Migration in EU8 countries[1]

This note looks at migration from the EU8 countries after the May 2004 EU enlargement, mainly from the perspective of experts working for the EURES network[2]. Using this information, which is partly anecdotal, as a starting point, the note pieces together available data on the size and significance of migration flows. It finds that gross emigration is significant in Poland, Slovakia, Latvia and Lithuania, but Slovakia makes up for this by allowing significant immigration.

Table 1 shows estimates of emigrants from EU8 countries in the European Union. The data are compiled based on a questionnaire sent to these countries, discussions with national EURES experts, and data provided by the statistical authorities. The EU8 countries may be split into two major groups. The first group consists of the Czech Republic and Hungary with a relatively small outflow of workers. The second group, including Poland, Slovakia, Latvia and Lithuania, experienced a more significant outflow of workers[3]. Estonia recorded lower, but still significant emigration. Slovenia did not respond. The estimates need to, of course, be taken with a grain of salt due to differences in the methodology and the coverage of emigrant statistics. Nevertheless, they are an useful illustration of the scope of emigration.

Table 1. Emigrants stocks* in EU25 (estimated, 2006)

	ths. persons	*% of home country labor force*
LT 1/	157.48	*10.0*
LV 2/	99.60	*8.6*
SK	225.81	*8.5*
PL	1207.07	*7.1*
EE	31.03	*4.5*
CZ	54.48	*1.0*
HU	25.43	*0.6*
SI	n.a.	*n.a.*

*for a detailed description please see Appendix, part A.

1/ total emigrants, sum of declared and not declared (estimated) emigrants flows during period 2001-2006
2/ EEA countries and Switzerland are included

Source: EURES managers, Statistics Lithuania, AMECO (total labor force), IMF staff calculations.

[1] Prepared by Marcel Tirpak from IMF Regional Office in Warsaw, with research assistance from Agata Kariozen. The final version of this note was written in July 2007.

[2] The EURES is a EEA-wide network (EU countries plus Norway, Iceland and Liechtenstein) -- usually as a part of national Ministry of Labor and Social Affairs, or National Employment Office -- which aims to provide information, advise and job-matching services for EEA citizens.

[3] Since the majority of emigrants are in a productive age, single, and usually migrate only for a certain period without dependents, they affect the stock of employable workers in home country and also contribute to the employment growth (LFS). For a discussion on different methodologies covering employment in the home country please see Appendix, part B. Our definition of migrant covers residents of respective EU8 country, who migrate temporarily, seasonal workers, and regular cross-border commuters. Due to data availability we do not include self-employed EU8 nationals operating in EU25.

The classification into two broad groups of countries also holds when comparing our estimates with other available sources on migration. Table 2 offers a comparison of the following sources: (i) official emigration related to a change of the residency from population statistics; (ii) estimates from a recent ECAS[4] report; and (iii) our own estimates discussed above and in the Appendix. Population surveys offer data on nationals residing abroad (i.e., in EU25) and cover mostly emigrants staying for a longer time (>1 year); they capture stocks of respective EU8 emigrants (e.g., emigrants from the past keeping their citizenship) within the EU25. The ECAS Report draws on official statistics, migrant estimates by local authorities, and its own estimates. Like the estimates based on the EURES network expertise, it focuses on the recent wave of migration (i.e., after the EU enlargement). All three sources confirm a significantly higher emigration from Baltic states, Poland and Slovakia. The ECAS report indicates a relatively low emigration from Slovenia, which could be jointly with the Czech Republic and Hungary classified as low-emigration countries.

Table 2. Population statistics and emigrants data (2005, thousand persons, in EU25*)

		EURES	ECAS	Population statistics
	Population	Emigrants estimates		Nationals residing abroad
		as % of total population		
LT	3,414.30	4.64	2.50	1.06
LV	2,300.51	4.35	2.17	0.64
SK	5,387.00	4.19	2.99	1.65
PL	38,165.45	3.17	2.93	1.49
EE	1,346.10	2.31	1.15**	1.70
CZ	10,235.83	0.53	0.31	0.75
HU	10,087.07	0.25	0.64‡	0.86
SI	2,000.47	n.a.	1.06#	1.61

Note: The emigrants estimates are, in contrast with Table 1, shown as a percentage of total population due to comparability with the population statistics covering permanent migrants (i.e., whole families incl. children). The figures on nationals residing abroad are from Eurostat population statistics available for EU25 countries. The immigration statistics and population censuses are the main source for such the data. We construct the final number of nationals residing abroad using the latest possible figure for selected EU8 national in respective host country (i.e., the rest of EU25).

