

# Europe in motion

**Society**

**Labour Market**

**and Sustainability**

**in the Age of Migration**

**Collection of Papers from the 3<sup>rd</sup> Forum  
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# **CONTENT**

<b>INTRODUCTION</b> Brigita Schmögnerová	<b>5</b>
<b>SOCIAL DETERMINATIONS OF UZBEK STUDENT MIGRANTS TO WESTERN COUNTRIES</b> Farkhad Alimukhamedov	<b>8</b>
<b>ECONOMIC PERFORMANCE AND FINANCIAL MARKETS: MONETARY POLICY ALTERNATIVES FOR EASTERN EUROPE</b> Maksim Belitski	<b>17</b>
<b>SECTOR INEQUALITY OF PUBLIC SPENDING, REGIONALISM, AND GROWTH</b> Lorenzo Burlon	<b>41</b>
<b>GLOBALIZATION, HUMAN RIGHTS AND MIGRATION IN EU</b> Rastislav Funta	<b>56</b>
<b>A PARADOX IN THE EU MIGRATION MANAGEMENT</b> Deniz Genç	<b>67</b>
<b>MIGRATION AND RETURN ON THE BOTH SIDES OF THE BULGARIAN-TURKISH BORDER</b> Lina Gergova	<b>81</b>
<b>“THE JOB IN TRADE PERSPECTIVE” – A NEW WAY OF UNDERSTANDING REFUGEE INTEGRATION. THE ROMANIAN REFUGEE CASE IN DENMARK</b> Astrid Hamberger	<b>93</b>
<b>SELF-IDENTITY AND CONSUMPTION GOODS. THE THEORETICAL OUTLINE OF PROBLEM AREA</b> Eva Hudáková	<b>108</b>
<b>LIFELONG LEARNING: A LOOK THROUGH THE GENDERED LENSES</b> Janka Kottulová	<b>119</b>
<b>EXPLAINING DIFFERENCES IN LABOR MOBILITY IN CZECH REPUBLIC AND SLOVAKIA</b> Lucia Kurekova	<b>131</b>
<b>THE NEW ECOLOGY OF RISK: PREVENTING ECONOMIC STAGNATION IN THE FACE OF CLIMATE CHANGE ON THE HUMBER ESTAURY</b> Carl Lewis	<b>147</b>
<b>LIMITS OF EU “TRANSFORMATIVE POWER”: MINORITY PROTECTION IN CROATIA, SERBIA AND SLOVENIA</b> Zuzana Lisoňová	<b>161</b>
<b>EXPLAINING CONTINUITY AND CHANGE IN POSTCOMMUNIST CENTRAL EUROPEAN WELFARE STATES</b> Kristin Nickel Makszin	<b>173</b>

<b>CRISES 2009: THE OPPORTUNITY FOR EUROPE TO RECONSIDER ITS PRIORITIES</b>	
Ján Matuška	<b>187</b>
<b>SOCIAL OR PERSONAL: NETWORKING AS A CHANCE FOR BETTER UNDERSTANDING AND PREJUDICE-LESS SOCIETY</b>	
Kateryna Novikova	<b>198</b>
<b>PROMOTION OF ECONOMIC MOBILITY IN EUROPE, THE CONTINENT OF CULTURAL DIVERSITY AND SOLIDARITY</b>	
Zuzana Peterková	<b>211</b>
<b>WORK MIGRATION OUT FROM MARGINAL VILLAGES IN HORNÉ KYSUCE REGION AND ITS CONSEQUENCES AT SOCIAL AND ECONOMIC HOUSEHOLD´S SITUATION</b>	
Lucia Poláčková	<b>226</b>
<b>ADAPTATION OF LABOUR MIGRANTS AS A FUNCTION OF SOCIAL MANAGEMENT (Case of a construction site in St. Petersburg, Russia)</b>	
Anna Rocheva	<b>241</b>
<b>POSITION OF WOMEN AT THE LABOUR MARKET OF EU: REASONS AND CONSEQUENCES OF DISCRIMINATION.</b>	
Soňa Svoreňová	<b>251</b>
<b>LABOUR MARKET CHANGES ACCORDING TO SLOVAK KNOWLEDGE BASED ECONOMY NEEDS</b>	
Miroslav Štefánik	<b>261</b>
<b>REFORMING SOCIAL POLICIES IN EUROPE – DANISH <i>FLEXICURITY</i> AS BEST PRACTICE MODEL</b>	
Lena Thurau	<b>274</b>
<b>THE REGULATION OF EUROPEAN LABOUR MOBILITY: NATIONAL POLICY RESPONSES TO THE FREE MOVEMENT OF LABOUR TRANSITIONAL ARRANGEMENTS OF RECENT EU ENLARGEMENTS</b>	
Chris Wright	<b>291</b>

## **INTRODUCTION**

### **Brigita Schmögnerová**

The third international conference of PhD students of social, economic and political sciences “My PhD 2009” took place in Bratislava from 18 to 20 June. It was organised by the Friedrich Ebert Foundation and PROFORUM (the Progressive forum). It brought together PhD students from the Central European and some western universities and was an opportunity to exchanging views, discussing research methodology and research results, and extending research contacts indispensable in today’s globalisation of knowledge. This year “My PhD’s” topic was “Europe in Motion: Society, Labour Market and Sustainability in the Age of Migration”. The papers selected for the conference proceedings therefore included different aspects of migration with a focus on labour migration, papers on social policies in the EU and postcommunist Central European states as well as papers discussing growth and development of the knowledge based economy. The conference benefited much from the commitment of well-known professors and scholars that chaired deliberations and provided much appreciated advice to the PhD students.

Transformation from centrally planned economy to a market economy generated unprecedented mobility of labour force including professional, sectoral and geographic of which labour migration has developed as the most significant form of mobility having important impacts on both host countries and countries of origin. The Russian Federation has become the key recipient country for workers coming from the former Soviet Union Caucasus and Central Asian Republics. Labour migration from the Baltics, Poland and Slovakia increased significantly after the EU accession when the UK and Ireland opened their labour markets to new EU Member States. Spain, Italy and France experienced large influx of immigrants from the South East Europe. While there is relatively a lot of literature analysing the effects of labour migration on the host countries more in-depth assessment of workers migration on sending post-communist countries remains to be made. On the positive side and in the short-term, labour outflow reduced unemployment rate and added to the GDP growth in the countries of origin. Remittances in Tajikistan, Moldova, Albania, etc. have represented a great share of their GDP and boosted domestic consumption. On the negative side and in the longer-term perspective, what has been

mainly youth and brain drain might have negative consequences in addressing the ageing population and in attracting talent in need for building more competitive knowledge-based economy in countries of origin. New education opportunities to students from the former communist states are much welcomed and prized to the extent universities leavers are ready to share their knowledge and experience with their home countries. The current financial and economic crisis has not reversed the migration trends substantially: large influx of returnees is not happening despite the fact that wages are lower, many immigrants are among dismissed workers and anti-immigration sentiments in many host countries are growing. As a result remittances are also dropping.

The My PhD 2009 conference main subtext: The Age of Migration was an opportunity to present and discuss different aspects and impacts of migration like opening of the labour markets of the EU15 to new comers to the EU (Chris Wright), human rights aspects of migration (Rastislav Funta) and some case studies like labour mobility from the Slovak Republic to the Czech Republic or historical roots of migration at the Bulgarian-Turkish border or migration from a underdeveloped microregion in Slovakia ( papers prepared by Lucia Kurekova, Lina Gergova, Lucia Polackova).

Apart from labour migration, labour markets are shaped by governments' policies on supply and demand sides. In 2009 when we celebrate the 20<sup>th</sup> anniversary of the fall of the Berlin wall when most of the former communist states started their transformation - not just one transformation - we should look more into the future. After the transformation from the centrally planned economy to a market economy, from the totalitarian regime to democracy, etc. they (and not only post-communist countries) face another transformation: to a low carbon economy and to knowledge based economy. To address the transformation to knowledge based economy requires thorough redefining of education and - partly- social policies. Re-defined policies aiming to expand knowledge and social cohesion are to be attributed as "productive" from economic and societal point of view. Some students' papers - on role of lifelong learning in a knowledge based economy, full use of talent irrespective of gender, ethnic minority, etc. address various aspects of innovative approaches to pro-active social policies. Two papers provide more comprehensive analysis of social policies in the Central European postcommunist countries or more generally in the EU assessing -between other - Danish experience with

flexicurity and its potential transferability to other countries. (Papers of Kristin Nickel Makszin and Lena Thurau).

Two PhD students submitted two theoretical models underpinned by mathematical models of growth ( Maksim Belitski, Lorenzo Burlon). Equally interesting is a case study of the Humber estuary showing the impact of climate change on the development at micro-level (Carl Lewis).

The editors of this publication hope that the publication will provide further encouragement to the PhD students to deepen their interest in these important issues and stimulate networking among PhD student from different universities and different countries to the benefit of the research and research results.

# **SOCIAL DETERMINATIONS OF UZBEK STUDENT MIGRANTS TO WESTERN COUNTRIES**

**Farkhad Alimukhamedov**

**Keywords:** Central Asia, migration, youth, adulthood, family, West, globalization

## **Introduction**

In terms of numbers, the Central Asian region represents an interesting field of research. It is still difficult to mention exact figures, but considering that the quarter of the GDP of countries like Kyrgyzstan or Tajikistan is completed by their compatriots working abroad<sup>1</sup>, or stating that the level of Central Asian student migration comes just after the African continent (in terms of percentage<sup>2</sup>), we can have an idea of it. The issues related to immigration within post-soviet countries have become the subject of economic research. The question of wage difference and the increasing part of remittances in the share of the GDP are primary issues of discussion.

However, I would argue that socio-political aspects of migratory movements are of the equal importance. Some researchers like Professor Bertrand Badie<sup>3</sup> considers even that contemporary migration should be studied a social event and de-politicized, because in terms of share, migration at the beginning of the XXth century was higher than migration today. Even though, classical approach focus on considering that economic inequality between two countries is the main reason for migration, in some cases an increasing GDP cannot decrease the emigration rate.

The countries of Central Asia are named as NIS (Newly Independent States) which may define « new » in terms of statehood and population. The majority of the population is composed of youth in all these states. For example, youth represents more than fifty percent of the population in Uzbekistan, Tajikistan and Turkmenistan<sup>4</sup>. In fact, the large share of young population can be also the source of emigration.

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<sup>1</sup> Sobir Kurbanov, 2006, Labour Migration from Tajikistan and its economic impact, Central Asia and Caucasus [http://www.ca-c.org/online/2006/journal\\_eng/cac-05/05.kureng.shtml](http://www.ca-c.org/online/2006/journal_eng/cac-05/05.kureng.shtml)

<sup>2</sup> UNESCO, 2006, Global Education Digest, Canada, Montreal; UNESCO Institute of Statistics

<sup>3</sup> Construire une gouvernance des migrations, débat organisé par CERI en juillet 2008

<sup>4</sup> CIA World Factbook <https://www.cia.gov/library/publications/the-world-factbook/fields/2177.html>

However, we consider that, demographic and economic indicators should be accompanied by socio-political elements in order to explain the migration. Therefore, in our case we want to study the influence of several elements on migrants, which are studentship, cultural globalization and family. We consider that, these three are the most important social factors in “transitional age”, or in passing from youth to adulthood.

## **I. The difficult matching between studentship and adulthood**

### **I.I. The social status of studentship**

The prestige of education remains quite high in contemporary Uzbek society. I would argue that, this prestige is not only based on its quality, but firstly on its exclusiveness. The access to higher education is limited and the rate of bursaries is decreasing number of places, with an increasing number of youth. Another reason is an increasing rate of tuition fees, which gives less chances for students coming from poorer families to enter university. The tuition fees seem to play a more important role in the financing of higher education, a tendency that does not stop even during the period of financial crisis<sup>5</sup>. Due to the above situation being a university student gives a certain status, which is considered as an advantage, because it is not accessible for everybody. However, studentship requires several years of studying that implies officially entering to the job market later than the older generations. It is difficult to distinguish between young people and adults due to longer studies, which may postpone the so-called, entrance to adult life.

### **I.II. The changing definition of youth in contemporary societies**

But, what does “youth” mean? Is there a universal definition of youth or adulthood?

In the article entitled “Youth poverty and transition to adulthood in Europe” authors collect the follows:

“The United Nations defines youth as composed of individuals aged between 15 and 24 years of age. The European Union follows this definition, both in its programmes targeted at young people and in its White Paper on Youth (European Commission 2001). Moreover, National bodies often define the lower age band as the statutory minimum school leaving age in their country – so, for example, the British Office for National Statistics usually defines “young adults” as aged between 16 and 24 years of age (Office for National Statistics 2004)”<sup>6</sup>.

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<sup>5</sup> Despite the consequences of Financial crisis, universities keep almost the same rate or higher tuition fees not only in Central Asia, but also in Europe.

<sup>6</sup> Arnstein Aassve, Maria Iacovou, Letizia Mencarini, 2006, *Youth Poverty and Transition to Adulthood in Europe*, Demographic research, Volume 15, p.24 <http://www.demographic-research.org/volumes/vol15/2/>

However, the authors show the need for updating the definitions as it seems that the age of youth is lengthening. There are some elements that imply the entering to adulthood: marriage, leaving the parents' home, being financially self-sufficient and others. However, each of them concern a certain group of people, even though ideally, adulthood means the union of all above mentioned elements.

What is in the Uzbek context being “adult”? Theoretically, marriage seems to be the best defining element of adulthood. However, a marriage cannot be celebrated without the necessary financial situation. That shows that marriage and financial well-being are interrelated; poorer youth has higher possibilities of becoming “late youth”.

## **II. The choice of the country of migration: avoiding post colonialism**

### **II.I Studying abroad, an old phenomena?**

The migration for studies comes at a very interesting point of life. In fact, it is the possibility of going abroad, which means in some terms the continuation of youth. But why students prefer continuing their youth life, instead of “becoming an adult”?

“Before some parents did not marry their daughters to those who has not been to the Army. For some of us, going abroad is a kind of experience equal to military service where we become independent by living far from our families”Doda

Moreover, studying abroad was exclusively reserved for the local “elite” during the soviet times. The best students were encouraged to study in leading soviet universities located in Moscow, a privilege which was often accompanied by important posts when returned. Even earlier, studying abroad was encouraged by local intellectuals called as “Jadid” who opened new-method schools and sent the most brilliant students to study in Europe and the Ottoman Empire (*Khalid, 1997*).

After independence, the Uzbek government also encouraged its students to stay abroad, initially via the foundation called “Umid” (Hope). Even though, the programme has changed its policy, going abroad for studies remains attractive.

Sometimes, studying abroad implies a better situation than working at university, as explain one of our respondents.

“The fact of leaving to France was considered as the continuity of my career. That was not considered as going back to studentship, but passing to another step of my professional career”. Z

## **II.II. Ideal trajectory**

An ideal situation would be in fact, for the majority of Uzbek students, study for a Masters or PhD degrees after graduation at home university. It is considered to be the better if the migrant acquires at least a Bachelor degree at home.

“I regret, personally, not finishing my Bachelors studies at home. That would give already one diploma” G

The one who has obtained a Bachelor has already proved the capacity of studying and achieving certain results. Moreover, a candidate is seen as having more responsibility and being more serious due to the rising age.

There are two main reasons which according to students for choosing especially Master degree in order to study abroad: the first is academic, the latter is practical.

Due to the absence of Masters programmes in Soviet educational system, creating the new programme may take some time. For students master programme seem to be a “repetition of past (Bachelor) programme”.

“I do not think, that I can learn something during two years at the same faculty. We have the same professors, almost the same programme” T

However, the lesser place reserved for Masters candidates could be an another explanation for that.

## **II.III. Multiple West**

Almost all students acknowledged that they were willing to study in Western countries, even though some of them do not study in the country they initially wished to. By “Western”, is meant not only a geographical destination, but also the imaginary space associated with the “West” in the contemporary world. Therefore, the very Eastern countries, like Japan, or South Korea are in that sense a part of this imagined West.

The social pressure is rather high especially on those who study or work in western countries, as these are considered to be an “Eldorado” for most migrants. According to a sociological research conducted in the Kashkadarya region<sup>7</sup>, the respondents claim that Western Europe and North America can offer better wages and also better conditions for living standards (human rights, liberty, etc.). Bernard Lewis indicates that the West is defined in opposition to the East, otherwise the West is so

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<sup>7</sup> That research shows that even in periphery the destination the wish to go to West.

multiple that it is difficult to define it. For many Uzbek students, the closest West is Russia, the furthest is the USA (*Moscaritolo, 2003*).

« Soon I will leave to the States. People (Uzbeks) changed their attitude after they have learnt about it. It is surprising to note that; I was in France which is a developed country and not everybody can come here. But it seems that, being in the States is more respectful than being in Europe », L.

However, choosing Western countries has also a very important motive – avoiding a “closer West” which is Russia.

“I would never go to Russia, to stay at a very difficult condition” Z

“I do not want to risk my life there” M says

Making a parallel between European and Russian colonialism maybe hazardous, but some elements of post colonialism appear in the post soviet case. The legal status does not completely define the social status of migrant. It is difficult to state the difference between Algerians (called as French Muslims during the colonial years) before or after having become immigrants.

As Anne Catherine Wagner notes, “*The immigrants of lower classes are considered collectively, due to their membership of collective entities: “Algerians”, “Portuguese”, “young people of maghrebin origin” are considered as representatives of culture which is imposed to them*”<sup>8</sup>

Being called sometimes as “*black*” (cherniy) proves the “importation” of post colonial feelings to Russia from other European societies. Surprisingly, Russia, would imitate Europe even in definitions, using the term “*gastarbeiter*” in a non German context. Nevertheless, Uzbeks do not consider Russia as foreign land. The word “*chet el*” (foreign country) applies officially to Russia too, but when they claim “*chiqib ketti*” “went outside” that implies that the person left to another country than the CIS.

The choice of the so-called “far West” than “close West” which is Russia (*Moscaritolo, 2003*) implies leaving the post colonial area, where the person is seen as a part of a group, and not as an individual. That implies avoiding the country with already existing disadvantages social status. There is also a prestige of staying in the West, because it puts at the same context an “advantages” Russian with an “advantaged” Uzbek. However, only a tiny part of Uzbek migrants can achieve this. The rate of “international”

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<sup>8</sup> Anne-Catherine Wagner, 1998, Les nouvelles élites de la mondialisation. Une immigration dorée en France, Presses Universitaires de France ; Paris, p.12

migrants is very low among overall student migration. According to Allakhverdieva<sup>9</sup> only 3 per cent of Uzbek migrants are moving to other countries that CIS territory. Therefore, a famous Uzbek writer's statement could neatly resume how a country is associated with the profession of the migrant. "Those who are in the market (sellers, small businessman) go to Turkey, and only well educated can come to France."

