THE FACES OF THE CRISIS IN THE EAST

# EMIGRATION AND IMMIGRATION

## – AND A NEW ROLE FOR LABOR MARKET PARTIES

BY ANNA DANIELSSON ÖBERG

One year ago, most people realized that the financial crisis would lead to unemployment among EU citizens. Of course no one had any idea how many would be affected. Now we know. More than 4.6 million people lost their job between December 2008 and December 2009. This means that more than 23 million men and women today are unemployed.

The numbers vary greatly from country to country. According to Eurostat, Latvia tops the list with more than 22 percent unemployed, while the Netherlands ranks the lowest with 4 percent unemployed.

Researchers noted last year (BW vol. II: 1) that the crisis had affected the EU's internal migration patterns. The inflow of migrants from Eastern Europe to the largest receiving countries, Great Britain and Ireland, diminished during the fall of 2008. They also pointed out that we lack information concerning short-term migration patterns. The reason is that complex statistical data must be processed in each country and then be correlated.

Mihails Hazans, professor of economics at Riga's University of Latvia, is among those who believe that one can already see definite patterns. Last year, citizens in the EU's new member countries were less willing to move to Great Britain or Ireland – with the exception of citizens in the Baltic States. In the case of Latvia, he observes, migration numbers have almost doubled.

"During the first three quarters of 2009, more than 10,000 persons from Lithuania and almost as many from Latvia were registered as wage earners in the UK Worker Registration Scheme. But the total number of emigrants was higher. Last year, between January and June alone, 10,000 persons from Lithuania and more than 8,000 from Latvia were issued national insurance numbers", says Mihails Hazans.

And even though Irish unemployment was high in 2009, numbers show that nearly 4,000 persons left Latvia in order to go to Ireland. The new tendency seems to be that those who leave are planning to stay away for a long time, perhaps even settle permanently in their new countries. Another novelty is that interest in Norway has increased. Crash courses in Norwegian have gained in popularity.

Mihails Hazans estimates that approximately 30,000 Latvians did emigrate in 2009, and that this trend will continue for years to come:

"My guess is that the number will rise to about 100,000 persons over three years."

Charles Woolfson, professor in labor market research at the Institute for Migration, Ethnicity and Society at Linköping University, also predicts that there will be extensive migration, especially from Lithuania and Latvia.

"It will most likely be as great as it was at its peak – that is to say, some years after EU membership: 100,000-130,000 persons over a few years. What makes it serious is that these countries have dwindling populations. The birth rate is negative and the population is ageing while, at the same time, the young people are leaving. This leads to greater risk of social instability", says Woolfson.

Those who leave move away from something. Factors such as unemployment benefits so low that one can barely survive on them, low wages, often paid "under the table", deteriorating healthcare and schools, etc., increase the likelihood for migrants to accept positions with low wages and poor working conditions in the countries to which they emigrate.

"The risk of exploitation is great and accordingly, there is a risk that wages will be lowered in the countries they go to. I am worried that tension will increase within the EU and that xenophobia will increase. We already see that happening."

If migration from the Baltic States becomes considerable, it may make it necessary for those countries to import labor from countries outside of the EU. This has already happened, e.g. from Thailand and China.

"But the Baltic States are not yet ready to receive persons from another culture or those who look different. They are quite simply not ready for a multicultural society", says Charles Woolfson.

Pawel Kaczmarczyk, vice director of the Centre of Migration Research at the University of Warsaw and advisor to Poland's prime minister Donald Tusk, notes that Polish statistics give a clear picture. If one compares the number of Poles who were living outside of Poland in early 2008 with the same numbers for early 2009, one finds a decrease of 60,000 – to 2.2 million people.

"That is a significant drop. But one cannot say, with any certainty, whether it means that more of those who were working abroad temporarily have returned, or whether fewer people are leaving."

Although unemployment has not increased drastically in Poland (8.9 percent in December), Pawel Kaczmarczyk believes that the crisis as such makes people more cautious.

"It delays the decision-making process. People stay where they are, at home in Poland or abroad. But we do not yet know how the flows really look."

In Poland, also, there is great interest in going to Norway – and to Sweden. But that does not mean that Poles, when they decide to go abroad to work, either temporarily or longer-term, actually go to those countries.

"First of all there must be an obvious economic boom – and a widespread demand. One must keep in mind that in early 2009 there were 650,000 Poles living in Great Britain, and there is simply not enough room for that many in small countries like Norway and Sweden."

