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# BRAIN-DRAIN OR BRAIN-GAIN?

Changing patterns in workforce migration from East to West.

BY ANNA DANIELSSON

**The financial crisis has dug its claws into EU member countries. Lower demand for labor power and high unemployment are – or soon will be – a reality in all the countries of the EU. The dark economic climate has affected the flow of migration within the Union. The influx from new member countries to the old ones is declining. But the economic situation might lead to a second wave of migration.**

**The strong demand** for labor that has been commonplace in many countries has changed into layoffs and unemployment. One labor market after another is contracting and the competition for jobs is increasing because more and more people don't have one. Overall, the Commission estimates that 3.5 million jobs will disappear and that unemployment will rise to nearly 9 percent of the total workforce in 2009 and 9.5 percent in 2010. The effects of this have been felt immediately. In several countries, including Latvia, Lithuania, and Ireland, unemployment is expected to climb into the double digits. The dark economic situation means that the strong growth and high wage increases that the Baltic states and Poland recorded for several years will cease.

The question is how the labor force of the Union is handling the crisis. When the demand in the West for labor was high, many citizens in the eastern parts of the Union chose to pack their bags and take work in the western areas. Since 2004, when expansion opened labor markets to citizens of countries such as the Baltic states and Poland, there were many who took their chances. There are varying figures on exactly how many, what they did, and how long they stayed away.

No one knows with certainty. Several researchers have attempted to quantify the extent of the migration between 2004 until the fall of 2008, but the number of unreported cases is high, so most contend that the best they can do is provide more or less well-grounded attempts at something that is little better than a guess. A number of estimates claim that around 2 million who have migrated, others arrive at a higher figure, perhaps twice as high. There are many reasons for the uncertainties. Neither the sending nor the receiving countries have entirely reliable statistics. Some migrants leave without letting anyone "at home", and perhaps in the recipient country either, know – the work the migrants seek in the new country might be under the table, or perhaps there is no job at all. But there is an underrated reason why the scale of migration is difficult to estimate, according to the researchers: lack of reporting. Those who complete a "migration session" do not let the authorities in the foreign country know, nor do they immediately pick up the phone or go online to tell the authorities in the home country that they are back.

So what do we know?

The two countries that have received the most immigrants from the Baltic states and Poland since 2004 are the U.K. and Ireland. According to official British statistics, a total of around 730,000 job applications were submitted between 2004 and the fall of 2008 by immigrants from Poland and the Baltic states. Of those, 600,000 were Poles. The Irish figures paint a similar picture. Between 2004 and the fall of 2008,

over 402,000 people from Poland, Estonia, Latvia, and Lithuania have been registered in Ireland. How many of those people are working we do not know, because the figures apply to all immigrants, including children and the elderly.

In the Nordic countries, statistics are not as accessible. The Norwegian research institute Fafo has attempted to compile the knowledge of the Nordic countries that does exist. According to the compilation of data, approximately 325,000 people from the new member states have come to the Nordic countries. But one country is ahead of the others – the non-EU country Norway. Interest in working in Sweden and Finland is, in this context, limited. Of all the immigrants to the Nordic countries about whom Fafo can find data, a majority have chosen Norway. Between 2004 and 2008, 144,500 new migrants arrived; during the same period, an additional 125,000 had their old work permits in that country renewed. In Denmark, 35,500 had their applications approved; in Sweden, the figure is 24,800.

It was mainly during the first years after enlargement that interest in migration was great. When the economies of the Baltic states and Poland stabilized and improved the interest in migrating decreased.

"We know that more migrated within the EU after enlargement. That is what we know. But much more than that we do not know in any detail", says Hubert Krieger, labor market economist and research manager at the EU's European Foundation for the Improvement of Living and Working Conditions, in Dublin.

**Total migration** might thus be higher than that indicated by the reported figures. To get an idea of the movement within the entire EU, Krieger uses EU countries' labor force surveys. According to these surveys, two percent of the European workforce migrated in 2007.

"In relative terms, there are many people who have moved from the new member countries, but compared to the U.S., mobility within the Union is still low. The problem with these figures is that we only include the legal movement across borders. And of course nobody knows how large illegal migration is", he says.

The figures from the "sending countries" are also uncertain. As a percentage of the workforce, migration from Lithuania is generally claimed to be 10 percent, followed by Latvia and Poland at between 6 and 7 percent, and Estonia, with 4 percent, since 2004.