#### **II.IV. Impact of globalisation**

Another aspect of choosing the West is the influence of cultural globalization. However, many students state that, coming to Europe means coming to "developed states" where the aim is to "*study their advance, but keeping own (eastern) values*" X. Much can be said about the change in values, and the very nature of Uzbek values. But the aim of choosing Western countries already is a dilemma, because accepting the supremacy of one country, partly implies accepting their values too. Moreover, it is also difficult to guarantee the *status quo* of values, because they always change.

Globalization is an advantage for core countries that attract people from peripheries. Studying, working and even visiting core countries gives an advantage.

Anne-Catherine Wagner considers that an experience in developed countries is more important than a rich CV obtained in developing countries<sup>10</sup>. Therefore, she states that even qualified people prefer accepting less qualified jobs in "the core" countries, than a qualified job in peripheral countries. Over qualification in developing countries, is less appreciated than small experience in developed countries. From that point of view, for a university professor to become a student in France would be as it was told by our interviewee a continuity in a "rising career".

In a recent popular French comedy-film, it appears how the southern parts of France are considered by the public servant be the best places to work and live in. And the worst disciplinary are sent to the north where the conditions are considered to be worst. Even though person is to develop his career, the "wrong" destination can have an overall negative impact.

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<sup>9</sup> Allakhverdieva. L, Molodiye eksperti o migratsii, Migratsiya v zerkale strat SNG, 2006, p. 209  
<http://migrocenter.ru/publ/pdf/molodikova.pdf>

<sup>10</sup> Anne-Catherine Wagner, 1998, Les nouvelles élites de la mondialisation. Une immigration dorée en France, Presses Universitaires de France ; Paris, p.150

### **III. Accountability and reciprocity: family and young migrants**

#### **III.I. The place of the family on decision-making**

We mainly calculate migration in terms of financial remittances, whence social aspects of migration could be another tool for understanding it better, especially in Central Asian context. Economic reasons not define all, therefore we try to focus on the family which plays a key role in the migration projects. Some researchers (*Petric 200*) state that the family has a primordial place in decision making in the Uzbek context. The place of the individual within society depends on his family background. Financial or professional success cannot compete with family success, therefore the main interests are tied to family issues like marriage, divorce, etc. The decision of migrating is also taken within the family. Majority of respondents claim that their family members were glad to see their children going abroad, as we see in the following account:

« I always wanted to go to France. From the beginning of my studies at university my aim was to study here. My parents were encouraging me and participating in all my victories and losses » X.

The family plays a key role also in the continuity of the migration:

« I was abroad for several years. My brother could gain a scholarship in order to study for several months. It was difficult for my family to imagine to let all sons go abroad. However, after some reflections they agreed for him to leave » D.

The definitive return depends also from the family.

« When I was back to Tashkent, my family told me not to come back as the things are not going well. It is difficult to return and adapt to previous conditions » H.

« I think it is better for my family if I stay here [in the host country]. They will have less problems, and moreover, I am helping my brothers financially » I.

« My mother asks me each time when I will return, but my father tells me that there is no concrete job for me. I have consulted my friends too, they are living on the help of their parents, even though they have several children » B.

#### **III.II. Accountability**

The family has an important role therefore the migrant is accountable towards the family. The case of students from Cameroon in Germany shows the accountability of migrants towards families<sup>17</sup>.

The migrant is considered there as a source of revenue where firstly, it is necessary to invest. The family invests in the migrant, and migrants know that once in Europe they are accountable towards their family's efforts and must reimburse and later help the family.

The same case is seen in some interviews, where some migrants cannot return home:

« I came here in 2005 with 5000 US dollars. I have spent all the money, and now I have debts. Of course I have worked in the meantime and I am still working. But before going back to my country, at least I have to gain some money in order to keep my credibility » K.

Usually the migrant is chosen among the best ones. Therefore, he or she is considered to have a high income in term of investment. It is usual to see among Uzbek students abroad either eldest or more gifted ones.

If where asked if the respondent could be more useful in the home country showed that ninety per cent of migrants considered that they are more useful being abroad than in their home country. Recent university graduates studying or working in London.

### **III.IV. Negotiating between personal initiatives and responsibility**

The difference between student and labour migration is that the first one has a high rate of personal initiative, a willingness to go abroad. The human capital increases by studying, which means that staying abroad implies more than a financial aspect.

The linguistic aspects also play an important role. All respondents claimed that practising a learnt language was one of the main reasons for coming to London. For many, being in UK or in France, is not exclusive, but a logical continuity of their studies.

## **Conclusion**

The paper has an objective to seek the social determinants of youth migration. The issue was to see how the social actors can contribute to decision making procedure. The important factors for youth like post-secondary education, cultural globalization, and family were taken as decisive elements of social influence.

In fact, there is an “offer” for emigration in contemporary conditions of Uzbek youth, which are not conditioned only by possibilities of young people, but also by the created or sometimes invented needs and models which drive young people to West.

The very existence of student migration to Western countries prove that there is almost no other possibility of migrating to these destinations than being student.

The lesser place given to post secondary education will probably lead young Uzbek to try their chances abroad in order to pursue their studies. It might result in a very close future, a younger, pre-student migration, those willing to study abroad, especially in European via study for work formula.

The attempts for studying in West will not decrease, even if several international universities are opened in Uzbekistan Instead, they will create the mobile international workers able to work at any place of the world.

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# ECONOMIC PERFORMANCE AND FINANCIAL MARKETS: MONETARY POLICY ALTERNATIVES FOR EASTERN EUROPE

**Maksim Belitski**

**Abstract** While there is a vast empirical and theoretical literature analysing the impact of structural shocks in financial markets, far less attention has been paid to design of ad-hoc monetary policy toolbox, accounting for country's socioeconomic heterogeneity to be implemented in the periods of financial crises or short term economic recession. Introduction an extensive dataset that includes measures of banking sector technology, economic performance, global risks and inflation for a sample of ten Central and South Eastern European countries enabled us to provide a comprehensive analysis of the consequences of monetary policy.

**Keywords** composite shock, vector autoregressive models, output gap, monetary policy, inflation

## Introduction

After the disintegration of the Soviet regime, Eastern European countries fell into a serious socio-economic crisis. It had to choose between entrapment in a vicious circle of inefficiency in the Western European periphery on one side, and a developmental breakthrough through implementing radical reforms on the other. The situation in Central Eastern and South Eastern Europe was quite different. In the V4<sup>11</sup> countries and Slovenia, their relative openness to the West and its more pro-market-oriented economy in combination with a certain degree of political and especially cultural autonomy – this was not the case in the Baltic States<sup>12</sup>, Romania and Bulgaria. This led to the prevailing conviction about the relative compatibility of the V4 and Slovenian institutional setting with the Western economies and prevented a clear and sudden break with the past. The so-called “soft transition” means gradual and successive institutional changes for the purpose of maintaining social and economic stability. The Baltic States elite decided to

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<sup>11</sup> The V4 (also known as the "Visegrad Four" or simply "Visegrad Group") reflects the efforts of the countries of the Central European region to work together in a number of fields of common interest within the all-European integration. The Czech Republic, Hungary, Poland and Slovakia have always been part of a single civilization sharing cultural and intellectual values and common roots in diverse religious traditions.

<sup>12</sup> The Baltic states, Baltic Nations or Baltic countries are three countries in [Northern Europe](#), all [members](#) of the [European Union](#): [Estonia](#), [Latvia](#) and [Lithuania](#). After centuries of foreign domination the Baltic countries remerged as independent nations in the aftermath of [World War I](#) in 1918-1920.

modernise society by using the mechanisms of a vast and fast liberalisation and deregulation of trade, financial and banking sector, V4 and Slovenian elite chose gradualism instead, which meant slower and much more cautious, however sometimes not too efficient reforms with the aim to guarantee a high level of macroeconomic and social stability (Mrak et al., 2004).

Both transition models have proved to be relatively successful so far. Baltic States, V4 countries, Slovenia, Bulgaria and Romania are considered to be the fastest-developing and catching-up country comparatively with CIS<sup>13</sup>, that is rapidly approaching the EU average. Some of them like Slovenia, Estonia, Slovakia, the Czech Republic, on the other hand, has succeeded in maintaining the highest GDP in the region and financial stability, which enabled two of them the acceptance of the common European currency – the Euro. Further, the type of capitalism that has been restored in the Central and Southern Eastern European countries can be understood in the context of the co-influence of structural and partially historical-geopolitical circumstances on one side and ‘subjective’ decisions, as a result of the composition of elite groups and their prevailing ideological profile on the other. In these countries, radical liberalisation and deregulation was underway that resulted in typically liberal (market) capitalism with a peripheral role of the state.

However, economic openness of the country, high degree of market liberalisation, absence of capital and labour barriers across the EU have made these countries more vulnerable to exogenous shocks and global risks, apparently resulted in a macroeconomic downturn of some of the V4 and Baltic States countries. Dividing Central and South Eastern European countries into three groups as Visegrad, Baltic States, Slovenia, Bulgaria and Romania we investigate the values of output gap<sup>14</sup>, starting from the year 2008.

Apparently, the slowdown of the V4 economies began in the mid of 2008 and is ongoing. In Hungary and in the Czech Republic it had developed slightly earlier than it

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<sup>13</sup> The Commonwealth of Independent States (CIS) is a [regional organization](#) whose participating countries are [former Soviet Republics](#). The CIS is comparable to a [confederation](#) similar to the original [European Community](#). Although the CIS has few supranational powers, it is more than a purely symbolic organization, possessing coordinating powers in the realm of trade, finance, lawmaking, and security. It has also promoted cooperation on [democratization](#) and cross-border [crime prevention](#). As a regional organization, CIS participates in [UN peacekeeping forces](#). Some of the members of the CIS have established the [Eurasian Economic Community](#) with the aim of creating a full-fledged [common market](#). Georgia left the CIS after the Russian–Georgian War in August 2008 leaving ten members of the CIS.

<sup>14</sup> Output gap is one of the most important macroeconomic indicators, demonstrating the current macroeconomic situation in the country and is [economic](#) measure of the difference between the actual output of an economy and the output it could achieve when it is most efficient, or at full capacity. There are two types of output gaps: positive and negative. A positive output gap occurs in the periods of “warming up” economies when actual output is more than the full-capacity output. Negative output gap occurs in recession the when actual output is less than full-capacity output.

did in Poland. The Slovak economy had not experience downturn at all, continuing to grow during the year 2008. Baltic States look generally much better than the V4 as just Estonia experience severe downturn in its output gap and GDP rates of growth. Nonetheless, there is a fall down in the output gap both for Latvia and Estonia, although slightly less gradual for Latvia with a contemporaneous increase of output gap of Lithuania, starting from 2007.

Bulgarian and Romanian output gap time series are strongly cointegrated as we can clearly observe from the picture of co-movements. Still experiencing positive output gap Romania and Bulgaria are expected to face a steady downturn in the third quarter of 2009. Slovenian output gap movement is characterised by a stable economy when actual output is asymptotically approaching the full-capacity output of the country.

The global economic downturn had a strong effect on seven over ten Eastern European economies, and the financial turmoil, which arose in the end of 2008, has made the situation look worse. Seven of ten countries underlined in the paper are currently in a deep recession, while Lithuanian, Slovak and Slovenian growth rates of GDP are retreating rapidly. The outlook for 2009 must be gloomy for all seven countries and only 2010-2011 as predicted may bring better developments. At the same time much depends both on how the global economy and financial markets perform and on the instruments of monetary policy that the National governments and Central European Bank will introduce. In this paper we focus on short term dynamics of output gap and aim to design ad-hoc composite monetary shocks to develop the most effective toolbox of expansionary monetary policy during the recession. The geographical scope of the research is Central and South Eastern European countries.

Designing ad-hoc composite monetary shocks implementing VAR techniques of large-scale modelling raised the following sensitive issues of the research.

## **I. Methodological issues**

Firstly, the problem of nonstationarity of our model as the most of the economic data seems to have a solution within the cointegration analysis. Since the emergence of the Engle-Granger concept of cointegration, there have been hundreds of models incorporating the long-run equations with the short-run error correction mechanisms. The difficulties with the long-run concept have not been initially visible, where the modellers concentrated on the evaluation of cointegration for the long-established markets and

economies. However, gradually the cointegration analysis has been applied to the small open economies in the Central and Eastern Europe with more volatile economic history. For above economies, there was simply not enough data of an undisturbed development to identify the long-run equations. While the cointegration analysis has created a substantial improvement in the short-run modelling by turning attention to the problem of nonstationarity of data and coming up with the short-run error-correction models, which usually have good forecasting properties, the attempts to identify long-run relationships have often been dubious.

The second problem is related to the fact that large cross-country empirical models are difficult to manipulate and estimate, as in our case the number of cross section units turns to ten. Problem arises due to the multidimensionality in a VAR models. In times of great popularity of large models, multidimensionality was seen as an advantage rather than disadvantage, as they allowed describing the cross-country and economic differences clearly and in deeper details. Errors in specification, data deficiency and volatility, estimation approximations tend to cumulate in large models, leading sometimes to surprising results. It seems reasonable to reduce on the model dimension solving “curse of dimensionality” problem and hence to focus on a smaller ten VAR models for each country assuming absence of contemporaneous correlation between the variables across the considered countries.

Finally, there is a problem of data reliability and availability. This is related mainly to the real macroeconomic and banking data, which is used in our analysis; quarterly data on gross domestic product (GDP), cross-country deposit rates and lending rates, bank assets and bank liabilities, import and export data. Data on GDP are usually published with a substantial delay, at least 6 month for the Western European countries and 6 to 12 month delay in the Central and Eastern Europe, especially from the national sources of information. Particularly difficulties were faced with bank assets to bank liabilities ratio as data over a period of 1993-1994 and 2008, which play an essential role as well as the deposit and lending rate quarterly data across the countries. For some countries, such as Romania, Bulgaria and to a lesser extent Poland, the quality of data is less satisfactory and the official data is slightly related to the true extent of economic activity and varies from one statistical source of information to another. Although the problem has been acknowledged for a long time, generating a lot of criticism regarding the reliability of

empirical research based on real data as Steckler and Burch (1968), Reijer (2006), York and Atkinson (1997), no effective solution have been offered so far. The volatility of the output gap across the analysed countries see Appendix A.

## **II. Literature overview**

The impact of a change in the net interest margin, inflation rates and other macroeconomic determinants on real output and GDP growth has been studied extensively (Krugman and Taylor, 1978; Gylfason and Schmid, 1983; Mishkin, 1995; Bahmani-Oskooee, 1998; Upadhyaya, 1999; Bahmani-Oskooee and Miteza, 2003; Moneta, F., 2005; Chen, S.-S., 2009). A review of these and other studies (Taylor, 2000; Sarno and Taylor, 2002; Berument, H., 2008) indicates that changes in net interest spread which is the difference between lending and deposit rate may be expansionary or contractionary, depending upon the model specification, the methodology employed in empirical work, the country under study, the sector of the economy, the short run versus the long run, and the time period of the sample. They also stress the attention on balance between monetary and fiscal policy instruments. Same is true for the impact of inflation and banking sector performance on macroeconomic development. In empirical work, it may be appropriate to simulate various combinations of monetary policy instruments, trying, for instance, to bring together the effect of shrinkage in net interest spread, though increasing the amount of money supply in the economy, etc. It could help to determine the possible impact of the aforementioned determinants on the deviation of nominal GDP from its potential values in a short run. These studies acquire particular importance during the recession period.

Recently, Upadhyaya et al. (2004) using a panel data analysis found that nominal depreciation and inflation growth for Greece and Cyprus had a positive effect on output being sensitive to these determinants in the short run and a neutral effect in the medium term and long run.

Brunner, A. (2004) describing three-pillar banking system in Germany and within European Union, links the importance of net interest margin in output fluctuations and describes the negative consequences for financial stability.

Chen, S-S. (2009) investigates whether macroeconomic variables can predict recessions in the stock market. Series such as interest rate spreads, inflation rates, money stocks, aggregate output, unemployment rates, federal funds rates, federal government

debt, and nominal exchange rates are evaluated. Apart of parametric he involves nonparametric approaches to identify recession periods in the stock market with a particular consideration both in-sample and out-of-sample tests of the variables' predictive ability.

Berument, H. (2008) proposes a specification to identify the monetary policy for a small open economy, on the example of Turkey. However, his example of the monetary policy is measured by using the interest spread between the Central Bank's interbank interest rate and the depreciation rate of the domestic currency. A VAR type of model is used to identify monetary policy shocks that could be theoretically transmitted to New European economies.

Applied econometricians study the possibility of using macroeconomic variables, such as spreads and financial market variables to predict recessions in the Euro area (Moneta, F., 2005) or investigate the relationship between financial market variables and output growth, using a non-parametric technique (Hassapis, C., 2003).

Moneta, F. (2005) studies the informational content of the slope of the yield curve as a predictor of recessions in the euro area and provides evidence of the potential usefulness of this indicator for monetary policy purposes. He stresses the attention on the historical predictive power of ten variations of yield spreads, for different segments of the yield curve. Hassapis, C. (2003) on a Canadian sample of financial variables examined those that are often associated with future output growth, namely, stock prices, inflation rates, interest rate spreads and monetary aggregates. His results showed that as the number of autocovariances that are assigned a non-zero weight increases, the feedback from selected Canadian or U.S. financial variables to future Canadian output growth increases.

Assessment the empirical plausibility of the real business cycle and an idea that shocks to real variables are the dominant sources of economic fluctuations and that monetary policy shocks play an insignificant role in determining the behaviour of real variables belongs to Moneta, A. (2008). He reconsidered the vector autoregressive model of King et al. (1991), but proposed an alternative identification method, based on graphical causal models. This method selects the contemporaneous causal structure using the information incorporated in the partial correlations among the residuals. He proved, that the residuals orthogonalization which follows and the study of the impulse response

functions confirm the results of King et al. (1991): permanent productivity shocks are not the dominant sources of aggregate fluctuations in US economy. This result has a particular importance for our paper as we continue the VAR model analyses of monetary shocks as sources of fluctuations in the Eastern European economies.

