other useful source of information is the *EURES system* providing data on Slovak labour emigrants from another aspect. It offers a relatively detailed overview according to information obtained from EURES offices operating in individual EU Member States. Of course, this system has its limitations too. The heterogeneity of data and the frequent incompatibility of methodologies for registering migrant workers (differing reference periods, topical vs. obsolete data, cumulative vs. real data, no data available in certain cases, underestimated numbers of illegal workers etc.) in single EU countries make it difficult to exactly quantify the contemporary total number of Slovak citizens working abroad. Despite these facts, the EURES system still represents a valuable source of information on the issue.

On the basis of EURES data – at the end of 2006 – the most accepted figure of labour emigrants from Slovakia ranged from 200 to 230 thousand persons (this roughly corresponds to the number from the Labour Force Survey plus the mentioned ¼ to be added). Thus in 2006, the share of Slovak nationals working in the European Union achieved approximately 9 to 10% of the total country's stock of employed persons. The proportion of those employed in the EU illegally has most likely decreased after the country's accession (except for persons working in Austria and Germany). It has been compensated by the illegally working Slovaks in some non-EU countries, primarily the USA (up to 20,000 persons according to nough estimates).

The current most significant destination countries for labour emigrants from Slovakia, according to EURES, are the Czech Republic, United Kingdom, Ireland, Hungary, Germany, Austria and Italy (Table 9).

The *Czech Republic* still remains a key country for Slovak migrant workers. As of December 31, 2006 – the number of EA persons from Slovakia there accounted for

91,355 persons (with a 33% share of females – statistics of the Czech Ministry of Labour and Social Affairs). Citizens of Slovakia are traditionally the largest group in the foreign labour force in the Czech Republic, comprising around 50–60% of it. They work in all economic sectors, now increasingly as highly-skilled doctors, teachers, IT specialists, managers etc. About 90% of them are employed and 10% are doing business.

In very recent years, the *United Kingdom* has become the primary target for Slovaks wishing to work abroad. Between May 2004 and December 2006, 56,425 individuals from Slovakia (i.e. 10.2% out of job applicants from the new EU countries being thus the 3rd most frequent nationality) received a job in the British labour market under the *Worker Registration Scheme* (Home Office, 2007). This is a cumulative number while the actual stock can be estimated at about 40 thousand to the end of 2006. The majority of them are employed in low-skilled positions in administration, business and management services (39.0%), hospitality and catering (23.2%), manufacturing (6.5%), agriculture (6.3%), health and medical services (5.6%).

Hungary is quite a specific country for labour migration from Slovakia. Migration flows are mainly in the form of commuting, which is enabled by the proximity of respective Slovak and Hungarian regions. Since 1996 to 2004, the stock of Slovak workers in Hungary grew from 0.4 to 18.7 thousand (OECD, 2006a) and the contemporary number reaches 20 thousand (Reichová et al., 2006 – free estimates by Hungarian officials go even up to 30 thousand). As also estimated, more than 13,000 individuals commute daily to Hungary from neighbouring Slovak districts. Slovaks are predominantly employed in large industrial factories in the Hungarian borderland.

Until recently almost unknown, now a rather popular destination for Slovak labour migrants is *Ireland*. From Slovakia's accession to the EU until the end of 2006, 24.3 thousand Slovak citizens were registered in Ireland under the *Personal Public Service Number* scheme (statistics of the Irish Department of Social and Family Affairs) making thus Slovakia the 3rd most important country of origin (with 8% of the total) after Poland and Lithuania. The mentioned total figure is also a cumulative one; the real number of Slovaks working in Ireland at present has to be lower (maybe in the region of up to 15 thousand). In Ireland, as many as 25.8% of all immigrants from the new EU Member States including Slovaks work in construction, 21.8% in the industrial production, 16.5% in hotels and restaurants, 11.8% in wholesale and retail trade (IOM, 2006a).

As for *Germany*, 17,584 work permits were issued for Slovak labour immigrants in 2005 (Tamas – Münz, 2006). Seasonal permits (93%) largely prevailed over permanent ones (7%) in this total. Employment under the seasonal workers scheme is limited to three months, during which nationals of the new EU Member States do not need residence permits. Both kinds of employment are mostly low-skilled positions in catering, health services, construction, the food industry and agriculture.

Austria has been one of the principal emigration countries for Slovaks for a long time already. The number of employed Slovaks has there considerably increased from the early 2000s, recording the highest relative increase out of all new EU countries. However, the existence of various categories of labour migrants and registration systems in Austria

complicates the exact determination of the number of Slovaks actually working in the country. At the end of 2006, 8,000 Slovak labour immigrants were reported by Austria's *Arbeitsmarktservice*; some other sources gave higher numbers. Slovaks find jobs in Austria in hospitality services and catering, company-related services, construction and women mostly as in-home carers for elderly people.

Italy became popular in Slovakia in recent years because of an ample supply of summer jobs in agriculture. Some Slovak labour emigrants used to take holidays or unpaid leave of absence for several weeks from their regular jobs in Slovakia to work in Italy. In this way, 6,500–7,000 Slovaks (cf. Reichová et al., 2006) worked yearly in that country. Access to the Italian labour market has recently been completely freed.

***Table 9.* Number of Slovak labour emigrants in selected EEA countries, latest accessible data**

Country	Number	Reference period	Note
Czech Republic	91,355	31/12/2006	
United Kingdom	56,425	December 2006	10% of the foreign labour force under WRS, cumulative number
Hungary	ca 20,000	June 2005	over 10,000 registered, 30,000 estimated by Hungarian officials; 13,000 daily commuters
Ireland	24,307	December 2006	8% of the foreign labour force under PPS, cumulative number
Germany	17,584	2005	93% are seasonal work permits
Austria	8,011	December 2006	some 2,200 daily commuters and 5,000 weekly ones + at least 20,000 non-registered workers
Italy	6,479	May 2004	only data available
Slovenia	1,100	31/08/2006	
Sweden	88	March 2005	
Finland	22	December 2004	only data available
Malta	50	October 2006	
Greece	146	2006	
Cyprus	877	15/04/2005	
Poland	120	31/07/2005	a great number of cross-border labourers not included, as they are not statistically registered
The Netherlands	999	2005	
Switzerland	50	August 2005	the real number of Slovaks in the country is much higher; most do not go through labour offices
Norway	821	1/2005–1/2006	
Iceland	178	1/2005–12/2005	
France	69		only data available
Total	**ca 229,000**		

Note: Labour emigrant is here understood as a person of Slovak citizenship, registered by labour or other offices in the respective countries, and legally earning money within their territories.
Source: data by B. Katuščák, the EURES Slovakia manager; completed and re-calculated by the author

How serious is the brain drain?

It is extremely difficult to objectively measure the size and impact of the brain drain from Slovakia. With no statistics, opinions of experts vary widely and no serious research has been conducted on the topic.

On the basis of limited and fragmentary data, one may assume that the brain drain from Slovakia is significant. Emigrants with tertiary education represent a major, though hardly quantifiable share in the overall number of Slovak labour emigrants. Their number is believed to range between 7,000–10,000 persons a year, which constitutes 1/4 to 1/3 of all graduates in the country (cf. Baláž – Kollár, 2003; and others). One of the further drawbacks in this context is the apparent *brain waste*: many highly skilled migrants from the country use their knowledge potential in foreign labour markets poorly, accepting less killed positions.

It seems that only a lesser part of the highly-skilled remains abroad for a very long period, most of them come back to Slovakia after a time. The return of highly skilled emigrants, with valuable experience and know-how, is increasingly seen.

Remittances and their growing significance

The importance of remittances to Slovakia has markedly changed over time. Just a decade ago, these transfers were more or less negligible (about 0.2–0.5% of GDP). However, the rising numbers of Slovak migrants employed abroad during past 5–6 years have resulted in the increasing role of remittances for the economy of the country. The amount of money remitted to Slovakia from abroad has grown to at least USD 1.1 billion (by National Bank of Slovakia on-line data) or 424 million US $ (by World Bank: WB, 2007b) in 2006. According to the former source, the proportion of remittances in the country's GDP rose to well over 2%. This entails roughly 200 US $ per Slovak inhabitant and 5,000 US $ per Slovak migrant abroad (in 2006). The Czech Republic is the key country for the Slovak Republic for remittances, followed by the USA, Germany, Hungary, Austria, Canada, Israel, United Kingdom and Italy.

Also remittances from Slovakia have expanded (223 million US $ in 2006 according to WB, 2007b). The major receiving countries are: the Czech Republic, Hungary, France, Romania, Poland, Austria, Belgium, Serbia, and Bulgaria. In this context, Slovakia is obviously a labour exporter. However, there is a lack of fundamental data needed for broader analyses. No particular schemes facilitating the transfer of remittances exist in Slovakia at present.

Forecasts of labour emigration from Slovakia

It is supposed that the number of Slovaks living abroad will slowly increase in the upcoming years though there are no studies dealing with the intensity, anticipated duration and other aspects of emigration. However, it is very unlikely that future labour migration flows from Slovakia could cause significant pressures on EU labour markets.

Emigration for work will undoubtedly remain the dominant type of emigration from Slovakia; labour emigration will mostly be of a temporary character – permanent emigration should stay marginal at several per cent of the total outflows; no radical changes are expected in the socio-demographic structure of Slovak labour emigrants – younger cohorts, single men, and those with secondary education should prevail; wage differences between Slovakia and more advanced countries will stay the basic incentive to migrate for work.

Emigration dynamics will depend on progress in the Slovak and European economies. Growing numbers of jobs in the EU labour market will influence the rate of Slovak emigration and the Union is believed to be still the main destination area for Slovak labour migrants. No major changes are supposed to take place in the list of principal destination countries in the immediate future. However, after Germany and Austria make their labour markets fully accessible (at the latest by 2011), a larger shift may occur altering the extent and direction of migration flows from Slovakia.

8.5 Weak points of labour migration practices in Slovakia and developments in the country's migration policy

Elements that can be used for labour migration management in Slovakia are the laws defining the entry of foreign nationals into the labour market of the country, the bilateral agreements on employment of foreigners, institutions for handling immigrants and, partly, national migration policy (cf. IOM, 2006b, 2005). Unfortunately, labour migration policy as such is still completely absent in the Slovak Republic.

Character and effectiveness of the bilateral agreements on employment

Slovakia has so far concluded bilateral agreements on employment with 11 countries – Belgium, the Czech Republic, Finland, France, Germany, Hungary, Luxembourg, Poland, Russia, Switzerland and Ukraine (Divinský, 2004; OECD, 2004b; MPSVR, 2003). These agreements are miscellaneous – either in force and implemented, or in force but currently not applied, or old and though not revoked, not applied. Then, some agreements refer to labour migrants in general, others to specific, limited groups of foreign workers, such as trainees. Most of the agreements, although not all, set exact quotas of labour migrants.

Slovak bilateral agreements on employment do not cover many of the labour emigrants from the country. The agreements with Belgium and France have not been enforced (despite repeated appeals from Slovakia); those with the Czech Republic, Hungary and Poland are not applied at present (employment in these countries is now unrestricted); those with Luxembourg and Finland seem to be rather unattractive bilaterally (with only a few persons exchanged a year) and that with Switzerland provides scope for at most 100 persons annually.

The only really beneficial agreements in this context are three instruments with Germany – thanks to them, about 10 thousand migrant workers from Slovakia have had the opportunity to work in Germany annually. This figure is, however, less than 5% of the total Slovak labour force employed abroad. Indeed, the quotas are comparatively low and Germany is reluctant to raise them – it even reduces the number of jobs provided within these agreements. A general bilateral agreement on employment with Austria (to a lesser extent also with France) is regrettably missing because of the lack of interest on the other side.

Outside the European Union, Slovakia has a serious interest in concluding bilateral agreements on employment with such significant countries as the USA, Canada or Australia. This could help legalize the current quite high, illicit employment of Slovaks in these countries. As far as labour immigration under the bilateral agreements is concerned, the quotas for migrant workers from Ukraine or Russia seem to be basically sufficient for the needs of Slovakia's economy at the moment. However, both Ukrainian applicants and some Slovak employers would welcome higher quotas, but Slovak authorities have refused it several times. It is quite sure that with domestic labour force ageing and shrinking during the next few years, there will be a strong demand to raise these quotas.

For the same reason, it will most likely be necessary to consider concluding new bilateral agreements with other potential exporters of labour to the region (Balkan countries, Turkey, Moldova, CIS countries in Central Asia, India, Vietnam, China etc.) – to meet demands in the Slovak labour market.

Access to Slovakia's labour market for immigrants

This access is regulated by a set of essential legal norms such as Act No. 5/2004 on Employment Services, Act No. 455/1991 on Trade Law, Act No. 513/1991 – Commercial Code, Act No. 311/2001 – Labour Code, Act No. 82/2005 on Illicit Work and Employment, Act No. 125/2006 on Labour Inspection, Act No. 365/2004 – The Anti-Discrimination Act, and others. They, as well as Act No. 48/2002 on the Stay of Foreigners, define a framework in which foreigners may or may not work (be employed, run businesses, do other economic activities) in Slovakia (cf. Divinský, 2007a, 2005b).

National legislation is in full conformity with EU laws and respects transitional measures applied by certain EU Member States to protect their labour markets. Moreover, the Slovak Republic opened its labour market to all workers from the European Union/EEA/ Switzerland without imposing any reciprocal restrictions.

There are three main categories of labour immigrants in the country, with various rights and restrictions (cf. Divinský, 2005a). Employees from the EEA and Switzerland (and their family members) do not need a work permit, but their Slovak employers are obliged by law to fill in an information card on the establishment or termination of a working relationship and to send it to the local labour office within 7 working days. Also, every EEA citizen intending to stay in Slovakia for a period exceeding 3 months has to be registered with the police as a (permanent) resident in the country. This category of foreign workers is treated identically to natives.

The second category of labour immigrants in Slovakia includes those persons who are not citizens of the EEA but do not need a work permit either – an information card is enough here too. Foreign nationals falling under this category are, for instance: holders of permanent residence permits; holders of temporary residence permits for the purpose of family reunification or study after fulfilling specific conditions; expatriate Slovaks; persons granted asylum and asylum seekers after one year of uninterrupted stay in the country; persons granted temporary shelter; persons employed on the basis of an international agreement; and a few other categories.

The last category of labour immigrants in Slovakia comprises persons who are allowed to be employed in the country with a work permit only. They are predominantly individuals with a temporary residence permit for the purpose of employment, or persons with a temporary residence permit for study or family reunification under special conditions, as well as some groups of persons granted a tolerated residence permit. However, there is no legal entitlement to a work permit; decisions depend on the situation in the Slovak labour market. Persons granted a work permit may not perform business activities. A permit to work is issued for a given period, at most for one year (in the case of seasonal work, for the period up to 6 months). Undocumented migrants, the majority of asylum seekers, and certain categories of persons with temporary or tolerated residence permits have no right to work in the country.

As regards foreigners doing business on the territory of Slovakia, the situation is legally not so complicated (ibidem). Most immigrants are allowed to do business in the country under equal conditions and to the same extent as natives, namely as persons recorded in the Commercial Register or those with trade licences (petty tradesmen) or individuals engaged in farming. This is considered good practice in the wider context of labour immigration. Persons from the EU/OECD countries have some administrative advantages compared to others.

The institutional framework and its essential shortcomings

Development in Slovak institutions dealing with labour migration lags behind the creation of related legislation. The system of institutions supporting immigrants in the country is incomplete, fragmented and unconsolidated. Some of these institutions are weak and unstable (the NGO sector) or subject to frequent organizational modifications (the State sector). In addition, inter-institutional cooperation is often ineffective (cf. Divinský, 2007a).

The State sector dealing with migration matters in Slovakia consists chiefly of ministries and other central authorities (the Ministry of Interior with the Office of Border and Alien Police, Migration Office, and Administrative Section; then the Ministry of Labour, Social Affairs and Family; the Ministry of Foreign Affairs; the Ministry of Education; the Statistical Office the Slovak Information Service).

The private sector in the field comprises various employers' associations, chambers of commerce and professional associations. The NGO sector is sparse – it is composed of about 5 major NGOs and several, sporadically involved, minor NGOs. Intergovernmental organizations in Slovakia are represented solely by IOM and UNHCR. Self-government

is formed by local and regional authorities. Immigrant associations in the country are still little known to the public and only few of them are sufficiently active. Slovak scholars focusing on migration are extremely limited in number (with only one full-time researcher on migration in the whole country).

Besides the urgent need to reinforce the NGO sector in Slovakia with human resources, projects and financial assistance, the main aim should be to get the State sector to act as the principal actor for further development in labour migration issues. To improve the operation of hitherto independent institutions under the Ministry of Interior, one central State authority with clear competencies – covering the domains of immigration, integration, asylum, naturalization, and repatriation of migrants – is to be established in Slovakia in 2010. It seems to be very late since many acute challenges have to be tackled immediately (cf. Divinský, 2007b).

