
CHALLENGES FOR LABOUR MIGRATION POLICY IN CENTRAL EUROPEAN COUNTRIES

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INTRODUCTION

This brief essay is a summary of my presentation given at the DRC Summer School on 24 July 2007 in Pecs, Hungary. The main sources of information were some of the country reports written for IOM in the framework of a nine-country research and policy project “*European co-operation in labour migration—search for best practices*”, carried out from September 2006 to November 2007. The project was managed by IOM in Budapest and funded by the ARGO Programme of the European Commission.

One main goal of the project was to produce updated knowledge for migration policy makers and encourage them to develop pro-active labour migration policies. Such encouragement is needed to address demographic decline and the related labour shortages common to all European countries.

Another goal was to support better coordination among EU states so that the less wealthy Member States or other countries of origin would not lose too much of their human capital when acting, as is the case, as labour force providers for wealthier EU Members.

In the last 2-3 years, lack of qualified professionals in numerous sectors has been felt in countries such as Poland, Romania, the Czech Republic and Slovakia, whose economies are growing at high rates. At the top of the table, Slovakia's GDP growth in 2006 was 8.3 per cent and the expected growth figure for 2007 is 9 per cent. Unemployment in these countries has been in decline, showing that the domestic labour force reserves are getting smaller.

The labour reserves in these countries are limited due to the low participation rate (with a large share of working age people outside the work force) and large immigration to Western Europe. Part of the officially inactive working-age population is however employed in the shadow economy, which also employs a significant part of the migrant workers, especially in the Mediterranean EU states and in Central and Eastern Europe.

Some Central European countries are already active with recruitment from abroad, and some, such as Romania and Poland have taken action to recruit at least part of their skilled (and also non-skilled) émigrés to return. In the following I am discussing especially the data and analysis of policies in the Hungarian and Polish reports.

DECLINE IN POPULATION AND SHORTAGES OF LABOUR

All country researchers in the ARGO project were first asked to look at fundamental issues and developments that would have an impact on migration policy and recent and projected demographic developments, and to analyse the current and future needs for labour force.

Against such demography- and economy-based labour market analysis, the researchers were asked to look at labour migration, its recent trends and currently debated policies, and finally to recommend new proactive elements on the basis of the comprehensive analysis in this study. Indeed, one of the fundamental phenomena that justified a research and policy project of this nature was the demographic decline that practically all European countries are now facing: the natural growth of population (childbirths minus deaths) has slowed down close to zero or even turned negative. The latter is in fact the case in many Central European countries.

For the project, the IOM-affiliated Central European Forum for Migration and Demographic Research (CEFMR) carried out the demographic and labour force projections. Table 1 shows one of the mainstream scenarios, which, even if a moderate immigration is included, shows the rather steep population decline in all of the Central European countries in the forecasted period 2004-2054.

Table 1. Population and labour force projections for selected European countries for the period 2004-2054.

Country	Population (x1000)		Labour force resources (x1000)		Population 15-64 / Population 65+	
	2004	2054	2004	2054	2004	2054
Czech R.	10 216	8 171	5 170	3 475	5.07	1.57
Hungary	10 107	8 169	4 178	3 490	4.42	1.83
Italy	58 175	62 215	24 343	23 855	3.44	1.58
Poland	38 182	30 253	17 182	12 809	5.36	1.63
Portugal	10 502	10 518	5 518	4 875	3.98	1.65

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Romania	21 685	14 342	9 808	6 457	4.76	1.83
Slovakia	5 382	4 344	2 655	1 830	6.14	1.66
Ukraine	47 271	27 141	22 553	12 190	4.40	1.79
UK	59 879	68 703	30 402	32 290	4.12	2.08

Source: Central European Forum for Migration and Population Research (CEMFR) 2007.

For example, the Hungarian and Czech populations, in the year 2004 10.1 and 10.2 million respectively, are forecast to decline to the region of 8.2 million in both countries by 2054. At the same time their active labour forces are calculated to go down from a respective 5.32 and 4.2 million to under 3.5 million in 2054. The ratio between active and inactive population is expected to diminish very steeply. For Poland, Romania and the Ukraine, the estimated declines of both their populations and their labour forces are extremely dramatic. It is clear that with such anticipated developments the active populations in these countries will face the increasingly difficult task of supporting the inactive part of the populations. Thus, these countries really do have a long term interest in keeping their own working age population at home, instead of functioning as labour force reserves to Western European countries that are facing the same demographic challenges.