Finally, Chuderewicz, R.P. (2002) used interest rate uncertainty to predict the paper-bill spread and real output using daily data and GARCH modelling.

Above techniques proved the possibility of implementation of different approaches from panel data, GARCH and E-GARCH models to VAR, Simultaneous Equations model and Error correction models to show the impact of monetary policy instruments on economic growth during the contraction and recession periods.

Moreover, previous findings of Adam, F. *et al.*, (2005); Schmidt, (2001); Smith (2003); Soskice and Hall (2002); Stanojević, (2005, 2007); Steen, (2007) and others raise a challenging questions on varieties of capitalism existing in New Europe and comparative advantage of it across the Eastern European countries, future and past of elites, democracy and the state in Post-Communist countries, necessity of change of regime across the countries and the role of political elites to tackle current economic problems as a case studies for Russia, Visegrad group countries and Baltic States.

Extending previous studies, this paper attempts to find whether ad-hoc monetary policy instruments such as shrinking net interest spread, stimulating inflation, decrease in interest rate, improving banking sector efficiency by government interference would lead to rise in output gap across Visegrad group countries, Baltic States, Romania, Bulgaria and Slovenia saving the Capitalism from falling. The choice of these countries is meaningful since they embrace all post-communist countries members of so-called “Warsaw pact counties”<sup>15</sup> in the Central Eastern Europe. The study of the relationships between net interest spread, inflation rates and output gap would help the governments in those countries to understand and programme whether potential impacts of monetary policy changes would yield expected outcomes and would the same monetary

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<sup>15</sup> The **Warsaw Pact** was a group of [Communist states](#) in [Central](#) and [Eastern Europe](#). It was the military equivalent of CoMEcon (the Council for Mutual Economic Assistance). The Warsaw pact was signed on May 14, 1955 in Warsaw, Poland. The pact was created so that if any country in the pact were to be the victim of aggression, the other countries in the pact would defend them. The [Soviet Union](#) initiated the pact in response to [West Germany](#) entering the [North Atlantic Treaty Organization](#) (more commonly known by its English acronym [NATO](#)) in 1955. As such, the treaty was a military-treaty organization initiated and sponsored by the Soviet Union and was the European Communist Bloc's counterpart to [NATO](#); it was similar to [NATO](#) in that there was a political Consultative Committee, followed by a civilian secretary-general, while down the chain of command there was a military commander in chief and a combined staff, although the similarities between the two international organizations ended there.

instruments perform equally between the countries taking into consideration their heterogeneity.

The paper has several different aspects. First, a general VAR model is developed so that output gap is a function of several major macroeconomic variables including the net interest spread, banking sector efficiency, real rates of inflation and other exogenous variables. Second, comparative-static analysis within the countries are employed to study the response of output gap to a composite monetary shock to interest rate spread, banking sector technology and inflation, ceteris paribus conditions, so that possible short-run reactions would be estimated.

### **III. Central European Bank monetary policy instruments**

The main objective of monetary policy is to maintain price stability is the primary objective of the Eurosystem and of the single monetary policy for which it is responsible. This is laid down in the Treaty establishing the European Community, Article 105 (1).

"Without prejudice to the objective of price stability", the Eurosystem will also "support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community". These include a "high level of employment" and "sustainable and non-inflationary growth".

The Treaty establishes a clear hierarchy of objectives for the Eurosystem. It assigns overriding importance to price stability. The Treaty makes clear that ensuring price stability is the most important contribution that monetary policy can make to achieve a favourable economic environment and a high level of employment.

These Treaty provisions reflect the broad consensus that

- Benefits of price stability are substantial. Maintaining stable prices on a sustained basis is a crucial pre-condition for increasing economic welfare and the growth potential of an economy.

- Natural role of monetary policy in the economy is to maintain price stability. Monetary policy can affect real activity only in the shorter term. But ultimately it can only influence the price level in the economy.

The operational framework of the Eurosystem consists of the following set of instruments:

- Open market operations;
- Standing facilities;

- Minimum reserve requirements for credit institutions.

Open market operations play an important role in steering interest rates, managing the liquidity situation in the market and signalling the monetary policy stance.

Five types of instruments are available to the Eurosystem. The most important instrument is reverse transactions, which are applicable on the basis of repurchase agreements or collateralised loans. The Eurosystem may also make use of outright transactions, issuance of debt certificates, foreign exchange swaps and collection of fixed-term deposits.

Open market operations are initiated by the ECB, which decides on the instrument and on the terms and conditions. It is possible to execute open market operations on the basis of standard tenders, quick tenders or bilateral procedures.

The second instrument is standing facilities which aim to provide and absorb overnight liquidity, signal the general monetary policy stance and bound overnight market interest rates. Two standing facilities, which are administered in a decentralised manner by the NCBs, are available to eligible counterparties on their own initiative:

- Marginal lending facility: counterparties can use the marginal lending facility to obtain overnight liquidity from the NCBs against eligible assets. The interest rate on the marginal lending facility normally provides a ceiling for the overnight market interest rate (see Figure 1).

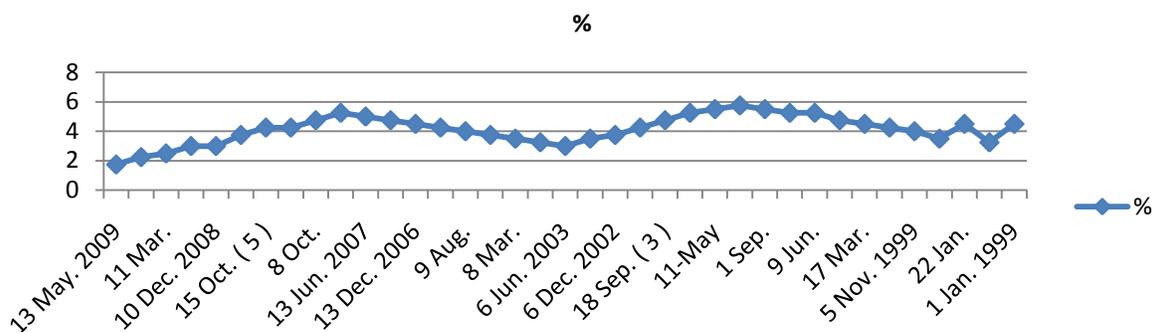
- Deposit facility: counterparties can use the deposit facility to make overnight deposits with the NCBs. The interest rate on the deposit facility normally provides a floor for the overnight market interest rate.

The third instrument is minimum reserves are an integral part of the operational framework for the monetary policy in the euro area.

The intent of the minimum reserve system is to pursue the aims of stabilising money market interest rates, creating (or enlarging) a structural liquidity shortage and possibly contributing to the control of monetary expansion.

The reserve requirement of each institution is determined in relation to elements of its balance sheet. In order to pursue the aim of stabilising interest rates, the Eurosystem's minimum reserve system enables institutions to make use of averaging provisions. This implies that compliance with the reserve requirement is determined on the basis of the institutions' average daily reserve holdings over a maintenance period of about one month.

**Figure 1** Marginal lending facility of European Central Bank, 1999-2009, per cent



Source: Statistical Data Warehouse - Interactive data access, European Central Bank

## IV. The Model

Let's start the description of model with straightforward definitions. We define the output gap for the  $i$ -th country in the model,  $i=1, \dots, 10$  in time  $t$  as:  $y_{it} = \ln(Y_{it}) - \ln(Y_{it}^P)$ , where  $Y_{it}^P$  is the potential output if the  $i$ -th country established outside the model. Potential output is obtained by using Hedrick-Prescott filter on GDP nominal series.

Growth rate of inflation,  $\pi_{it}$  as an indicator of financial stability is proxy by logarithm of consumer price index (CPI) determined by measuring the price of a standard group of goods meant to represent the typical market basket of a typical consumer.

Logarithm of net interest spread,  $r_{it}$  describes the degree of financial resources absorbed by banking sector. So, that a currency unit saved by households generates less than one unit worth of investment (e.g., Pagano, 1993).

Bank assets to bank liabilities ratio  $A/L_{it}$ , reflects a key function of banking system is the allocation of funds to those projects where the marginal product of capital is highest. In the framework of our model, banking sector increases the productivity of capital and minimising transaction costs promoting growth. We consider  $A/L_{it}$  as a reliable proxy for banking sector technology. Descriptive statistics on the aforementioned variable see Appendix B.

To make the VAR analysis tractable, we assume that the domestic variables of country  $i$  have no direct impact, either lagged or contemporaneously, on the economy of country  $j$ , for  $i \neq j$ . This restriction implies that the reduced form covariance matrix for large scale VAR is block-diagonal in each country block. This block diagonal structure allows us to collapse the large scale VAR with four variables from ten countries into ten

separate country-specific VARs. However, these restrictions do not rule out cross-country correlations among the variables.

It is initially assumed that  $\{z_{it}\}_{i=1}^N$  are endogenously determined in a VAR model up to one unobserved common factor where  $z_{it}$  be an  $n \times 1$  vector of country-specific macro variables (output gap),  $z_{it}^*$  be an  $h \times 1$  vector of exogenous variables, presumably unaffected by economic activity in any particular country, and  $\{\eta_{it}\}_{i=1}^N$  is the vector of error terms assumed to be independently distributed for  $\forall t, \hat{t} \in \{1, \dots, N\}$

Suppose the country-specific variables for country  $i$  are generated by the following structural model:

$$\Gamma_0 z_{it} = \Gamma_{1i} z_{1t-1} + \dots + \Gamma_{pi} z_{it-p} + \theta_{0i} z_t^* + \theta_{1i} z_{t-1}^* + \dots + \theta_{qi} z_{t-q}^* + \eta_{it} \quad (1)$$

for all  $i$  in which  $\eta_{it}$  is  $n \times 1$  vector of country specific structural shocks, with  $E(\eta_{it} \eta_{it}')$  normalised to equal the identity matrix<sup>16</sup>.

Assume for the sake of simplicity the lag orders  $p$  and  $q$  is equal to unity. The reduced form of above structural model is then

$$z_{it} = \Gamma_{0i}^{-1} \Gamma_{1i} z_{1t-1} + \dots + \Gamma_{0i}^{-1} (\theta_{0i} + \theta_{1i} L) z_t^* + \Gamma_{0i}^{-1} \eta_{it} = T_{1i} z_{it-1} + T_{2i}(L) z_t^* + \xi_{it} \quad (2)$$

where  $E \xi_{it} \xi_{it}' = \Sigma_i = \Gamma_{0i}^{-1} \Gamma_{0i}^{-1}$ . This reduced form is also the VAR representation of  $z_{it}$  process. Conditional on the block-diagonal restrictions, the coefficients in (2) are efficiently estimated by ordinary least squares applied to each equation in each country.

Extending Romer (2001), Kuttner and Mosser (2002), Pagano (1993), Chudik and Pesaran (2007), and other studies, the open macro economy model for any Eastern European country can be expressed in a VAR(p) form as

$$z_{it} = \alpha + \delta + \sum_{l=1}^p \Gamma_p z_{t-l} + \sum_{l=1}^q \theta_q z_{t-l}^* + \mu_t \quad (3)$$

where,  $\alpha$  vector of intercept term,  $\delta$  – vector of binary variables,  $\Gamma_p$  is  $N \times N$  dimensional matrix of unknown coefficients of the endogenous variables,  $\theta_q$  is  $N \times N$  dimensional matrix of unknown coefficients of exogenous variables,

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<sup>16</sup> We assume that the joint system  $\{z_t^* z_t^*\}$  is block exogenous in  $z_t^*$  (Hamilton 1994, pp. 311–313). This is a standard assumption, however valid for empirical studies of small open economies as Cushman and Zha (1997). Since in this study we are interested only in the response of domestic variables to composite structural supply shocks we do compute the response of  $z_t$  to shocks in  $z_t^*$

$u_t = u_{1t}, u_{2t}, \dots, u_{Nt}$  is the  $N \times 1$  vector of disturbances;  $z_{it} = (y_{it}, r_{it}, \dot{A}/L_{it}, \pi_{it})$  is a vector of  $N$  endogenous variables.

Apart of having four equations in a country specific VAR we are interested in the impact of composite shock in exogenous variables on output gap.

The impact of an increase in inflation rate, bank assets to liabilities ratio and net interest spread on equilibrium output gap in Equation (4) is heterogeneous:

$$\frac{dy}{d\pi} > 0; \frac{dy}{dA/L} > 0; \frac{dy}{dr} < 0; \quad (4)$$

Although increase in inflation and banking sector efficiency are expected to raise output gap and help a country to overcome a recession, the overall composite impacts are uncertain because of crowding out due to an expected higher inflation rate, implementation and impact lags, timing, and other reasons (Barro, 1989; Ramsey and Shapiro, 1998; Blanchard and Perotti, 1999; Burnside et al., 2000).

The effect of a change in consumer prices on equilibrium output gap in Equation 4 is positive, suggesting that rise in a consumer prices pool output gap upwards. Same is true for the bank assets to liabilities ratio as a proxy for banking liabilities efficient transformation. We state that the effective transformation of liabilities into assets will raise the productivity of output. On the contrary, increase in net interest spread is meant that banking sector absorbs more resources, so that a currency unit saved by households generates less than one unit worth of investment. The rise in a share of  $1 - \Phi$ , which goes to banks as the net interest spread will decrease the investment in the economy, hence predicting lower rates of output.

This absorption of resources may reflect the X-inefficiency of the intermediaries and the exploitation of a market power<sup>17</sup>. Generally speaking the effect of net interest spread change on output gap may appear  $y_{it}$  ambiguous across the countries as the phase of a business cycle may affect the change in net interest spread itself.

A response of the output gap  $y_{t+s}$  at time  $t+s$  to a composite shock response  $\mu_{1t} + \mu_{2t} + \dots + \mu_{Nt}$  can be studied as follows: a stationary VAR(p) can be presented as a Vector MA( $\infty$ ):

$$y_t = \mu_t + \Psi_1 \mu_{t-1} + \Psi_2 \mu_{t-2} + \dots \quad (5)$$

Thus, the matrix  $\Psi_s$  has the interpretation

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<sup>17</sup> In addition, as noted by Roubini and Sala-i-Martin (1992) their activity is often burdened by taxation (in the form of high reserve requirements, transaction taxes, etc.) and by restrictive regulations, translating into higher unit margins

$$\Psi_s = \frac{dy_{t+s}}{d\mu'_t} \quad (6)$$

That is row  $i$ , column  $j$  element of  $\Psi_s$  identifies the consequence of one unit increase in  $j$ th variable's innovation at date  $t(\mu_{jt})$  for the value of the  $i$ th variable at time  $t+s$  ( $y_{i,t+s}$ ), holds all the innovations at all dates constant.

If we were told that the first element of  $\mu_1$  changed by  $\delta_1$  at the same time that the second element changed by  $\delta_2$ , and the  $n$ th element by  $\delta_n$  than the combined effect of these changes on the value of vector  $y_{t+s}$  would be given by

$$\Delta y_{t+s} = \frac{dy_{t+s}}{d\mu_{1t}} \delta_1 + \frac{dy_{t+s}}{d\mu_{2t}} \delta_2 + \dots + \frac{dy_{t+s}}{d\mu_{Nt}} \delta_n = \Psi_s \delta \quad (7)$$

where  $\delta = (\delta_1, \delta_2, \dots, \delta_N)$ .

A simple way to find  $\Psi_s$  numerically is by simulation. The value of the vector  $y_{i,t+s}$  at date  $t+s$  correspond to the  $j$ th column of the matrix  $\Psi_s$ . By doing a separate simulation for impulses to each of the innovations ( $j=1, 2, \dots, N$ ), all of the columns  $\Psi_s$  can be calculated. A plot of row  $i$  column  $j$  of  $\Psi_s$

$$\frac{dy_{t+s}}{d\mu_{jt}} \quad (8)$$

as a function of  $s$  represents impulse response function. It describes the response of  $y_{i,t+s}$  to a one time impulse in  $y_{jt}$  with all other variables dated  $t$  or earlier held constant.

As the economies of Slovakia, Slovenia and Lithuania are currently better off and do not need and additional monetary interference our model generates two hypothesis about the sensitivity of output gap to ad-hoc designed shocks for the rest Central and Southern European countries, such as Latvia, Lithuania, Poland, Czech Republic, Hungary, Bulgaria and Romania.

**Hypothesis 1:** Output gap is sensitive to changes in prices, net interest spread and banking sector efficiency: ad-hock composite shock to consumer price index (CPI) and net interest spread will lead to an increase in output gap helping the monetary authorities to target the GDP downturn.

**Hypothesis 2:** Ad-hock composite shock to CPI, bank assets to liabilities ratio, net interest spread will lead to an increase in output gap and should be used during the economic downturn.

## V. Empirical Results

International Monetary Fund Financial Statistics, Datastream and Economic and Social Service databases were used to provide interdisciplinary access and support for an extensive range of key economic quantitative raw data. The sample consists of quarterly data ranging from 1993.Q1 to 2008.Q4. The choice of 1993Q1 is consistent with the changes on the political map of Central and Eastern Europe and the recognition of new independent states as Slovak Republic (January 1, 1993), Czech Republic (January 1, 1993) from the former Czechoslovakia and Slovenia (1992) from the former Yugoslavia. Quarterly statistical wee also collected with the help of authorities from National bank of Slovakia and Czech National bank, National bank of Hungary and National bank of Poland, Bulgarian National bank, Bank of Lithuania, Vienna Institute for International Economic Studies database.

All variables are measured in a logarithmic scale except for the output gap calculated above. The unit root test shows that except output gap and consumer price index taken in logarithms, all the variables are non stationary in levels and that all the variables are stationary in first difference at the 5% level. Using KPSS and ADF tests to check for a unit root conflicting results were obtained for the following countries: CPI series (Slovenia and Romania); bank assets/ logarithm of bank liabilities ratio (Czech Republic, Poland, Latvia, Slovakia); net interest spread (Slovakia, Slovenia, Latvia).

The Johansen test within ten Eastern European countries indicates that the null of a zero cointegrating relationship can be rejected at the 5% level for Estonia, Latvia, Romania, Hungary, and Bulgaria.

Nonetheless, we do not choose to present the Vector error correction model. This is for two reasons. First, we expect if there is a cointegration between the variables, the resulting system will be stationary and thus render any test statistics asymptotically valid. Second, the cointegration relationship is not the central focus of the model's propositions. As it was mentioned above, the short term dynamics, expansionary policy toolbox and design of composite shocks are the main focus. Inferences about these dynamics will be robust in this situation.