*EURES-based estimates do not cover Cyprus and Malta as the host countries and are for year 2006. ** data for Finland only; ‡ data for Germany and Austria only; # data for Germany only.

Source: Eurostat, EURES managers, ECAS Report, IMF staff calculations.

Differences between emigrant statistics are mainly related to the accounting of seasonal workers, commuters, and temporary migrants. Recent EU8 emigrants usually do not change their permanent residency status in their home country, so they are still included in the population statistics, even if they stay abroad for a period longer than one year. More precise data are available from the Population Censuses, which are only performed every few years. Note that the emigrant estimates for the Czech Republic, Hungary and Slovenia are lower compared to the population-based data. This is yet another indication that the post-enlargement emigration from these countries was particularly low. The return of former emigrants to their home country could also explain some of the differences.

4 Traser, J. (2006), European Citizen Action Service: Who's Still Afraid of EU Enlargement; http://www.ecas.org/file_uploads/1182.pdf.

EU8 citizens figures in the UK, Ireland and Sweden – countries that opened their labor markets after May 2004 – could serve as a proxy to assess a country's migration potential. Table 3 shows gross inflows of EU8 citizens seeking jobs in the UK, Ireland, and Sweden. The first two countries use a system of *"personalized ID numbers",* which do not require de-registration when a foreign worker is returning home. Therefore, these numbers could serve as an upper-bound for the EU8 emigrant stocks in these countries. For Sweden, cumulative immigrants figures are shown. Table 3 offers a similar picture of the migration as the previous tables, i.e. workers from the two Baltics countries (Latvia and Lithuania), Poland and Slovakia constitute a vast majority among EU8 migrants (91% of total).

Table 3. Cumulative emigration* from EU8 countries
(in ths persons; 2004 – 2006)

	UK	Ireland	Sweden	*Total*	*% of home country labor force*
LT	59.07	45.99	2.03	*107.09*	6.80
LV	31.01	22.93	0.80	*54.73*	4.75
PL	358.20	183.43	12.23	*553.86*	3.27
SK	56.43	24.31	0.35	*81.08*	3.05
EE	5.88	4.93	1.21	*12.02*	1.75
CZ	27.01	11.96	0.37	*39.34*	0.74
HU	16.93	8.97	0.96	*26.85*	0.64
SI	0.51	0.24	0.12	*0.87*	0.09

*stocks are calculated as a sum of flows for period May 2004 - Dec 2006 for UK and Ireland, and Jan 2004 - Dec 2006 for Sweden.

Source: Worker Registration Scheme (UK); Department of Social and Family Affairs (Ireland); National Statistical Office (Sweden), AMECO, staff calculations.

Typology of EU8 migrants

There is no "typical" migrant from EU8 region. Workers with no skills and only very basic education are thought to rarely migrate. Of those with skills, EURES managers identify several kinds[5].

- A **migrant with vocational training or secondary education, some working experience, around 30 years old**, is probably the most frequent case. Job loss at home and income differences are the most important motivation behind the decision to migrate. This latter factor is dominant in some specific sectors (i.e., construction), where workers decide to migrate even if there are possibilities to find a job in their home country.

- The pool of **young migrants, who just finished vocational training or secondary education** is also significant. Many of them decided to migrate right

[5] The typology of the EU8 migrants do not include seasonal workers. According to anecdotal evidence, seasonal workers share many characteristics of every migrant type (e.g. university students working in catering services during summer, agriculture workers, etc.).

after they finish their education and have no working experience. Available statistics from the UK[6] shows that more than 80% of all EU8 migrants are between 18 and 34 years old. Migrants between 18 and 24 years form the strongest age cohort (43% of total migrants) in the UK, but this is highly affected by seasonal workers (i.e., university students' summer jobs).