Statistics from Great Britain and Norway neither confirm nor refute claims that the crisis does affect migration patterns. The reason is quite simple: there are, as yet, no statistics available, according to both Christian Dustmann, professor of economics at London's University College and director of the Centre for Research and Analysis of Migration, and Line Eldring, research leader at the Norwegian research institute Fafo.

"What we can see is that the number of migrants from the eight countries that became [EU] members in 2004 is stable if we compare the first quarter of 2008 to the first quarter of 2009. But that is all we can say. Nor do we know what has caused this, whether the inflow and outflow have changed or remained constant", says Christian Dustmann.

Line Eldring gives the same picture. Comparisons between the third quarter of 2008 and the third quarter of 2009 certainly show that the number of Poles arriving in Norway has diminished somewhat, while the number of Latvians has increased a bit. But in order to determine with any certainty that something has changed, one needs more extensive statistical data.

"As yet, the numbers are simply too uncertain", she says.

Even if unemployment, when compared to the Baltic States, is lower in countries like Great Britain, the Netherlands, Sweden, to some degree Ireland, and not least in Norway, it is higher today than it was previously. And forecasts indicate that it will take a while before the demand for labor goes up again. Whether an economic slump in what used to be attractive recipient countries for EU migration affects the will to migrate is open to question.

Perhaps, argues Christian Dustmann. But at the same time he stresses that migration depends on individual decisions. One reason why the prospect of moving to Great Britain has become less attractive is the devaluation of the British pound:

"I think migration will decrease in all countries. But in the long run, I am convinced that migration levels between EU member countries will rise."

Charles Woolfson is not equally convinced that the economic situation and labor market conditions are decisive for those who consider moving from Eastern to Western Europe:

"One must keep in mind that wages, no matter how low they are compared to those in, say, Great Britain, are still better than attempting to survive on the very, very low unemployment benefits provided in most of these countries."

A paradoxical outcome of the crisis may turn out to be that unions and employers find more explicit roles to play in the former East European countries. This conclusion has been reached by people with a reputed competence in the subject-matter. Anne Knowles and Svetla Shekerdjieva both work in the regional office of the International Labor Organization, ILO, in Budapest, whose task it is to further developments in the East European countries.

"Our impression that the governments have realized that if they do not talk to the labor market parties it will be more difficult to drive through the policies made necessary by the crisis. It is always difficult to generalize, but simplifying a bit one might say that the crisis has not been purely bad news for the labor market parties in these countries", says Anne Knowles, who represents the employers at the office in Budapest.

Together with Svetla Shekerdjieva, who has a background in union work in Bulgaria, Knowles is supposed to look after the development in a total of 18 countries, plus Kosovo. The mission has been going on since the early 1990s. Its purpose is to support processes that help establish relations between labor market parties. But ILO must also support the creation of modern labor market policies, and help reform social insurance and pension systems. In order to be located in the "thick of it", the ILO office was established in Budapest. Today, its work is primarily directed towards countries that are not EU members.

"The countries outside of the EU have not established the same institutions as the former East bloc countries that have now become members", says Svetla Shekerdjieva.

According to their own ranking, Hungary belongs to the countries within their area of responsibility that have been hardest hit by the crisis. Unemployment is high (10.7 percent in December 2009) and the country's debt is sky-high. The crisis is felt by anyone who visits Budapest's city center. The expensive name-brand boutiques stand glaringly empty. The architects had obviously envisioned hordes of eager-to-shop Hungarians and tourists swarming in and out of the stores; but shoppers are few and far between.

"If the black economy develops further, things will be serious. Lower tax revenues obviously mean lower income for the states in this region, and these incomes are sorely needed", says Anne Knowles.

Björn Grünewald, with a background as director of the former Swedish Employers' Confederation (SAF), became ILO's first employers' representative in Budapest. Since the early 1980s, he has had assignments in various East European countries, first on behalf of SAF and, as of 1992, of ILO. Now, 20 years after the fall of the Wall, Grünewald thinks that the World Bank, not least, was too hasty in carrying out changes in the former Eastern bloc.

"It won't do prescribing to countries that have had a certain system that now you must do it our way and do so within a few years. There was no corresponding infrastructure in these countries and they needed time to build it up. But the World Bank, the IMF and other financial actors attempted to force through an instant market economy and did not realize the significance of a series of important differences."