There are two types of composite shocks are designed to understand the output gap response functions and to plan country-specific ad-hoc monetary toolbox to support the economy in a recession and to drive the output gap upwards. The first composite shock is designed to shrink net interest spread, e.g. to shrink the difference between marginal

lending facility and deposit facility at the same time decreasing the interest rate which causes raise in inflation. Other instruments held constant (see Appendix C).

Second composite shock is designed to improve the transformation of bank liabilities into assets by government direct interference, to shrink net interest spread and raise inflation. Other instruments held constant (see Appendix D). The period of response is programmed to 20 quarters, e.g. 5 years since shock is implemented.

Appendix C presents the impulse response function across Latvia, Lithuania, Poland, Czech Republic, Hungary, Bulgaria and Romania when instruments of monetary policy are designed to follow the first shock. Output gap responds heterogeneously across the countries to a composite shock to net interest spread and inflation. As we can notice easily, Baltic States should be very cautious about the implementation of such a monetary policy as the impact of a composite shock on output gap is positive just for first five and six periods for Latvia and Estonia respectively. Afterwards this monetary instrument may cause a steady fall in output gap for about one year ahead before it converges to zero.

Output gap continues to respond heterogeneously across the Visegrad group countries. Indeed, the designed shock is very successful in the case of Poland and the Czech Republic as it increases significantly the actual output to a level higher the full-capacity output. The result for Poland is more promising than for the Czech Republic leading to a consistent growth in economic performance for a period more than 5 years, on the contrary of three periods before it converges to zero. In spite of a success in its neighbourhood, ad-hoc monetary tool is absolutely inappropriate for Hungary. Should it be implemented the country will finish up in a deeper recession for the period longer than 5 years.

Finally, comparing the response of Romanian and Bulgarian output gap, starting from the first quarter, it turns to drop away down from zero line. Cyclical fluctuations for the Romanian output gap allow the policy maker implement such ad-hock monetary shock as I will help the government to combat the current recession for a period of 12 quarters followed by transitory downturn in output gap for just one year long. Surprisingly, composite shock is absolutely inappropriate for Bulgaria and is meant desirable for Romania as their output gap series seems to be cointegrated.

On the basis of Appendix C we reject hypothesis one of homogeneous response of output gap to ad-hock composite shock to CPI and net interest spread. Author's designed

shock led to heterogeneous effects across the countries and proved its inappropriateness as the effective monetary toolbox for Hungary and Bulgaria. Shock had a temporary effect on Estonian and Latvian output gap.

Appendix D shows the impulse response function across Latvia, Lithuania, Poland, Czech Republic, Hungary, Bulgaria and Romania when composite shock two is implemented. The instruments of monetary policy are designed to shrink net interest spread, stimulate inflation and guarantee effective government interference in financial markets and the control over transformation of bank liabilities into assets.

Output gap responds as in the previous example heterogeneously across the considered countries. Shock two is considered inappropriate monetary tool for Baltic States as it brings dubious positive effect to Estonia and is very risky to be implemented in Latvia. In fact should it be performed the output gap is expected to be driven downwards. Nonetheless, should there be any short term aims in pushing output gap to positive; it's worth using it by Estonian Central Bank at least for a five quarters term.

The impact of a composite shock on output gap is positive for Visegrad group countries. Government interference in the recession introducing the instruments of monetary policy can be understood as beneficial for its economic performance. We guess that the positive impact of state interference in financial sector inherits its effective instruments and credentials from the Soviet era experience. However, for the Czech Republic the positive effect is less persistent and lasts just for three periods starting from zero. For Poland and Hungary respectively, the shock has a persistent positive effect, which dies out after 3 years term for Poland and converging to 0.2% after 3 years term for Hungary.

Generally speaking, the designed monetary tool is desirable to be included in a monetary policy toolbox for the Visegrad group countries apart of Slovakia, which experiences positive output gap.

Last two graphs present the impulse-response function of Romanian and Bulgarian output gap, which as in the previous case reacts differently between the countries. Being success for the Bulgarian monetary toolbox, same ad-hoc composite shock does not result in persistent positive effect for Romania. Output gap series continues to fluctuate around its steady state and make no sense to implement the composite instrument presented

above. Surprisingly, output gaps respond differently between countries even though output gap series are cointegrated.

The results of Appendix D allow us to reject the hypothesis two above. Output gap is sensitive to shocks in exogenous factors, however does not respond homogeneously to composite shock in inflation, net interest spread and banking sector technology. The results proved its heterogeneous response across the analysed seven countries with a successful outcome for Visegrad group and Bulgaria, unlike Romania and Latvia.

## **Conclusions**

This paper has developed an open macroeconomic model to study potential impacts of composite monetary shocks in net interest spread, inflation and banking sector technology on economic performance across the group of countries.

The VAR model introduced by Chudik and Pesaran (2007) is applied with a certain assumptions which allowed us to split the large-scale VAR model of ten countries into ten small scale VARs and tackle so far the “curse of dimensionality” problem. Contrary to previous findings for Western European countries, the ad-hoc shocks introduced in a VAR models for seven Central and South Eastern European countries allowed us to choose the most efficient and appropriate monetary toolbox as a combination of monetary instruments available to manage economic downturn and “warming up”.

Output gap responds heterogeneously across the countries both to a composite shock in net interest spread, inflation and banking sector technology and to a composite shock in net interest spread and inflation. Later is less effective across the countries and rises an important question on the necessity of government interference in a banking sector, looking for the best spheres of capital investment and guaranteeing the direct placement of bank liabilities into assets in Hungary, Poland, Bulgaria, and to a lesser extent in the Czech Republic.

Therefore, we assume there is no universe standardised monetary toolbox to be feely implemented between the countries should any symptoms of downturn disease appear. Indeed, heterogeneous approaches, scenarios and simulations should be done, before a particular monetary instrument could be introduced following the expansionary policy both in the short run or long run. Surprisingly, output gap of Bulgaria and Romania does not respond homogeneously on shocks as their series are cointegrated. The most important finding is also that, the size of the country does not predict / cause the

delay in the response to a composite shock. There are several policy implications. The impacts of composite shocks need to be estimated separately for comparative purposes to choose the best one. Since expansionary monetary policy is not effective, the Eastern European governments need to pursue new toolboxes and monetary discipline to maintain nominal GDP as close as possible to its steady state.

Its noteworthy, Central Eastern European countries are going through its second downturn since they became independent from the Soviet Union. Still, many politicians and economists are stuck in the range of monetary and fiscal macroeconomic policies necessary to be currently implemented to save the falling capitalistic system and provide the same level of economic development as it was before financial crises 2008. Eastern European elite should also pay more attention on the nearby Scandinavian models of restrictive capitalism and universal social-welfare state.

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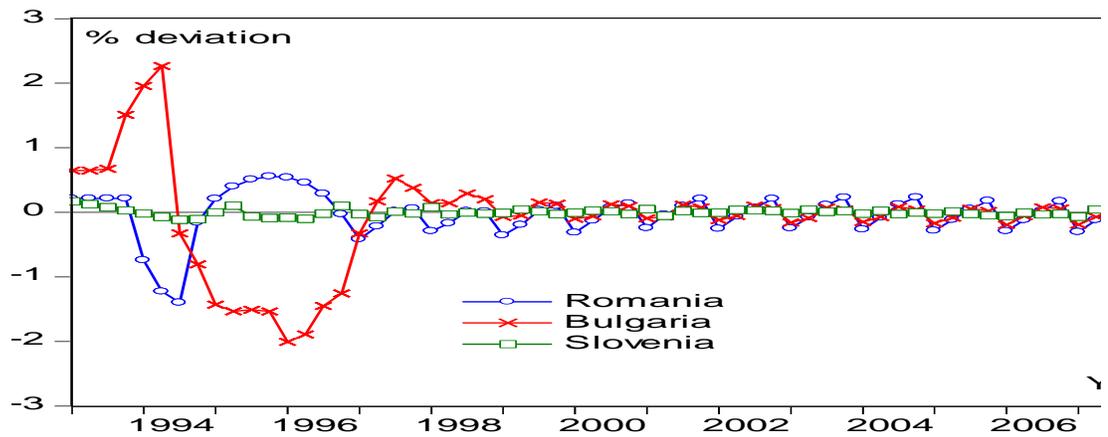
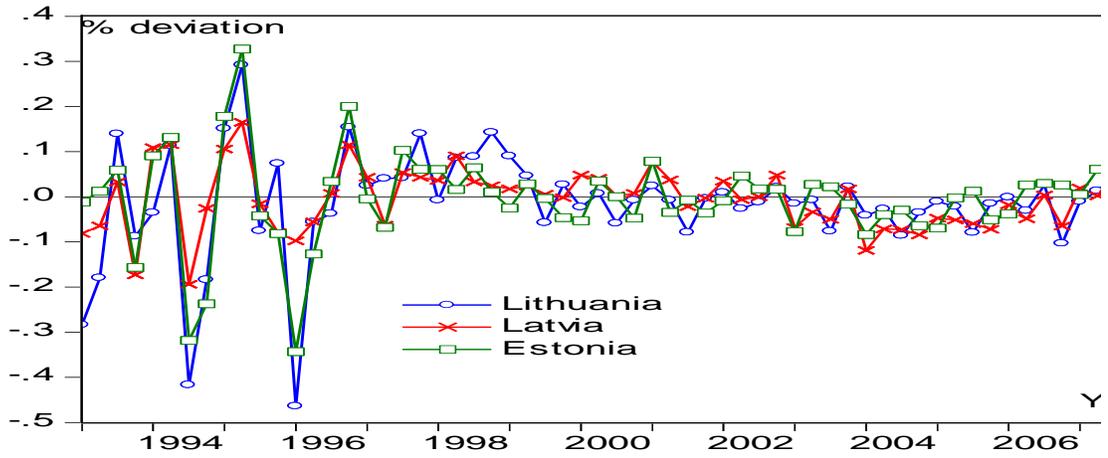
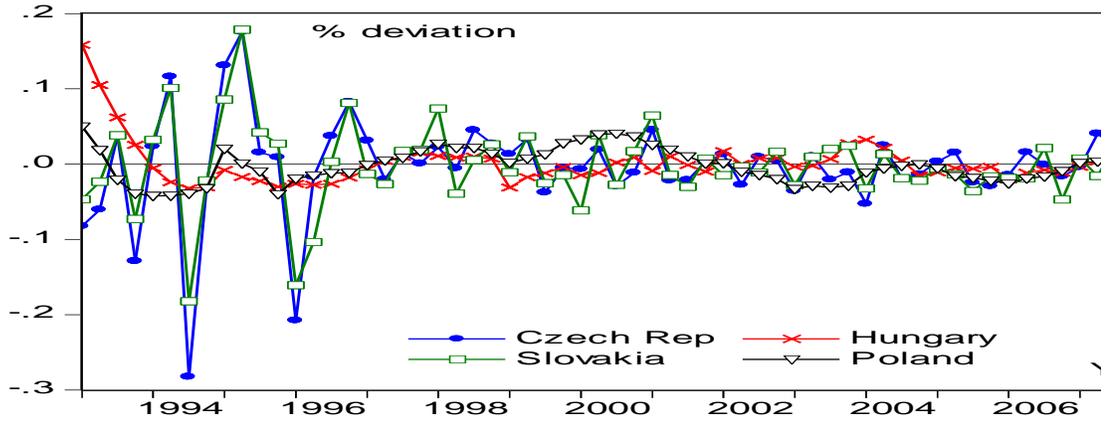
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**Appendix A** Output gap series across Central and Southern Eastern European Countries, 1993Q1 – 2008Q4, %



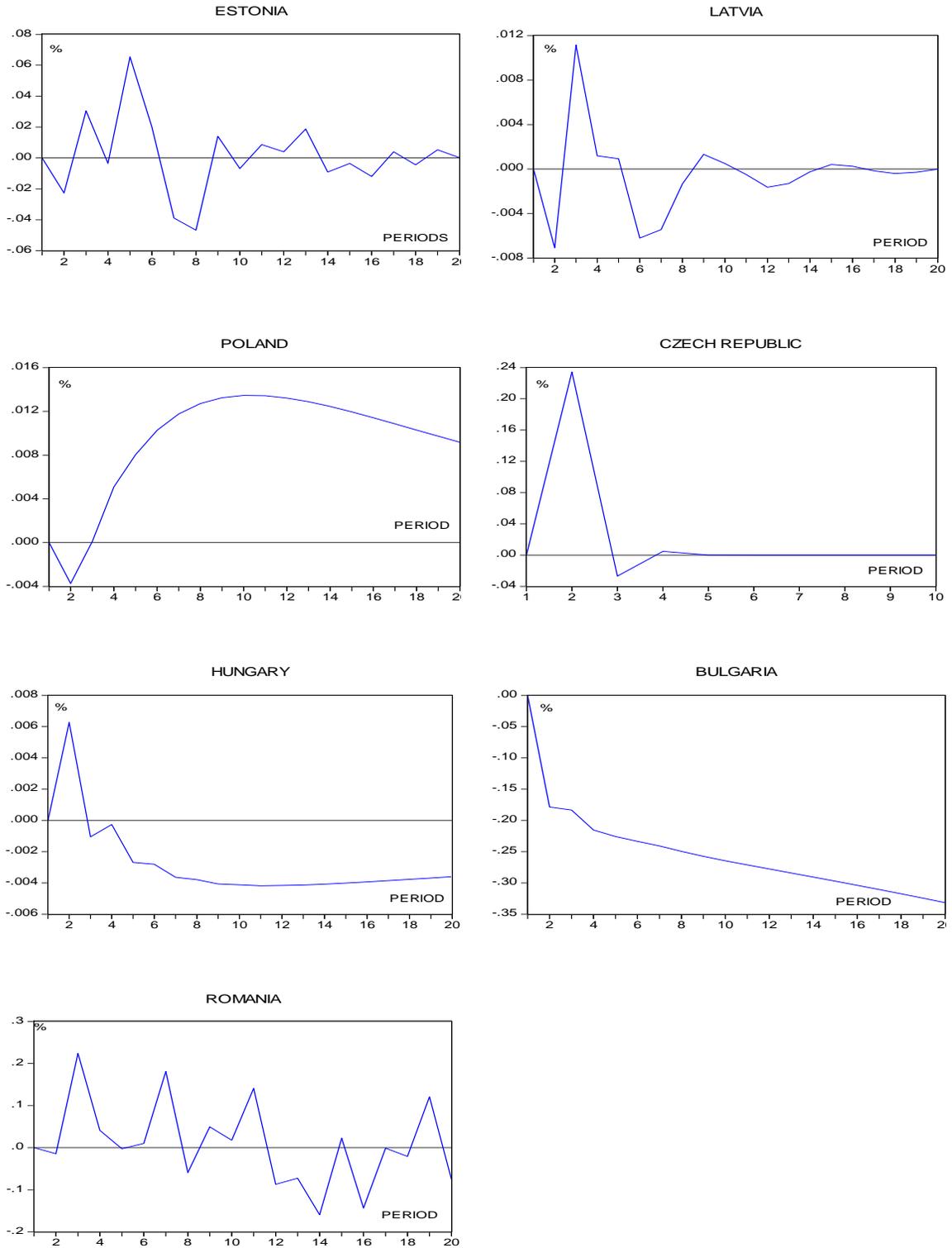
Source: Author's calculations

## Appendix B Cross-country summary statistics of the model variables

	Country	Mean	Median	Max.	Min.	Std. Dev.	Skewn.	Kurtosis	Jarque-Bera	Sum Sq. Dev.
Summary statistics of consumer price index	Bulgaria	104.91	8.98	1715.64	-0.86	313.79	4.05	18.72	833.82	6203331.00
	Czech Rep.	5.56	4.25	13.86	-0.36	3.90	0.42	1.96	4.74	960.59
	Estonia	18.00	5.78	256.23	0.43	36.78	4.91	30.18	2227.30	85236.23
	Hungary	12.09	9.31	30.65	2.48	7.82	0.77	2.40	7.30	3852.41
	Lithuania	44.02	4.09	722.85	-1.65	133.86	4.07	18.99	859.00	1128933.00
	Latvia	16.11	6.85	220.87	1.01	31.09	4.98	31.40	2415.83	60913.17
	Poland	11.54	6.46	41.40	0.34	11.80	1.08	2.87	12.55	8773.85
	Romania	56.20	30.59	308.21	3.80	71.89	1.99	6.18	69.18	325577.70
	Slovenia	9.28	7.51	56.62	2.16	8.54	3.17	16.40	586.00	4593.17
	Slovakia	7.86	6.81	22.15	2.09	4.66	1.19	3.91	17.44	1365.86
Summary statistics of bank assets/log bank liabilities ratio	Bulgaria	1.19	1.17	1.32	1.12	0.06	0.69	2.29	6.46	0.22
	Czech Rep.	0.60	0.60	0.70	0.37	0.08	-0.72	3.46	6.15	0.37
	Estonia	0.77	0.77	0.84	0.70	0.03	-0.02	3.16	0.08	0.05
	Hungary	1.13	1.09	1.35	1.03	0.10	0.78	2.27	7.96	0.65
	Lithuania	1.64	1.51	6.31	1.08	0.77	4.08	22.92	1235.22	37.75
	Latvia	0.62	0.64	0.70	0.51	0.05	-0.83	2.93	7.35	0.13
	Poland	0.69	0.72	0.79	0.45	0.07	-1.06	4.14	15.45	0.32
	Romania	0.84	0.86	1.03	0.67	0.10	-0.06	1.95	2.95	0.61
	Slovenia	0.63	0.63	0.69	0.59	0.03	0.24	2.59	1.05	0.04
	Slovakia	1.46	1.47	1.61	1.29	0.08	-0.59	2.44	4.56	0.36
Summary statistics of interest rate spread	Bulgaria	36.96	8.16	571.09	4.74	95.20	4.67	24.85	1506.45	570985.90
	Czech Rep.	4.96	4.69	7.08	3.65	0.84	0.87	3.20	8.12	44.75
	Estonia	6.03	4.15	21.10	1.75	4.32	1.36	4.30	24.09	1177.16
	Hungary	4.14	3.30	10.60	0.80	2.43	1.07	3.10	12.16	373.33
	Lithuania	5.83	5.51	20.72	-7.35	3.92	0.65	6.85	43.95	970.51
	Latvia	10.57	6.50	42.45	2.19	10.17	1.95	6.12	66.48	6515.16
	Poland	5.30	5.74	9.20	1.75	1.88	-0.06	2.13	2.08	221.77
	Romania	16.89	15.63	45.67	1.23	9.80	1.28	4.80	26.22	6051.62
	Slovenia	6.19	5.35	22.28	2.18	3.30	2.31	10.64	212.74	687.77
	Slovakia	4.90	4.73	9.48	1.90	1.53	0.25	3.07	0.67	147.98
Summary statistics of output gap	Bulgaria	-0.08	0.03	2.27	-2.01	0.74	-0.10	5.51	16.89	34.39
	Czech Rep.	0.00	0.00	0.18	-0.28	0.06	-1.45	10.19	160.37	0.25
	Estonia	0.00	0.00	0.33	-0.34	0.10	-0.51	6.88	42.95	0.63
	Hungary	0.00	0.00	0.16	-0.03	0.03	3.13	16.08	560.62	0.05
	Lithuania	-0.01	-0.01	0.29	-0.46	0.12	-1.41	7.79	82.15	0.85
	Latvia	0.00	0.00	0.16	-0.19	0.07	-0.23	3.36	0.90	0.29
	Poland	0.00	0.00	0.09	-0.07	0.03	0.31	4.26	5.27	0.04
	Romania	-0.03	0.02	0.56	-1.40	0.34	-1.62	7.82	90.10	7.20
	Slovenia	0.00	-0.01	0.17	-0.11	0.05	0.47	3.93	4.62	0.19
	Slovakia	0.00	-0.01	0.18	-0.18	0.05	-0.26	6.38	31.18	0.18