- **Young and unmarried migrants with a tertiary education** searching to brush-up their language skills and attain some working experience from abroad are also common. They are usually over-qualified for the job that they find abroad, and stay there only for a limited period of time.

- **Highly-educated specialists with working experience** is the final, quite homogeneous, group of migrants from EU8. They are mostly motivated by better income prospects, but unlike the previous types of EU8 migrants they constitute only a fragment in total migrant flows.

Geography matters. Cross-border migration is very frequent in Central Europe, where a significant part of migrants work in neighboring countries. This is best illustrated in Slovakia where around 55% of total emigrants work in neighboring countries (i.e., Austria, the Czech Republic, Hungary, Poland). In the Czech Republic and Poland it is around 1/3 of total emigrants. Estonia is the only Baltic country with a high share of cross-border migrants working in Finland. While anecdotal evidence suggests that cross-border migrants, including regular commuters tend to be older, available statistics from the UK paint a different picture: here the average age of workers migrating to what is a remote country is lower.

Sectoral distribution and wages

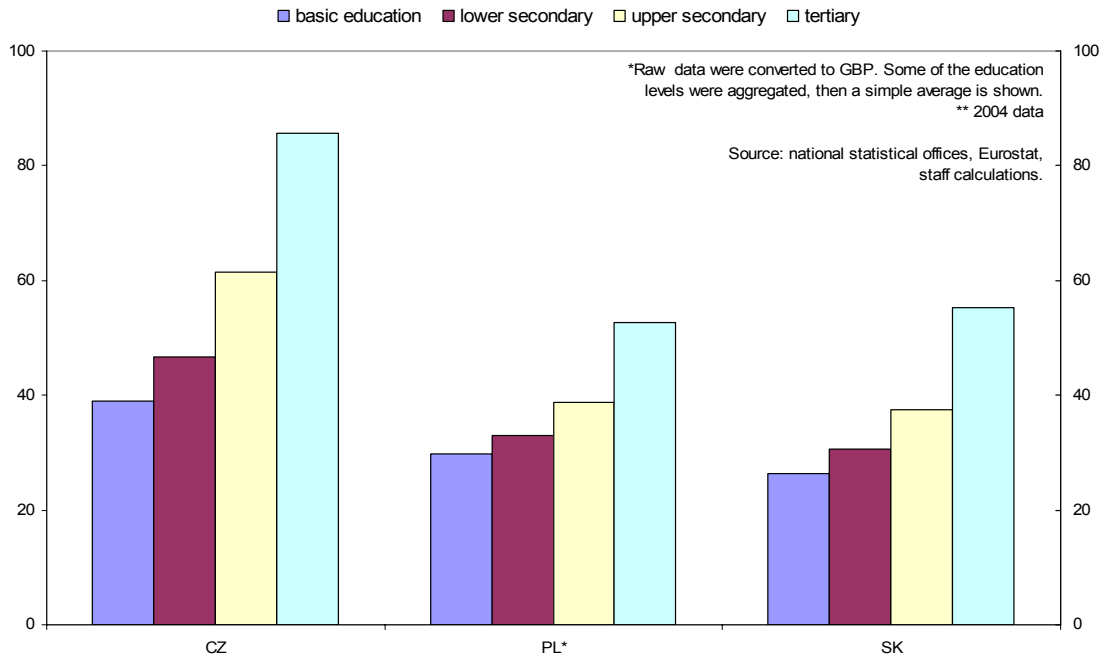
Catering industry, construction, and manufacturing are the sectors most popular among migrants. The health care sector attracts workers with higher qualification (mainly nurses, and also physicians). The agriculture sector remains the most attractive for seasonal workers.

The majority of EU8 migrants expect above 100% premium compared to their home wage. Since income differences are the main incentive for migrants, the prospect of earning a minimum wage abroad is still attractive. Anecdotal evidence confirms, that the first-job wage of EU8 emigrant after his/her arrival is at the level of the statutory minimum wage in the respective country (experienced professionals are an exception). Many EU8 citizens migrate also due to unfavorable conditions in their national labor markets (i.e., high level of unemployment, etc.).