The absence of an official parliamentary or governmental Committee for the Matters of Migrants (Foreigners) to contribute to the legal and political support of the issue is increasingly considered a shortcoming in the institutional system of the country. At present – since the theme is seen as entirely marginal – problems of immigrants are not addressed regularly, effectively or seriously enough. Therefore, Slovakia needs a specialized autonomous body functioning as a representative discussion forum and initiator to improve migrants' life and work conditions in the country.

It is also evident that the country lags behind in integrating labour immigrants into society. According to migration experts' opinions, Slovakia apparently lacks a national conception of integration and naturalization policy (cf. Divinský, 2007a). The recent setting up of a new, separate, *Department of migration and integration of foreign nationals* at the Ministry of Labour, Social Affairs and Family, which should deal with a variety of aspects of legal migration – including labour immigration and integration – was long awaited. The Department needs further resources to operate effectively.

Originally planned, Government-funded information centres for immigrants across the country were eventually not set up owing to an alleged lack of interest from migrants. probably, tight public finances and a narrow range of expected services may have contributed to the decision. However, the idea was picked up by the *Migration Information Centers* – operated by the International Organization for Migration in the cities of Bratislava and Košice – as information-assistance platforms for hundreds of immigrants in the country.

Perception of immigrants in political debates, the media and the public

The interest and involvement of Slovak politicians in migration questions have so far been rather limited. Since the subject is obviously considered insignificant, there is no political will to treat it more systematically and thoroughly within political parties. Slovak political elites fail to articulate their opinions about immigration, do not condemn the social exclusion of or intolerance towards foreigners, and disregard existing challenges. Immigration is rarely a topic of political debate in the country and if it is, mostly from a negative viewpoint (more in detail in Divinský, 2005b).

Likewise, the Slovak media do little to modify stereotypical attitudes among the public. Xenophobia, and discrimination against immigrants in the country are largely reinforced by the mass media. Fundamental weaknesses in the media's reporting of migration include: information on immigration is given only occasionally since it is seen as a peripheral issue. Then, if migration issues are mentioned, they are seldom handled with necessary depth, but are presented rather superficially and often from narrow perspectives. Finally, too often negative dimensions and impacts of immigration – believed to attract more attention – are offered by the Slovak media (cf. Divinský, 2007a).

As a result, public opinion in Slovakia is not favourably inclined towards immigrants – though this is slowly improving. There are obvious forms of xenophobia against foreigners (especially against those from less developed countries and labour immigrants believed to take jobs from natives), sometimes multiplied by their social exclusion or manifestations of intolerance. Prevailing negative public opinion towards immigrants was well demonstrated in a recent Eurobarometer survey (EC, 2006d): only 12% of Slovak respondents fully or partly agree that immigrants contribute to the country. This is 28% below the EU average and the lowest result in the whole EU. Several factors have maintained xenophobia in Slovakia, with the relative isolation of the country during 1939–1989 probably playing a crucial role (Divinský, 2005a).

Migration management in Slovakia: what role for migration?

Under communism, no State migration policy existed in the country. After the fall of the Iron Curtain, the CEE countries – including Slovakia – were fully incorporated into European migration movements. Migration patterns in the country started to radically transform. Slovakia became a transit country and even an immigration country by official figures of net migration. The Slovak government created basic institutions for managing migration and adopted principles of the country's migration policy (in 1993). However, after 2000, these looked increasingly obsolete and no longer corresponded to the situation in Slovakia or Europe. State migration policy was restrictive, formal and incomplete (Divinský, 2005b).

During the pre-accession process, Slovakia was obliged to pass, amend or harmonize a multitude of laws, including some on migration. Entirely new and improved legal norms, changing conditions for the entry and stay of immigrants in the country, improving the asylum procedure as well as regulating the social and health care, employment, entrepreneurship, ownership, naturalization, etc. of immigrants were adopted. However, responsible institutions did not manage to prepare comprehensive and modern migration policy before the country's accession to the EU.

Finally, in January 2005 the Slovak government adopted a more universal framework to address immigration in the country – the *Conception of the Migration Policy of the Slovak Republic*. It mirrors ongoing processes of unifying immigration, asylum and integration policies within the Union. Slovakia – as an EU Member State – adheres to the objectives set out in the Hague Programme and its Action Plan. Relevant EU legal norms are gradually accepted and transposed. Also, activities of Slovakia within single committees and other organizational units of the European Union, Council of Europe, United Nations and other institutions bring Slovakia closer to other EU Member States' stances.

The Conception has been drawn up in a general form. Individual tasks are further scheduled for the years to come until 2010 and fulfilled by the institutions concerned (the Ministries of Interior, Labour and Social Affairs, Foreign Affairs, Justice, Health, and Education, the Statistical Office, the Association of Towns and Communities, IOM, UNHCR and others). The document identifies the main spheres for developing particular policies and determines the proper tools for migration management (for more, see Divinský, 2007a, 2005a, 2005b).

However, many important migration themes remained outside the short (i.e. 16-page) Conception document. Some questions were dealt with only partly, or were not covered at all. For example, the integration of immigrants into society; their participation in domestic political, social and economic life at both the local and national levels; a complex of problems on labour immigration; immigrant associations; the working of the media; the education of Slovak children at schools about foreigners; the improvement of statistical databases on migrants; or greater support for scholars studying migration phenomena should have had more coverage (ibidem). It has also to be stressed that Conception of the Migration Policy of the Slovak Republic is devoted to immigration issues only; emigration topics are not included in the document.

Slovakia is just at the beginning of its metamorphosis into a pro-immigration society. The country's modern and comprehensive migration policy is still in its infancy. First, Slovakia should address such essential challenges as: the articulation of a Slovak migration doctrine, the definition of the country's immigration and emigration priorities, the identification of major shortcomings in migration management, the assessment of current and expected economic and non-economic impacts of migration on society, the definition of areas of intensive cooperation with other EU Member States and countries of origin/destination, etc.

Labour migration policy – is there any in the country?

The Conception of the Migration Policy of the Slovak Republic practically does not refer to labour migration issues per se (cf. Divinský, 2005a), it just contains a few peripheral mentions of them, with quite general recommendations or measures to be taken. In fact, no conception, strategy, plan or prognosis analyzing the heterogeneity of labour migration (its various forms, causes, consequences, manifestations, trends, forecasts etc.) is available in Slovakia. There is a lack of reliable data, more exact surveys and qualified estimates of labour emigrants from Slovakia, though their numbers are not negligible in certain countries. Also, no unequivocal standpoint on labour immigration to Slovakia has ever been expressed by respective State institutions or other important actors. Until recently, labour migration in the country has not been subject to larger public or expert discussion. Indeed, no rudiments of labour migration policy exist in Slovakia yet.

The elaboration of a special labour migration policy is *conditio sine qua non* for any progress in the entire sphere of labour immigration/emigration in the country. Slovak labour migration policy should: define the role of labour migration in the overall economic, social and demographic advancement of the country; specify the priorities within labour migration itself; evaluate the current labour migration situation and trends in the country;

identify the main areas of the country's labour market, economic branches, professions, educational levels and territorial units to which labour immigration could be of the greatest benefit; predict future changes in labour immigration; analyse probable development and impacts of labour emigration; help build an institutional framework relating to labour migration in the Slovak Republic.

Competent institutions leaning on the principles of a national labour migration policy can then adopt concrete programmes to make Slovakia more attractive to intended groups of labour immigrants; re-evaluate and complete a set of bilateral agreements on employment; intensify cooperation with the most significant countries of origin of labour immigrants to Slovakia and with the crucial destination countries for labour emigrants from the country; proceed actively and responsibly with other EU Member States in solving questions of labour mobility; reappraise and amend national laws concerning labour migration; take a more active approach to labour immigrants in labour offices, the police and other involved institutions thus facilitating access to the Slovak labour market for these persons; check more frequently and combat more effectively illicit work and employment in the country, chiefly in connection with an anticipated increase of undocumented immigrants in the future; establish and reinforce collaboration among the stakeholders in the field of labour migration; encourage the Slovak media to work more positively in favour of labour migrants; fundamentally improve the quality, complexity and compatibility of all statistical systems producing and presenting characteristics of labour migration to and from the country; and ensure greater support for research on labour migration.

According to us, it is the *Ministry of Labour, Social Affairs and Family of the Slovak Republic* that should have prime responsibility for drawing up a national labour migration policy – of course, in close cooperation with the other relevant institutions of the State sector, private sector, trade unions, NGOs, IGOs, self-government, academic community, migrant associations, etc.

Labour market – migration relations in practice – structural deformations in the Slovak labour market in the light of a questionnaire survey

In order to get a better picture of the situation and problems in the Slovak labour market with regard to the emigration/immigration of the labour force from/to the country, we prepared a simple questionnaire. It was sent out to a sample of nearly 50 senior representatives of employers' associations, professional industrial and non-industrial associations, small businessmen's associations, chambers of commerce, and mixed private-State agencies to promote entrepreneurship in Slovakia. We received back 12 completed questionnaires, i.e. their rate of return is almost 25%, which is a much better result than expected.

The basic aim of the questionnaire was to obtain information, data, opinions, comments, standpoints, incentives and recommendations directly from prominent Slovak entrepreneurial actors from branches vital to the country's economy. We gained not only views on the contemporary state and challenges in the labour market, labour emigration and immigration impacts etc., but also qualified estimates of future demands and development with appeals for an articulated labour migration policy in Slovakia.

Respondents criticize above all the poor quality of the national education system (principally vocational and secondary schools) and ask for its radical improvement to adjust the structure of school graduates to real labour market needs in the country. At the same time, respondents feel the need to support investment in infrastructure, research and development, high technology and final production. The willingness of the Slovak long-term unemployed (as the largest stock of the potential labour force) to take up a job should be more stimulated.

Emigration for work abroad is perceived by Slovak entrepreneurs as a serious problem. It contributes to the lack of workers in certain sectors and professions; in some of them the difficulties in finding labour have been increasing lately. This shortage is supposed to rise further, notably with skilled employees, and the incapacity of the Slovak labour market to meet the needs of employers may slow down the pace of overall economic growth. Moreover, employers warn of the risk of brain drain from the country.

In terms of labour immigration, respondents mostly welcome the opening of the Slovak labour market for immigrants. With the continuing advancement of the country's economy and other internal factors, their presence is expected to increase. Immigration from geographically and culturally related countries should primarily be promoted. Outside the EU, labour immigrants from CIS countries and the Balkans should be preferred. In this context, some employers propose to make the access of foreign nationals to the Slovak labour market simpler through re-evaluating bilateral agreements on employment, particularly that with Ukraine as the closest and largest pool of labour for Slovakia – setting higher quotas for job applicants from Ukraine, or specifying professions in the Slovak labour market with free access (for its nationals).

For the above reasons, employers urge the Slovak government to elaborate as soon as possible a comprehensive labour migration policy of the country, reflecting the present state and anticipated trends in the Slovak labour market; defining the quantitative and qualitative criteria (professional structure, education, age, regions of origin etc.) as for migrant workers; and creating effective tools to attract, select, support and treat the foreign labour force.

8.6 Proposals, recommendations and policy options

After an overall evaluation of current as well as expected economic, labour market, demographic and migration developments in Slovakia, it is evident that the situation is bad in many areas. Therefore, several substantial improvements in labour migration management are urgently needed. This Country Report set itself the goal to not only render a multitude of relevant data, to analyze the state and developmental trajectories, to assess miscellaneous relations and impacts on society, and to identify problems in the examined field. One of the main objectives has also been to provide for essential actors in Slovakia a comprehensive set of recommendations amending the contemporary situation and preparing for future potential challenges.

The formulation of recommendations for political, economic, social, institutional, legal and other measures is not easy. On the one hand, such proposals have to be all-embracing and representative enough to cover as many areas and subjects as possible; on the other hand, they cannot be too generalised, superficial or vague because their value would then be minimal. At the same time, the recommendations have to be feasible, effective, topical, comprehensive and interconnected. Best practices and experience from abroad should be taken into account too.

In this section, we discuss a series of ideas, suggestions and recommendations referring to labour migration in Slovakia, hoping that they will make a useful contribution to the formulation of new policies and approaches. Within the below specified domains, we propose to realize or consider realizing the following steps:

Universal framework of migration (whole society, supreme public authorities – Government, Parliament)

- to clearly articulate the migration doctrine of the Slovak Republic, i.e. the official attitude of the State and all Slovak society to emigration and immigration in line with immigration, asylum and integration policies of the EU; to define the position of migration in the overall economic, social, demographic, cultural, political and security development of the country;
- to set priorities in the region of international migration with regard to its multidimensional and structured nature, i.e. to determine which components of migration as such should preferentially be promoted in the country – labour emigration and immigration, reunification of family, asylum migration, migration for study abroad, naturalization of foreigners, immigration of Slovak expatriates;
- to provoke wider expert and public debate on labour migration, its causes and consequences for Slovak society with the intention to raise interest in its processes; to arouse discussion on the topic especially on the Slovak political scene in order to better incorporate labour migration into the agenda of political parties in the country;
- to allocate from the State budget and budgets of self-government authorities much larger financial resources than hitherto to tackle increasing (or already acute) problems connected with migration management in Slovakia; to encourage respective NGOs, IGOs, immigrant associations and other stakeholders to search for additional resources outside the mentioned budgets (e.g., EU funds);
- to substantially complete the existing Conception of the Migration Policy of the Slovak Republic, but – above all – to elaborate a separate national integration (naturalization) policy adequately covering labour integration issues;

Labour migration policy domain

- to create and develop a network consisting of the entire spectrum of important Slovak institutions and actors involved in labour migration management (State institutions, employers' associations, chambers of commerce, trade unions, competent NGOs and IGOs, self-government authorities, the academic community, immigrant associations chuncles etc.) collaborating in preparing a comprehensive

labour migration policy for the Slovak Republic, under the supervision of the Ministry of Labour, Social Affairs and Family;

- to immediately start work on this labour migration policy as a fundamental instrument to regulate development in labour immigration and emigration in Slovakia, with the aim to: define the role of labour migration for the economic and non-economic advancement of the country; set the place of labour migration among the other migration components; specify the priorities within labour migration itself; evaluate the current labour migration situation and trends in the country; identify the essential areas of the labour market, economic branches, professions, educational levels and geographical regions in Slovakia to which labour immigration could be of the greatest benefit; estimate future needs for and changes in labour immigration; outline policies to attract, select, support and treat the foreign labour force in the country; analyze probable developmental trends and impacts of labour emigration; and help build an institutional framework relating to labour migration in Slovakia;

Labour migration schemes and practices

- to adopt special schemes (thoroughly considering various systems used abroad) to make Slovakia more attractive to the intended groups of labour immigrants, according to the current and expected situation in the Slovak labour market;
- to take a more active approach to labour immigrants in Slovak labour offices, the police and other institutions concerned in order to facilitate access to the labour market of the country for these persons;
- to develop better mechanisms to combat more effectively irregular work and employment in the country, primarily in association with an assumed increase in undocumented low-skilled immigrants in coming years;
- to establish in the country information centres for immigrants offering them information on the labour market, lists of jobs available, ways of doing business, possibilities for improving education and practical skills, legal and other conditions to be met by foreign workers, labour and social offices networks, housing possibilities, and other related issues;
- to create and operate an information and communication system in Slovakia specialized in providing information on both labour emigration and immigration (through Internet sites, dedicated phone services, statistics, etc.) serving for migrants, experts, the media and the public;
- to reappraise and amend – if necessary – national legal norms regulating labour immigration flows;
- to enable the transfer of money from the 2nd pillar of the pension system to all labour immigrants returning to their country of origin, not only to those who have been employed in Slovakia more than 10 years;

Domain of bilateral agreements

- to re-evaluate and complete a set of bilateral agreements on employment. As for labour emigration from Slovakia to other EU countries, to attempt to raise quotas for migrant workers – both seasonal and long-term – to Germany and to try to conclude a general bilateral agreement on employment with Austria;

- to negotiate with the significant destination countries for Slovak labour emigrants outside the EU, i.e. with the USA, Canada, Australia and Switzerland, with the aim of concluding agreements on employment. In this way, to enlarge the numbers of legal labour migrants and to help reduce illicit employment of Slovaks in these countries;
- in terms of labour immigration to Slovakia, to consider revoking the bilateral agreement on employment with Ukraine as the largest and closest pool of the labour for the country (outside the EU), or to fix higher quotas – at least for seasonal workers from Ukraine (notably for Slovak agriculture) – to 3,000–5,000 persons annually;
- to carefully consider concluding new bilateral agreements with less developed countries – probable future major exporters of the labour force to Slovakia (Balkan countries, Moldova, CIS countries in Central Asia, Turkey, India, Vietnam, China etc.) – to meet the country's labour needs;