Source: Author's calculations

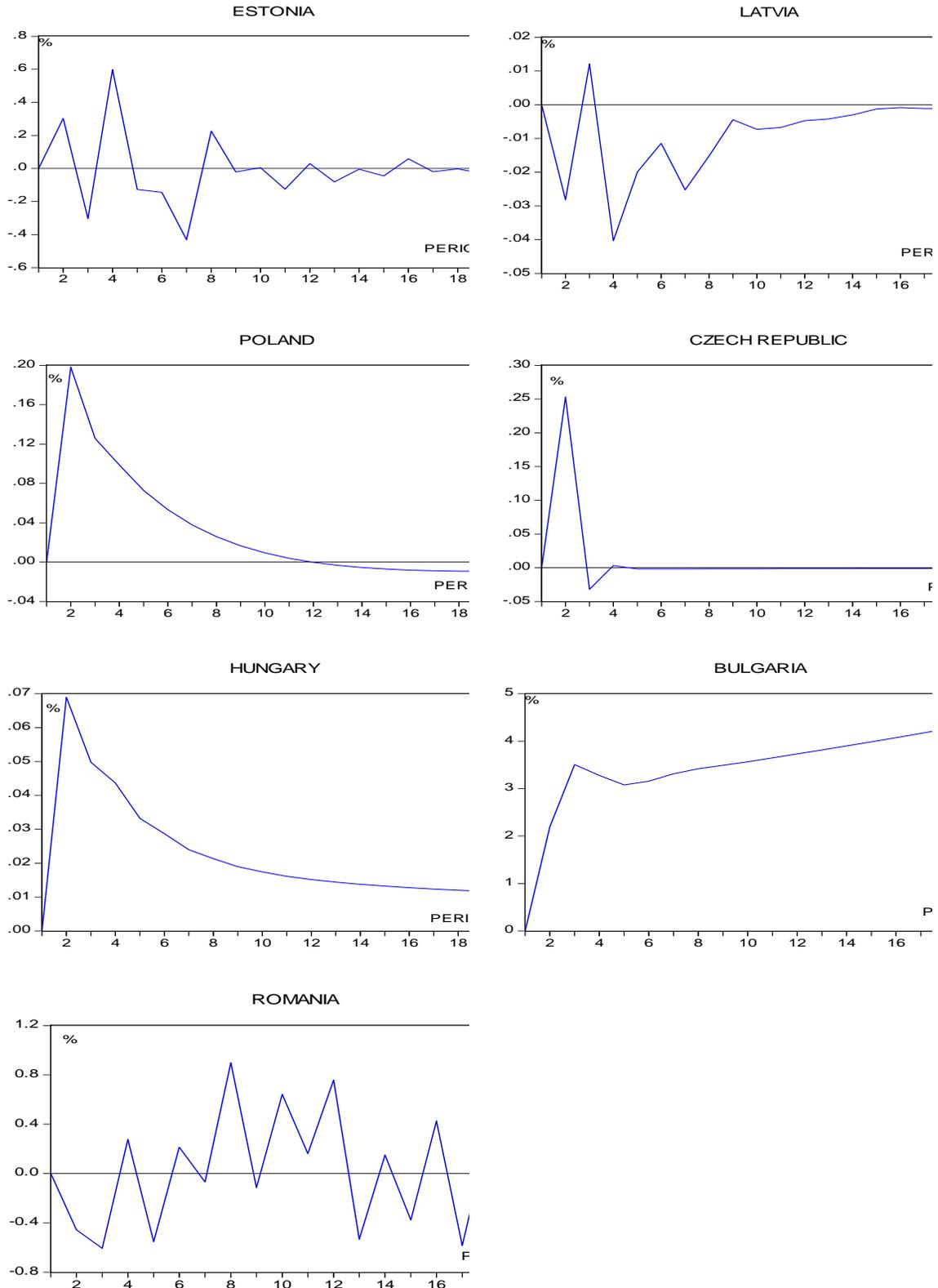
**Appendix C** Responses of output gap to ad-hoc monetary shock\* across Central and Southern Eastern European Countries, EU members, %



Source: Author's calculations

\*Ad-hoc monetary shock is designed by author to consider the effect of shrinkage in net interest spread and inflation growth on output gap between the countries.

**Appendix D Responses of output gap to ad-hoc monetary shock\* across Central and Southern Eastern European Countries, EU members, %**



Source: Author's calculations \*Ad-hoc monetary shock is designed by author to consider the effect of shrinkage in net interest spread, inflation growth and increase in bank assets to bank liabilities ratio resulted government interference on output gap between the countries.

# SECTOR INEQUALITY OF PUBLIC SPENDING, REGIONALISM, AND GROWTH

**Lorenzo Burlon**

**Abstract** We analyze the connection between the distribution of public spending across sectors and economic growth. In our general equilibrium growth model of overlapping generations, the distribution of public resources among sectors affects aggregate efficiency, but its evolution along the development process generates conflicts of interests across sectors. We can identify conditions under which there is a political blockage of growth-enhancing reforms. Regionalism may be a solution to these distortions.

**Keywords** Sector inequality, Migration, Regionalism, Endogenous Growth

## Introduction

Human capital is acknowledged as the prime engine of economic growth in developed economies. The literature suggests many ways in which it could be created, e.g., through learning-by-doing, public education, privately driven formative programs, and so on. Economic growth may then be endogenous, i.e., the product of individual behavior responding to incentives, and the existence of individual and aggregate constraints to the investment in human capital generates non-converging development paths, persistent inequality, and other empirically relevant phenomena. Here we consider a publicly financed human capital accumulation process. In particular, an individual accumulates human capital if she receives a basic education at school, but also if she develops some *professional skills*, i.e., the practical knowledge necessary to conduct the daily work activity. Having a higher level of general knowledge enhances the productivity at the work place, but it guarantees neither the access nor the basic know-how for a job. Having a professional skill favors instead a sector-specific occupation, and the finer the skill the higher the productivity. A government that intends to improve human capital accumulation should provide both a general education, say, up to high school, and a sector-specific education, e.g., incentives to internship programs, public universities with a tight link to the productive structure of the economy, or publicly subsidized research and development activities. The financial resources raised through taxation are then divided between general education and sector-specific public investments.

In our model there is a productive side of the economy composed by different sectors that contribute to the production of a unique final good. The level of general education affects the overall productivity, and sector-specific investments influence sector-specific human capital accumulation. Individuals live for two periods in an overlapping generations framework, with an intergenerational transfer mechanism consisting of bequests taxed by the government. Each individual gets educated when young, and works, consumes, and leaves a bequest when old. Individual human capital depends on the level of both general education and sector-specific public investment, and each individual works in the sector where she elects to accumulate her professional skills. Under perfect intergenerational mobility across sectors, the general equilibrium structure makes the population distribution among sectors mirror the sector-specific public investments distribution. In particular, in equilibrium the population concentrates in the highly productive sectors, where productivity in a certain sector is driven by the level of sector-specific public investment. Aggregate efficiency depends therefore on the distribution of public financing, because the higher the degree of sector inequality, the more the population will concentrate in the highly productive sectors. Productive specialization is then a growth-enhancing policy, and an increase in sector inequality may shift the economy to a higher development path.

Given the equilibrium results, we allow for a lobbying mechanism in the government's decision process. In particular, each sector is represented within the government by a lobby, and its political power depends on the population mass working in that sector. By considering sector-specific lobbies, we link economic power, i.e., the share of each sector in aggregate human capital, to political power, i.e., the influence of each lobby within the government. The distribution of sector-specific investments will change each period, in such a way that the sectors whose lobbies have more power will increase their share within overall public spending. In this way, we endogeneize the distribution of public spending, productivity, and population, and we induce a monotone direction of sector inequality through time. In presence of growth, sector inequality will increase with output, so some sectors will progressively occupy the productive system and the government, and some others will tend to disappear in terms of economic and political relevance. Hence, the *losing* sectors, i.e., those that would become economically irrelevant in the long run, will oppose any redistribution of public resources, even when

such a redistribution would shift the overall economy to a superior development path. If an economy shows an initial high degree of sector heterogeneity, i.e., economic and political power are widespread across the span of sectors, it is more likely that the losing lobbies are able to block growth-enhancing reforms. Thus, regionalism, i.e., the partition of a sector-heterogeneous economy into relatively sector-homogeneous regions, may play a role in breaking the reform blockage. While the conflict across sectors and the asymmetry between the interests of lobbies and individuals constitute a source of inefficiency in the economy, regionalism allows for different political majorities across regions, and therefore partly compensates for these economic and political distortions.

The paper is organized as follows. Section I presents the model and the equilibrium solution. Section II analyzes the development process and the evolution of sector inequality. Section III presents a characterization of the political system, the reform blockage that it may originate, and the possible effects of regionalism. Section IV summarizes the results and draws the final conclusions.

## I. The Model

Consider an economy where a firm operating under perfect competition produces a single final good with a Cobb-Douglas production function,

$$Y_t = K_t^{\varepsilon} H_t^{1-\alpha},$$

where  $K_t \in \mathbb{R}_+$  indicates the stock of physical capital at time  $t$  and  $H_t \in \mathbb{R}_+$  parameterizes the aggregate level of human capital. The shares of these two components are described by the constant  $\alpha \in (0,1)$ .

The human capital at the aggregate level is a combination of a continuous variety of technological specializations, each of them representing a different type of professional expertise. Therefore aggregate human capital is an additively separable sum of a continuum of mass  $J$  of sector-specific levels of human capital, i.e.,

$$H_t \equiv \left[ \int_0^J H_t(j)^{1-\alpha} dj \right]^{\frac{1}{1-\alpha}},$$

where  $j$  indexes the generic sector in the interval  $[0,1]$ , and  $H_t(j) \in \mathbb{R}_+$  indicates the sector-specific human capital. Since there is a unique final good, we can normalize its

price to 1. We can therefore specify the maximization problem for the final good firm at time  $t$  as

$$\max_{K_t, \{H_t(j)\}_{j \in [0, J]}} K_t^\alpha \int_0^J H_t(j)^{1-\alpha} dj - \int_0^J w_t(j) H_t(j) dj - R_t K_t,$$

where  $w_t(j) \in \mathbb{R}_+$  is the price of the sector-specific human capital  $H_t(j)$  and  $R_t \in \mathbb{R}_+$  is the rate of return due to the borrowed capital  $K_t$ . The accumulation of physical capital is driven by private investment under full depreciation, i.e.,  $i_t = K_{t+1}$ .

Suppose there is a continuum of individuals of mass 1, each of them indexed by  $i$ . Each individual lives two periods,  $t$  and  $t + 1$ , and at the beginning of the second she has a single child, so that every period a constant cohort of individuals of mass \$1\$ is born. In the first period of life she receives a bequest from her parent  $b_t \in \mathbb{R}_+$  and a publicly financed general education level indexed by  $e_t \in \mathbb{R}_+$ , she elects a sector  $j$  where she will work in  $t + 1$  receiving the equilibrium wage income that working in that sector guarantees her, and according to her choice she receives from the government the right to access the amount of public resources  $a_t(j) \in [0, A_t]$ , where  $A_t \in \mathbb{R}_+$  is the total amount of government's sector-specific expenditures. We define  $a_t$  as the function that maps each sector  $j$  in  $[0, 1]$  to a level of sector-specific public investment  $a_t(j)$ . We can think of  $a_t(j)$  as the public investment in sector  $j$ -specific research and development activities, or as the level of congestion-free public education guaranteed for the formation in sector  $j$ -specific profession. In the second period the individual supplies inelastically one unit of labor in the sector in which she has chosen to work and receives an equilibrium wage income. She receives also an interest net of taxes on the bequest left her by the parent, and she chooses how much of her total income to consume and how much to leave as a bequest to her unique offspring.

The efficiency of the labor supply depends on the level of education and on the public investment assigned to the sector in which the individual has chosen to work through, e.g., a labor cost reduction effect or an enhanced per-hour productivity. This efficiency can be parameterized by the human capital accumulated by the individual according to her choice in the first period, i.e.,  $h_{t+1}(j) \equiv h(e_t, a_t(j))$ , where  $h$  is strictly increasing in both arguments and homogeneous of degree  $\varepsilon \in (0, 1)$ . The individual wage income is  $w_{t+1}(j)h_{t+1}(j)$ , where  $w_{t+1}(j)$  is the wage per efficiency unit paid by the

firm. At equilibrium the wage income will be the same across sectors and equal to  $W_{t+1}$ , as we will explain later. Therefore, the individual overall income in the second period is  $I_{t+1}^i = W_{t+1} + (1 - \tau_t)R_{t+1}b_t^i$ , where  $\tau_t \in (0,1)$  is the exogenously-given fraction of the capital transfer collected by the government in order to finance its investments,  $1 - \tau_t$  is the fraction received by the offspring and lended to the final good firm at the interest rate  $R_{t+1}$ , and  $W_{t+1}$  is the equilibrium level of wage income.

The preferences of individual  $i$  born at time  $t$  are represented by a log-linear utility function,  $u_t^i = (1 - \beta) \ln c_{t+1}^i + \beta \ln b_{t+1}^i$ , where  $\beta \in (0,1)$  indicates the share of the bequest within the individual's budget,  $c_{t+1}^i \in \mathbb{R}_+$  is the second period consumption and  $b_{t+1}^i \in \mathbb{R}_+$  is the transfer to the offspring. Note that such a utility function reflects a *joy of giving* type of bequest motive. The problem of member  $i$  of generation  $t$  is then

$$\max_{c_{t+1}^i, b_{t+1}^i} (1 - \beta) \ln c_{t+1}^i + \beta \ln b_{t+1}^i,$$

subject to  $c_{t+1}^i + b_{t+1}^i \leq I_{t+1}^i$ , whose solution yields the optimal levels of individual consumption and bequest, i.e.,  $c_{t+1}^i = (1 - \beta)I_{t+1}^i$  and  $b_{t+1}^i = \beta I_{t+1}^i$ .

The indirect utility function,  $v_{t+1}^i = \ln I_{t+1}^i + (1 - \beta) \ln(1 - \beta) + \beta \ln \beta$ , is a monotonically increasing function of second period's income. Hence, a hypothetical Ramsey planner would target individual income as an indirect conduit of individual welfare.

We suppose that government operates with a balanced budget, so that the equation summarizing government's behavior is

$$\tau_t B_t = E_t + A_t$$

where  $B_t$  is the aggregate level of bequests,  $\tau_t B_t$  is total fiscal resources raised through taxation,  $E_t \equiv \int_0^1 e_t di = e_t$  is the aggregate level of public expenditure in general education, and  $A_t \equiv \int_0^J a_t(j) dj$  represents the aggregate investment in sector-specific public goods, i.e., the sum of the resources that the government dedicates to each sector. Note that since sector-specific investments are additively separable within government's budget, a change in the distribution of such resources, i.e., in the distribution of the total amount  $A_t$  along the interval  $[0, J]$ , is a *budget-neutral operation*. This is a key point of the model, since it is through budget-neutral reallocations of the resources dedicated to

the different sectors that the government may enhance the growth path of income per capita.

The connections between the different sides of this economy consist of, first, the savings-investment market equilibrium condition,

$$K_{t+1} = i_t = (1 - \tau_t)B_t$$

where  $(1 - \tau_t)B_t$  is after-tax total savings.

Second, we consider the aggregation rule for sector-specific human capital,

$$H_t(j) = \theta_t(j)h_t(j)$$

where  $\theta_t(j) \in [0,1]$  is the portion of total population supplying labor to the  $j$ -th sector at time  $t$ . Since the mass of the population is  $\mathbf{1}$ ,  $\int_0^J \theta_t(j) dj = 1$ .  $\theta_t(j)$  represents therefore

the *population density* in sector  $j$  at time  $t$ .

Third, we define the aggregation rule for the savings, i.e.,

$$B_t = \int_0^1 b_t^i di.$$

Under perfect mobility across sectors, the workers will intergenerationally migrate from a sector to another according to the payed salary, i.e., they will select the sector according to the wage income that working in that sector guarantees. In equilibrium this implies that the wage income must be the same across the sectors, i.e.,

$$w_{t+1}(j)h_{t+1}(j) = W_t$$

for all  $j \in [0, J]$ .