Already the famous report on “replacement migration” published by the United Nations Population Division in 2000 has argued that any immigration of a realistic and reasonable magnitude cannot turn around the trend of population ageing. UNPD also pointed out briefly in its conclusions that alongside migration, that can provide some remedy, other parameters to be addressed would probably include retirement age, and the level of retirement benefits and the pension duties paid by the active population. Furthermore, countries are thought to need to raise the participation of the inactive working age population and try to turn declining fertility upwards.

SOME LABOUR MARKET INDICATORS IN CENTRAL EUROPEAN COUNTRIES

Central European countries have in the last less than 20 years undergone dramatic political changes, from the collapse of the Communist Party autocracy to the accession to the European Union. Although the fall of the Iron Curtain did not cause a mass exodus, migration from Central and Eastern Europe has continued in significant numbers and was also accelerated after the accession of eight Central European countries in 2004, in spite of the transition period for the liberation of mobility from the new Members, introduced by most of the then 15 EU Member States.

It has been countries such as Poland, Romania, Slovakia, and the Baltic States from which people have moved to the West, and that migration has concentrated, especially in the United Kingdom and Ireland. These were the EU15 countries (along with Sweden) that did not impose transition periods in the 2004 accession.

The demographic decline, combined with strong economic growth and certain labour market characteristics make the Central European countries particularly vulnerable to such exodus of labour.

On average, Central European countries suffer from a lower participation of their working age citizens in the labour market than the average for EU member states, and of course they differ even more clearly from the old Member States (See Table 2). Especially in the young and in the oldest age groups among the 15-64 age range of active people the participation and employment rates are clearly lower than in the West.

In the last few years, Poland especially and most recently the Czech Republic, Slovakia, and Romania have experienced shortages in their work forces in some highly skilled groups (in construction, the health sector and some technical professions) and feel that the recent emigration to Western Europe has made these shortages more acute.

Although there are no comprehensive data of the emigration from the new EU Member States to the old ones, it does seem that emigration from Hungary has not risen to the same levels as those of many other A8 countries. Moreover, as regards the labour market in Hungary, the Hungarian speaking citizens from the neighbouring countries Romania, Ukraine, Slovakia and Serbia together represent a large majority of foreign registered citizens working in Hungary, and are in a very important way complementing the Hungarian labour force.

Although the emigration levels from Hungary have been lower than from many other A8 countries, the Hungarian economy could not have reached the same growth levels as it has achieved without the reinforcements to its labour force received from the neighbouring countries.

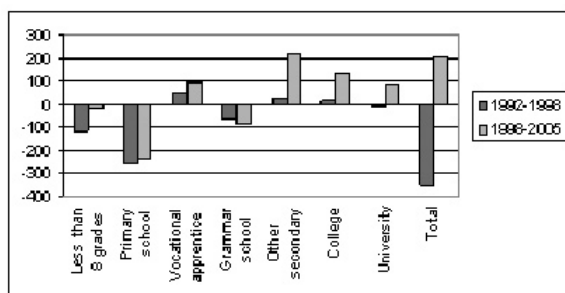
Table 2. Labour market characteristics in four Central European countries

	Poland	Hungary	Slovakia	Czech Republic	EU 15
Participation rate	62.8	61.4	68.5	70.4	71.3
Employment rate	52.6	56.9	59.9	65.5	65.4
Unemployment	14.9	7.3	13.5	7.8	8.2

Sources: Kupisewski et al. 2007; Hars and Sik 2007; Drbohlav and Janska 2007; Divinsky 2007; OECD 2006

As shown in Table 2, Hungary shares many labour market characteristics with other Central European countries. A key feature is the low rate of participation by the working age citizens in the labour market, Hungary and Poland particularly being in 2006 almost 10 percentage points lower than in the EU on average. Slovakia and especially the Czech Republic were practically at the average level of the Union as a whole. When the level of the actual employment of their citizens was looked at, only the Czech Republic maintained the average EU levels, whereas for Hungary the gap is large and for Poland (which during the transition period and actually until quite recently has suffered from mass unemployment) the gap to the EU average was in 2006 about 13 percent in the employment rate. Labour market statistics suggest some explanations for such low participation. A combination of age, education levels, and the changing structure of the economies in the Central European countries seem to offer some logic behind the low participation, and give an idea of the challenges for possible labour market interventions that might be needed to mobilise a larger share of people than are now active in the labour market.