Changes in employment as migration alternatives

- to increase participation and employment rates of the Slovak labour force; particularly to halt the declining employment rate of the young by incorporating them back into the labour market and thus to prevent them from becoming unemployed;
- with regard to long-term developments in the Slovak labour market – especially a forecasted marked drop in the labour force of the country during the next decades to set the standard retirement age for both sexes at 65; to prospectively consider stretching this limit to 67;
- to enhance the inter-regional mobility of employees in Slovakia, currently one of the lowest in the EU, by a set of economic stimuli, but also by reviving the critically underdeveloped housing market in the country;
- to substantially augment the offer and quality of training courses, personal counselling, life-long learning as well as the proportion of part-time, fixed-term or distance employment in the country and thus to increase the flexibility of employees in the Slovak labour market;
- with the aim of reducing gender differences in employment, to raise the share of employed women in Slovakia by systematic policy measures (like intensive actions to create more jobs for females, harmonizing work and family obligations, more affordable child care services, higher allowances for single mothers who work, etc.);
- to introduce special measures in certain sectors and professions to tackle rising labour shortages in them, which could gravely affect the overall economic growth in the country;

Extent and attributes of unemployment

- to develop policies to drastically lower long-term unemployment as the most problematic segment within unemployment in Slovakia (e.g., through better educating the unemployed, using active labour policy tools like retraining courses more effectively, generating more jobs for low-skilled employees, etc.);

- to reduce high payments to social security funds (48.6% out of gross wages in 2006) in the country and thus to encourage employers to create new jobs;
- as already outlined, to enhance the inter-regional mobility of employees in the country to a maximum degree as this may also sizably diminish the stock of the unemployed;
- to prepare a legal framework to significantly increase the share of flexible forms of employment in the Slovak labour market – part-time employment, fixed-term employment and so on – suitable for many currently unemployed persons;
- to try to gradually reduce negative regional disparities in unemployment (and in employment) in the country by strictly regionally-based policies and measures;

Education system

- to make an effort to substantially raise the quality of education in Slovakia, i.e. to carry out a radical reform of the entire school system now in decline and not meeting current and anticipated demands of the domestic labour market;
- in this context, above all, to create appropriate conditions (structural, financial, personnel, curricula, etc.) to immediately improve the poor level and inadequate structure of specialized vocational schools in the country, and to direct education more practically;
- to amend the language education of students at elementary and secondary schools in the country, because labour emigrants from Slovakia with these educational levels have often difficulties with foreign languages while working abroad, which largely contributes to their brain waste;
- to significantly increase the use of distance and life-long learning in the country (at present the 2nd lowest within the EU-25) and thus the flexibility of employees in the labour market;
- to broaden and improve Slovak language teaching for immigrants in the country as an essential prerequisite for their successful integration into autochthonous society;

Brain drain, return migration and brain gain

- to draw urgent attention of specialists to the phenomenon of the brain drain from Slovakia – its volume, attributes, reasons, consequences and main destination countries;
- to work out a comprehensive policy to reduce the number of university educated and highly skilled persons leaving the country for work;
- to more intensively combat the brain drain and loss of young professionals by raising their wages, enhancing the R & D infrastructure, providing them with better economic and non-economic conditions to remain in the country;
- to promote contacts with highly skilled Slovak emigrants and their associations abroad; to help build their networks; to keep them well informed about the situation in the home country;
- to consider developing a strategy to support the repatriation of highly skilled emigrants from Slovakia now working abroad;

- to motivate Slovak graduates at universities abroad to return home with a more generous framework for work, remuneration, professional growth, housing etc.;
- to elaborate hitherto absent special schemes to attract highly skilled immigrants from abroad to Slovakia, which would include important motivation tools, bonuses, allowances and other mechanisms to retain this group of migrant workers in the country for a longer period;
- to legally simplify the procedure of granting a permit to reside and work in Slovakia in favour of highly skilled immigrants;
- to facilitate entry into the labour market for foreign graduates completing studies in Slovakia and to offer them legal, economic and social advantages to settle in the country;

Labour immigration *sensu stricto*

- to prepare for the rising number of immigrants (particularly labour migrants) to Slovakia with an increasing share in the total labour force of the country; to expect a larger influx of immigrants after 2015;
- to switch from preferring skilled immigrants from the EU to absorbing greater numbers of low-skilled immigrants from less developed countries in the future; to support immigration from geographically and culturally related regions;
- to realize that anticipated labour shortages in some sectors and professions in the country may have grave consequences for economic growth, especially if the replacement of the missing domestic labour force by labour immigrants does not take place;
- to tackle deepening disparities in the regional distribution of labour immigrants in Slovakia; to prepare for their increasing concentration in some bigger cities of the country with all accompanying phenomena (also negative – rise in illegal employment, social conflicts etc.);

Labour emigration *sensu stricto*

- to take into account that labour emigration – though to a considerable degree of a temporary character – will remain the dominant type of emigration from the Slovak Republic;
- to realize that an acute lack of labour in Slovakia owing to labour emigration is generally not imminent, but problems in certain economic sectors alongside the rate of the brain drain may be serious; to work out policies reflecting this fact;
- to expect no dramatic changes in the socio-demographic structure of labour emigrants, their basic motivation (wage differentials) or preferred destination countries in the next years;
- to be prepared, however, for potentially significant shifts in migration patterns – in the extent and directions of labour emigration flows from Slovakia – after Germany and Austria open their labour markets;

Institutional domain

- to consider the establishment of a special governmental or parliamentary Committee for the Matters of Migrants, with real competencies, to legally and politically promote migration management in Slovakia representatively, professionally, systematically and effectively;
- in order to institutionally transform the State sector, to improve the operation of weakly interconnected institutions under the Ministry of Interior as well as to respond to urgent challenges – to immediately set up a central State authority covering the areas of immigration, integration, asylum, naturalization and repatriation of immigrants;
- to quickly complete and make operational the Department of migration and integration of foreign nationals at the Ministry of Labour, Social Affairs and Family, focusing on a whole variety of aspects of legal migration (including labour immigration, labour migration policy and integration of labour immigrants);

International domain

- to intensively lobby at the international level – concurrently with other CEE countries concerned – for shortening transition periods, notably in such relevant countries for labour migrants from Slovakia as Germany and Austria;
- to proceed actively and responsibly along with other EU Member States in addressing the questions of labour migration in the Union;
- to strengthen cooperation with the most important countries of origin of labour immigrants to Slovakia and with the crucial destination countries for labour emigrants from Slovakia;

Local and regional self-government authorities

- to participate to a larger degree in solving labour migration problems, applying the principle of subsidiarity in concrete matters;
- to establish across the country – where necessary – self-government consultative bodies with the aim to help better integrate migrant workers into local communities;
- to improve the mutual cooperation of regional and local self-government authorities with other stakeholders in the field and mainly relations with immigrants themselves;

The media

- to encourage the media in the Slovak Republic to work more actively, objectively and professionally in informing the public about the whole range of labour migration aspects, especially about the benefits of labour immigration and emigration to the national economy, and about the labour integration of foreigners;
- to appeal to the Slovak media to play a greater role in combating xenophobia and various forms of intolerance against labour immigrants; to help build a more friendly social climate generally for immigrants in the country;

Statistics

- to fundamentally improve the level of gathering, processing, storing and presenting data on labour migration to and from Slovakia; to increase their sophistication, practicality, clarity, homogeneity, quality and topicality for final users, at least to the average level in EU countries;
- to radically enhance the interoperability and compatibility of all independent statistical systems providing data on labour migration in the country – either operated by the Statistical Office, the Ministry of Labour, Social Affairs and Family, the Ministry of Interior, or other institutions; to make cooperation among these institutions more effective;
- to accept that the real annual numbers of emigrated persons (mostly workers) from Slovakia are several times higher than the official statistics of the deregistered worms – to prepare measures to tackle this fact;

Population

- to elaborate a comprehensive and detailed analysis of population development in the country until 2050;
- to articulate a population policy of Slovakia closely related to its labour migration policy and to predicted developments in the labour market of the country in future decades;
- to apply a wider set of social, economic and other tools and policies in order to better stimulate domestic population growth (e.g., support for parenthood and young families to enhance fertility and thus to partly decelerate ageing);

Macro-economic domain

- to considerably increase currently very low spending on science and research in the State budget;
- to promote more investment in infrastructure, high technology, industries with a larger share of value added and final production; to reduce high energy demands of the Slovak economy; to develop the capital market; to quickly complete the motorway network; and to finish reforms in the public health system;
- to estimate development and particularly future labour demands in the key economic sectors (booming at present) to prevent a possible shock from suddenly rising structural unemployment during the next recession; to prepare a corresponding strategy;

Further research

- to ensure greater financial and institutional support for research on labour migration issues, currently at a very early stage in Slovakia;
- to engage the academic community more deeply in systematic, comprehensive and thorough research aimed primarily at practical aspects of labour migration to and from Slovakia; to enhance collaboration with foreign counterparts in this field;

- to consider the establishment of a new academic discipline – migration studies; this discipline would officially examine the phenomenon of (labour) migration generally as well as in the concrete geographical and historical framework of the Slovak Republic.

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CHAPTER NINE

Ukraine

Olena Malynovska and Ella Libanova

Introduction

Previously closed to the outside world, Ukraine has become a crossroads of population migration since independence. Presently, Ukraine is a country of origin, transit and destination of migrants. Emigration by Ukrainian citizens forms the largest migratory flow, making a particular impact on the socio-economic situation, labour market and incomes of the population. Labour migration developed spontaneously, as a way for the population to survive economically. Emigration of labour was a reaction by society to the deep economic crisis that followed the transformation and market reforms of the 1990s.

After opening its borders, Ukraine started to engage with the international labour market, in particular with Europe's. Presently, it occupies an important, but specific position there, as Ukrainians abroad are mostly illegally employed, without appropriate permits. Demographic decline makes migratory problems even more urgent. Reducing population outflow, encouraging return of citizens who have left Ukraine, and attracting migrants from abroad, look like the main ways to slow down depopulation in Ukraine. The question is how to intervene? However, the situation is challenging: as the demographic situation in Europe deteriorates, human resources from Ukraine are being competed for by neighbouring countries with higher living standards and wages. Receiving countries want to attract highly-skilled workers and experts, while trying to restrict illegal migration by Ukrainians, and by foreigners using Ukraine as a transit zone.

Complex migration problems faced by Ukraine since its independence have become particularly urgent, and the state has lacked policies and mechanisms to regulate them. There is a need to create a new system for regulating migration and appropriate institutions in the newly "open" country. It is difficult, not least because of a lack of experienced personnel and funds.

Ukraine has however been able to develop the basic principles of migratory policy and appropriate legislation, based on international laws on freedom of movement, asylum granting, etc., as well as the state institutions for their implementation. At the same time, there is still no sophisticated approach to migration regulation. Control still prevails in as the mainstream migration policy. The state and the public are only starting to pay attention to the demographic and socio-economic aspects of international migration.

9.1 Demographic situation

General characteristics of demographic trends

Ukraine's demographic situation gives great reason for concern. Population decline, falling life expectancy and birth rates and negative net migration, dominate the newest demographic trends. This situation has historical roots; the trends have been building up over a long period. According to most explanations listed by experts, the First and Second World Wars, three famines (1921, 1932–1933, 1947), forced industrialization, mandatory collectivization, mass reprisals in the 1950s, the Chernobyl disaster and the prolonged systemic crisis of the 1990s have damagingly influenced demographic transformation. This has led to significant deformations of the population sex-age structure and the premature death of about 16 million people. Along with low birth rates (observed since the 1960s), all these developments have resulted in exhaustion of demographic potential, inevitably leading to population ageing and shrinking.

Unlike economically developed states, there were fluctuations in life expectancy in Ukraine (and in the former USSR as a whole). From the 1960s, periods of decline in death-rate have alternated with those of growing death-rate. The qualitative structure of the population has also been harmed by migration. Though net migration with other republics of the USSR did not exceed 100,000 people a year during the 1980s, population ageing intensified, as many young people left for work in Siberia, the Far East and Far North, returning to Ukraine as pensioners. Regular concentration of the most qualified workers in the central parts of the USSR damaged the human potential of Ukraine as well.

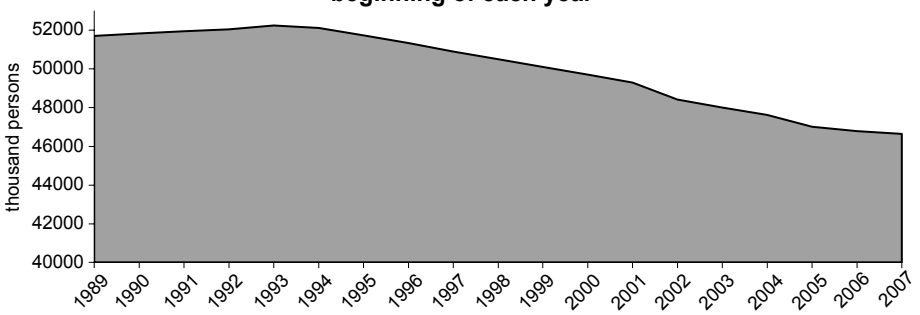
These trends developed further during the 1990s, including heavy migration, caused by disintegration of the USSR; decline in fertility resulting from economic, social and psychological factors; and a rise in mortality of the working-age population.

All this constitutes a demographic crisis, characterized by these features:

- rapid population decline, reflected in demographic degradation of rural areas in some regions, and their depopulation;
- a population with the lowest life expectancy in Europe (apart from Russia), very high death rates of males, in particular working age men, and high rural death rates;
- an archaic structure of mortality by death causes – a high share of deaths from external causes, and high rates of tuberculosis and HIV prevalence;
- absence of any progressive shifts in the mortality regime;
- low birth rates, largely concentrated among rather young women (aged 20–24);
- rapid growth of out-of-marriage birth rates, in particular in rural areas;
- systematic outflow of workers (mostly young workers) from the country;
- population ageing as a result of low birth rates;
- exhaustion of potential for demographic growth, as no basis remains even for simple population reproduction

In fact, a very negative trend has been observed in the country over a long period – population decline in combination with deterioration of population quality. After reaching a maximum in 1993 (52.2 million people), Ukrainian population is steadily declining. In total, Ukraine has lost 5.6 million people (11% of the population) since 1991, i.e. the average yearly decline is 400 thousand persons (figure1).

Figure 1. **The total population number in Ukraine, in thousands of persons, at the beginning of each year**



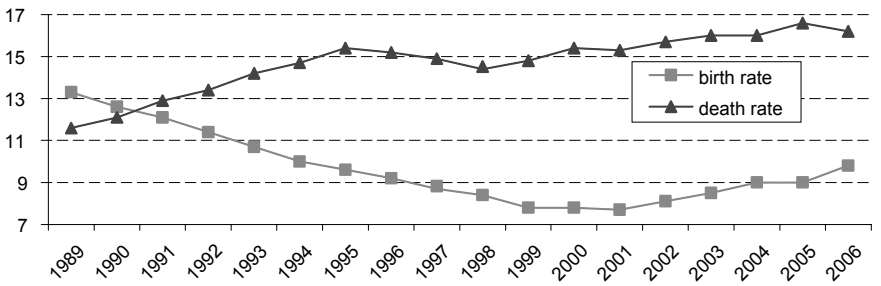
Source: State Statistics Committee of Ukraine

The roots of this situation have to be looked for in the 1950s and 1960s, resulting from radical changes in fertility. Though a decline in the total number of births has been observed since 1953, the total fertility rate still exceeded 2.3 until the middle 1960s, being quite enough for simple population reproduction. But growth took place due to structural factors, as the population was generally young.

Fertility

The total fertility rate however grew during 2002–2006 (figure 2). The growth is related to recovery from economic crisis, improving living standards, young people adapting to a market economy and a notable increase in state social benefits for children. In general, Ukrainian trends follow European trends. Increases in child benefits influenced a rise in second and subsequent births in 2006. The birth rate rose by 4.9 per thousand between 2002 and 2006, reaching 9.8 births per thousand in 2006.

Figure 2. **Total birth and death rates in Ukraine, per 1,000 people, 1989–2006**



Source: State Statistics Committee of Ukraine

It is difficult to estimate the future impact of this effect. Both global and Ukrainian experience suggests that the benefits effect will fall off after 3 to 4 years.

It must be also emphasized, that even the highest total fertility rates, reached in 2006 (1.3; 1.2 in urban areas and 1.6 in rural areas), is lower than needed, which is 2.1 to 2.2.