We define an intertemporal equilibrium as a set of firm decisions  $\{K_t, \{H_t(\cdot)\}_{j \in [0, J]}\}_{t \in [0, \infty)}$ , individual decisions  $\{c_t^i, b_t^i\}_{t \in [0, \infty)}^{i \in [0, 1]}$ , aggregate savings  $\{B_t\}_{t \in [0, \infty)}$ , taxation levels  $\{\tau_t\}_{t \in [0, \infty)}$ , general education levels  $\{e_t\}_{t \in [0, \infty)}$ , sector-specific public investments  $\{a_t(j)\}_{t \in [0, \infty)}^{j \in [0, J]}$ , and prices  $\{R_t\}_{t \in [0, \infty)}$  and  $\{w_t(j)\}_{t \in [0, \infty)}^{j \in [0, J]}$ , such that  $\{K_t, \{H_t(j)\}_{j \in [0, J]}\}_{t \in [0, \infty)}$  is a solution to the firm's problem given  $R_t$  and  $\{w_t(j)\}_{j \in [0, J]}$  for every  $t \in [0, \infty)$ ,  $\{c_{t+1}^i, b_{t+1}^i\}_{i \in [0, 1]}$  is a solution to the individual problem given  $\{\tau_t, R_{t+1}, e_t\}$  and  $\{w_t(j), a_t(j)\}_{j \in [0, J]}$  for all  $i \in [0, 1]$  and all  $t \in [0, \infty)$ ,  $\{\{a_t(j)\}_{j \in [0, J]}, e_t, B_t, \tau_t\}$  satisfies the balanced-budget constraint of the government for all  $t \in [0, \infty)$ , and the market clearing conditions are satisfied for all  $t \in [0, \infty)$ .

The solution of the equilibrium yields

$$K_{t+1} = (1 - \tau_t)B_t = (1 - \tau_t)\beta Y_t$$

and

$$H_{t+1} \equiv \left[ \int_0^J h_{t+1}(j)^{\frac{1-\alpha}{\alpha}} dj \right]^{\frac{\alpha}{1-\alpha}}.$$

Let us define the ratio  $\rho_t \equiv \frac{e_t}{A_t}$ . Then, we can express the individual human capital as  $h_{t+1}(j) = h(e_t, a_t(j)) = (A_t)^\varepsilon h(\rho_t, \tilde{a}_t(j))$ , where  $\tilde{a}_t$  is the function such that  $\tilde{a}_t(j) \equiv a_t(j)/A_t$  for every  $j \in [0, J]$ .  $\tilde{a}_t(j)$  is the portion of overall public spending in  $A_t$  assigned to sector  $j$ . Hence, the aggregate level of human capital is

$$H_{t+1} \equiv (A_t)^\varepsilon \left[ \int_0^J h(\rho_t, \tilde{a}_t(j))^{\frac{1-\alpha}{\alpha}} dj \right]^{\frac{\alpha}{1-\alpha}}.$$

We obtain finally the *equilibrium population density* in sector  $j$ ,

$$\theta_{t+1}(j) = \frac{h_{t+1}(j)^{\frac{1-\alpha}{\alpha}}}{\int_0^J h_{t+1}(j)^{\frac{1-\alpha}{\alpha}} dj} = \frac{h(\rho_t, \tilde{a}_t(j))^{\frac{1-\alpha}{\alpha}}}{\int_0^J h(\rho_t, \tilde{a}_t(j))^{\frac{1-\alpha}{\alpha}} dj},$$

i.e., in equilibrium the population distribution on the support set  $[0, J]$  mirrors the distribution of sector-specific investments.

## II. The Development Process

We show how the distribution of sector-specific public investments affects the level of aggregate human capital even when we maintain constant overall public spending. Suppose that we order the sectors increasingly according to their sector-specific investment,  $a_t(j)$ . We need the function  $a_t$  to be differentiable on  $(0, J)$  for every  $t$  in order to obtain an analytically tractable framework. This implies that the function  $a_t$  is continuous and, by construction, that  $a_t' \geq 0$ . Consequently, also  $\tilde{a}_t$  will be differentiable and increasing. We can view  $\tilde{a}_t$  as a density function over the support set  $[0, J]$ , since  $\tilde{a}_t(j) \geq 0$  for every  $j$  and  $\int_0^J \tilde{a}_t(j) dj = \int_0^J a_t(j)/A_t dj = 1$ . We define  $\tilde{A}_t(j) = \int_0^j \tilde{a}_t(s) ds$  as the cumulative distribution function of public spending over the sectors interval. We suppose also the following.

**Assumption 1.** There cannot exist a sector with a nil population density.<sup>18</sup>

This implies that there cannot exist any two sectors  $j$  and  $k$  in  $[0, J]$  such that  $a_t(j) = a_t(k)$ , otherwise individuals choosing where to receive their professional skills would be indifferent between the two sectors. This might lead to an arbitrary choice and therefore to a possibly deserted sector. Since  $a'_t \geq 0$ , this means in fact that  $a'_t > 0$ , and therefore that  $\tilde{a}'_t > 0$ . Hence, there exists an inverse function  $a'^{-1}_t$  such that, for any  $j \in [0, J]$ ,  $\tilde{a}_t^{-1}(\tilde{a}_t(j)) = j$ . If we call  $x \equiv \tilde{a}_t(j)$  and its distribution  $F_t(x)$ , the latter is the same as the distribution of  $j$ , i.e.,  $F_t(\tilde{a}_t(j)) = \tilde{\mathcal{A}}_t(j)$ .

We can express total sector-specific public investment as

$$A_t = \frac{\tau_t \beta}{1 + \rho_t} Y_t,$$

If we substitute the equilibrium levels of physical and human capital inside next period's production function, we obtain a law of motion for total output,

$$Y_{t+1} = \psi(Y_t | \rho_t, F_t) \equiv M(\rho_t) \phi(F_t | \rho_t) Y_t^{\varepsilon(1-\alpha)+\alpha}$$

where  $M(\rho_t) \equiv [(1 - \tau_t)\beta]^\alpha [\tau_t \beta]^{\varepsilon(1-\alpha)} [1 + \rho_t]^{\varepsilon(\alpha-1)}$ ,  $\phi(F_t | \rho_t) \equiv \left[ \int_0^1 g_t(x) dF_t(x) \right]^\alpha$ ,

and  $g_t(x) \equiv h(\rho_t, x)^{\frac{1-\alpha}{\alpha}} / x$ . We discuss later the characteristics of this law of motion and the development path it generates. Let us now state the following assumptions.

**Assumption 2.** The function  $g_t$  is nondecreasing for every  $t$ .

**Assumption 3.** The function  $g_t$  is strictly increasing and strictly concave for every  $t$ .

These assumptions are plausible under some parameter restrictions in  $\alpha$  and  $\varepsilon$ . For example, the function  $h(\rho_t, x) = \rho_t^{\varepsilon(1-\varepsilon)} x^{\varepsilon^2}$  is homogeneous of degree  $\varepsilon$ , and, for values of  $\varepsilon$  close to 1 and  $\alpha$  less than 1/2, Assumption 2 holds. The more  $\varepsilon$  close to 1 and  $\alpha$  less than 1/2, the more Assumption 3 is likely to hold, e.g., for  $\varepsilon = 0.9$  and  $\alpha = 0.3$ . We define the distribution  $F'_t$  more unequal than the distribution  $F_t$  if  $F'_t(x) \leq F_t(x)$  for every  $x \in [0, 1]$ , i.e., if  $F'_t$  first-order stochastically dominates  $F_t$ . An increase in sector inequality means that sectors with high portions of overall public spending increase their shares, and sectors with low portions decrease them. Considering the law of motion of total output and the definition of increase in sector inequality, we can state the following proposition.

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<sup>18</sup> See, for a similar argument, D. Mookherjee and D. Ray, 'Persistent inequality', *Review of Economic Studies*, vol. 70 (2003), pp. 369-393.

**Proposition 1 (Efficiency with Sector Inequality).** Suppose Assumption 2 holds. Then, any budget-neutral increase in sector inequality leads to a higher output in the following period. If furthermore Assumption 3 holds, then the same increase in sector inequality leads to a strictly higher output in the following period.

*Proof.* Under Assumption 2,  $\int_0^1 g_t(x) dF'_t(x) \geq \int_0^1 g_t(x) dF_t(x)$ . Then,  $\phi(F'_t|\rho_t) \geq \phi(F_t|\rho_t)$  and therefore  $\psi(Y_t|\rho_t, F'_t) \geq \psi(Y_t|\rho_t, F_t)$ . Under Assumption 3, if there exist  $a < b$  in  $[0,1]$  such that  $F'_t(x) < F_t(x)$  for every  $x \in [a, b]$ , then  $\int_0^1 g_t(x) dF'_t(x) > \int_0^1 g_t(x) dF_t(x)$  and therefore  $\psi(Y_t|\rho_t, F'_t) > \psi(Y_t|\rho_t, F_t)$ . QED.

This proposition proposes specialization as a tool of productive efficiency. The origin of the increase in aggregate productivity is the concentration of the population in the most efficient sectors driven by the pressure on the competitive wage exerted by the public financing of human capital formation. The general equilibrium structure of the model makes this pressure translate into movements of the population densities rather than into fluctuations of the wage incomes, so that sector-specific wages compensate for sector-specific human capital disparities. The final effect of an increase in sector-specific public investments inequality is then an increase in future output.

Let us now consider a fixed distribution  $F_t = F_0$  and a fixed  $\rho_t = \rho_0$ . In this case, the law of motion for total output is strictly increasing, strictly concave, and respects the Inada conditions. Hence, the economy follows a standard development path towards a unique non-trivial stable steady state  $Y_s$ , where  $\psi(Y_s|\rho_0, F_0) = Y_s$ . This implies that  $Y_s = Y_s(F_0, \rho_0) = [M(\rho_0)\phi(F_0|\rho_0)]^{1-\varepsilon(1-\alpha)-\alpha}$ , i.e., the steady state level of total output depends on  $\rho_0$  and  $F_0$ . On the one hand, the effects of changes in  $\rho_0$  on the steady state are not clear, since the function  $M$  depends negatively on the initial ratio while the function  $\phi$  depends positively on it. On the other hand, the more unequal  $F_0$ , the higher is the steady state. In fact, an initial distribution  $F_0$  that shows a higher degree of sector inequality generates a superior development path, both in the transition and in the steady state. A direct implication is that, if at a certain stage of the development process the degree of sector inequality increases, the economy shifts to a development path that would have been unreachable with the original distribution.

Let us now endogenize the distribution of sector-specific public investments,  $F_t$ , and let it depend on the level of income. In other words, we allow the stage of

development to affect the way in which resources are allocated among the sectors. Suppose that every sector is represented within the government by a *lobby*, and that the power of each lobby depends directly on the population density of the sector that the lobby represents. This casts a link between the economic power, in the sense of the share of aggregate human capital that a certain sector supplies, and the political power, in the sense of the share of the overall population that chose to work in that sector. The sectors with the higher population densities have more power within the government, but the population density in equilibrium is an exact representation of the productivity distribution, which is determined by the public investment decisions. The lobbying power that we are talking about is the ability of the lobby to divert new public resources generated through the economic growth towards the sector that the lobby represents. The more powerful the lobby of sector  $j$  at time  $t$ , the more favorable will be the change in sector-specific financing  $a_t(j)$  connected to an increase in output, i.e., the share of each sector within government's budget,  $\tilde{a}_t(j)$ , increases for highly productive sectors and decreases for low productive ones along the development process. If a sector has more power than another at a certain development stage, the first sector always gains power over the second along the development process, because the distribution of the population, and of the political power thereafter, depends on the distribution of public spending. This means that if there is a sector-based lobbying mechanism in the government's decision about how to distribute the public resources, this will lead to a regressive evolution of the distribution  $F_t$ , i.e., for any two periods  $t' > t$ ,  $F_{t'}$  first-order stochastically dominates  $F_t$ . Since below the steady state every period's output is greater than in the previous period, so for every level of  $Y_t$ , its corresponding degree of sector inequality will be greater than the degree connected to last period's output. More formally, we may state the following.

**Assumption 4.** The distribution of sector-specific public investments depends negatively on the level of income, i.e.,  $F_t = F(Y_t)$  with  $F'(Y_t) \leq 0$ .

Even under this assumption, the economy follows a standard development path. The only additional condition we need to impose is  $-Y_t F''(Y_t)/F'(Y_t) > 1$ , which makes the law of motion strictly concave. The unique stable steady state is the solution to

$$\phi(F(Y_s)|\rho_0) = \frac{Y_s^{1-\varepsilon(1-\alpha)-\alpha}}{M(\rho_0)}.$$

$F_t$  can take values between its upper bound, i.e., the initial distribution  $F_0$ , and a lower bound  $F_{min}$ , i.e., the Dyrac mass on a single sector in  $[0, J]$ , which can never be reached because of Assumption 1. Hence,  $\phi$  as a function of  $Y_t$  starts at  $\phi(F_0)$ , increases in  $Y_t$ , and as  $Y_t$  tends to infinity it approaches the upper bound  $\phi(F_{min})$ . Hence, we can assure uniqueness of the steady state by assuming a strict concavity of the function  $\phi(F(Y_t)|\rho_0)$  in  $Y_t$ . A sufficient condition for the latter is that the distribution of public resources among the sectors must evolve smoothly and gradually through time and through income levels, without sharp redistributions from one level of income to another.

Consider now two initial distributions such that  $F'_0 \leq F_0$ . Then, combining the previous results about the development paths with Proposition 1 we can conclude that  $Y_s(F'_0, \rho_0) \geq Y_s(F_0, \rho_0)$ , i.e., the steady state level of output is higher if the initial distribution of public spending is more unequal, even when the distribution of public spending is endogenous. In other words, an economy can reach a multiplicity of steady states, with a unique fundamental selecting the final solution. This fundamental is the initial sector inequality of public financing, whose level affects monotonically the steady state level of income, be the distribution along the development process fixed or endogenous.

### **III. Opposition to Reforms and Regionalism**

The population follows the fluctuations of public financing due to the general equilibrium structure of the model. There are sectors that lose population density along the growth path, and others that gain it. In particular, the losing sectors will tend to disappear in terms of population density, and therefore in terms of lobbying power within the government. Hence, the lobbies representing these sectors are likely to oppose reforms that modify the public financing structure, since a development process with an endogenous distribution of the public resources may lead to the demise of the losing sectors. Such reforms though would lead to higher income per capita and every individual would be willing to vote for their implementation. By considering the possibility that the interests of the lobbies within the government can be different from the interests of the individuals, even of those that work in the sector represented by the opposing lobby, we introduce a distortion in the optimality of government's decision, generated by the conflicts of interests among sectors and between some lobbies and the individuals. The

coexistence of winning and losing lobbies may lead to the possibility of a *political blockage* of growth-enhancing reforms by the losing lobbies, in the case that the latter have enough power to implement a veto policy. We will explore hereafter the likelihood of such a blockage according to the initial conditions, namely, the initial population distribution. To formalize this concept, let us introduce the cumulative distribution function for the population,

$$\Theta_{t+1}(j) \equiv \int_0^j \theta_{t+1}(s) ds = \frac{\int_0^{\tilde{a}_t(j)} g_t(x) dF(Y_t)(x)}{\int_0^1 g_t(x) dF(Y_t)(x)} = \Theta(j|F(Y_t)).$$

This distribution is increasing in  $F(Y_t)$ , since if we pass to a distribution of the public financing that first-order stochastically dominates an original one, the numerator of the population distribution increases less than the denominator. Since the initial distribution  $F_0$  is higher than the final one, i.e., the one corresponding to the steady state  $F(Y_s)$ , the steady state cumulative distribution function of the population first-order stochastically dominates the initial population distribution.

The local derivatives of the two distribution functions correspond to the population densities for each sector in both cases, for the initial distribution and for the final distribution. According to Assumptions 1, the derivative is always strictly positive along the support set, and it increases faster and between more extreme values for the final distribution than for the initial. We define as *neutral* the sector  $j^*$  whose population density does not change from the initial distribution  $F_0$  to the final distribution  $F(Y_s)$ , i.e., such that  $\theta(j^*|F_0) = \theta(j^*|F(Y_s))$ , where  $\theta(j|F_t) \equiv h(\rho_t, \tilde{a}_t(j)) / \int_0^1 g_t(x) dF_t(x)$  is the equilibrium population density in sector  $j$  at time  $t + 1$ ,  $\theta_{t+1}(j)$ . The interpretation of the neutral sector is that the lobby representing it will be indifferent between the original distribution and the final one, since its population density, i.e., its political power, is the same in both cases. All the sectors other than the neutral ones will either oppose or support a reform that leads to an endogenous distribution of public financing. Under Assumption 1, there exists a unique neutral sector. Hence, if  $j < j^*$  then  $\theta(j|F_0) > \theta(j|F(Y_s))$ , and if  $j > j^*$  then  $\theta(j|F_0) < \theta(j|F(Y_s))$ . The cumulated population of the neutral sector, i.e., the mass of population that belongs to the sectors that lose density between the initial and the final distribution, represents the amount of opposition that a potential development path may generate. The opposition or support to the reform reflects the population as it is distributed at the beginning, so the measure of the political

opposition is represented by  $\Theta(j^*|F_0)$ . Thus, supposing that reforms need a simple majority vote to be approved, there is a *reform blockage* if  $\Theta(j^*|F_0) > 1/2$ , i.e., if the majority of the population works in the sectors whose lobbies would lose power along the development process. The consequence is an inferior development path, characterized by a fixed distribution equal to the initial  $F_0$ . According to this definition, there are development paths that are politically feasible and others that are not. Given the initial distribution of public investments  $F_0$ , the feasible paths lead to a steady state distribution whose associated neutral sector has a cumulated population that represents at most half of the total mass of population. Each initial distribution then describes a family of feasible development paths. The more unequal the initial distribution, the wider the family of feasible paths, and the narrower the class of unfeasible paths. To see this, we define the *inequality degree*  $\delta$  associated to a given initial distribution  $F_0$  and a final distribution  $F(Y_s)$  as

$$\delta = \max_j [\Theta(j|F_0) - \Theta(j|F(Y_s))],$$

i.e., as the maximal distance between the two cumulative distributions of the population. Given the uniqueness of the neutral sector, we have that  $\delta = \Theta(j^*|F_0) - \Theta(j^*|F(Y_s))$ . The inequality degree is therefore the cumulated population shift of the neutral sector. Given it, an increase in initial inequality, i.e., a shift downwards of the initial population distribution, allows a lower steady state distribution, which corresponds to a higher steady state output. So, given  $\delta$ , if  $\Theta(j|F_0)$  decreases for every  $j$  then also  $\Theta(j|F(Y_s))$  must decrease. In particular,  $\Theta(j^*|F(Y_s))$  will decrease, independently of where  $j^*$  is. Hence, there is a reform blockage if  $\Theta(j^*|F(Y_s)) + \delta > 1/2$ . Given the inequality degree of such a reform, i.e., given a fixed  $\delta$ , a lower initial distribution entails a lower  $\Theta(j^*|F(Y_s))$ , and therefore it reduces the likelihood of a reform blockage.