[6] The Accession Monitoring Report May 2004 – December 2006; a joint report by the Home Office, Department for Work and Pensions, HM Revenue & Customs and Communities and Local Government, February 2007.

The statutory minimum wage in most EU15 countries is higher than the average wage in the home country scaled by the education level. Chart 1 shows the ratio of the average wage in selected EU8 countries[7] to the statutory minimum wage in the UK, which is among the most attractive destination for EU8 migrants. The differences of the UK minimum wage and average wages across the education levels are clearly recognizable. These differences remain high for low-skilled workers even after adjusting for the price level differences (see Appendix Chart 1).

Chart 1. Average monhtly gross earnings* (as % of UK min. wage, 2005)



Net migration and effects on population

EU8 countries are also recipients of foreign labor. Chart 2 shows net migration[8] figures as part of population developments. Again, the EU8 fall into two major groups, however slightly different from the previous consideration of gross flows. We observe a positive contribution of net migration to the population change in the Czech Republic, Slovenia, Hungary and also Slovakia. In contrast, net emigration is strong in Lithuania, and contributes to negative population growth also in Latvia and Poland. Although net

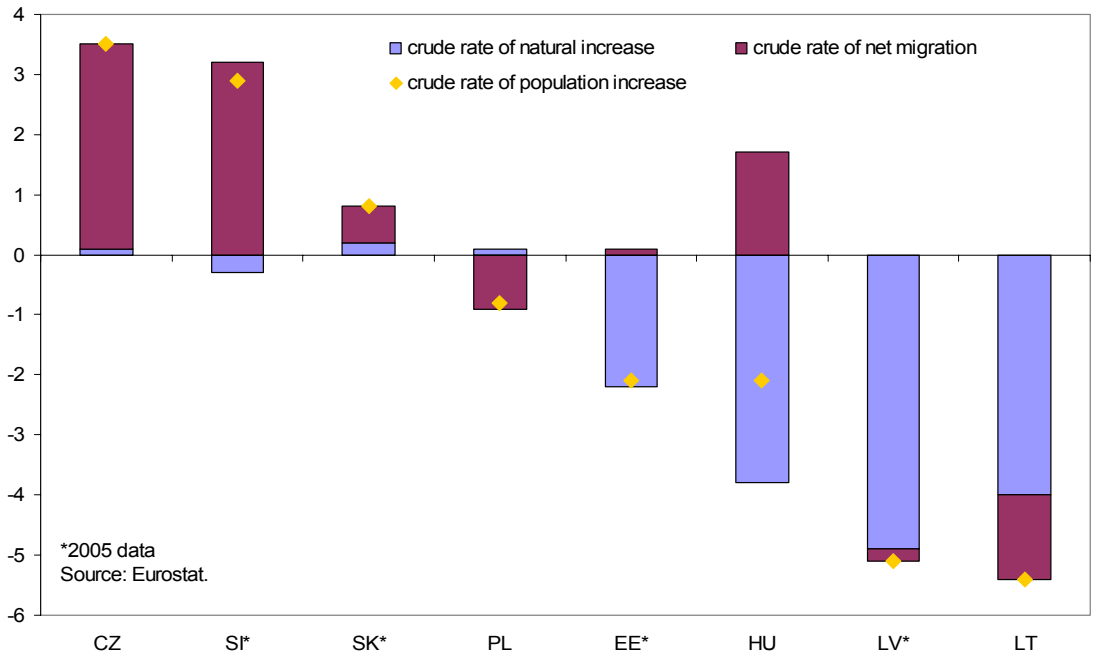
[7] Due to data availability the average wages differentiated by education level are shown only for three EU8 countries (CZ, PL, SK). See the Appendix Chart 1 for EU8 countries overview.