Mortality

Short life expectancy is among the most urgent demographic problems of present-day Ukraine. The average life expectancy of Ukrainian men was on average 5 to 7 years shorter than in developed European countries before independence. The transformation crisis in Ukraine ruined its traditional way of life, worsening life expectancy. Since Ukrainian independence, there have been three "wave-like" stages of mortality: the first (accelerated rise in mortality) was observed during 1991–1995; the second (falling mortality) – during the deepest economic crisis of 1996–1998; the third (a new growth of mortality among middle-aged and elderly people) was observed during 1999–2005. The situation improved in 2006, but the reasons for the improvement are yet hard to identify (random yearly fluctuations are one possibility).

Average life expectancy is the most comprehensive indicator of living standards. The gap between average life expectancy in the EU countries and Ukraine grew from 4.4 years in 1995 to 11 years in 2005 (table 1).

Table 1. **The average life expectancy at given ages, both sexes, some countries of Europe, 2005, in years**

	0 years	15 years	45 years	65 years
Ukraine	67.0	53.4	27.2	13.8
Europe-A	79.6	65.1	36.2	18.9
Europe-B+C	68.8	55.1	28.4	14.4
CIS	67.0	53.3	27.3	13.9
Poland	75.0	60.7	32.3	16.7
Hungary	72.9	58.5	30.1	15.5
Czech Republic	76.1	61.6	32.8	16.3

Source: WHO Regional Office for Europe "Health for all" database, 2007

Firstly, average life expectancy in the EU countries has long been higher than in the CIS states. Regarding the CIS, the gap increased from 5.6 years in 1985 to 11.3 years in 2005. As for Ukraine, the gap grew from 4.4 years in 1095 to 11 years in 2005. Secondly, a trend of life-expectancy increase has been observed in some post-communist states (Poland and the Baltic states) just after joining the EU. Though they still lag far behind average EU indicators, average life expectancy has grown 3 to 5 years in these countries. At the same time, a wave-like trend is observed in Ukraine and in the whole USSR. In particular, death rates have been increasing in the last 5 years. Presumably, the life-expectancy increase in some of the new EU Member States results not from Union membership itself, but from the prevalence of European living standards.

The average life expectancy in Ukraine is on average 12.6 years shorter than in European countries with the lowest death rates (the so-called Europe-A region)[1], and 1.8 years shorter than in countries with higher death rates (Europe-B+C region)[2]. According to the WHO, Ukraine has one of the highest death rates (Europe-C region). In spite of the widespread stereotypes, there is no direct correlation between economic development and life expectancy, at least in poor countries. A clear correlation could be observed only after reaching a certain per capita GDP level (USD 20,000 (PPP)). These conclusions are very important because many have unrealistic expectations of an automatic mortality decline after economic growth and higher public health funding.

There is a sharp decrease in difference in life expectancy after reaching 65, i.e. after termination of economic activity and exclusion of all related risks. The structure of deaths among Ukrainians also differs from that in more developed countries. This difference is particular large among men. First of all, Ukraine has a large share of deaths caused by external factors: 1.8 times higher than in the countries of Europe-A (among men) and 1.2 times (among women).

The gender gap in average life expectancy in Ukraine approximately matches CIS standards (11.3 years) and most other European countries of the former USSR (Russia – 13.4, Belarus – 12.2, Lithuania – 12.0, Estonia – 10.9, Latvia – 11.2), but it largely exceeds the rates of the economically developed countries (Iceland – 4.1, Sweden – 4.3, United Kingdom – 4.4, Greece – 4.8). The average gender gap in the region Europe-A is 5.8 years, while it is 9.4 years in the region Europe-B+C. As to infant mortality and mortality of children under 15, they match the region Europe-B+C, but are much higher than in the region Europe-A. The largest population losses are observed in the ages 15 to 59. The probability of dying in this age bracket is 393‰ for Ukrainian men and 145‰ for Ukrainian women, while the corresponding rates in Poland are 204 and 82‰, in Hungary – 259 and 110‰, in Czech Republic – 163 and 72‰. Only 597 of 1,000 men and 850 of 1,000 women, entering working age, reach pension age in Ukraine. The corresponding figures in Iceland are 927 and 950, in Czech Republic – 844 and 929. In total, 26.9% of the Ukrainian population die before 60; a higher rate in Europe is seen only in Russia (29%). High rates of premature deaths are the social price paid by Ukrainian society for low efficiency of economic reforms, poor quality of food products, generally unsatisfactory conditions of life, insufficient access to medical services, failures of preventative medicine, and absence of standards of a healthy way of life. According to a household survey (17,500 households), conducted by the State Statistics Committee in October of 2006, every seventh household lacks access to high-quality medical services and goods (13.8% of the population)

1 According to the WHO, Europe-A includes the European countries with the lowest death rates: Austria, Andorra, Belgium, United Kingdom, Greece, Denmark, Ireland, Iceland, Spain, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Germany, Norway, Portugal, Slovenia, Finland, France, Croatia, Czech Republic, Switzerland, Sweden; see The World Health Report 2004. Changing History. – Geneva, WHO,2004 (http://www.who.int/whr/2004/en)

2 According to the WHO, Europe-D includes 16 countries with low death rates: Azerbaijan, Albania, Bulgaria, Bosnia and Herzegovina, Armenia, Georgia, Kyrgyzstan, Macedonia, Poland, Romania, Serbia and Montenegro, Slovak Republic, Tajikistan, Turkey, Turkmenistan; Europe-C includes 9 countries with low infant-mortality rates and high adult-mortality rates: Belarus, Estonia, Kazakhstan, Latvia, Lithuania, Moldova, Russia, Hungary, Ukraine; see The World Health Report 2004. Changing History – Geneva, WHO,2004 (http://www.who.int/whr/2004/en)

and less than 40% of the population estimate their health is good. Stagnation of these indicators has been observed since 2000, reflecting objective failures of public health and public dissatisfaction. Steady growth of probability of dying almost in every age interval for upcoming generations (as compared to previous generations) is particularly dangerous. This trend is particularly clear after reaching age 30.

Reduction of average life expectancy is common for both women and men (in particular, those aged over 40). It's difficult to determine the reasons for this phenomenon. Probably, it results from economic problems, absence of traditions of healthy living, stresses and psychological pressure, as well as pollution of the environment. Thus, there are bases for pessimistic hypotheses on population mortality in the short- and middle-term future. Paradoxically, the huge gap between mortality regimes in Ukraine and Europe, at the moment, is the reason to expect a notable increase of life expectancy (mostly of men) in the nearest 10–15 years.

A large reduction of death rates can be expected in the nearest 10 to 15 years, resulting from reforms in public health, a new tradition of healthy living (at least, among younger people), full-scale implementation of advanced technologies into production and improvement of working conditions, transport and road safety. Obviously, a big gap between Ukrainian and European death rates cannot disappear quickly, but we can expect that the chance of dying before age 60 will fall from today's 276 to 220‰ in 2015. However, radical change should not be expected in the very near future, as mortality is the most unresponsive of all demographic indicators. Mortality indicators change very slowly without extraordinary (catastrophic) events. Thus, the main hypotheses of mortality suggest for the near future:

- conservation of the present trends of the sex- and age-specific death rates;
- consideration of a possibility that 2006 was a year trends began to change.

Projection

Here we use the comprehensive demographic projection, developed by the Institute for Demography and Social Studies of the National Academy of Sciences of Ukraine in several variants (Libanova 2006): 5 hypotheses are developed for each component of demographic development. Some results are rather close to the last UN projection (review of 2005). According to the estimation of the Institute for Demography and Social Studies, the projection developed by Marek Kupiszewski and his team in CEFMR, suggests too rapid replacement of generations, because their hypotheses of fertility and mortality are overestimated.

The hypotheses on the total fertility rate and average birth order are the main instruments in development of **projections of fertility**. The recent trends of these indicators support the view that the deepest crisis has been overcome, when younger generations started to realize the postponed births of their first children.

The recent increase of total fertility in Ukraine supports a hypothesis on transformation of Ukrainian births towards a timing very close to the European one: realization of

postponed first births is expected to take place both by younger and older women, as well as second births by even later than to date, by women still in their fertile years. As to 2007–08, the rates of fertility growth will slow down in the result of exhaustion of the planned births potential. It should be mentioned that we expect realization of births planned for forthcoming years, not of postponed births. That's why a decline in fertility will start in 2009, and it will last until 2011. The total fertility rate will reach 1.26. Later, fertility will be stable, unless measures to stimulate it are taken.

The total fertility rate is expected to reach 1.4 children per woman by 2018. Later, a slow increase will still take place due to the end of transformation of the birth calendar (increase of the mean age of mother and age of mother at first childbirth). Regarding models of families, there will be both families with one child and families with two children. As a result, the total fertility rate will reach about 1.5 children per woman.

Long-term projections, covering more than a generation, can be unreliable, as persons with unknown reproductive aims are entering fertile age. Economic development, social relations and population behaviour are hard to predict. So, starting from 2025, any projection is no longer analytical; it rather outlines the most probable "corridor" of rates. When women born at the beginning of the 21st century reach their most active reproductive age (25–30 years) in 2025, the average birth rate is hard to predict, but will be in the region of 1.5 children per woman.

Projections of mortality are developed based on 2 parameters: probabilities of living from the beginning of one age interval to the next one-and average life expectancy. (Based on ranking of death rates by death causes, the following broad age groups can be aggregated: 1–19, 20–39, 40–59, 60 and over. Persons under 1 and over 100 and over are estimated separately, without any aggregation). The probabilities of reaching some age within one-year (or 5-year) intervals are estimated based on interpolation. This approach has advantages, as it integrates hypotheses and age-specific characteristics of the appropriate mortality regimes.

Very high mortality of Ukrainian men, in particular those of working age, proves that there are some obvious reserves for mortality reduction (decline of alcoholism and smoking, improving of labour conditions, diet rationalization, decline in accidents etc). Correspondingly, the number of deaths caused by external factors – poisonings and traumas, infectious and parasitic diseases – could be reduced by effective state policies.

As for the population aged 40–59, the main death causes are found in blood circulation diseases and tumours. External factors are nonetheless important. Reduction of mortality, caused by external factors, will contribute to higher life expectancy; respectively, male life expectancy at birth will reach 69.4 years in 2020, while the female life expectancy will reach 78.1 years. Later, this trend will stabilize and slow down.

According to the ***projection for external migration,*** heavy outflows of Ukrainians could be reduced with better wages and work conditions. In fact, this improvement would attract inflows, contributing to population growth and changing ethnic, educational, cultural and religious structures. Immigration from the Russian Federation probably will gradually

increase (up to 50 thousand people a year, i.e. to the rate of 1998–1999) and from other European countries of the former USSR (up to 10–11 thousand people a year or to the rate of 1997). In 2006–2015, migration growth in exchanges with the countries of Transcaucasia and Central Asia will sharply rise due to the second wave of people from deported nationalities returning to Ukraine. Positive net migration in the exchange with this region will remain after the repatriations are over, though the value of net migration will notably drop.

The number of emigrants to countries outside the former Soviet Union will fall as compared to 2004, while the return flow will grow. The number of immigrants from the Afro-Asian region will gradually grow. The return flow will be 4.5 to 5 times smaller; about 40% of people moving back to these countries will be educational migrants graduating from Ukrainian colleges, the rest being people unable to adjust themselves to living in a new place.

Net migration adding to Ukraine's population will gradually grow, reaching a maximum in late 2020s. Its value in the second half of the projection period will be provided mostly (almost 2/3) by Afro-Asian countries. A share of young people will notably grow in the structure of migrants, while shares of children and older people will correspondingly fall.

The main parameters of the comprehensive demographic projection for Ukraine (the median variant) are presented in table 2.

***Table 2.* Main parameters of the comprehensive demographic projection for Ukraine**

	2010	2020	2030	2040	2050
Total fertility rate	1.3	1.4	1.5	1.5	1.5
Infant mortality rate, ‰	10.5	9.4	8.2	7.1	6.0
Average life expectancy at birth, in years					
women	74.0	76.0	78.0	79.0	79.5
men	62.2	65.9	68.0	69.7	71.5
Probability of living through working age, ‰					
women	907	926	943	949	952
men	602	689	736	771	808
Gross migration, in thousand people	+38	+61	+89	+79	+74
Total population, in thousand people in the end of a year	45,154	42,598	40,540	38,402	36,036
People aged 60+, % in the end of a year	20.7	23.2	25.2	28.0	32.5

Source: *Libanova E., ed. (2006)* "Comprehensive Demographic Projection in Ukraine up to 2050", Kyiv: Ukrainian Centre for Social Reforms, 2006 , 129 p.

Thus, the size of the population in Ukraine will fall. Chances to preserve current population numbers are mostly related to active immigration policy. Population ageing will be intensified by a reduction in mortality, in particular among men. But, population ageing cannot be judged as a negative trend; this process is an objective reality, accumulating the results of civilization's development and demographic transitions. Problems of

population ageing include a need to adapt social infrastructure and social policy to the needs of older people and adequately transform the labour market.

Under the most probable scenarios of demographic projection, the population number in Ukraine will fall rather over the next 50 years. It can be explained by large losses of demographic potential, caused by widespread standards of small families, short life expectancy and unfavourable interstate migratory exchanges. Under such conditions, demographic policy should be concentrated on improving population quality, in particular on improving population health and reducing mortality.

9.2 Labour market developments

Macroeconomic situation

The Ukrainian per capita GDP is lower than any other European country except Albania and Moldova. Even after rather rapid economic growth since 2000, per capita GDP only reached USD 2.3 thousand in 2006 (table 3), while the average European value was more than USD 30 thousand. According to different estimations, prevalence of the shadow economy is between 20 and 50%, so the actual per capita GDP is probably at the level of USD 2.9 to 4.6 thousand.

Table 3. **Macroeconomic development in Ukraine**

	2000	2001	2002	2003	2004	2005	2006
GDP, mn USD	31,263	38,024	42,366	50,158	64,816	86,221	106,469
GDP per capita, mn USD	633	781	879	1,049	1,367	1,830	2,284
GDP per employed person, thou USD	1,549.6	1,903.9	2,108.7	2,487.6	3,193.5	4,169.3	5,136.0
Real GDP growth rate, %	5.9	9.2	5.2	9.6	2.1	2.7	7.0
Labour productivity growth rate, %	30.3	22.9	10.8	18.0	28.4	30.6	23.2
Gross fixed capital accumulation, % of GDP	19.2	19.8	18.6	20.1	22.5	22.1	23.6
Budget deficit (-)/proficiency (+), %	+1.0	-0.6	+1.6	-0.5	-11.0	-7.8	-3.7
Budget revenues, % of GDP	28.9	26.9	27.4	28.2	26.5	30.4	31.9
Foreign direct investments, mn USD	593.2	680.3	916.5	1,322.6	2,252.6	7,543.0	4,296.0
Population in the end of a year (1,000)	48,664	48,241	47,823	47,442	47,101	46,749	46,466
Employed (1,000)	20,175	19,972	20,091	20,163	20,296	20,680	20,730
Unemployed (1,000)	2,656	2,455	2,141	2,008	1,907	1,601	1,515
Unemployment rate, %	11.6	10.9	9.6	9.1	8.6	7.2	6.8
Wage, in USD monthly	42.3	57.9	70.5	86.7	110.9	157.4	206.1
Real wage growth rate, %	30.6	36.9	21.8	23.0	27.9	41.9	30.9
Inflation rate, Dec-to-Dec, %	125.8	106.1	99.4	108.2	112.3	110.3	111.6

Source: State Statistics Committee of Ukraine

A large share of intermediate consumption is an important negative attribute of the Ukrainian economy, being practically invariable starting from the crisis overcoming (60–61% of the total production). Largely, this structure is inherited from the Soviet times, but there were no structural reforms, contributing to an increased proportion of the value added in GDP.

The proportion of wages is still small within GDP (up to 50%) mostly due to an inefficient economy, with disproportionately large use of raw materials. Nominal GDP (in USD equivalent) has grown 4.5 times since the crisis of 2000, i.e. its average yearly growth rate was 123.9%. This growth was mostly provided by increases of labour productivity of 4.3 times (yearly growth rate – 123.3%). However, the achieved results should not be overestimated. A steady improvement in the exchange rate (UAH[3]/USD) has also contributed: while the average official exchange rate (UAH/USD) was 5.44 in 2000, this rate was 5.05 in 2006. The real GDP dynamics (in constant prices in UAH) are less impressive, though also positive: the growth of 2000 to 2006 was 64.2%, i.e. average year growth was 7.4%.

Prices almost doubled during 2000–2006, but the highest inflation was seen in 2000. The monetary component of inflation was minimal, while changes in prices realized fiscal functions: real revenues of the public administration sector were directly and indirectly funded by the inflation tax; nominal increases in budget revenues from taxation was provided; the public debt depreciated (but so did savings by other branches of the economy); a rapid growth of prices under stable exchange rates reduced a burden of foreign debt in convertible currencies.