Let us call *regionalism* the partition of the economy into geographically separated zones. If we suppose that productive sectors tend to concentrate into industrial districts or more generally into geographical clusters to exploit network effects and economies of scale, we may argue that regionalism generates regions with higher degrees of initial sector inequality. Hence, since reforms blockages are less likely in more sector-unequal economies, the blockage that would exist in the economy as a whole disappears within the regions, or at least in some of them. The winning lobbies within each region, i.e., the

lobbies representing the sectors that would increase their population density along the development process, represent a greater portion of the local population due to the higher initial sector inequality caused by regionalism, so they own a greater political power with respect to the opposing lobbies. The heterogeneity of the winning lobbies, i.e., of political majorities, across regions compensates for the heterogeneity of the population densities across sectors. Moreover, a higher initial inequality in public spending within each region should lead the overall economy to a higher steady state output, other things being equal. Note though that the partition of the economy might involve negative scale effects, tax competition between regions, interregional migrations that might mitigate or reverse the positive effects of locally more efficient public spending distributions, differences in technology among regions, and other issues typically addressed in the fiscal federalism and administrative decentralization literature.<sup>19</sup> The local concentration of public spending caused by regionalism must be stronger than all the possible negative effects, and this depends on whether and to what extent productive sectors do cluster geographically. For example, the dispersion of industrial districts throughout the territory, the geographical delocalization of sector-specific economic activity, and the widespread services outsourcing that makes taxable income scatter across regions, should discourage the application of regionalism. Anyway, given its profitable applicability, the political effect of regionalism consists of a reduction in the likelihood of reform blockages within each region. In this way, within each region different political majorities arise, each of them more likely to support reforms of the government spending distribution.

#### **IV. Conclusions**

We have presented an overlapping generation growth model in general equilibrium. The equilibrium solution leads to a law of motion for total output that depends on the distribution of public spending across sectors. An increase in sector inequality shifts the economy to a superior development path, due to the population migration towards highly productive sectors. The presence of lobbies within the government, where each of them represents a sector, makes the population flow from low productive sectors to high productive sectors until the economy reaches a steady state level of income. Along the development process, there are sectors that tend to occupy the economy and the political

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<sup>19</sup> See, e.g., J.K. Brueckner, 'Fiscal decentralization with distortionary taxation: Tiebout vs. tax competition', *International Tax and Public Finance*, vol. 11 (2004), pp. 133-153.

system, and others that tend to disappear. The lobbies representing the losing sectors oppose this evolution of public spending, and in case they own enough political power they impose a reform blockage. The likelihood of such a blockage depends on the initial distribution, where the higher the initial sector inequality, the lower is the possibility of a reform blockage. If we consider regionalism as the partition of a sector-heterogeneous economy into sector-homogeneous regions, each region has higher initial sector inequality compared with the whole economy, and therefore is less likely than the overall economy to fall into a reform blockage along its development path. The origin of this result is that regionalism allows for a variety of political majorities across regions which compensates for the conflict of interests among sectors.

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# GLOBALIZATION, HUMAN RIGHTS AND MIGRATION IN EU

## Rastislav Funta

**Abstract:** In this study we briefly discuss and investigate the nexus between three core themes: Globalization, Human Rights and Migration in EU. Political, economic as well as demographic factors have an impact on growing migration in EU. The European Union is a global player and globalization is increasingly shaping our lives by offering new opportunities to citizens and business. From economic point of view globalization will increase growth and rise social welfare through better allocation of resources.

**Keywords:** EU, Globalization, Human Rights, Migration

### Abbreviations:

Art	Article
EC	European Community
EEC	European Economic Community
ECJ	European Court of Justice
ILO	International Labour Organization
NMS	New Member States
p.	Page
TEC	Treaty establishing the European Community
UN	United Nations
UDHR	Universal Declaration of Human Rights

## Introduction

The economic globalization plays a major role in worldwide spread of human rights norms. In general, human rights are the rights that one has simply because one is a human being. They are equal rights and inalienable rights. According to Ignatieff<sup>20</sup> “the purpose of human rights is to protect human agency and therefore to protect human agents against abuse and oppression. The right to subsistence is as necessary for human agency as a right against torture.” Human rights may be universal, but support for coercive enforcement of their norms will never be universal. Rights are provided under a cluster of Directives specific to different groups of migrants. According to UN there are approximately 200 million migrants<sup>21</sup> in the world with Europe as a major player in migratory movements. Migration in Europe is influenced by various trends like diversification, feminization or globalization. Globalization as well as regionalism weakens the state’s to regulate to flow of labor across border. States must take account of the policies of other states that regulate migration flow.<sup>22</sup> The institutionalization of free

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<sup>20</sup> M. Ignatieff: Human rights as politics and idolatry, Princeton University Press, 2003, p. ix

<sup>21</sup> J. Monks: European Trade Union Confederation, Nr. 32, December 2008, p. 1

<sup>22</sup> E. Kofman, A. Phizacklea, P. Raghuram, R. Sales: Gender and International Migration in Europe, Routledge 2000, p. 7

movement, (Article 39 EC Treaty) which has a direct effect on the legal orders of the Member States and confers on individual rights which national courts must protect, creates for EU citizens a distinction between Europeans and Non-Europeans.

Sandra Lavenex<sup>23</sup> argues that EU policy frame is based on two paradigms: liberal frame which is based on international human rights standards and security frame which is influenced by the fear of migration. The response of the EU member states to the increased migration is characterized by the implementation of restrictive and exclusionary immigration policies, in particular, because migration is getting out of control.

## **I. Economic globalization and human rights**

Globalization, which has its winners and losers, is a dynamic process by which nations and economies become more interdependent. “Globalization can be understood as a complex process of economic, political, and cultural change on a world scale that entails integration, marginalization, exploitation and resistance.”<sup>24</sup> There are three aspects of globalization: increasing interaction among people, integration of markets, and development of common values. This all can offer great opportunities to people and have an impact on human rights. “Human rights law can help to contain the detrimental social effects of globalization and balance market forces.”<sup>25</sup>

The process of globalization has two dimensions: **European dimension**: under which we mean competition and economic change and **International dimension** which undertakes not only EU but all other countries in the world. Because of globalization, national economies are becoming more integrated with one another. The strongest supporters of globalization seem to be the Nordic countries and new EU member states.<sup>26</sup>

Increasing trade and financial integration in the global economy offers enormous potential benefits. This means that efficiency and flexibility will become important for continued economic success. It is important to stress that the processes of globalization tend to produce certain socio-economic effects. The change in the European as well as in global economy has many benefits; in particular, free trade will lead to more efficient allocation

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<sup>23</sup> A. Geddes: *The politics of migration and immigration in Europe*, SAGE 2003, p. 180

<sup>24</sup> V. Moghadam: “Feminism and the Global Economy.” *Women’s Studies Quarterly* 34 (1&2), 2006, p. 71

<sup>25</sup> Koenig-Archibugi, M.: ‘Introduction: Globalization and the Challenge of Governance’, in Held, D. and Koenig-Archibugi, M. (eds), *Taming Globalization: Frontiers of Governance* (Cambridge: Polity Press), 2003, p. 1

<sup>26</sup> Introductory speech by Mr Yves Mersch, Governor of the Central Bank of Luxembourg and President of the Bridge Forum Dialogue, at the Conference “Globalisation: Can Europe manage it?”, Luxembourg, 22 January 2008

of resources which will boost growth. International competition leads to higher productivity and living standards. Contrary to benefits of globalization there are many costs of it: rise of unemployment, harming more low skilled labour, rise in migration, deterioration of the welfare state, and rise in regional inequality. This is because of inadequate employment opportunities, political or economic breakdown, etc. The UN General Assembly emphasizes that: “While globalization, by its impact on, inter alia, the role of the state, may affect human rights, the promotion and protection of all human rights is first and foremost the responsibility of the state.”<sup>27</sup>

Human rights have been transformed in the Universal Declaration of Human Rights. There are six core human rights treaties<sup>28</sup>; two general covenants protect civil, political, economic, social and cultural rights and four conventions provide more specific protection – for children and for women, against racial discrimination and against torture. The 1990 UN Global Consultation on the Right to Development as a Human Right, stated that the right to development is an inalienable human right with the human being as the central subject to the right and that all the aspects of the right to development set forth in the Declaration of the Right to Development are indivisible and interdependent. They include civil, political, economic, social, and cultural rights. In the case Hauer the Court stated that: “fundamental rights form an integral part of the general principles of the law, the observance of which it ensures; that in safeguarding those rights, the Court is bound to draw inspiration from constitutional traditions common to the member states, so that measures which are incompatible with fundamental rights recognized by the Constitutions of those states are unacceptable in the Community; and that, similarly, international treaties for the protection of human rights on which the member states have collaborated or of which they are signatories, can supply guidelines which should be followed within the framework of the Community law”<sup>29</sup>. According to this, every person is protected and human rights are linked to a common humanity. The central principle is here non discrimination and equal treatment.

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<sup>27</sup> UNGA, ‘Globalization and its impact on the full enjoyment of all human rights’ (16 Dec 2005), UN Doc. A/RES/60/152, para.1.

<sup>28</sup> These six core human rights treaties are: Convention on the Rights of Child, Convention to Eliminate all forms of Discrimination against Women, Convention to Eliminate Racial Discrimination, International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights and the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.

<sup>29</sup> Case C-44/79 Hauer v. Land Rheinland Pfalz, [1979] ECR 3727

## II. Institutionalization of free movement (Article 39 EC Treaty)

Article 39 EC abolishes any discrimination based on nationality against workers of EC Member States regarding employment, remuneration and other conditions of work. Regulation (EEC) 1612/68<sup>30</sup> is the legal implementation of Article 39 EC.

The principle of no discrimination based on nationality is enshrined, *inter alia*, in Article 12 of EC Treaty.<sup>31</sup>

Union citizenship was established by the Maastricht Treaty (Treaty on European Union) in 1991 and it stipulates following rights: the right to move freely and to reside on the territory of the Member States (Art. 18 TEC); the right to vote and to stand as a candidate in elections to the European Parliament and in municipal elections in the Member State in which he/she resides, under the same conditions as nationals of that State (Art. 19 TEC); the right, in the territory of a third country in which his/her country is not represented, to protection by the diplomatic or consular authorities of another Member State, on the same conditions as the nationals of that State (Art. 20. TEC); the right to petition the European Parliament (Art. 21 TEC) and the right to apply to the ombudsman (Art. 21 TEC) in order to bring to his/her attention any cases of poor administration by the Community institutions and bodies, with the exception of the legal bodies. After the Amsterdam Treaty entered into force it stipulates the right to apply to the European institutions in one of the official languages and to receive a reply in that language (Art. 22 TEC); the right to have access to European Parliament, Council and Commission documents under certain conditions (Art. 255 TEC).

If migrants want to fall within Article 39 EC they must be engaging in an economic activity, which mean that they must be ‘workers’. This was decided by the ECJ e.g. in Levin<sup>32</sup> (services performed for and under the direction of another for remuneration). Their activity must be ‘effective and genuine’ and not ‘purely marginal or

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<sup>30</sup> Regulation (EEC) No 1612/68 of the Council of 15 October 1968 on freedom of movement for workers within the Community. The Preamble of Regulation 1612/68 provides that: The freedom of movement constitutes a fundamental right of workers and their families; mobility of labour within the Community must be one of the means by which the worker is guaranteed the possibility of improving his living and working conditions and promoting his social advancement, while helping to satisfy the requirements of the economy of the Member States.

<sup>31</sup> Art. 12. of the EC Treaty states that children of a national of a Member State who is or has been employed in the territory of another Member State shall be admitted to that State's general educational, apprenticeship and vocational training courses under the same conditions as the nationals of that State, if such children are residing in its territory. Member States shall encourage all efforts to enable such children to attend these courses under the best possible conditions.

<sup>32</sup> Case C-53/81 Levin [1982] ECR 1035

ancillary’ as it was decided in the case *Lowrie Blum*<sup>33</sup>. The ECJ stated that a ‘worker’ had to be defined in accordance with objective criteria and the status was accorded to a person who: ‘ ... for a certain period of time ... performs services for and under the direction of another person in return for which he receives remuneration.’

Article 39 of the EC Treaty favours the abolition of every discrimination based on nationality among member state.<sup>34</sup>

Differentiations between right of entry, right to leave and right of residence:<sup>35</sup>

**Right of entry**<sup>36</sup>:

- a valid passport or identity card (other formalities may not be demanded)

**Right to leave**<sup>37</sup>:

- the right to leave a Member State (including his/her own)

**Right of residence**<sup>38</sup>:

- granted to the migrating person and his family.

### **III. Principle of non discrimination and the situation of migrants**

The right to equal treatment (e.g. race or ethnic origin) is a general principle of EU law and a fundamental right.<sup>39</sup> The non-discrimination principle in Article 2 of the UDHR states that:

“Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.”

As it was decided in the case *Navas*:

“all are equal before the law and are entitled without any discrimination to equal protection of the law. All are entitled to equal protection against any discrimination in violation of this Declaration and against any incitement to such discrimination.”<sup>40</sup>

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<sup>33</sup> Case C-66/85 *Deborah Lowrie-Blum v Land Baden-Württemberg* [ 1986] ECR 212

<sup>34</sup> Case C-41/74 *Van Duyn* [1974] ECR 1337

<sup>35</sup> Examples: *Non-workers*: C-85/96 *Martinez Sala* 85/96 – right to claim social security benefit; *Work-seekers*: C-138/02 *Collins* 138/02 – right to claim social security benefit; *Access to employment*: Direct discrimination: *Bosman* 283/99; *Code Maritime* Case 167/73; Indirect discrimination: *Collins* 138/02; *Groener* 379/87; *Angonese* 281/98; Non-discriminatory: *Bosman* 283/99

<sup>36</sup> See footnote 13

<sup>37</sup> Ulrich Becker: *European fundamental rights and freedoms*, Walter de Gruyter, 2007, Berlin, p. 274

<sup>38</sup> Case C-127/08 *Blaise Baheten Metock & Others v. Minister for Justice, Equality and Law Reform (Metock & Others)*, 3 C.M.L.R. 39 (2008)

<sup>39</sup> Case C-13/05 *Sonia Chacon Navas* [2006] ECR I-6467

<sup>40</sup> The Universal Declaration of Human Rights (UDHR), adopted by the United Nations General Assembly on 10 November 1948

UN International Covenant on Civil and Political Rights (CCPR) contains two important provisions on non-discrimination (Article 2 and Article 26 employs the concept of “discrimination”):

Article 2:

“Each State Party to the present Covenant undertakes to respect and to ensure to all individuals within its territory and subject to its jurisdiction the rights recognized in the present Covenant, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.”

Article 26:

“All persons are equal before the law and are entitled without any discrimination to the equal protection of the law. In this respect, the law shall prohibit any discrimination and guarantee to all persons equal and effective protection against discrimination on any ground such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.”

The Covenant does not itself define the term “discrimination” but General Comment No 18 on discrimination provided such a definition:

...the Committee believes that the term “discrimination” as used in the Covenant should be understood to imply any distinction, exclusion, restriction or preference which is based on any ground such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status, and which has the purpose or effect of nullifying or impairing the recognition, enjoyment or exercise by all persons, on an equal footing, of all rights and freedoms...<sup>41</sup>

In 1999 immigration was for the first time on the European Council agenda in Tampere (Finland). The key elements for a EU common policy were:

- a comprehensive approach to the management of migrations, balancing humanitarian and economic admission
- a fair treatment for immigrants
- the development of partnerships with countries of origin.

The number of migrant workers has dramatically increased in recent years.<sup>42</sup> As we can see on the table below, working age population will decrease and old people relating to work age population will increase in EU.

According to the UN without mass immigration, the working age population (between 15 and 65) in Western Europe could fall by 8,5 per cent between 2000 and 2025 (in Central and Eastern Europe by 9,2 per cent) and by 37,2 per cent by 2050 (in Central

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<sup>41</sup> International Covenant for Civil and Political Rights

<sup>42</sup> Bonin, H./Eichhorst, W./Florman, C./Hansen, M. O./Skiöld, L./Stuhler, J./Tatsiramos, K./Thomasen, H./Zimmermann, K. F.: Geographic Mobility in the European Union. Optimising its Economic and Social Benefits, Report for the European Commission, Bonn (2008)

and Eastern Europe by 30,9 per cent).<sup>43</sup> Higher salaries and standard of living are the main reasons for the growth in the number of migrant workers.



Source: Eurostat, EuroPOP2004

These factors lead more people to make the decision to migrate (see statistic in the table below).<sup>44</sup> On the other side, uncontrolled migration can have a negative impact on developing countries. The global recession leads to the point that national priorities becoming more popular because there is a fear that jobs are going to immigrants. This all can lead to increase the level of Euro-skepticism around the whole EU.

<b>Factors Encouraging Future Move</b>	<b>EU 15</b>	<b>NMS 12</b>	<b>EU 27</b>
Work and Income	47.9	84.7	58.7
Social Network	52.8	37.3	48.3
Housing and Local Environment	71.2	57.0	67.1
Public facilities	17.2	18.2	17.5

<sup>43</sup> UN Population Division. Quoted in International Organization for Migration, World Migration 2003, p.244.

<sup>44</sup> See footnote 22

## **IV. International Labour Standards and mechanism of protection**

International Labour Standards come in two forms: Conventions – instruments which, on ratification, create legal obligations – and Recommendations – not open to ratification, but give guidance as to policy, legislation and practice. Until now the ILO had adopted many Conventions and Recommendations covering a broad range of issues relating to the world of work. Eight among them are so called “core” Conventions and four are so called “priority” Conventions:

### **Eight Core Conventions:**

Convention N° 87 (1948) on Freedom of Association and Protection of the Right to Organise

Convention N° 98 (1949) on the Right to Organise and Collective Bargaining

Convention N° 29 (1930) on Forced Labour

Convention N° 105 (1957) on the Abolition of Forced Labour

Convention N° 100 (1951) on Equal Remuneration

Convention N° 111 (1958) on Discrimination (Employment and Occupation)

Convention N° 138 (1973) on Minimum Age, and

Convention N° 182 (1999) on the Worst Forms of Child Labour.

### **Four Priority Conventions:**

Convention N° 81 (1947) on Labour Inspection Convention,

Convention N° 122 (1964) Employment Policy.

Convention N° 129 (1969 on) Labour Inspection (Agriculture),

Convention N° 144 (1976) Tripartite Consultation (International Labour Standards).