[8] Net migration is expressed as the so-called crude rate of net migration, which is equal to the difference between the crude rate of population increase and the crude rate of natural increase (i.e., net migration is considered as the part of population change not attributable to births and deaths). It is calculated in this way because immigration or emigration flows are either unknown, or the figures are not sufficiently precise. Data on crude rate of population increase may, at the same moment, include an automatic estimate of the net migration, which is likely to be persistent. This may further lower the information value of the data.

emigration contributes to negative population growth, the decisive factor behind this development is a negative natural increase (demographics), particularly for the Baltics. The fact that EU8 migrants usually do not change their residency may distort the information value of the population data.

Reverting this trend will be difficult in the short run. It could be achieved either by a return of former emigrants, or by the acceptance of labor from the abroad. However, none of these seem to be an option for the Baltics: still relatively low income convergence may keep their citizens – living in high-income countries (i.e., IE, UK) – abroad, and unlike in Slovakia the acceptance of foreign workers (mainly from Russia, or CIS countries) is a source of concern in these countries[9].

Chart 2. Population growth in EU8 countries
(2006, in person per 1000 inhabitants)



Prospects

EURES experts expect continued steady growth of emigration during the next years. However, experts anticipate the post-accession boom of emigration to cool, at least in the Baltics. Income differences and a high unemployment rate (in Poland) are still considered as the major push factors for future emigrants. A dynamic catching-up process in EU8 accompanied by foreign capital inflows and development of local industry base inducing the job creation may strengthen the motivation of migrants to return to their home countries.

[9] Russian citizens already form a strong minority in the Baltics. They account for 25.7% of the population in Estonia (2005), and 28.5% of population in Latvia (2006).

There are six EU countries still applying the labor market restrictions for EU8 nationals, including Germany and France (see Appendix Table 1)**.** According to the negotiated rules, these countries should review the labor market restrictions in 2009, and if a negative effect of the likely inflow of EU8 workers on their labor markets is proven, they may extend the restrictions up to 2011. Some EURES experts foresee an increase in emigration, particularly from the Central European countries, once Germany and Austria fully open their labor markets to EU8 citizens. According to EURES, an inflow of workers from newly accessed countries to the EU (Romania and Bulgaria) to EU8 region may balance a recent outflow of workers from the region.