But regardless of which figures are used, they say nothing about how many of the migrants are living in their new countries. Some migrants remain for a long time, others move back after a short period. Pawel Kaczmarczyk, Deputy Director of the Center of Migration Research at Warsaw University, notes that there is an expression in Poland to describe the reason for the uncertainty in the figures. In Poland, many migrants are described as "deliberately unpredictable".

"Many people who move are young, and leave without their families. Their strategy is to work abroad for a while and see what happens. They are drawn by cities such as London and Dublin. That kind of temporary migration becomes almost a way of life. They remain, but haven't decided whether to stay."

In total, Polish figures show that around 2.3 million Poles have moved, more or less temporarily, between 2004 and 2008. To be included in that figure, they must

have been away from Poland for at least two months.

Although Great Britain and Ireland attract the largest number of migrants from Eastern Europe, Krieger, as well as Mihails Hazans, an economist and professor at the University of Latvia in Riga, emphasize that other countries are also relevant here. Poles have shown fairly strong interest in moving to the Netherlands. There have also been significant flows of people to other countries. For example, Lithuanians has shown substantial interest in migrating to Spain and Norway, while Finland has been more important than Ireland to Estonians.

**Although there is** a risk that the figures available point to an estimate that is too low, the opposite may also be the case, according to Professor Eskil Wadensjö at Stockholm University. Those who move back home don't think of reporting the move to the authorities in the country where they worked, nor, perhaps, is it clear that they would register in their home countries upon their return. It is therefore almost impossible to be entirely certain about the patterns of migration that have existed since 2004. A comprehensive research effort is thus required simultaneously in several countries.

"I estimate that such an effort would take two years at least, before we would have common material. One has to bear in mind that all countries continue to register people in different ways, and measure in different ways. For that reason, it is very difficult to make exact comparisons."

The picture that researchers are giving of what the migrants are working with in the countries they go to also varies. Many argue that the majority, even those who have been to college, have jobs that do not match their skills and education. Others, such as Mihails Hazans, contend that most people who migrate have secondary or primary school education, and have not been to college. The jobs they get when they move thus do correspond to their training and experience. But certain migrants switch direction or specialty, and others have accepted jobs requiring lower qualifications. This applies mainly to people with a college education, he notes.

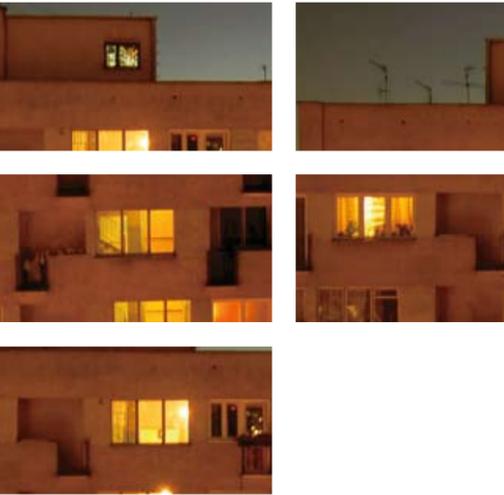
"The majority of those who have left the Baltic states are not particularly well educated. If you look at the statistics that exist in Great Britain, you see that the work performed is done primarily in the manufacturing, agricultural, services, and general care (of the elderly, children, etc.) sectors."

**But, others argue,** the fact that those who emigrate are looking to make money quickly may affect the type of job and wage level they accept. The goal for many is to send money home to invest in housing, education, or families they might have back home.

"As a temporary immigrant, you seek low costs in the new country. You eat cheaply, and can accept living with many in one apartment. You can thus also accept lower wages compared to what the domiciled population receives", says Pawel Kaczmarczyk.

Hubert Krieger believes that it is clear that many of the migrants from East to West are forced to take jobs that do not match their education and qualifications. Sometimes this occurs because those who arrive in the new country must start at a lower position because they

**Immigrants also fill holes in many labor sectors. What would Swedish healthcare look like without them?**



do not know the language, but, in his view, this can just as often be a result of discrimination. Charles Woolfson, Scottish visiting professor at Linköping University in Sweden, believes that another important reason is that migrants are not accustomed to making demands.

“The social systems are different in the eastern and western parts of Europe. Although union membership rates are relatively low in Great Britain and Ireland, they are higher than in the Baltic states and Poland. There, the labor market is less regulated, unpaid overtime and under-the-table work are more common. It is considerably more common that workers’ rights are ignored. For that reason, expectation of sensible working conditions is lower. In short, worse conditions are accepted”, he says.