Being self-critical, he thinks that even the ILO was in too much of a hurry. The organization had the best of intentions and attempted to save time for the East European countries, he observes. But one cannot "cultivate" a labor market party system that it has taken one hundred years to establish in the West, expecting that this can be done in a few years in the East. It must take time.

"These countries lacked all references and had no clue what we were talking about. 'Employer' was an insult and the 'union' was a state tool that was used against the workers."

Like his successors, he notes that the East European governments are beginning to turn to unions and employers' associations in order to gain support for their policies. In the not too distant future, he anticipates, this will prove a promising development. But there is no doubt that the crisis has caused serious economic concerns in many of these countries.

"Compared to the situation when the Wall fell, things are different. Many countries have a functioning infrastructure, fully established or under construction. The crisis has forced people to realize that one cannot demand economic changes and sacrifices without offering support. Furthermore, economic changes happen faster here than in what we call the West. In our countries trade cycles last five to eight years, while in East European countries they last half as long.

"So, in a few years much can happen – in the right direction." ≈

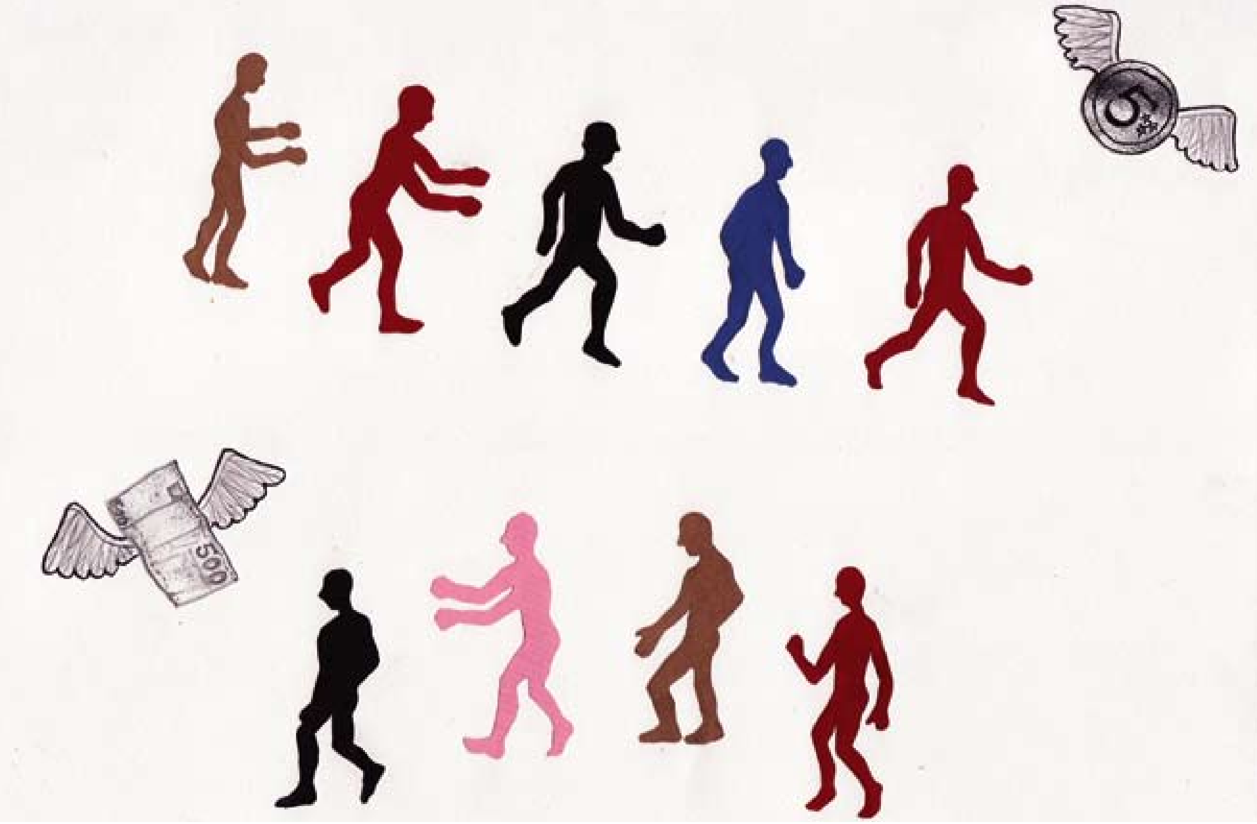

ILLUSTRATION: RAGNI SVENSSON

The Wall fell. Finally, the unions in the West had something new to talk about.