GDP redistribution through the budget has been increasing recently: a proportion of the budget revenues within GDP was between 26.5 and 28.9% in 2000–2004, while it exceeded 30% in 2005–2006. This value is rather high; it shows rather strict regulation of the economy by the state and contradicts requirements of the free market. But, on the other hand, it provides possibilities to fund social transfers, education and public health. The yearly sum of foreign direct investment into the Ukrainian economy has in recent years grown almost 10-fold; as on 01.01.2007 it was USD 21,186 million. However, this figure is still small. Investment into the Ukrainian economy in 2006 hardly reached 4% of GDP; the per capita value was only USD 92.2. Such a low rate of foreign investment reflects the poor appeal of the Ukrainian economy for foreign investors.

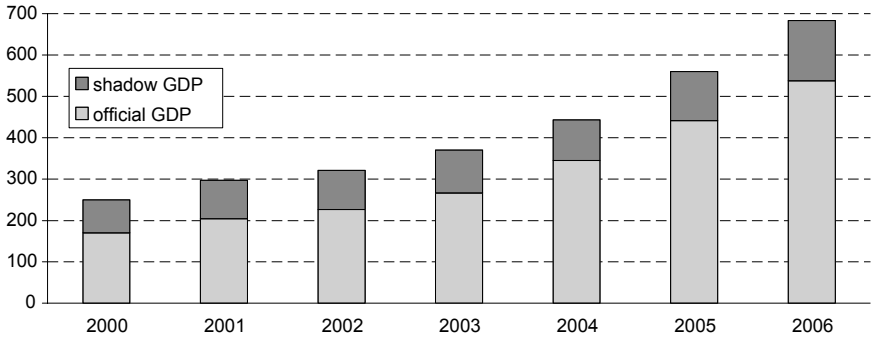
Shadow economy

The size of the shadow economy in Ukraine is estimated based only by indirect methods, and micro studies and fiscal audits have not been used. Hopes that economic reforms and positive macroeconomic trends will automatically shrink the shadow economy have proved optimistic, though there are some positive shifts.

The shadow economy is still large in Ukraine - from 20 to 50% by different estimations, while shadow GDP is growing (figure 3). But, according to expert estimates, shadow incomes of the population are much larger than shadow production, as some share of illegal incomes is “considered” to be legal production within intermediate consumption; it is included in costs of production. In 2004, 22–29% of the economically active population aged 15–70 worked in the shadow economy, while this proportion was 16–20% in 2005 (Ministry of Economy of Ukraine 2006).

[3] Ukrainian national currency – hrivna.

Figure 3. **Development of Ukrainian GDP – Contribution of the shadow economy (in billion UAH)**



Source: Ministry of economy of Ukraine

In fact, the shadow economy has become an organic component of the general economic system and has some systematic functions. In particular, it partially solves some present problems, which cannot be solved by the legal authorities, creation of a stratum of businessmen, creation of conditions for self-employment and additional sources of incomes for the population, leading to increased customer demand. As a result, powerful and numerous social groups were formed in the country; in fact, these groups are interested in preserving economic deformation, contributing to the resilience of the shadow economy.

Presently, many employers avoid legal employment through different schemes; they do not sign labour contracts, suggested by the legislation, with their employees, they hide their real profits and wages of employees from tax inspectors and auditors (wages paid "under the table"), do not contribute to social insurance ("double-entry book-keeping"), and so on. The results of an audit by state labour inspectors revealed more than 30% of illegal workplaces at small enterprises [29]. Prevalence of payment "under the table" wages in small firms is also shown by the average wage in this sector being 1.7–1.9 times the average official Ukrainian wage.

High taxes are considered to be the main reasons for the size of the shadow economy: income tax (15%) should be added by contributions paid to different funds of the mandatory social insurance (up to 40% of wages). Thus, 35.2–38.2% of wages are paid to the Pension Fund (including 33.2% by employer, while the rest – by employee), 2.5% – to the Temporary Disability Fund (including 1.5% by employers), 1.8% – to the Unemployment Fund (including 1.3% by employers), while a rate of contribution to the Fund on Professional Accidents and Disease is differentiated by economic sectors (0.7–13.7%). Thus, total contributions reach 54.2 to 68.2% of wages.

Labour force

Unfavourable demographics in the Ukrainian labour market result from high rates of ageing of the labour force (as compared to other countries of Central and Eastern Europe)

in combination with early retirement age of the population. An increase in labour-force ageing is happening in Ukraine: a proportion of people aged over 40 among women aged 18 – 55 and men aged 18 – 60 has increased from 40.7% in 1995 to 43.4% in 2006. As there is increasing demand for workers, the labour market is forced to recruit persons of pension age.This trend results also from an early retirement age (55 for women and 60 for men), when many people are still quite economically active and able to work (figure 4).

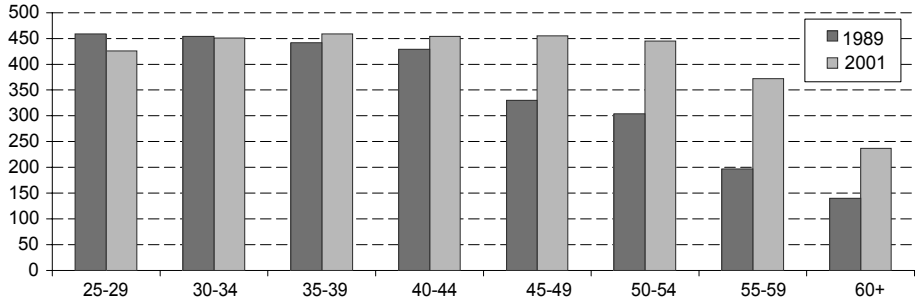
Figure 4. **Economically active persons of working age and pension age**

Source: State Statistics Committee of Ukraine

Paradoxically, labour force participation rates are declining in spite of economic growth and decline of the working-age population in Ukraine. While 63.5% of the population aged 15–70 (73.9% of the working-age population) participated in the labour force in 2000, the figure was 62.2% (and respectively 71.2%) in 2006. This trend has been practically invariable during the last 6 years; it can be explained mostly by the population's dissatisfaction with low wages. As a result, about 2.5–3 million people (mostly of working age) are employed abroad.

The Ukrainian labour force is quite well-educated, as 45.2% of the population aged 15–70 have tertiary education, while only 11.7% have education below secondary. Persons with tertiary education are 45.9% of those employed, while there only 35.8% such people among the unemployed. The similarity of educational structures between the economically active and employed populations suggests that a desire to find a job is usually realized if a person has appropriate education and skills. Large-scale emigration of well-educated young people results in a drop in those with tertiary education among the population aged 25–34, in spite of a doubling of the number of total tertiary students (figure 5).

Figure 5. **Persons with tertiary education by age groups for the years 1989 and 2001**



Source: Population Censuses; State Statistics Committee of Ukraine

There is a significant gap between the quality of labour force and jobs in Ukraine. The demand for skilled workers is increasing. Advanced technologies with higher requirements in labour quality have not become widespread in the Ukrainian economy yet. But, even a probable extensive increase of production is restricted by a lack of skilled staff. According to the Ministry of Economy and Ukraine, 27.6% of industrial enterprises and 59.8% of agrarian enterprises face lack of personnel. But, in spite of the increased demand, the actual supply of skilled specialists is decreasing, while supply of low-skilled workers is still large. This situation reflects the orientation of the Ukrainian economy towards using raw materials, as high rates of economic growth during 2000–2006 have been achieved mostly due to accelerated development of metallurgy. The old system of vocational training turned out to be ineffective (mostly due to its inflexibility) and collapsed; a new one has not been created yet.

Employment

Total employment dropped during 1999–2006 in Ukraine, mostly due to decline in employment of the most productive age groups. This process started in 2004 and accelerated in 2005. At the same time, employment of persons aged over 60 has notably increased, exceeding 20% in spite of their being officially pensioners. Employment has dropped both in cities and in rural areas. The only exception is the youngest and oldest economically active, in particular people under 24 and over 60 (in rural areas - over 50). In general, important variations of age-specific employment rates are observed between urban and rural residents, resulting from different rates of economic transformation, a higher propensity of urban dwellers to employment and extremely low wages in agriculture not motivating rural residents to participate in the labour force. The shifts of age-specific employment rates and structures, which took place during the economic recovery of 2000–2006, show some flexibility in the labour market, as it provides opportunities for employment for older people. Also, these shifts reflect an increasing demand on the rather low-skilled labour force, including those uno would agree to take non-prestigious jobs without prospects of career promotion. Employment of women is insignificantly lower than employment of men, while gender-specific rates are practically equal between the ages of 40 to 49. Also, part-time employment is not widespread.

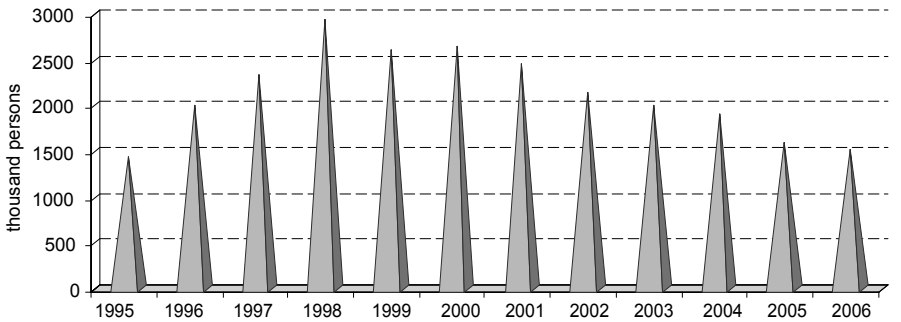
So-called "jobless growth" has become a prominent feature of the Ukrainian economy recently, i.e. economic growth has not been accompanied by increased employment. At first sight, this phenomenon should be positively appreciated. Labour productivity, estimated by GDP per worker, is increasing. However, very negative structural shifts are taking place in employment, while the total number of employed is stagnant (growth has been only 682.2 thousand people during 1999–2006); in particular, a gradual, but steady, increase in the proportion of low-skilled workers.

Since the start of economic growth in 2000, the number of jobs given to professionals, clerks, machine operators, skilled farm workers has decreased. At the same time, a steady growth in employment for unskilled occupations is taking place. Firms do not make particular efforts to create new jobs requiring skilled and well-educated staff; as such jobs will require higher wages. In other words, employers prefer to hire low-paid unskilled workers. The number of persons placed by the state employment service in jobs not requiring professional skills has doubled during 2000–2005. A particularly large demand for unskilled labour is observed in such types of economic activity as agriculture, industry, wholesale and retail trade.

Unemployment

Unemployment rates are relatively low in Ukraine (6.8% of the population aged 15–70 in 2006). Unemployment is more prevalent among men (7%), as compared to women (6.6%), resulting from the earlier pension age of women (those women who are unable to find a job after reaching pension age leave the labour market). As the country began to experience economic growth, unemployment rates have been steadily decreasing. Compared to 1998 (the "peak" of unemployment in Ukraine), the total number of unemployed aged 15–70 has dropped by over 1 million persons. But, the Ukrainian unemployment rate was rather low even during the economic crisis (figure 6).

Figure 6. **Dynamics of unemployment in Ukraine, 1995–2005, in thousands of people aged 15–70**



Source: State Statistics Committee of Ukraine

Basically, low unemployment results from the low costs of labour and low labour productivity. Nevertheless, inability to find a decently paid job is also important; as a result, some part of the working-age population leaves the Ukrainian labour market, at least the official one. The number of inactive people of working age has been steadily increasing

since 1998; it exceeded 8.3 million persons in 2006 (28.8% of the total working-age population). People discouraged from finding a job make up a bigger pool of unemployed, in particular in rural areas. It shows the urgent problems in rural labour markets, as there are no real opportunities for workers to move to other regions and sectors.

Since the start of economic growth in 2000, average time spent unemployed has shortened. Also, an important feature of improvement in the labour market situation is found in a steady decline in long-term unemployment (over 1 year). Young workers have the best prospects in terms of shorter unemployment duration and avoiding long-term unemployment. Average duration of unemployment increases with age: 10 months among persons under 24, 16–18 months among those aged 25–49, and 20 months among persons aged 50–59.

A lion's share of the young unemployed is formed by graduates from schools and universities; they comprise up to 65% of the total unemployed aged 15–24 (62.6% in cities and 71.3% in rural area). Moreover, 62.8% of the total unemployed of this age were unable to find even a first work place. With older age groups, a dismissal at the employee's own request is the main reason for unemployment (66% of unemployed aged 25–29, 65% of unemployed aged 30–34 and 63% of unemployed aged 35–39); but, in fact, such separations could be forced, concealing dismissals by employers.

Unemployment is not the largest problem in the labour market. According to state employment services, there were 2.3 million vacancies in 2006, but only 5% of them offered wages of UAH 1,000 and higher (USD 200), while 70% offered wages below UAH 500 (USD 100).

Wages

The problems of wages have become so urgent in Ukraine that they exceed the bounds of the labour market. Cheap labour does not motivate employers to economize on it by introducing new technologies. Low wages result in poverty among workers (about 85% of poor households have at least one employed member) and lead to decline in economic and labour activity, obstructing full-scale implementation of social insurance.

The post-crisis dynamics of wages have been positive both in constant prices, and in the USD equivalent; but, it is still too early to speak about reaching appropriate wage levels.

Low Ukrainian standards of pay are mostly inherited from the former command economic. But artificial restrictions on wages matched general price-setting policy at that time, when prices of goods and services were restricted artificially. Thus, cheap labour was used in an environment where most goods were cheap (though another problem was their quality and availability), and where education and medicine, housing and communal services were free or practically free. Liquidation of the system of subventions to manufacturers and gradual transition to world standards of price-setting were not accompanied by appropriate progress in raising wages. Probably, it was justified during economic crisis. However, the crisis overcome, rather high rates of GDP growth for several years should

be reflected in the appropriate strategy of economic development. However, this has not occurred yet. Present thinking does not differ from that used during the economic crisis. Such a situation is related to a widespread idea that competitiveness of the Ukrainian economy can be provided mainly by a fairly skilled but cheaply priced labour force.

According to conventional economic thinking, there should be no wage increases without appropriate increases in labour productivity. In post-crisis Ukraine, growth in wages has been notably exceeding GDP growth rates, and labour productivity growth rates. In total, real GDP has grown 62.9%, while labour productivity – 56.8% and real wages – 183.6%. A problem of low wages remains urgent: they are smaller than earnings in all neighbouring countries.

The arguments that it is impossible to increase wages due to a risk of excessive growth of production costs look unconvincing. Analysis of structure of transaction costs of the realized production (services, works) shows that even a large (30%) increase of wages of employed workers will not significantly raise final costs. But, there is a problem of inflation risks; so a mechanism for their minimization is required.

Now that Ukraine has a private sector, the state has limited mechanisms for wage setting. Regulation of a minimum wage is the simplest. But, on the one hand, employers wish to have the greatest freedom in setting wages for their employees in a framework of social partnership. On the other hand, increasing the minimum wage entails significant budget costs, as it will be reflected not only in a direct increase of wages in the public sector, but also in the numerous social transfers and benefits, which are based on a minimum wage.

Projection of the labour force number and structure

Labour force participation rates can be influenced only by raising the pension age in the future, leading to increased economic activity of population of the early pensionable years. Presently, that rate is 25%. But, raising of the pension age will be very gradual (3–6 months yearly), so there will not be rapid growth in labour supply. Under globalization, the labour supply depends on the scale and direction of labour migration. Probably, their scale will remain invariable, reaching about 2.5–3 million rather well educated persons aged 25–49. So, a stabilization of general rates of economic activity can be expected, while there will be some shifts of the age structure of the economically active population – a small reduction or increase in the share of pensioners. More and more Ukrainians will work in the first 10 years after reaching the current retiring age, as there is a lack of skilled labour. Probably, starting from the 2020s, the Ukrainian economy will face a lack of workers with professional qualifications.

Under such conditions, involvement of foreign employees will become a reality. Their number will grow in the future, along with the geographical broadening of migration. But, in general, labour force projections mostly depend on the demographic prospects of Ukraine. Regarding the general trends and traditional orientations of the Ukrainian population on receiving tertiary education, we can expect a gradual growth of a proportion of persons with higher education in the future. A structural redistribution will take place, as the share of people with education in technical and natural sciences increases, while

the share of those with humanities education will drop. But, such shifts will take place only in the short and middle run, while the accelerated increase of lawyers and economists will continue. Thus, in spite of the total reduction of the economically active population, the supply of persons with tertiary education will not drop.

Considering negative dynamics of labour supply and expected economic growth, there are reasons to believe that the major share of the economically active population will be able to find a job at the Ukrainian labour market. The present rate of employment of the economically active population (57–58%) will be preserved; it will even rise to 62–65% in the next 5 years. But the number of employed will decrease later due to decline of the population aged 15–70.