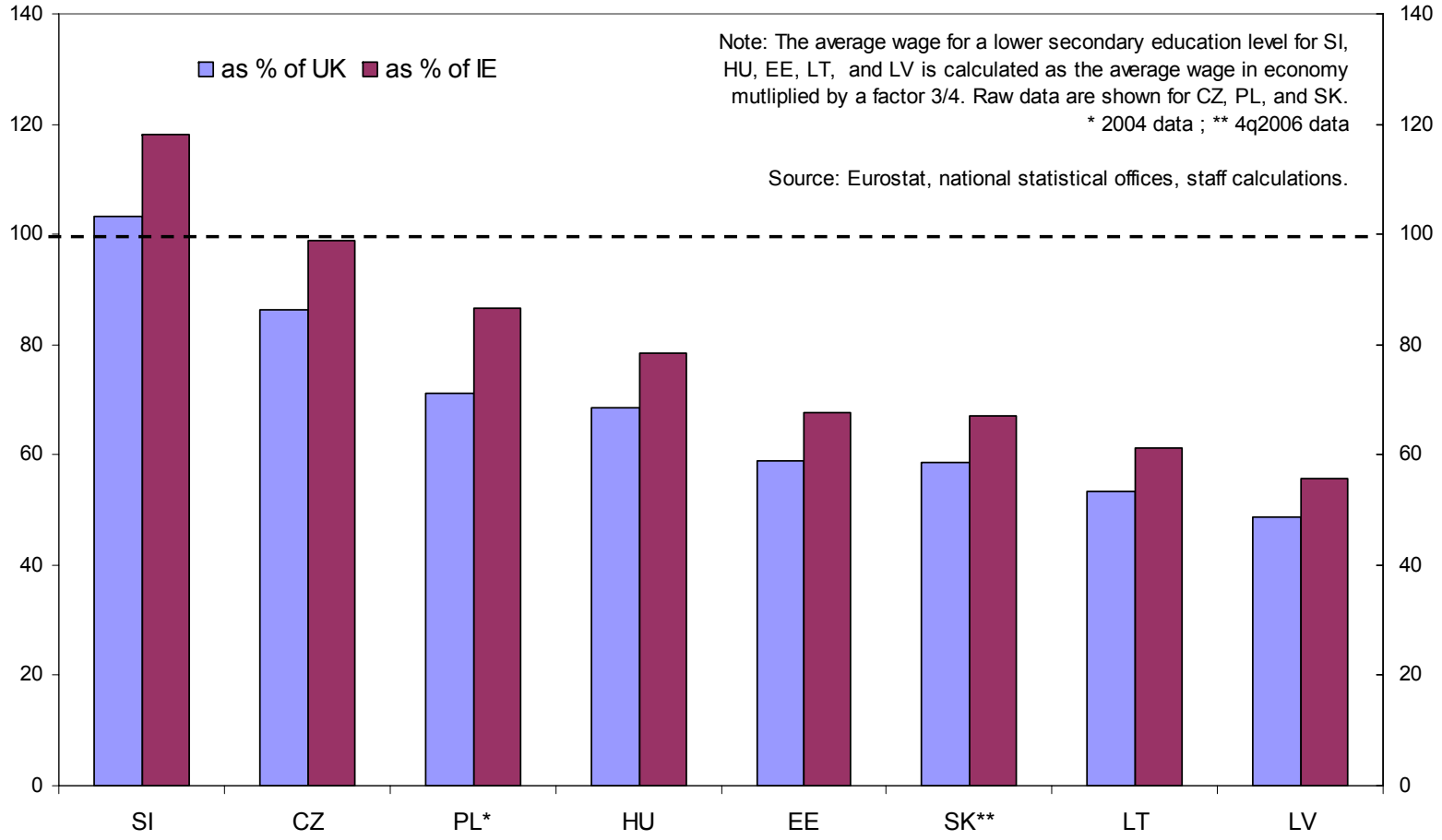
Appendix

A. Detailed description of emigrant estimates (from Table 1)

Country	Sources
Czech Republic, Latvia	EURES managers gross estimates.
Estonia	EURES manager provided us with an estimate of Estonians working abroad published by independent journalists/local newspapers. Data were collected from different official sources (e.g., Estonian Embassies, Statistical Office, Bank of Estonia, Ministry of Social Affairs, etc.). The final figure is a sum of emigrants' estimates in following host countries – ***FI, UK, IE, LV, SE, DE, MT***.
Hungary	Sum of emigrant flows to ***AT*** and ***DE*** during period 2004-2006, complemented by EURES manager gross estimate for the ***rest of the EU25***.
Lithuania	Data from the National statistical office; including both declared and not declared gross emigration. The figure is a sum of total gross emigrant flows during period 2001-2006.
Poland	The Ministry of Labor and Social Policy provided us with detailed raw data on work permits, residence permits, and estimates of migrant workers for respective EU25 country. We used a simplified approach to arrive at a single number on emigrants from Poland, however, there are different methodologies used. We are fully aware of methodological problems related to such calculation. <u>Total number of emigrants in EU25 is calculated as following:</u> 2006 new work permits ***(BE, DK, FR, LV, NL)*** + + sum of 2004-2006 new work permits (***IE*** – Personal Public Service Number, ***UK*** – Worker Registration Scheme) + + 2006 migrant worker stocks (***CZ, EL, LU, HU, SK, SI*** -- from host country authorities; ***AT, CY, FI*** -- estimate of Polish embassies) + + 2006 residence permits (***EE, ES, LT, PT*** - 2005 figure, ***SE, IT***) + + sum of 2006 new work permits, valid work permits in 2006, and number of E-101 documents issued by ZUS (Polish social security authority; collecting also health insurance contributions) for Polish citizens employed by Polish companies and working in Germany (***DE***).
Slovakia	Local EURES manager provided us with Slovak emigrants figures by respective EU25 country. These figures are taken from different sources and are of different dates (mostly from 2006). <u>Total number of emigrants in EU25 is calculated as following:</u> sum of Slovak workers from foreign authorities (***CZ, HU, AT***) + + sum of 2004-2006 new work permits (***IE*** – Personal Public Service Number, ***UK*** – Worker Registration Scheme) + + local EURES managers (***MT, CY, PL***) + + European Commission (***IT, SE, FI, FR***) + + Slovak embassies (***EL, SI***) + + ECAS Report (***NL***) + + SK EURES manager estimate (***DE***).
Slovenia	Not available