### Does this development

mean that immigrants push down wages in the sectors in which they work? Yes and no, the researchers contend – or rather: possibly. In order to provide a clearer answer to that question, the individuals must be followed, and such investigations have not yet been conducted. Most of the data that exists describes the situation at the national level, and the overall message is that there are no signs of wage pressure. In general, however, the immigrants, do have low wages compared with those born in the country, but this does not seem to affect the wages of the native population. An exception to this picture of low wages for those who start working in another European country is Sweden. When Eskil Wadensjö and his colleagues looked at the wage level of about 5,000 people from the new member countries working in Sweden, they discovered that their wages were slightly higher than that of the native population!

“We’re not talking about a huge difference, but what’s interesting is that wages were definitely not lower among the immigrants compared with the native population.”

There are many explanations for this result, he believes. The wage spread is smaller in Sweden than in any other destination country for European migration. Nor are low-wage jobs as common. Another explanation could be that those who choose to come to Sweden have specific skills that are in demand and which can

be used even by those who don’t know the language. For those who speak English or who are looking for low-wage jobs, it is easier to look for work in the U.K. or Ireland. But the question then is why Norway receives more immigrants than Sweden. Norwegian is most certainly not a larger or simpler language than Swedish. Linde Eldring, research leader at the Norwegian research institute Fafo, thinks the reason is the state of the Norwegian economy, which after all has been much better than the Swedish. For example, demand in the construction sector was sky-high until the spring of 2008.

“Most of the immigrants come from Poland and the Baltic states, and the number is significantly higher in Norway – over 160,000 since 2004, while the number in Sweden is just over 24,000. Aside from the economic situation in Norway, another reason may be that wages are higher.”

### Fafo has made attempts

to compare the salaries of immigrants with those of the indigenous population and it turns out that most have salaries that are lower. Eurofound hopes to conduct a larger study in which individuals can respond to questions about their situation. But the risk of wage dumping is likely not very significant. Most immigrants complement the domestic workforce, they don’t replace it, Pawel Kaczmarczyk remarks.

“Poles who travel to Great Britain to work are better educated than the British. Yet they receive worse jobs and lower wages. These are jobs that do not require any special knowledge and thus I do not think there is a risk of wage dumping”, says Pawel Kaczmarczyk.

So what has migration meant for the “sending countries”, i.e. the countries that the immigrants moved from? Here, too, scientists are not in agreement. Some of them come back to the point that both the Baltic states and Poland have suffered a costly brain-drain. Those who, since 2004, have taken the plunge and tried working in another EU country have a college education or professional training and in one way or another are enterprising. The bottom line is that one is dealing with labor power that countries could have used at home.

“With only slight exaggeration, it can be said that EU enlargement meant that the old member states gained access to a cheap, well-trained and flexible workforce which they needed. But at the same time it meant that the workforce disappeared. The new member countries exported labor, while they lacked other export products”, says Charles Woolfson.

But the movement does not have to mean a brain-drain, in the opinion of others. On the contrary, they use concepts like brain-gain, or brain-overflow. The knowledge that the emigrants obtain in their new countries is in many cases taken back home where it can be put to use. When they are back, they start their own businesses. Many of the returning emigrants receive salaried jobs which pay much better than the jobs they had when they left. A review of what happened with those who returned to Latvia shows that they had incomes that were 15 percent higher than those who hadn’t migrated.

“This of course does not apply to everyone, but on average, the difference in the increase in income was indeed that large. One explanation might be that those who return bring savings with them and give them-

selves a little more time when looking for work and need not take the first offer that comes along. Another explanation might be that they have accumulated experience that makes employers regard them as more useful”, says Mihails Hazans.

The question is how the crisis will affect the migration flows in the coming years. That the economic situation has had an effect on the desire to move is shown by developments since 2004, when the economies improved and the demand for labor increased along with wages.

“The peak migration year was 2005 in the Baltic states, and 2007 for Poland. When the positive developments became clearer, the interest in moving was reduced. Migration continued, but not to the same extent, and, moreover, more people moved home”, says Mihails Hazans.