9.3 Migration and employment of migrants

Development of migration after independence

Migration of the population of the independent Ukraine has developed under circumstances radically different from the previous period. The typical channels of inter-republican migration were closed with collapse of the Soviet Union, including organized recruitment of the labour force and mandatory assignment to jobs of graduates from educational establishments. After the independence of Ukraine, military service did not suggest distant trips throughout the whole USSR, as well as abroad. Also, penal service did not imply transportation to Siberia or the Far North.

At the same time, the population groups, which had been replaced before, started to migrate due to creation of newly independent countries: people were anxious to return to their native republics to solve problems of citizenship, to ratify their property rights, to reunite with families. Criticism of totalitarian crimes provided a possibility to rehabilitate many victims: deported nations and other repressed individuals were able to return to their motherlands. Military conflicts in some post-Soviet countries were additional “shock” factors of repatriation.

Democratization of public life reduced state control over migration of the population, which had been common for the USSR through its internal passport regime and registration of residence. Collapse of the “iron curtain”, separating the Soviet republics from the outside world, had revolutionary importance. Introduction of a right of free departure from Ukraine provided opportunities to migrate outside the former USSR and expanded the geography of migration.

Liberalization of the borders also resulted in greater flows of foreigners into and across Ukraine. Thus, new categories of immigrants appeared which were unimaginable during Soviet times, such as business investors, refugees and irregular migrants. On the other hand, disintegration of the USSR changed internal inter-republican migration into international migration, requiring special documents and procedures. Former compatriots became foreigners with unequal access to employment, social security, medical assistance and education.

Though market reforms usually result in greater population mobility, they restricted migration during transition from the Soviet system. Hopes of a free dwelling and guaranteed employment vanished. Educational migration also dropped due to expansion of commercial educational services. The economic crisis reduced population mobility as well. It resulted in closing of many enterprises, higher unemployment, depreciation of the long-term savings of the population, and higher prices.

At the same time, economic problems forced Ukrainians to seek opportunities for survival, including migration. Russia attracted migrants, as there were better opportunities for employment and earnings. Better living standards were also important in emigration to the western countries both for permanent residence, and for temporary employment.

In addition to these radical social and political changes, resulting from the disintegration of the USSR, processes of globalization increased international migration affecting Ukraine. Migration policies, being restrictive or promotional for some population groups (such as Jews in Israel or ethnic Germans in Germany), were also in force, as well as state policies on refugees, visa regimes, demand for foreign labour, etc.

Thus, post-Soviet migration has developed under impact of many contradictory factors. Inert factors, depending on the Soviet migratory connections, and "shock" factors, resulting from the USSR's disintegration, have become less important. The factors determining the new flows are increasingly linked to involvement of Ukraine in global migratory connections.

Population exchange between Ukraine and other post-Soviet states

A steady decline in gross migration has been observed between Ukraine and the newly independent states after independence (regarding migration for permanent residence registered officially). While gross migration was almost 700,000 at the start of the 1990s, it reached only 55,700 in 2006. However, migration was not only large-scale during the first years of independence; it was characterized by large positive net migration, reaching almost 300,000 persons in 1992: the population of Ukraine was increasing despite negative natural growth.

Changes in ethnic structure of migration took place; the share of ethnic Ukrainians has increased among immigrants, while it has dropped among emigrants. About 88.5 thousand previously deported Crimean Tartars and their descendants arrived during 1991–1993, making up almost 7% of all immigrants. According to the Population Census in 2001, 248,200 Crimean Tartars lived in the Crimea (5.3 times more than in 1989). According to the sampling population survey, carried out by the Ministry of Statistics of Ukraine in 1991, escalation of international conflicts motivated 12.6% of immigrants from the former USSR to move to Ukraine; these people could be regarded as forced migrants. They included both ethnic Ukrainians and indigenous people of the territories in conflict. An increase of immigration by ethnic Moldovans resulted from military action in the Trans-Dniester region (Moldova), while migratory growth of Armenians and Azerbaijani resulted from the war between Armenia and Azerbaijan; the Abkhazian conflict (Georgia) has led to an inflow of Georgians.

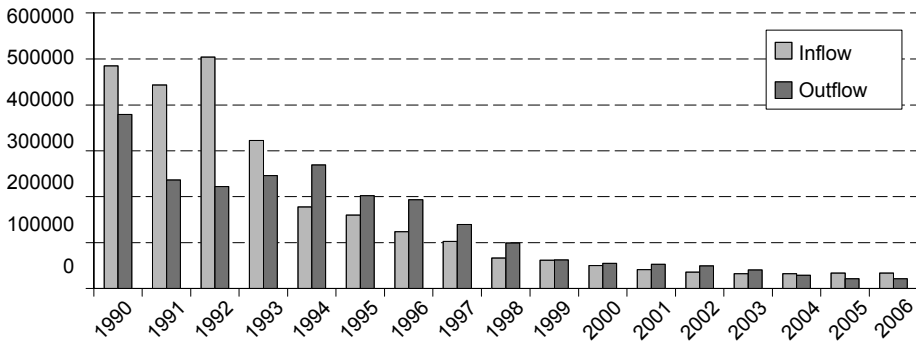
At the same time there was emigration from Ukraine of "titular" ethnic groups (e.g. Uzbeks to Uzbekistan, Tajiks to Tajikistan etc.) of the new independent states except those whose new states were involved in military conflicts. In particular, negative net migration was observed among Russians. The more recent immigrants from Russia were mostly returning (according to the Population Census in 1989, 43.3% of ethnic Russians, living in Ukraine, and were born abroad).

The average age of migrants has increased, while their sex structure has become more proportional. While young migrants dominated before, making up most of the educational, labour and military service migrants (possibly explaining a large percentage of males among migrants), family migration, common for repatriations, as well as forced migration, became more prevalent in the 1990s.

Rapid migratory movements, caused by disintegration of states, have not been long-term phenomena. In the mid-1990s armistices were concluded in most post-Soviet conflicts; eliminating a major factor behind forced migration. At the same time, the appeal of Ukraine has dropped for immigrants, due to the deep economic crisis in the country. Its economic problems pushed migrants away and motivated many Ukrainians to seek a better life abroad.

Most emigrants go to Russia, as the economy is relatively better there. Negative net migration between Ukraine and Russia has been only partially compensated for by positive net migration from other newly independent states (except Belarus). The Ukrainian economy began to stabilize at the turn of the millennium, resulting in a gradual reduction in negative net migration. Net migration between Ukraine and the former USSR was positive in 2004 and it has been steadily increasing during 2005–2006 (figure 7).

Figure 7. **Migration between Ukraine and the former USSR in 1990–2006, in people**

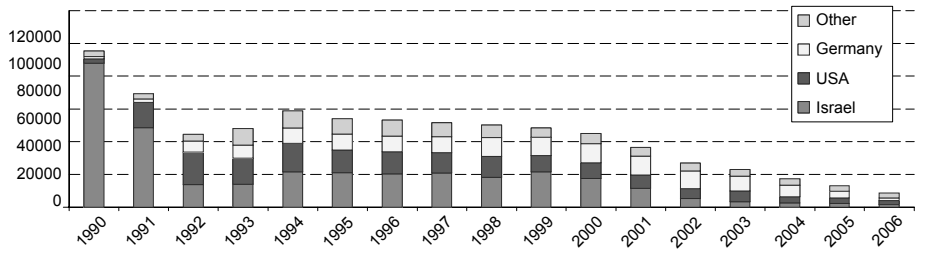


Source: State Statistics Committee of Ukraine

Migration between Ukraine and countries outside the former USSR

Emigration from Ukraine to countries outside the former USSR has been declining more slowly than emigration to the former Soviet republics. As a result, the share of emigration to outside the USSR has grown from 10–12% at the beginning of the 1990s to almost 40% presently. The biggest emigration wave to the West was registered in 1990 (more than 90,000 people). Since independence, it first dropped due to hopes of better life at home; however, it has increased during the economic crisis again. The trend of emigration decline is still in effect: only 8.6 thousand migrants officially declared their departures for permanent residence in countries outside the former USSR in 2006. Israel, Germany and the USA have been the main destination countries; currently they occupy the leading positions again. But the share of emigrants to Israel has largely fallen (38.9% in 1995 against 16% in 2006), while a share of emigrants to European countries has grown (Fig.8).

Figure 8. **Emigration from Ukraine to countries outside the ex-USSR in 1990–2006, in people**



Source: State Statistics Committee of Ukraine

The ethnic structure of emigrants has also changed. While most before were Jews, more than a half of emigrants were ethnic Ukrainians in 2005, while only 5.6% were Jews (data on ethnic identity of migrants was not collected in 2006). Thus, predominantly ethnic emigration, which was strongly determined by economic conditions from the very beginning, has been transformed into economic emigration. It could partially explain the small scale of emigration. On the one hand, introduction of the free regime of crossing the borders should contribute to greater outflows. But, political, ethnic and religious reasons for emigration have disappeared due to more democratic public life. At the same time, opening the borders allowed improved living standards by short term labour migration.

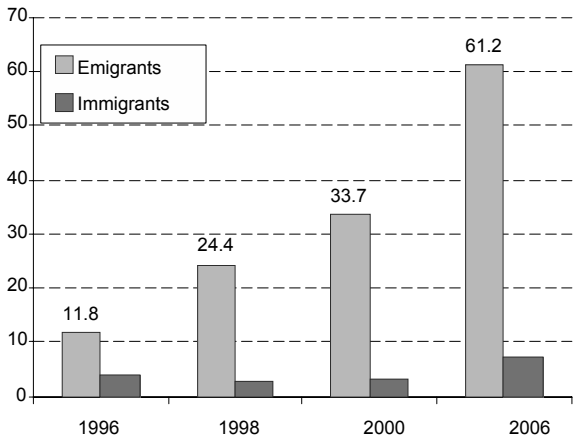
Scale of external labour migration

At the first stage, labour migration mostly consisted of trips to neighbouring countries for the purpose of trade. The earnings of the so-called “shuttle-traders”, who personally transported small consignments of goods, were based on differences in prices and exchange rates. Such trips let many families survive in the worst times of crisis; they also let some families accumulate capital for development of small businesses. Moreover, the “shuttle-traders” obtained experience and contacts helping Ukrainians to work abroad, in particular in Europe.

According to state statistics, the scale of registered employment abroad is increasing. While 11.8 thousand people were employed through official mediators in 1996, their number reached 61.2 thousand people in 2006; thus, it has grown 5.5 times (figure 9).

The First All-Ukrainian Population Census in 2001 registered 118.8 thousand people employed in another state (Osaulenko 2004a). However, the official data do not even crudely reflect the real scale of labour migration; the actual scale is usually estimated, based on sampling population surveys. According to the survey, done in 8 regions of Ukraine by the State Statistics Committee of Ukraine in 2001, the minimum number of Ukrainian labour migrants was about 1 million. (Libanova, Poznjak 2002). A national survey in 2002 found members of 10.2% of Ukrainian families had done some work abroad (Prybytkova 2002). There were 12% such households in 2003 and 15.7% in 2006 (Vorona, Shulga 2006). According to the Ministry of Foreign Affairs of Ukraine and Ukrainian embassies, about 2 million Ukrainians are abroad to earn money currently (Karpachova 2003). In 2001, the state regional employment centre of Ternopil oblast (region) conducted a detailed investigation of labour migration by rural residents. The all-Ukrainian outflow was estimated at 2 million people. A repeated survey, in 2004, found an increase in labour migration of 18% (up to 2.4 mln. people) (Ministry of Labour and Social Policy of Ukraine 2002).

Figure 9. **Ukrainian citizens abroad and foreigners in Ukraine, according to official data, in thousand of persons**



Source: State Statistics Committee of Ukraine

The Ministry of Labour and Social Policy of Ukraine estimates external labour migration at 3 million people. This figure is based on an estimation of working-age people who have “disappeared” from the national labour market (Parliament hearing 2004). But, such “disappearance” could be partially explained by shadow employment (according to the Ministry of Economy of Ukraine, shadow employment covers from 16 to 20% of economically active people aged 15–70 (Ministry of Economy of Ukraine 2006). According to a Special Report of the Ombudsman of Ukraine in 2003, devoted to protecting citizens’ rights abroad, Ukrainian labour migrants outside the country were estimated at no less than 5 million (Libanova, Poznjak 2002). In other speeches the Ombudsman mentioned a figure of 7 million people. These figures, however, are not supported by calculations and look like overestimates. Comparisons and verifications of these estimates suggest a probable figure of Ukrainians abroad at 2.5 million people (almost 10% of the economically active population) (ILO 2005a).

Main characteristics of labour migration

The characteristics of labour migration are changing with time. Residents of the capital and large cities were more active at the beginning, as they were better informed and more mobile. Presently, residents of small towns dominate (33% of labour migrants, according to the national social survey), as well as rural dwellers (28%) (Prybytkova 2002). External labour migration has become most popular in the trans-border regions. This has spread to other regions with time, distributed throughout Ukraine.

Compared to the beginning of the 1990s, present labour migrants are younger, in particular rural dwellers. According to the Population Census in 2001, 29% of emigrants were under 27. The average age of migrants was 36, while the average age of the employed population was 39.5. Participation of women in migration has been gradually increasing. Gender balance of migration is determined by the specifics of the local labour market. In 2004, women were only 19% of Ukrainian labour migrants, registered in Portugal, while in Greece the share of female migrants was much higher - 75.7% (SOPEMI 2006).

As people with higher education got better opportunities to work at home once the Ukrainian economy improved, their share has dropped among labour migrants. Therefore people with secondary education and vocational training have a bigger share (Freika et al. 1999; Pirozkov et al. 2003). Previously, labour migrants kept up at least formal labour relations in Ukraine. But now they prefer to break off such relations in favour of systematic labour migration. Emigration has become the main type of occupation and way of life for some Ukrainians (Sushko 2005). According to the countries of destination data on valid labour permits in 2005 there were 42,900 Ukrainian workers in Portugal, 40,100 in Czech Republic, 9,700 in Greece (SOPEMI (2007).

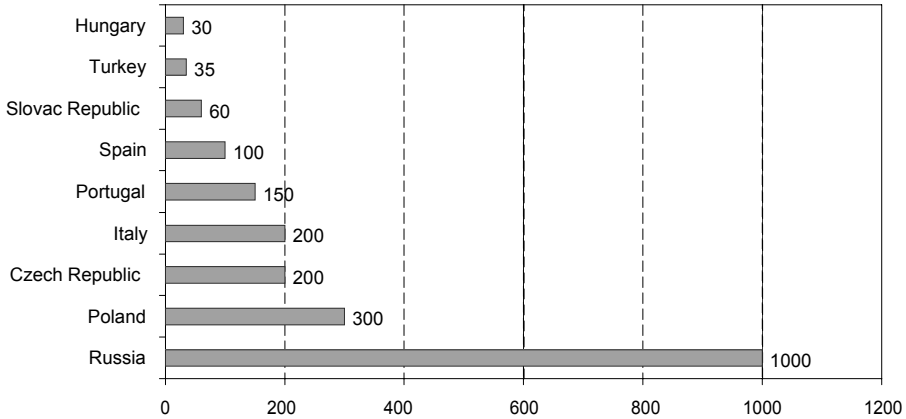
Ukrainian embassies abroad provide their estimates on shares of labour migrants by destination countries: 300,000 people are looking for work in Poland, 200,000 – in Italy, 200,000 – in Czech Republic, 150,000 – in Portugal, 100,000 – in Spain, 35,000 – in Turkey, 20,000 – in the USA. The number of Ukrainians working in Russia is estimated at 1 million people (figure10).

Though earnings in Russia are lower than in Europe, the country is popular among migrants, as there are no language barriers, visa regime or expensive transportation. These advantages are powerful for the eastern trans-boundary regions, for migrants of older age groups and lower education levels. But, rates of labour migration to Russia are decreasing. While 25% of respondents were willing to work in Russia in the middle of the 1990s, there were only 14% of such respondents at the end of the 1990s (Shulga 2002). Meanwhile, labour migration is rapidly developing to Southern Europe (Italy, Spain, Portugal, Greece); also some Asian countries (for instance, Ukraine is among six main suppliers of workers to South Korea).

According to the Population Census, 35.5% of male migrants worked in construction; 21.8% of labour migrants – in domestic services, 6.3% – in agriculture, 5.8% – in transport. The last figure results from a large number of Ukrainian seamen, who work under foreign flags. Though a maritime state, Ukraine lost almost its whole navy during the crisis, but

training of sailors continued. Nowadays, 65,000 Ukrainian sailors are employed on foreign vessels, 5.3% of all seamen in the world merchant fleet (Ilnycky 2006).