Note that presented estimates are gross estimates, and are only the approximation of actual numbers based on the available information. This is due to existing differences in national methodologies, and also various ways of estimating emigrant flows used by the EURES managers (e.g., some EURES managers use cumulative numbers for UK, and IE; while the others present a cumulative number adjusted for returning migrants, seasonal workers, etc.).

Appendix Chart 1. Average wage for a lower secondary education level in EU8
(as % minimum wage, 2006, in PPS)



B. Comparison of the ESA95 and the LFS employment data

We compare two different methodologies regarding the employment data (in persons) in order to assess the impact of recent migration on the employment developments in EU8 countries.

The ***Labor Force Survey*** defines employed persons as: all persons who during the reference week worked at least one hour for pay or profit, or were temporarily absent from the work – it is so-called *household resident concept of employment*. The employment as of resident producer units is defined in the ***ESA95*** (i.e., *domestic concept of employment*). Seasonal workers, commuters, and temporary migrants (for a less than one year, keeping their residency in the home country) working for a resident producer units are included in both, ESA95 and LFS data. These are mostly contractual workers (e.g., in construction sector). Permanent migrants (above 1 year and with the residency changed) are excluded from both ESA95 and LFS employment statistics of migrant's home country.

However, commuters, seasonal workers, and temporary migrants (for a less than one year, keeping their residency in the home country) working for the company residing abroad (i.e., in EU25) are treated differently. While they are included in the LFS data of their home country (due to un-changed residency), they do not enter the ESA95 statistics of their home country (due to being employed by foreign company). Therefore, we believe this could be an useful way of tackling the EU8 migrant workers. It is also supported by available data[10] from the UK confirming that the majority of recent EU8 migrants (60%) intend to stay abroad for a shorter period than 12 months. Assuming that they do not change their residency status in the home country - EU8, they could be caught by such a "back on the envelope" calculation.

Appendix Chart 2 shows employment developments by both methodologies, ESA95 and LFS, and also the difference between them (as % of the LFS active population, which is a sum of employed and unemployed persons). It partly corresponds with the general migration picture in EU8 countries.

In the Czech Republic, the employment measured by ESA95 (domestic concept) outperforms the LFS employment figures, i.e., a domestic job (vacancies) creation is higher compared to the employment based on the resident households. It indicates the inflow of commuters, seasonal workers, and temporary migrants (for < 1 year) from abroad. The opposite case is presented for Slovakia – LFS employment level and growth are higher compared to the ESA95 figures, showing a positive contribution of the Slovak migrants working abroad to the LFS employment. While the migration picture is correct for the rest of the EU8 countries, its scope is much lower compared to the EURES estimates, particularly for the Baltics. The Eurostat estimation of the ESA95 employment for Poland complicates such a comparison.