For the Baltic countries and Poland, the financial crisis means that the growth and wage increases that these countries have experienced for several years will cease. This means in turn that the differences between the old and new member countries will remain, and, if worst comes to worst, increase. For several years the differences shrank: people spoke of the possibility that the Baltic states and Poland would catch up with the older member states in the foreseeable future. The financial crisis put a stop to this trend; now it is more unclear how long the leveling out between the old and new countries will take. The crisis has apparently also had effects on the desire to emigrate. Since the fall of 2008, the influx to both Ireland and Great Britain has diminished. During the third quarter of 2008, 35,000 applications to the U.K. were approved, compared with 57,000 in the third quarter of 2007, and 63,000 during the same period in 2006. The decline, according to British figures, is mainly the result of fewer Poles applying. The number of people who want to come to Ireland has also declined. During the third quarter of 2008, the number was 55,000, which is a reduction of 40 percent over the same period in 2007. But although the reduction is clear, it is not as comprehensive as it should be, given how the labor market situation has developed in Ireland, according to Irish authorities. From the Nordic region, no recent figures are available yet, but the development in Norway shows a reduced influx of immigrants from new member countries since the fall of 2008.

### The number of those

who have already emigrated and choose to move home again because of the crisis is extremely difficult to determine. Some may already have become unemployed in their new home countries, and those who worked long enough may be entitled to the new country’s unemployment benefits. For them, this may mean that the desire to remain increases, since unemployment benefits are usually lower at home. Others, who lost a job and have no right to compensation, may still choose to remain because the alternative, to return home, is perceived as even worse. Pawel Kaczmarczyk believes that it cannot be ruled out that the immigrants may retain their jobs, or find new ones.

“It is in any event by no means obvious that they lose their jobs, since their labor is cheaper than the domestic workforce. At the same time, there is a risk of being pushed out into a gray economy. However, I believe that those who lose their jobs move home. It is

easier to be with one’s family when one is in a difficult situation.”

However, it is not inconceivable that the crisis means that Europe is facing a second wave of migration. According to Hubert Krieger, there are prognoses in Ireland to the effect that Irish emigration, not immigration, will increase for the first time in many years. All told, as many as 50,000 people may choose to emigrate from Ireland, according to the prognosis.

“Those who leave will not only be Irishmen, but also others, such as immigrants from the Baltic countries and Poland. Right now this is a forecast, and we will see what happens.”

### But immigration from

the Baltic countries and Poland might also increase, some researchers believe. One of them is Mihails Hazans, and the explanation is simple, he believes. The economic situation is deteriorating more in the Baltic states than in the old member countries and thus there is a workforce that is seeking – and finding – work in other countries.

“Yet it is difficult to predict who will move. Primarily I think it is for the most part the same ones who moved earlier, that is, those with less education and professional skills and knowledge. But if the crisis proves to be prolonged, those with higher education may also decide to move – but this would assume they have a job lined up that matches their skills”, he says.

Another researcher who believes in a second wave of migration is Charles Woolfson. He commutes between Linköping and Vilnius, and, he believes, it is obvious that that there is a risk that the financial crisis and recession will hit the Baltic states harder than for example the U.K., Ireland, and Scandinavia.

“Like anyone else, I do not have a crystal ball, and sociologists are well known for often being wrong in their predictions, but I believe that the Baltic banks in particular will have difficulties. Although it is difficult to get work in the old member countries, compared to years past, many will try, because the alternative, remaining, is even worse.”

Other researchers are less convinced. In times of crisis, people tend to want to be at home, notes Professor Eskil Wadensjö. When the crisis is global, fewer leave, he observes. It is also not to be ruled out, Hubert Krieger believes, that the Baltic states and Poland can derive advantage from the crisis. He uses Dell, the computer company, as an example. In the beginning of January 2009, the company announced that production would be moved from Ireland to Poland, which means that 1,900 jobs will disappear from Ireland, and re-appear in Poland. Other companies might choose the same path in the wave of restructuring which the crisis leads to, he notes.

“Poland and the Baltic states are still of interest to investors because costs are lower.”

No matter how deep the economic crisis becomes over the next few years, there is much to learn from what happened in connection with enlargement, the researchers say. In particular, it is important to examine the effects of extensive migration on the countries the workforce emigrates from. In April 2009, a compilation is expected from scientists all over Europe which IZA, a German research institute with a focus on labor issues, will publish. In addition, a collaborative effort among unions, employers, and some of the Baltic Sea states is underway on the effects of migration. The

project, called the Baltic Sea Labour Network, has received 2.6 million euros in support from Interreg IVB Baltic Sea Region Programme. It consists of 27 parties from 10 countries (Finland, Sweden, Norway, Denmark, Germany, Poland, Lithuania, Latvia, Estonia, and Russia). The trade unions and other professional organizations in all of these countries participate, as do the employers from the Baltic countries and Germany. Governments participate through the Council of Baltic Sea States, and politicians through the Baltic Sea Parliamentary Conference. Project Manager Katariina Röbbelen-Voigt believes that the project is extraordinary because it is the first time that unions, employers, politicians, and governments are working together in the region. A common conclusion is that there is no shared knowledge of what labor markets in the region look like. The differences concern not only wages and labor market policies, but also conditions and relations between the parties – hence the need for a network that can identify the necessary changes and develop research.