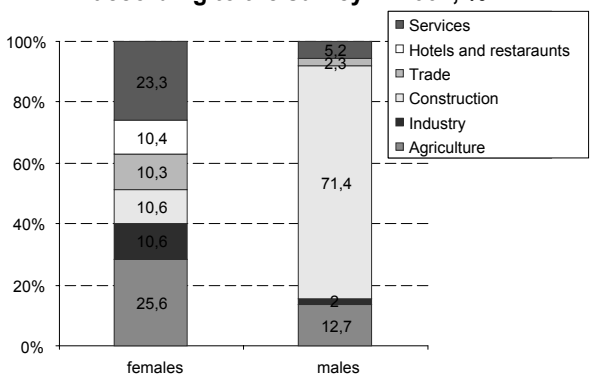
Figure 10. **Distribution of labour migrants from Ukraine by destination countries, according to Ukrainian embassies in thousands of people**



Source: Karpachova, N., (2003). "Compliance and Protection of Human Rights of Ukrainian Citizens Abroad: Special Report of the Human Rights Commissioner at the Parliament of Ukraine", Kyiv: Intertechnology.

Structure of employment among Ukrainians varies in different countries, depending on the needs of local labour markets. For instance, according to the State Statistics Committee of Ukraine (2001), almost 90% of female Ukrainians in Italy were employed in domestic work. As for Poland, employment in agriculture prevails (66.7% of female migrants). Although construction is the main sector of employment for male migrants in all destination countries, the share of those employed in transport is large in Russia (11.1%) (see figure 11) (Libanova, Poznjak 2002).

Figure 11. **Sectors of employment of Ukrainian labour migrants abroad, according to the survey in 2001, %**



Source: Libanova, E., Poznjak, O. (2002) "International labour Migration of the Ukrainian Population", Kyiv.

According to the survey of the State Statistics Committee in 2001, labour migrants usually stay abroad for 6 months, engaged in seasonal work (this trend is typical for Russia and Poland). The average length of stay in Italy, Portugal and Spain is 1.5 to 2 years. Employment of only 11.6% of labour migrants was based on written contracts. Naturally, more than a quarter of respondents' labour rights had been violated (Libanova, Poznjak 2002). A working week of Ukrainian migrants abroad was on average 40% longer than the norm. Also, lax safety measures were widespread, as well as hazardous and dangerous work. But as this work was usually paid extra, labour migrants usually agreed to do it.

Consequences of labour migration for Ukraine

Labour migration provides a large source of income for people in Ukraine. The World Bank estimated these remittamces at USD 400 million based on analysis of the international balance of payments in 2004 (Mansoor, Quillin 2006). But a large share of this income is transferred unofficially. According to the Ministry of Transport and Communications, Ukrainian sailors bring back up to USD 500 million a year (Siycky 2006). According to the Ombudsman of Ukraine, migrants send about USD 400 million a month to Ukraine (Karpachova 2003) (USD 4.8 billion a year). According to estimates of the Institute of Economy of the National Academy of Sciences of Ukraine, these transfers might be USD 5–6 billion annually (Parliament hearing 2004). According to the Institute for Demography and Social Studies of the National Academy of Sciences of Ukraine (IDSS NANU), the best estimate for remittances to Ukraine is about USD 7.2 billion (Maidanic 2006). Money transfers by migrants are comparable with direct foreign investment in the Ukrainian economy, which rose USD 7.3 billion in 2005.

According to the surveys, earned incomes are mostly spent on everyday consumption by households (Pirozkov et al. 2003). They help overcome poverty and improve living standards of families of labour migrants. More than 60% of migrants' families used money, earned abroad, to buy a new dwelling or to repair the old one. Investments in education also were large.

With these adopted skills and earned incomes, migrants could start their own business more often than other population groups. The results of the survey of the State Statistics Committee in 2001 show that the share of self-employed people was 1.5 times larger among those with experience of working abroad, while the share of employers was one and a third times that for the average employed population of Ukraine (Libanova, Poznjak 2002). Thus, migrants create new workplaces both for themselves and for other citizens. If there were no such jobs and no such migration abroad, unemployment could be almost double current levels in Ukraine.

However, other consequences of migration are more complicated. Probably, most Ukrainians who legally work in countries with better living standards will not return to their motherland. For instance, there were only 127 legal immigrants from Ukraine in Portugal in 1999, while their number rose to 65.5 thousand in 2002 (by 400 times) due to legalization. As a result of legalization, the number of Ukrainians in Italy has risen to 117 thousand (SOPEMI 2006). Usually, immigrants invite their families to destination

countries, as they have regularized their own status. In particular, such a trend has been noted by the Ukrainian Embassy in Italy (Muzyka 2006). According to Russian scholars, the share of such migrants is from 5 to 10% of labour migrants from Ukraine working in Russia (Gradirovska 2005).

Even if all labour migrants returned to Ukraine, demographic losses are inevitable, resulting from the broken family ties due to a long absence of a spouse, postponed births and deterioration of the migrants' health. Neglected children, whose parents are employed abroad, present another serious problem. A third of women employed in Italy have a child, while more than half of them – two children; only 7% have no children (Chumalo 2003). According to a survey done in Ternopil in 2005, one parent of 25.5% of the interviewed schoolchildren were employed abroad (both parents - 4.2% of the children) (Ministry of Labour and Social Policy 2002).

Losses of human potential are increasing due to the illegal position of many migrants and corresponding violation of their human and labour rights, including slave labour and sexual exploitation. While there were only 2 crimes related to trafficking in human beings reported in Ukraine in 1998, this number grew to 42 in 2000, 289 in 2003 and 415 in 2005 (Sushko 2005). 255 victims of trafficking were returned to Ukraine only in 2004 (including 15 minors), while 390 of them – in 2005 (including 41 minors) (ILO 2006). Trafficking is starting to concern forced labour now (34% of victims) (ILO 2005b). Except quantitative losses, qualitative losses of the population relate to migration, as it involves usually well-educated people of the most productive age, making a very negative impact on the labour potential of Ukraine.

The future scenarios of labour migration

As internal motives for emigration, such as very low incomes of the population (Dovzyk 2005), are still strong, labour migration from Ukraine will continue in the future, even under intensification of visa and other restrictions. For instance, introduction of visa regimes by the western neighbours of Ukraine prior to their joining the EU resulted in only temporary falls in the number of border crossings from Ukraine (Majdanik 2006). Moreover, changes of migratory policies in receiving countries show that demand for Ukrainian workers is increasing (a programme of involvement of skilled workers from Ukraine has been implemented in Czech Republic and Poland's labour market has been partially opened for Ukrainian seasonal workers, while the regime for employing foreign workers in Russia has been also liberalized). All these changes could intensify outflow of Ukrainians abroad. Given unfavourable demographics, emigration could hamper economic development, in particular in certain sectors of the economy and regions of the country.

Reinforcement of human resources by immigration from other states is rather problematic. Ukraine is still unattractive to immigrants. As the Population Census in 2001 showed, there were only 192.6 thousand foreigners and 84 thousand people without citizenship in the country; they formed a very small share of the population – 0.57% (including 85.5% from the CIS and Baltic states)(Osaulenko 2004b).

There were 34.8 thousand foreign students in 2006: 15.4% from China, 15.1% from Russia, 6.6% from Syria, 6.3% from Iran, 5.6% from Jordan. The number of official refugees is small (2.3 thousand) and is gradually decreasing. As for labour immigration, 7.3 thousand foreigners had employment permits in 2006, including 2,000 people from Turkey and 1,200 from Russia. However, the total number of foreigners in Ukraine is larger than the number registered by statistics as there is a large segment of irregular migration. Estimates of 150–500 thousand people are most widespread. However, the number of irregular migrants detained at the border has declined, owing to more rigorous protection of the border, in particular its north-eastern part, and improved visa controls. In 2006, there were 4,789 irregular immigrants detained by border guards at the border and 11.3 thousand detained by police in the territory of the country. Most of them were CIS residents, mainly from Russia, Moldova, Georgia, Azerbaijan, and Uzbekistan. A large group was also formed by citizens of India (13.2%), China (8.4%) and Pakistan (7.7%)

Immigration by foreigners is gradually increasing, making a notable impact on the population's ethnic structure. Thus, according to the Population Census in 2001, the number of Azerbaijani has grown 20% since 1989 (up to 45.2 thousand persons), Georgians – almost 1.5 times (34.2 thousand), Armenians – 1.8 times (99.9 thousand), Koreans – 50% (up to 12.7 thousand), Turks – 30 times (8.8 thousand), Kurds – 9 times (2 thousand), people from Vietnam, India and Pakistan – 8 times (up to 3.9 thousand from Vietnam and 1.5 thousand persons from India and Pakistan), Arabs – 5 times. The population inflow to Ukraine could rise in future, with matching improvement in the economy and living standards; the inflow would be formed mostly of people from the post-soviet states of Transcaucasia and Central Asia, as well as from developing countries.

9.4 Formulating migration policies

First stage of formulating migration policies

Development of migration policy in Ukraine and creation of the appropriate executive authorities took place only after the country's independence. The law "On rehabilitation of victims of political repression" (1991) guaranteed repressed and deported people and their descendants a chance to return to their birthplace. The law "On citizenship of Ukraine" (1991) contributed to development of repatriation, as it provided citizenship for people of Ukrainian origin who return to the country.

To solve problems of repatriations, in particular of Crimean Tartars, numerous governmental decrees were adopted, as well as special programmes to settle them in Ukraine. The Ministry of Ukraine on Nationalities and Migration (now – the State Committee on Nationalities and Religions) was created in 1993, being the first specialized executive authority responsible for developing state migration policy. The Ministry's activities include assistance for deported people and refugees, and links with the Ukrainian diasporas.

The concept of refugee status was introduced into law in the summer of 1992, when the Government of Ukraine approved a Decree regulating the legal status of and assistance to more than 60 thousand refugees from the Trans-Dniester region (Moldova), at times of military conflict there. The Verkhovna Rada of Ukraine approved the Law "On refugees" in December of 1993, while local authorities of migratory service were created in June of 1994; these authorities were responsible for processing applications and granting refuge in Ukraine.

As a result of democratic transformations, freedom of movement was enacted. Since January of 1993, the procedure of crossing borders, requiring permission of the appropriate authorities, has been abolished. Parliament approved the Law "On departure from and arrival to Ukraine of the citizens of Ukraine" on the 21st of January, 1994. It had a truly revolutionary character for a society which was closed before. It also activated the clause of the Law "On employment of the population" allowing employment and business activity by Ukrainian citizens during a temporary stay abroad, i.e. labour migration. The Law also provided possibilities for activities of mediatory agencies for employment abroad.

The Law "On the legal status of foreigners" (February, 1994) also regulates migration policy. This Law declares the principle of non-discrimination againts foreigners in Ukraine. It established rules for foreigners staying in Ukraine, arrivals and departures, immigration to Ukraine (including temporary stays to work), obtaining asylum and citizenship. The procedure of granting employment permissions for foreigners has been regulated by the Decree of the Government "On granting of permission for employment to foreigners and people without citizenship in Ukraine" (1999). Employment permission is granted for foreigners by the state employment service for a period under 1 year under condition that there are no workers able to carry out their work in the country (region) or there are sufficient bases to use labour of foreign workers. If a foreigner is employed without appropriate permission, an employer has to pay a fine, while an employee is deported from the country.

A set of other legislative acts was developed to facilitate control over stays by foreigners in Ukraine and to prevent illegal immigration. Starting from 1996, state programmes on overcoming illegal migration have been implemented. They were important to consolidate efforts to protect the borders, establishing border and immigration control.

The Ukrainian migration policy was formulated in accordance with development of international cooperation in this area. Ukraine obtained the status of observer in the International Organization for Migration (IOM) in 1993. The Representative office of the UN High Commissioner for Refugees was founded in Kyiv in 1994. Their activities in Ukraine were developed in two directions: granting of direct assistance to migrants and refugees and development of a system of regulation of migration by support of appropriate state authorities and non-governmental organizations. Regulation of labour migration was an important subject in international cooperation. Agreements on mutual employment were signed with CIS countries, including Russian Federation, Belarus, Moldova, Armenia, as well as with Latvia, Lithuania, Poland, Czech Republic, Slovak Republic and Vietnam during 1993–1996.

Development of migration policy after adoption of the Constitution of Ukraine

A new stage in development of migration policy in Ukraine started after adoption of the Constitution of Ukraine in 1996. The Constitution has some provisions related to migration, in particular guarantees of protection for Ukrainian citizens staying abroad (Art.25), equal treatment for foreigners, opportunity to immigrate to Ukraine and obtain asylum (Art.26), freedom of movement, selection of a place of residence and a right to leave the country (Art.33).

An attempt to conceptualize state migratory policy was the Decree of the President of Ukraine of October 18, 1997. The Decree declared three principles in this area: free departures and arrivals to Ukraine; legal equality of Ukrainian citizens and foreigners; differentiated approach to different categories of immigrants depending on the national interests. The main directions of migration policy were: facilitating of repatriation; return of deported nationalities; assistance to refugees; regulation of immigration of foreigners. The Decree helped improve the legislative basis of regulated migration. The new editions of the Law of Ukraine “On citizenship of Ukraine”, “On refugees” were adopted in 2001, as well as the Law ”On immigration”.

International cooperation saw some progress as well. Ukraine joined the UN 1951 Convention and 1967 Protocol relating to the Status of Refugees on January 10, 2002, and became a full member of the International Organization for Migration in July of 2002. In 2003, Ukraine signed an agreement on labour migration with Portugal. Guarantees of a right of freedom of movement have been enacted. The Law “On freedom of movement and free choice of a place of residence in Ukraine” was adopted in 2003. With the Law “On the legal status of foreign Ukrainians” (2004), Parliament declared a positive attitude to repatriation once more, as the Law set out rights for this category of foreign citizens on immigration to Ukraine with no specified quotas.

Labour migration policies

Despite some achievements in formulating migration policies, their strategic tasks are still unclear, while many problems are not regulated by legislation; leaving no appropriate authorities. In particular, this concerns labour migration. It should be noted that the corresponding policy has been formed with a time lag. Labour migration was not mentioned at all in the Decree of the President of Ukraine of 1997, determining the main directions of migration policy.

Labour migration was included in the priorities of state migratory policy only in 2000, when it already had a mass character. The correspondent Decree of the President devoted three of six migratory goals to labour migration. They included: protection of social-economic interests and rights of Ukrainian emigrants; preservation of labour and intellectual potential of the state; creating legislative and socio-economic bases of regulation of emigration.

In accordance with the Decree, the mechanism for licensing employment agencies offering work abroad has been improved, and stricter conditions of licence granting were

introduced. The government turned out to consider regulation of emigration mainly as control over activity of mediatory agencies. Paradoxically, the state was controlling only legally operating agencies.

The next goal was preservation of labour and intellectual potential of the country; it suggested that labour migration is a threat to this potential, i.e. the Decree was oriented towards reducing the outflow. This goal was considered in the context of a healthier economic situation, lower unemployment, i.e. as a component of overall employment policy.

At the same time, more attention has been paid to realizing the third labour migration goal – protecting rights and interests of Ukrainian emigrants abroad. This work has been particularly stressed owing to the Special Report of the Ombudsman of Ukraine in April of 2003, devoted to violation of human rights related to labour migration (Libanova, Poznjak 2002).

Parliament commissioned the Government to facilitate state control over agencies, providing openings to work abroad and to negotiate and sign international agreements on labour migration. Improving statistics and providing potential migrants with better information was also under discussion. Ratification of the European Convention on the Legal Status of Migrant Workers 1977 was among the direct results of the Ombudsman Report. Parliament also organized special hearings on the legal and social status of Ukrainian labour migrants in 2004. The aim of state policy on labour migration was to ensure social protection of the Ukrainian labour migrants abroad. At the same time, a need to facilitate the return of labour migrants was argued, as well as a need to stimulate investment of their earnings into the Ukrainian economy.

The first programme document devoted to labour migration was adopted in 2004. It was a programme for ensuring rights and interests of citizens who depart abroad in order to work, and of children adopted by foreigners. But in fact, it did not suggest anything principally new in terms of labour migration; it provided routine orientation on signing international agreements, improvement of organizational bases of mediation services in employment, prevention of illegal migration and trafficking in human beings. To realize the last task, special legislation has been developed (the Article, dealing with trafficking in human beings, was introduced into the Criminal Code in 1998); responsibility for similar crimes was reinforced, the appropriate state programmes were developed and coordination authorities were created. A special division on preventing trafficking was created at the Ministry of Internal Affairs.

Recent developments in migration policy

The Strategy of demographic development for the period up to 2015 was approved on June 24, 2006. Regulation of migration was regarded there as a way of slowing down the depopulation of Ukraine. Just like the previous documents, the Strategy was directed at reducing illegal migration by Ukrainian citizens abroad and better control over activities of mediation agencies. The need to increase opportunities for legal employment of Ukrainian citizens abroad has been declared in the document for the first time; possible

ways to achieve this target were described. For example, a need to mutually recognise diplomas and documents on education has been noted, as well as a need to increase employment quotas (provided by international agreements) for Ukrainians. It was emphasised there that agreements on employment should be signed with developing countries, which require skilled specialists, i.e. the goal of promoting skilled Ukrainian workers in these countries was declared.