Figure 1. Changes of employment by education in Hungary in 1992-1998 and 1998-2005



Source: Hungarian Labour Force Survey data, the figure presented in Hars and Sik, 2007

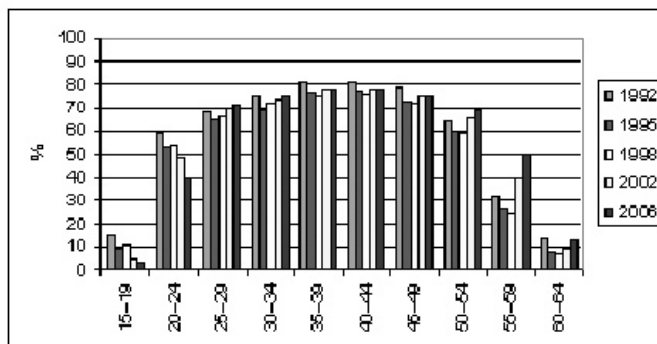
THE STRUCTURAL TRANSFORMATION OF THE LABOUR MARKET IN HUNGARY

The data presented by Hars and Sik (2007) provide interesting background features of the Hungarian labour market from the early 1990s to the present, which should increase our understanding of low Hungarian labour market participation.

Figure 1 on the changing level of employment by education in Hungary shows the changes in employment level in different education groups in two consecutive time periods: 1992-1998 and 1998-2005. In total the figure shows that between 1992 and 1998 more jobs disappeared from the Hungarian economy than were created in the next seven year period. Therefore, the general level of employment has not recuperated from the loss of jobs that took place in the years that followed immediately the change of the political system. The figure shows that jobs have disappeared at a very high rate and during both periods from those with low education: only primary school, grammar school or with no completed obligatory school education.

The number of jobs has grown for those with vocational training, or other secondary middle level training and also, especially in the latter period, for university graduates.

Figure 2. Employment rate in Hungarian labour market by age group between 1992 and 2006.



Source: Hungarian Labour force survey; the figure presented in Hars and Sik, 2007.

Another aspect, the change in employment level by age groups in the transition period, is shown in Figure 2. In Hungary, employment levels are low in comparison with European norms, especially for the youngest working age groups (15-24 years) and for the oldest (55-64 years of age). For the youngest group, the employment level has kept diminishing after the changes. It is said that the reason behind this fall is the

rising share of young generations participating in secondary and higher education. This increase in training participation seems to correspond well with the recent growth of employment levels of graduates of higher education, shown in Figure 1 immediately above. For the older group, their employment level came downwards throughout the 1990s but has started to go up during this millennium, clearly remaining however below the EU average.

Table 3. Changes of employment in various economic sectors in Hungary, in periods 1992-98 and 1998-2005.

	1998/ 1992	2005/ 1998
	change, %	
Primary sector & utilities	64.6	68.8
Manufacturing	86.6	95.1
Construction	106.1	137.0
Distribution & transport	93.6	111.6
Business & other services	103.8	125.8
Non-marketed services	103.8	107.0
All	91.3	105.6

Source Hars and Sik (Ibid.) based on LFS.

Table 3 shows yet again the levels of employment, this time by different industry sectors in Hungary. The numbers indicate the changes in the same time periods as in Figure 1: 1992-1998 and 1998-2005. The table shows the steep decline in employment offered by the primary sector, and also a continuously diminishing level in manufacturing through both periods. Construction and the service sectors have been the sectors with the strongest growth.