“The goal is to create an open and public discussion and a process that encourages solutions to problems”, says Katariina Röbbelen-Voigt.

### Work began shortly

after the end of 2008. One of several objectives is to clarify the mobility of labor power in this region and the supply and provision of labor power in the Baltic states, according to Mika Häkkinen, Baltic Administrator at the Council of Nordic Trade Unions (Nordens Fackliga Samorganisation).

“For the trade and professional organizations, the question of seconded workers is also pressing”, he says.

All parties in the project agree that migration is good. But all want to know more – though for different reasons.

It is also hoped that the cooperation will continue to be used when the business cycle picks up again, and demand for labor increases. Although the economic situation in 2009 is so dark and deep that there seems to be no end in sight, improvement will occur sooner or later. Then, Europe’s politicians, businesses, employers, and employees will face new challenges, according to the researchers. The picture painted by everyone is that no one seemed to anticipate how difficult it would be to examine the extent of migration via the EU countries’ records. And everyone believes that the scale of the migration must be examined. What are they being paid, and how are they integrated into the recipient countries? More knowledge is also needed on what happens when they return home. And when they return home: do they become, like those in Poland, self-employed? Do they receive better wages than those who remained? And what happens while the migration is taking place: are the “sending countries” affected negatively? Europe’s politicians contend that an explicit goal is that movement across EU countries shall increase. Although migration from East to West was high during the boom, it is still significantly lower than in the U.S. If movement across borders is to be increased, a series of active measures will be needed, in particular those geared towards greater integration of those who migrate. Another issue that researchers believe must be resolved is that Europe’s politicians must clearly show how the seconded labor should be handled. Several judgments of the European Court of

Justice have created discord between the states and between employers and trade and professional organizations.

The question of how the seconded workers should be dealt with has acquired a new relevance in the context of the crisis. Wildcat strikes, for example, have occurred in Great Britain in protest against the foreign workers hired, which costs Britons jobs. The conflict itself shows how important it is to ensure that foreign and domestic workers are treated equally, according to European Trade Union Confederation General Secretary John Monks. The Confederation is thus demanding that the directive on secondment be revised – an idea the Commission does not entirely dismiss, given the conflicts seen in the Great Britain. At the same time, protests against immigrant labor are becoming more and more common. A study in the *Financial Times* (2009.03.16) shows that 78 percent of Britons believe that immigrants who are in the country without a job should leave. In the same newspaper it is also reported that immigrant workers are being treated in a new way. Caesar Olszewski, publisher of the U.K. Polish-language weekly *Goniec Polsiki*, notes that more and more foreigners feel unwelcome in Great Britain. “In this crisis it’s very easy to play the nationalism card, for each country to be selfish”, he says.

### Despite the crisis

and all problems that result from it, yet another, entirely different complex problem looms just around the corner, according to researchers. It concerns future population changes in the EU countries - a demographic crisis is anticipated. The young generations who are on their way out into the labor market are far fewer in number than the elderly. According to the prognosis of the Commission, this means that in 2050 the EU will have two instead of four people in the workforce for each citizen who is 65 or older. In some countries, the population will shrink since the fertility rate is low and average length of life short. This is true of the Baltic countries and Poland.

“I believe that the Baltic states face a huge problem. It’s not enough that corruption is widespread – the population is also diminishing, especially in Lithuania. The health of the general population is already poor because of alcoholism, disease, murder, and suicide. The risk is thus great that these countries will fall behind even when the state of the economy improves. The workforce that is necessary for recovery doesn’t exist”, says Charles Woolfson.

In order to meet the challenges that all European countries will face when the economic cycle turns, a number of measures are needed. A future shortage of labor cannot be dealt with by increased migration. Instead, the labor force at home must be mobilized. The young, who today often study well into adulthood, must be encouraged to enter the education system earlier. Older people must be encouraged to continue working longer.

“A series of measures must be put in place in order to increase the labor supply in each country. Immigrant workers will not fill the needs that are coming”, Eskil Wadensjö concludes.

anna danielsson

Anna Danielsson, specializing in labor market issues.

But there is also a nationalistic reaction – as in Ireland.

The EU region is not nearly as flexible as the U.S. Mobility has its limits.