The Strategy also provided a detailed approach for ensuring return of labour emigrants. In particular, a task of developing programmes for social and occupational adaptation of returnees has been noted, as well as their training and re-training, expansion of opportunities of employment in Ukraine by development of small businesses, creation of new jobs, distribution of information on vacancies by the state database, facilitating internal migration of the population, etc. A requirement to provide cheaper services for migrants' money transfers to Ukraine was also among important provisions of the Strategy. A term of substitute (replacement) migration, used in the Strategy, was rather new for Ukrainian official documents. It was stated that up to 300,000 immigrants a year are required to stabilize the Ukrainian population at its present rate. In view of the small return potential of the Ukrainian diaspora, such immigration will mostly be from third-world countries. It was proposed to make yearly corrections of the inflow of immigrants, depending on changes of fertility and mortality trends and on efficiency of measures in facilitating repatriation. It was also proposed to determine preferences of immigrants by countries of origin, as well as ethnic, religious and occupational groups.

A new edition of the Law "On employment of the population" (2007) will contribute to improved regulation of labour migration, as some provisions of the Law guarantee employment and social protection for Ukrainian citizens working abroad, as well as of foreigners in Ukraine. In addition to the declaration of a right to employment abroad, there is an article devoted to facilitating employment of Ukrainian citizens abroad and their social protection. According to this article, regulation of external labour migration has to be done in accordance with inter-state agreements; citizens have a right to mediation services for employment abroad, provided by special agencies with licences. A right of labour migrants to social protection and pension insurance in line with Ukrainian laws is also mentioned.

As to employment of foreigners, it is possible only under permits granted by the state employment service. Appropriate penalties are suggested for violation of this requirement. State attention to migration issues resulted in discussion on migration policy and its effectiveness at the National Security and Defence Council on June 15, 2007. Its decisions were put into force by a Decree of the President of Ukraine of July 20, 2007. The Decree poses a problem of conceptual determination of state migration policy in Ukraine, its principles, strategic and present tasks, implementation of standards on human rights. The Decree is mostly devoted to the problems of illegal migration, visa and border control, problems of readmission. Nevertheless, a trend of labour migration growth, which is mostly irreversible and has harmed the demographic situation, is considered as a threat to national security. The following tasks of state policy on international labour migration are declared: reduction of the scale of emigration, stimulation of internal labour migration as an alternative to external migration, provision

of social guarantees for citizens employed abroad, creation of conditions for their return to Ukraine.

Institutions on migration policies

Issues of labour emigration, as well as employment of foreigners in Ukraine, are supervised by the Ministry of Labour and Social Policy of Ukraine. Also, some functions on regulation of migration are done by the Ministry of Foreign Affairs of Ukraine (granting of visas, protection of rights and interests of Ukrainian citizens abroad, connections with the diaspora), the Ministry of Internal Affairs (issue of foreign passports for Ukrainian citizens, immigration permits and residence permits for foreigners, registration of foreigners, issue of documents on naturalization), the State Border Service (admittance through the border, prevention of illegal migration, registration of foreigners who enter Ukraine for up to 3 months), the State Committee of Ukraine on Nationalities and Religion (granting of refugee status).

The above mentioned authorities have a very broad spectrum of activities; so migration issues are not their principal responsibilities. For instance, the Charter of the Ministry of Labour and Social Policy of Ukraine identifies 50 objectives for its activity, out of them migration is mentioned only in 4 of them. Migration functions are the responsibilitiy of one department of the Ministry, consisting of only a few people.

Both state authorities and public opinion agree that it is worthwhile creating a single body to carry out state migration policy, which would be competent in the whole complex of migratory problems – the State Migration Service. But, there is still no consensus on its character, functions and authorities. The most feasible proposal suggests concentration of functions on regulation of migration under supervision of the Ministry of Internal Affairs, as it deals with majority of migration issues now; it has divisions on immigration, citizenship and registration of individuals in all administrative regions of the country.

Public debate on migration policy

Public opinion sees immigration of foreigners as a major cause of criminal activities, terrorism, illegal transportation of human beings, drugs and weapons, the shadow economy and prevalence of dangerous and exotic diseases. Emigration of Ukrainian citizens is related to violation of human rights, brain-drain, trafficking in human beings, slave labour, and sexual exploitation. On the one hand, these are remains of old Soviet thought patterns, when emigration was regarded very negatively, while foreigners, arriving from abroad were faced with suspicion. On the other hand, our society, previously closed, turned out to be unprepared to a life side by side with representatives of foreign cultures, languages and religions. This position is supported by the media. For instance, analysis of almost 1,000 newspaper articles on migration revealed that 35% of them discussed illegal migration, 23% criminal offences by immigrants (Pirozkov at al. 2003). It is rather difficult to find positive coverage of migration. Obviously, the mass media have a large impact on public opinion. But, they also represent popular moods, and try to present events in line with public expectations. The results of public opinion polls show a restrained attitude of the population to migration.

The same affects politicians, who mostly interpret immigration as a threat to national security in their public statements. Thus, the population of Ukraine is hardly ready to accept the idea of substitute migration presently. According to the All-Ukrainian social surveys, the index of intolerance by Ukrainians to most ethnic groups has notably grown since 1994 (answers to a question about nationalities which should not be allowed to come to Ukraine at all) (Vorona, Shulga 2006). Quite interesting are the results of a survey of students, studying in institutions, which enrol foreigners (Shura 2006). Though they showed mostly tolerant attitudes to immigrants, 35.4% of students flatly opposed having migrants from developing countries improve Ukraine's demographic situation. According to another 19.3% of students, immigration only of those ethnic groups which are traditional for Ukraine should be stimulated. As for labour migration, there were demands to reduce the outflow from Ukraine by improving living standards, reducing unemployment and supporting return of emigrants.

9.5 What do the trends and projections imply?

Regarding globalization and creation of transnational labour markets, an economy could become effective only based on paying workers wages which would motivate an increase in labour productivity both among employers, and among employees. As private enterprises prevail in the Ukrainian economy, the main state instrument for wage-setting is found in legislative regulation of a minimum wage. A minimum wage should be increased at least to the subsistence minimum for people able to work. Though increasing a minimum wage is a rather crude form of wage-setting policy, it definitely provides an increase in the average wage with some time lag (no longer than 2 to 3 months). That is why the proposed step will provide positive effects.

Another possible instrument for wage-setting is to increase wages in the public sector. As different economic sectors are not closed and isolated, some changes in remuneration of labour or in social benefits in sector will inevitably lead to similar changes in other sectors. Increasing wages in the public sector will result in similar shifts in other economic sectors. A combined increase of wages and social packages is reasonable, including introducing supplementary pension insurance, medical insurance or privileged crediting of educational services for children or grandchildren. Regarding characteristics of public employees (better education, more aims to educate children, etc.), such an approach could provide even better results than a direct increase in wages. Moreover, it will not have inflationary effects, which is an important advantage.

The state also has opportunities to affect wage-setting at private companies through participating in social dialogue negotiations. Such participation should not be limited only by negotiations in the framework of the General Tariff agreement. Participation of state representatives in signing sectoral tariff and collective agreements is also important, as they could protect the interests of non-members of trade unions.

Motivating measures cannot be neglected either. In particular, training of a highly skilled labour force could be provided through the mechanism of the state order (e.g. funding from the state budget) or at the expense of local budgets (local authorities are most

interested in higher wages at private firms, as income taxes form the main source of income for local budgets). The practice of compensating costs for training workers to employers can be also used.

The next urgent problem is the gap between educational and professional characteristics of the labour force and the needs of the economy. Presently, close and permanent relations should be established between the state employment service and vocational training schools. The state employment service should interview employers and conduct company surveys on current and future labour needs in different occupations.

To provide stability for the Ukrainian labour market, it is very important to create an effective transition from education to employment. This mechanism should consist of sophisticated occupational counselling of those leaving secondary schools. Probably, a broader orientation towards working occupations is more reasonable presently. At least, it looks promising in terms of a balance between the labour force supply and demand.

Regulation of direct relations between educational institutions, state employment services and employers is of priority importance. Employers are ready to help train workers, but they need some mechanisms and methods to subsequently «attach» them. Nowadays, there are no guarantees that an employee, trained at the expense of a firm, the state employment service or the state budget, will work even his minimum time at some workplace, determined by a sponsoring agency.

Recent and projected trends in the Ukrainian labour market, such as high rates of labour force ageing in combination with high rates of professional training and mobility, are exhausting the labour potential of the country. As a result, migration policy is becoming an important component of regulation of the labour market.

To formulate migration policy adequate to these challenges, the strategic task should be determined. Comparison of demographic and economic projections shows that the population decline could result in a labour force deficit, in particular in some occupations; it will hinder economic development. Even if efforts to increase fertility, reduce mortality and improve the population's health, as well as improve the educational system, are successful, the labour force deficit can still only be balanced by inflows from abroad. But, presently migration contributes not to population increase in Ukraine; it results in population reduction. Moreover, it works selectively, as mostly active and well-educated people leave Ukraine. Thus, reducing outflows and stimulating return of labour emigrants should become **the priority task**. Facilitating economic development, increasing the population's incomes, and reducing unemployment are among the conditions for achieving this. Regional policy, directed to developing depressed regions, will also contribute.

To protect the rights of Ukrainians working abroad, the next steps should be taken: assisting the work of diplomatic representatives in states hosting the largest number of Ukrainian labour migrants, signing agreements on social protection of labour migrants, providing information for labour migrants, as well as legal, language and occupational training before departure, creating mechanisms for insuring and crediting labour migration.

Another way to stimulate return of labour migrants is to facilitate migrants' remittances and their investment into the economy by creating new jobs and developing small businesses. Reliable and cheap banking services should be provided in Ukraine, as well as credits and tax discounts for start-up entrepreneurs among former labour migrants. It is also important to keep ties with labour migrants likely to stay abroad long-term, as well as support their cultural life abroad, such as with public associations of migrants.

The second task of migration policy should be facilitating population resettlement from other states. People from Ukraine, and their descendants, are still a human resource, but this resource is gradually being exhausted. Citizens of the former Soviet republics resemble Ukrainians in their way of life, so their integration will be most desirable. But, this variation is possible only with appropriate living conditions in Ukraine better than in other post-Soviet states. Large organizational and financial efforts are required.

Immigration from Asia and Africa is a cheaper source of human resources. But it requires a reasonable approach and detailed preparation to problem solving, related to arrival of people, different in ethnic backgrounds, language and cultural tradition from the Ukrainians.

The state task is to estimate the number and kind of immigrants, required in Ukraine, as well as to develop a system for selecting them in accordance with the state's interests. Particular attention has to be paid to integrating immigrants. Ukraine has accumulated large experience in resettling and integrating Crimean Tartars and deported nationalities. This experience has to be used for other categories of immigrants. Creation of a tolerant attitude to migrants in a society is also important. Careful work is needed involving the mass media and education. To realize these tasks, the main aims and mechanisms of migration policies have to be clearly determined at state level and documented as a political decision.

Conclusions

To provide further economic development of Ukraine, a transition to a new post-industrial society has to be achieved, embracing information technologies and acceleration of global exchange with technology, capital and labour. Ukraine has all the needed preconditions, but some changes are required: reform of fiscal policy, creation of the appropriate infrastructure and labour force training. Occupational training has to be oriented not only to the present, but also to the future needs of the labour market; a particular emphasis should be put on developing technical training of highly skilled workers with secondary education. Fostering life-long education is of particular importance, as the population aged over 35 is practically excluded from training now. Support for internal labour migration should be provided in Ukraine, as there is no available housing market yet. Finally, reform of wage-setting policy is the main problem. Based on economic growth and increase of labour productivity, a new system of wage-setting has to be implemented, resulting not only in higher average wages, but also a direct correlation between wages and labour quality. This measure will become the main motivating factor in promoting investment in education, prolonging the period of employment and productive labour in people's lives.

Population decline, high death rates and low birth rates, heavy emigration raise urgent socio-economic, human problems, and threaten failure of state policy in different areas of public life. The main long term priority of demographic policy has to be lower population mortality, in particular of working age men. A range of actions is needed, covering security of labour, preventative medicine, road safety and environmental protection, as well as better water and food. Obviously, economic growth, a higher budget and improved living standards are also required. But there is no direct linear correlation between the economic situation and population life expectancy. Effective state policy is important.

At the same time, the state has to propose a range of measures, motivating the population to a healthy way of life and realizing principles of "vital" behaviour, as well as raising public awareness on these issues. But even important positive shifts in the mortality regime will not solve depopulation, resulting from a high rate of demographic ageing and low fertility, meaning that Ukraine cannot provide even a simple reproduction of generations. Population ageing will intensify with lower mortality, in particular among men. Problems related to population ageing include a need to adapt social infrastructure and social policy to the needs of older people and adequately transform the labour market.

Fertility has been gradually increasing. But regarding global trends, the required rate will be hard to achieve. The aims of state policy should rather be to create good conditions for raising children, develop parental responsibilities, and provide possibilities to combine motherhood and public life for women. Thus migration is becoming the only source of stabilization of the demographic situation vital for economic growth in Ukraine.

Presently, Ukraine is a country of origin, destination and transit for numerous migrants. But emigration has the largest social-economic and demographic importance. Such migration provides an important source of the population's incomes and reduces unemployment problems in the internal labour market. At the same time, emigration leads to a deficit of specialists in some occupations and regions, contributes to a worsening of the demographic crisis, in particular when labour migrants stay abroad for a long time or permanently.

The Government of Ukraine regards labour migration mostly as an economic problem. Expansion of opportunities for employment in Ukraine and higher wages are believed to be the basic instruments of state regulation of migration. As a result, special policies on labour migration abroad are practically limited by signing multilateral international agreements and controlling employment agencies by granting licences and checking their activities. Protection of Ukrainian citizens abroad is done by Ukrainian embassies and diplomatic missions.

Obviously, these actions are important and needed. But, such an approach looks rather narrow; it does not match the scale of the problem. An assumption that migration will automatically drop with improved economic conditions is leading to neglect of the problem by the state. At the same time, Ukrainian citizens, departing abroad to earn more, deserve more attention and care. In particular, the state has to promote Ukrainian workers in the international labour markets, raise Ukrainian labour funding and improve conditions of work for migrants. In other words, the state has to be directly involved in a

placing citizens in jobs abroad. Productive use of migrants' earnings is also necessary, as well as facilitation of their return, development and implementation of the appropriate programmes.

The Government has to understand that modernization of the economy and closer cooperation with foreign countries will lead to higher population mobility in the mid-term. Antagonisms between negative results of emigration and additional opportunities for development, provided by international migration, could be overcome only through further development of European integration.

Economic growth could make the labour force deficit more urgent in Ukraine and create a more urgent need for immigrant workers. To solve this future problem, adequate policies have to be prepared now. Considering the limited potential for repatriation of ethnic Ukrainians and persons of other nationalities originating from Ukraine, escalated competition for human resources is probable between neighbouring states. Possibly, immigrants from the "third world" countries will arrive in Ukraine, but they differ from the local population in cultural traditions. In this regard, efforts to encourage tolerance of immigrants have to be made, while mechanisms for integrating immigrants into Ukrainian society have to be developed.

Development and implementation of an adequate policy on migration require a clear understanding of their character, scale and impact on a society. Such understanding could be based only on complete and reliable statistical information and research. That's why improvement of statistics on migration trends and expansion of scientific research are among the priority tasks. Sociological sampling surveys are particularly important, as they provide quantitative as well as qualitative information on different types of migration. Permanent monitoring of migratory trends has to be organized. Joint research projects with academics from countries with migratory connections with Ukraine are also vital, so as to compare views on migration between countries of origin and countries of destination.

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List of acronyms and symbols

mn	-	million
bn	-	billion
CIS	-	Commonwealth of Independent States
EU	-	The European Union
GDP	-	Gross domestic product
HIV	-	Human immunodeficiency virus
IDSS	-	Institute for Demography and Social Studies
ILO	-	International Labour Organization
IOM	-	International Organization for Migrations
MEU	-	Ministry for Economy of Ukraine
MLSP	-	Ministry of Labour and Social Policy of Ukraine
NASU	-	National Academy of Sciences of Ukraine
NISS	-	National Institute for Strategical Studies
OECD	-	The Organisation for Economic Co-operation and Development
PPP	-	Purchasing power parity
UAH	-	Ukrainian hryvnia - the national currency of Ukraine
UN	-	United Nations
USA	-	The United States of America
USD	-	United States dollar
USSR	-	The Union of Soviet Socialist Republics
VRU	-	Verkhovna Rada of Ukraine
WHO	-	World Health Organization