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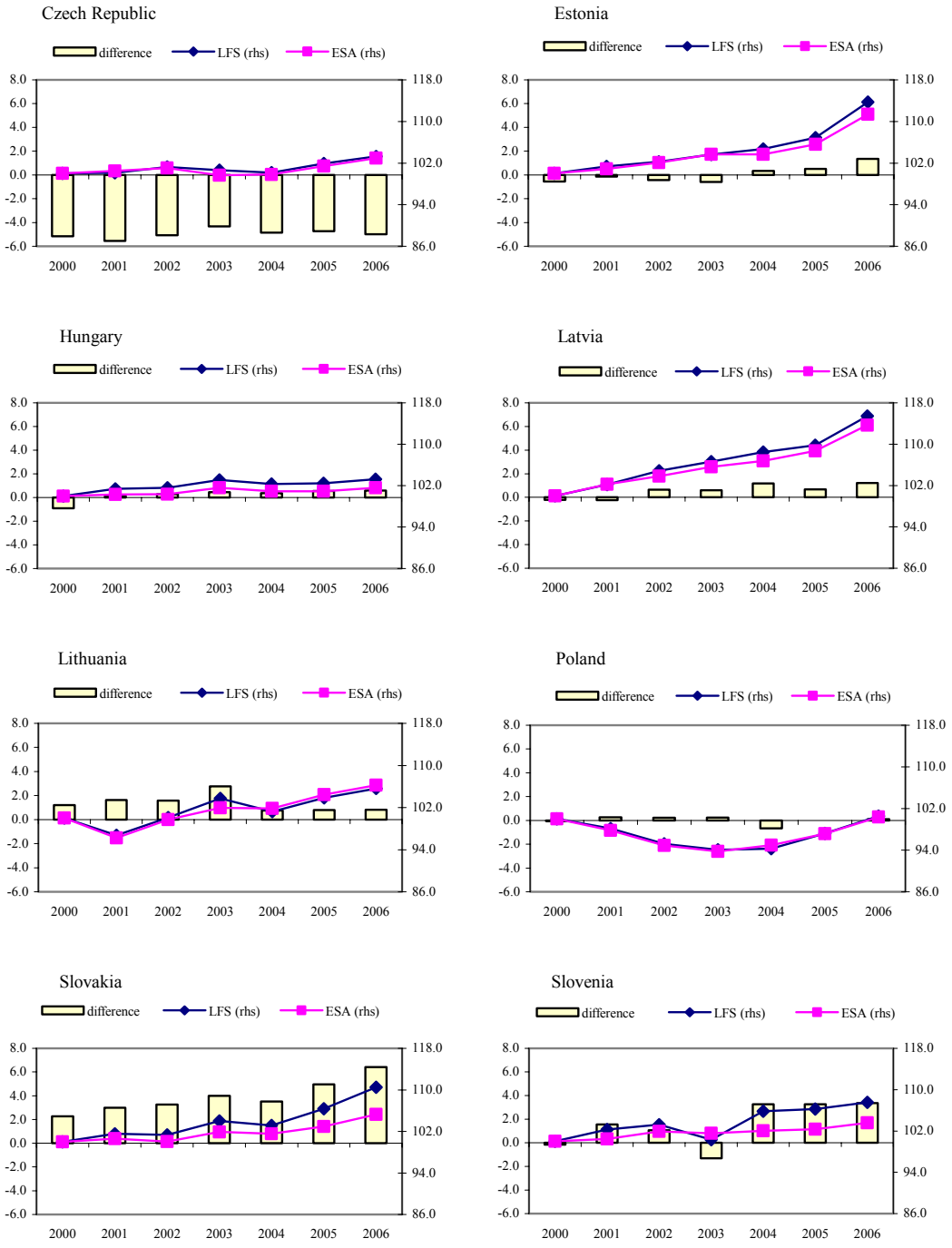
[10] The Accession Monitoring Report May 2004 – December 2006; a joint report by the Home Office, Department for Work and Pensions, HM Revenue & Customs and Communities and Local Government, February 2007.

Appendix Chart 2. Employment by LFS and ESA95 (index, 2000=100) and the difference (as % of active population, LFS based)



Note: ESA95 data for PL are Eurostat estimates based on the total employment expressed in jobs. ESA95 figure in 2006 for CZ is Eurostat forecast based on the employment growth rate estimated by the DG ECFIN.

Source: Eurostat, staff calculations.

Appendix Table 1. Overview of labor market restrictions* for EU8 nationals

NO RESTRICTIONS				RESTRICTIONS IN PLACE
from May 2004	from May 2006	from July 2006	from May 2007	
Ireland	Finland	Italy	Netherlands	Austria
Sweden	Greece			Belgium
UK	Portugal			Denmark
	Spain			France
Czech Republic				Germany
Estonia				Luxembourg
Hungary				
Latvia				
Lithuania				
Poland				
Slovakia				
Slovenia				

* EU15 countries did not applied any restrictions for workers from Malta and Cyprus. All remaining restrictions for free labor movement were canceled for Slovenians in January 2007, following their entry to the eurozone