These figures reflect the post-communist modernisation of the economy and support the picture, offered by the previous data, of the adaptation of the labour market and labour force to the evolution of the economy. It seems that within the political and economic transition, large groups of the industrial and agricultural work forces with low education have been pushed out of the labour market, and many people belonging to these groups have never returned to work again in any other sectors, even dropping out of the work force entirely.

The continuing economic transition and the new structure of the national economy have set new requirements for the training system to respond to the demands of new types of skills that the modern service-oriented, international and information technology and market oriented economy has needed.

The booming construction of housing and of new infrastructure could not have expanded at the pace it has without the important inputs of immigrant workers, many of them working in the informal and non-declared side of the economy. However, with the transforming economic structure, Hungary's economic expansion has taken place without a real growth in the number of jobs.

As described above, Hungary has so far avoided significant labour shortages, largely thanks to the continuous inflow of ethnic Hungarians from its neighbouring countries. Demographic development is anyhow going downwards and it would be advisable to initiate moderate labour immigration programmes that would enlarge the recruitment area. Politically, such proactive labour immigration policy would however be very difficult to pursue for a number of reasons. First, although the inflow of ethnic Hungarians from the neighbouring countries has been very useful for the labour market, that phenomenon also touches the politically sensitive question of the status of Hungarians across the border—a possible source of tension with the neighbouring states.

Secondly, the economic situation in Hungary has lately been difficult, with a very high deficit in government finances, and pressures to scale down the public sector institutions, in order to balance the state budget. Such a delicate situation has caused the Government to delay taking initiatives for active immigration policies. Also, the political system is very polarized and inflamed, with migration getting over-sensitized as a topic following a heated debate between the Government and Opposition, on an alleged (and obviously non-existing) Government plan of large-scale recruitment of Chinese—who already have a quite sizeable community in Hungary.

POLAND REACTS ACTIVELY TO LABOUR SHORTAGES

Poland, the largest A8 country, has topped the statistics of size of emigration from the A8 countries to the old EU Members after joining the Union. The UK has been the most important destination country, with about 350,000 Poles registered there between May 2004 and December 2006. Emigration to the western neighbour Germany has also been sizeable, and temporary, short term work in Germany very common.

As the Polish economy has since a few years ago grown in impressive figures, much helped by the steadily strengthening domestic demand (Kupiszewski et al. 2007) that the big country can generate, the country has faced an unprecedented and partly unfulfilled demand for a work force, especially in the construction sector. The low participation rate, the so far small immigrant stock and significant emigration abroad

have aggravated the labour market mismatches and shortages. The employment level and utilization of the domestic labour force reserves have started to rise, which shows in the recent steep decline of the unemployment rate.

Poland has in fact arrived at a somewhat acute situation where a labour force is missing, while the reserves that were unemployed (openly or outside the statistics) seem to have been mobilised. The Polish agriculture sector, with its still very high share of the national labour force (about 19 per cent), still constitutes some reserve of workers for other sectors.

However, the Polish government, along with the private sector, and some dynamic cities, such as Wrocław, has already reacted to the lack of workers, and initiated action to recruit workers from abroad. The goal is to recruit both Polish citizens so that they return from abroad, notably from the United Kingdom and Ireland, and foreign citizens from inside and outside of the EU. The Polish authorities have already carried out missions to the UK in attempts to attract Polish emigrants to a return.

SOME RECOMMENDATIONS

The researchers in the ARGO project suggested, in anticipation of the diminution of the labour force, that countries need to do their utmost to try to mobilise the domestic labour force reserves through training and rehabilitation measures. However, such active labour market policy is not in contradiction with the similarly recommended proactive labour immigration policy that seeks to recruit professionals from abroad. Such programmes, if carefully planned and implemented, will not have great demographic impact but may importantly ease the situation, by providing qualified individuals in shortage sectors. The well trained also tend to bring new dynamism to the the economy and help to create new jobs.

In Central Europe, the Czech Republic has shown an example with its recruitment programme targeted, since 2003, for highly trained graduates and their families from a number of non-EU countries. These recruits so far amount to under 2,000. They are offered the option of permanent settlement in the Czech Republic, including a rapidly acquired right to permanent residence.

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