The ILO has to respect and promote the following set of principles and rights at work:

- Freedom of association and the effective recognition of the right to collective bargaining,
- The elimination of all forms of forced or compulsory labour,
- The effective abolition of child labour,
- The elimination of discrimination in respect of employment and occupation.

These principles and rights underlie the ILO's fundamental Conventions on:

- Freedom of Association and Protection of the Right to Organise (N° 87) and Right to Organise and Collective Bargaining (N° 98)
- Forced Labour (N° 29) and Abolition of Forced Labour (N° 105)
- Minimum Age (N° 138) and Worst Forms of Child Labour (N° 182)
- Equal Remuneration (N° 100) and Discrimination (Employment and Occupation) (N° 111).

The need to protect the rights of both regular and irregular migrants has been recognized in international standards like: ILO Convention No. 143 on Migrant Workers (1975) and the UN Convention on the Protection of the Rights of All Migrant Workers and their Families (1990). The ILO Migration for Employment Convention, 1949 (N° 97) and the Migrant Workers (Supplementary Provisions) Convention, 1975 (N° 143) — together with the 1990 International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families provide a comprehensive legal framework for migration policy and practice of migrant workers.<sup>45</sup>

As the UN Secretary - General stated: “Only through cooperation - bilateral, regional, and global - can we build the partnerships between receiver and sender countries that are in the interests of both; explore innovations to make migration a driver of development; fight smugglers and traffickers effectively; and agree on common standards for the treatment of immigrants and the management of migration.”<sup>46</sup> The European Convention does not create any right of entry but on the other side it may prevent the removal, or deportation of persons from the state.<sup>47</sup>

## **Concluding remarks**

International norms which are focused on protection of human rights are more developed than ever. Harmonization of migration which can be seen as a threat to national security within the European Union will increase flow of refugees from less developed countries. But how should governments deal with the growth of migration? Globalization has led to

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<sup>45</sup> Report of the Committee on Migrant Workers, Provisional Record 22, International Labour Conference, Ninety-second Session, International Labour Office, pp.55-64

<http://www.ilo.org/public/english/standards/relm/ilc/ilc92/pdf/pr-22-pdf>

<sup>46</sup> See [http://www.europa-eu.un.org/articles/sk/article\\_3178\\_sk.htm](http://www.europa-eu.un.org/articles/sk/article_3178_sk.htm)

<sup>47</sup> ECHR cases under Article 8 are summarised in Weissbrodt, Progress Report on the Rights of Non Citizens, Addendum, E/CN.4/Sub.2/2002/25/Add.2, para. 36 – 52.

opening of the national boundaries, international trade and global competition but at the same time it creates a citizenship gap which means the increase number of residents who are non citizens. Concerning the rise of globalization a conception of security of national interests should be put into place. "When people cannot find work at home in their communities and societies they look elsewhere."<sup>48</sup> The failure of globalization to create new jobs can be seen as an important factor in increasing migration pressures. It seems that globalization has changed the nature of the state and of public policy (states are moving from privatization to development of a space in which both public and private providers of services are driven by public interest). The role of the state in the era of globalization should be focused on a proactive approach to globalization, address human capacity needs as well as strengthen public administration systems.

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<sup>48</sup> Opinion by Juan Somavia (DG of the International Labour Office) at the World Economic Forum, Davos, January 2006

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# A PARADOX IN THE EU MIGRATION MANAGEMENT

## Deniz Genç

**Abstract:** Since the end of the Cold War, due to securitization, migration has been perceived as a source of insecurity by the European societies. This has resulted by the introduction of restrictive migration policies in the Member States of the European Union (EU). Similar to the national migration policies, the ones that resulted in the EU level are also believed to be restrictive. According to many academics, EU migration policies owe their restrictive nature also to the securitization of migration in the EU. Paradoxically, according to the projections of the next decades, the European economy is in need of migrants for renovation. Following these lines the argument of this study is: *'Despite the fact that the EU needs migrants, securitization of migration has been taking place in the EU, which denotes a paradox in its migration management'*.

**Keywords:** societal security, securitization, migration, European Union.

## Introduction

With the end of the Cold War the concept of security has undergone a transformation. Besides the traditional ones, academics identified new sources of insecurities that pose challenges in political and socio-economic terms rather than militaristic ones. Being one of them, migration has become one of the main sources of insecurity for the Member States of the European Union (EU). Migration is an interesting phenomenon that is related with many aspects of the political organization and society and that can be shown as the cause of many problems.

The issue has been a hot topic for the political and social debates in the Member States since the early 1970s. In these debates, migration has been increasingly linked with security by the political actors. In other words, a securitization of migration has been observed in many Member States of the EU. As an approach of the Copenhagen School of International Relations, securitization is basically the name given to the process of “taking an issue from the basket of normal politics and putting it to the basket of security”<sup>49</sup>. Due to securitization, Member States were able to adopt highly restrictive migration policies in the 1980s<sup>50</sup>.

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<sup>49</sup> Münevver Cebeci, *'EU as a Desecuritization Project'*. Unpublished lecture notes given on April 27, 2004 for the Master Course 'International Politics of the European Union', (2004) p. 4.

<sup>50</sup> In the study the term of 'migration policy' is used as a general category to define the policies about immigration, asylum-seeking and refugees.

The issue of migration could become an important topic for the European Communities only in the late 1980s, when the Europeanization of migration policy started to take place. Today, the EU has many policies to deal with and manage migration. The common denominator of these policies is their restrictive nature while the migration issues have also been securitized in the EU. This securitization has taken place in three related themes, which are about the security of the internal market; the security of the cultural identities of the European societies and the security of the welfare systems. As a result of securitization of migration, migration and migrants are perceived as existential threats to their survival by many sections of the society.

Paradoxical to securitization and presenting migration and migrants as existential threats, the EU needs migrants to renovate its economy. It is known that the EU needs human power in the face of demographic ageing and it needs workers and experts in several sectors. Therefore the EU tries to receive migration and attract migrants. These two practices contradict with each other and together they denote a paradox in the migration management of the EU. The paper tries to discuss this argument in three main sections. It starts with a theoretical framework about security and securitization, which is followed by the section on migration to Europe. The last section before the conclusion tries to discuss securitization of migration in the EU.

## **I. Security and Securitization**

It is told that security is an essentially contested concept, which is always about survival and about avoiding threats<sup>51</sup>. Scholars from Copenhagen School say that security is an intersubjective term as it is socially constructed through interactions<sup>52</sup>. According to Waever, with whom the concept of securitization is coined, security is “a practice, a specific way of framing an issue”<sup>53</sup>.

Traditionally, security has been examined within the military-political context, in which it has been about the survival of the state, about avoiding the existential threats posed to its sovereignty<sup>54</sup>. However, as scholars from Copenhagen School observe, “an

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<sup>51</sup> Münevver Cebeci, ‘*Securitization*’. Unpublished lecture notes given on December 12, 2008 for the PhD Course ‘EU as a Global Actor’, (2008), p. 2.

<sup>52</sup> Münevver Cebeci, ‘*EU as a Desecuritization Project*’. Unpublished lecture notes given on April 27, 2004 for the Master Course ‘International Politics of the European Union’, (2004) p. 5

<sup>53</sup> Ole Waever, ‘European Security Identities’ in *Journal of Common Market Studies*, Vol. 34, No. 1, (1996), p. 106.

<sup>54</sup> Tariq Siddiqui, ‘*Securitization Theory and Its Application in Migration*’, Unpublished Paper submitted to Refugee and Migratory Movements Research Unit, Dhaka, (2008), pp.1-32.

existential threat can only be defined in relation to the particular character of the referent object in question” and therefore besides the military-political one, in several other sectors, security referents (referent objects) and existential threats can be identified<sup>55</sup>. According to them, there are five such contexts or sectors of security. These are the military, the political, the economic, the environmental and the societal sectors.

These scholars examine migration within the rubric of societal security. According to them, the referent objects in the societal sector are large collective identity groups that “function independent of the state, such as nations and religions”<sup>56</sup>. As Weaver notes, in order to survive, a society has to preserve its identity. Therefore existential threats in the societal sector are the developments that tend to change or impede the preservation of the identities of those collective identity groups<sup>57</sup>. Weaver *et al.* say that “societal security concerns the ability of the society to persist its essential character under changing conditions and possible or actual threats...therefore societal security is about situations when societies perceive a threat in identity terms”<sup>58</sup>. According to this definition, “societal security is about the preservation of traditional patterns of language, culture, association and religious and national identity, within acceptable conditions for evolution”<sup>59</sup>.

Such a definition of societal security inevitably links it to the nations and ethnic groups in the European continent<sup>60</sup>. According to the scholars, these identity-based collective groups perceive migration as a threatening development for the preservation of their identities. They view migration as a threat to their identities because they think that their identities will be “overrun and diluted” by the new comers and as a result their communities will cease to be what it is<sup>61</sup>. In a similar vein, Huysmans says that:

“Migration is identified as one of the main factors weakening the national tradition and societal homogeneity. It is reified as an internal and external

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<sup>55</sup> Barry Buzan, Ole Waever & Jaap de Wilde, (1998). *Security: A New Framework for Analysis*, Colorado: Lynne Rienner Publishers, Inc. (1998), p. 21.

<sup>56</sup> *Ibid*: 119.

<sup>57</sup> Ole Waever, ‘European Security Identities’ in *Journal of Common Market Studies*, Vol. 34, No. 1, (1996), pp. 103-129

<sup>58</sup> Steven Vucetic, ‘Traditional versus Societal Security and the Role of Securitization’ in *Southeast European Politics*, Vol. 3, No. 1, (2002), p. 4.

<sup>59</sup> Nouray Ibryamova, ‘Migration from Central and Eastern Europe and Societal Security in the European Union’. University of Miami, *Jean Monnet/Robert Schuman Paper Series*, Vol. 1, No.2, (2002), p. 5.

<sup>60</sup> Ole Waever, ‘European Security Identities’ in *Journal of Common Market Studies*, Vol. 34, No. 1, (1996), pp. 103-129

<sup>61</sup> Barry Buzan, Ole Waever & Jaap de Wilde, *Security: A New Framework for Analysis*, Colorado: Lynne Rienner Publishers, Inc. (1998), p. 121.

danger for the survival of the national community or western civilization. This discourse excludes migrants from the normal fabric of society, not just as aliens but as aliens who are dangerous to the reproduction of the social fabric”<sup>62</sup>.

Unlike security, the concept of securitization has a clearer explanation. It is basically the process of “taking an issue from the basket of normal politics and putting it to the basket of security”<sup>63</sup>. Buzan *et al.* define it as “the move that takes politics beyond the established rules of the game and frames the issue either as a special kind of politics or as above politics”, it is the process of presenting an “issue as posing an existential threat to a designated referent object”<sup>64</sup>.

According to the scholars from Copenhagen School, any public issue can be located to three different categories; the categories of non-politicized issues (the issues that “the state does not deal with”), the politicized issues (the issues, part of which “is public policy requiring government decision and resource allocation”) and the securitized issues (the issues that are “presented as existential threats, requiring measures and justifications outside the normal bounds of political procedure”)<sup>65</sup>. In the light of this categorization, securitization is moving an issue from non-politicized or politicized categories to the category of securitized issues.

Securitization starts with a securitizing move, in which “a securitizing actor uses a rhetoric of existential threat”<sup>66</sup>. In this rhetoric the actor “dramatizes an issue as having absolute priority” and in presenting the existential threat he makes it obvious that this is a matter of survival and if the threat is not tackled “everything else will be irrelevant”<sup>67</sup>. By calling the issue as a security issue, the actor claims the right to cope with it by extraordinary means, to break the political rules of the game<sup>68</sup>. This presentability of any public issue as a security issue also reveals another characteristic of the concept of security. As an issue becomes a security issue in the practice told above, it means that

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<sup>62</sup> Jeff Huysmans, ‘The European Union and the Securitization of Migration’ in *Journal of Common Market Studies*, Vol. 38, No.5, (2000), p. 758.

<sup>63</sup> Münevver Cebeci, ‘EU as a Desecuritization Project’. Unpublished lecture notes given on April 27, 2004 for the Master Course ‘International Politics of the European Union’, (2004) p. 6.

<sup>64</sup> Ibid: 23.

<sup>65</sup> Barry Buzan, Ole Waever & Jaap de Wilde, *Security: A New Framework for Analysis*, Colorado: Lynne Rienner Publishers, Inc. (1998), pp. 23-24.

<sup>66</sup> Ibid: 25.

<sup>67</sup> Ole Waever, ‘European Security Identities’ in *Journal of Common Market Studies*, Vol. 34, No. 1, (1996), p. 106.

<sup>68</sup> Münevver Cebeci, ‘EU as a Desecuritization Project’. Unpublished lecture notes given on April 27, 2004 for the Master Course ‘International Politics of the European Union’, (2004), pp. 1-10.

security is a self-referential practice<sup>69</sup>. Following these lines security can also be called as a speech act, as it is done by speaking. In the words of Buzan *et al.* “the utterance itself is the act”<sup>70</sup>.

Securitization begins with a speech act, but for the issue to be securitized, a significant audience should believe the actor and accept the existence of an existential threat. Only if and when the audience accepts it, the issue is moved from the basket of normal politics and started to be treated within the rubric of securitized issues. If the audience accepts that there is an urgent existential threat, it tolerates violations of rules. Then the claim of the securitizing actor to use extraordinary measures in dealing with this existential threat is seen as legitimate (by the audience) and therefore the securitizing actor manages to “break free of procedures or rules that he or she would otherwise be bound up”<sup>71</sup>. With this last step, securitization is completed.

The securitizing actor is the person or a group that performs the speech act. Although not necessarily an official one, the securitizing actor must hold a position of authority, which gives him the legitimacy to declare an issue as an existential threat in the eyes of the audience. Mostly political leaders, bureaucrats, governments, lobbyists and pressure groups become securitizing actors. The actor is the person who decides whether an issue is going to be tackled as an existential threat. However, as it is told above it is the audience, who decides securitization. Audience is the people that the speech act tries “to convince to accept exceptional procedures because of the specific nature of some issue”<sup>72</sup>. If the audience does not accept the speech act, then it remains as an incomplete securitizing move.

Lastly, it should be kept in mind that security is always a negative practice and securitization is a failure in dealing with an issue within the framework of normal politics. Ideally, all issues must be tackled as issues of normal politics. Therefore, even if in some cases securitization of issues is unavoidable, “desecuritization<sup>73</sup> must be the optimal long-range option”<sup>74</sup>.

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<sup>69</sup> Ole Wæver, ‘European Security Identities’ in *Journal of Common Market Studies*, Vol. 34, No. 1, (1996), pp. 103-129

<sup>70</sup> Barry Buzan, Ole Wæver & Jaap de Wilde, *Security: A New Framework for Analysis*, Colorado: Lynne Rienner Publishers, Inc. (1998), p. 27.

<sup>71</sup> Ibid: 121.

<sup>72</sup> Ibid: 41.

<sup>73</sup> Desecuritization can be explained as taking an issue out of the security basket and putting it back into the basket of normal politics. Then, the use of extraordinary measures is given up and the issue will be replaced by the normal political rules of the game (Münevver Cebeci, ‘*EU as a Desecuritization Project*’. Unpublished

## II. Migration to Europe

Migration to Europe is an old, recurrent phenomenon. Since very old times, people from different geographies migrate to Europe for different reasons. Migration to Europe reached its peak in the aftermath of the Second World War, when European economies expanded rapidly. In these years, migrants were seen as valuable contributors to the European economies<sup>75</sup>. In the 1970s European states left foreign labour recruitment and in the following years there has been a gradual shift from liberal immigration policies towards stricter ones<sup>76</sup>.

Despite all the stricter policies and regulations of European states, people continued to migrate through family ties and refugee flows. Today Europe is the home of 56.1 million migrants and it is the second most attractive destination after US to migrate among the potential migrants from all over the world. In line with this, all European states are now net immigration countries<sup>77</sup>. Although the Member States of the European Union do not want to accept this fact and they have been introducing policies to restrict migration, the projections of the coming decades show that the Europe needs migrants.

Europe needs migrants firstly because the European society is demographically ageing. According to the projections, due to demographic ageing, the population of EU-25 will fall by 48 million by 2050. In addition to that, because of fertility decline and increase in life expectancy in Europe, the proportion of the old people within the population will increase. In other words, due to demographic ageing, the EU population is getting smaller and growing older and this poses a challenge for the European economy as well<sup>78</sup>.

According to the Eurostat, while the working age population of the EU-25 (excluding Romania and Bulgaria) would fall from 303 million to 297 million by 2020, the number of old aged people in the population will reach to 110 million by 2030.

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lecture notes given on April 27, 2004 for the Master Course 'International Politics of the European Union', (2004) pp. 1-10).

<sup>74</sup> Barry Buzan, Ole Waever & Jaap de Wilde, *Security: A New Framework for Analysis*, Colorado: Lynne Rienner Publishers, Inc. (1998), p. 29.

<sup>75</sup> Maggie Ibrahim, 'The Securitization of Migration: A Racial Discourse' in *International Migration*, Vol. 43, No.5, (2005), pp. 163-187.

<sup>76</sup> Nouray Ibryamova, 'Migration from Central and Eastern Europe and Societal Security in the European Union'. University of Miami, *Jean Monnet/Robert Schuman Paper Series*, Vol. 1, No.2, (2002), p. 5.

<sup>77</sup> Christine Boswell, *Migration in Europe*, Unpublished paper, prepared for the Policy Analysis and Research Programme of the Global Commission on International Migration, (2005), pp. 1-23.

<sup>78</sup> Commission of the European Communities, *The Demographic Future of Europe- From Challenge to Opportunity*, Commission Communication of October 12, 2006 [COM (2006) 571]. [Electronic Version] Retrieved on January 30, 2009 from <http://europa.eu/scadplus/leg/-en/cha/c10160.htm>, (2006), p.1.

According to these projections the number of people that can be employed will decrease gradually, which in the end hamper the economic growth of the EU. Furthermore, it is known that the EU needs skilled people mainly for the IT sector and unskilled people as seasonal workforce<sup>79</sup>.

Since the late 1990s, the EU is trying to overcome these challenges<sup>80</sup>. In all of its communications on the issue, the EU underlines persistently that the most important thing that can change this situation positively is the migration<sup>81</sup>. According to the EU officials, receiving skilled migrants will be a solution for the challenges posed by the demographic ageing of the society and for the technological development in the EU, which is falling behind in the competition with other nations due to the lack of skilled workforce<sup>82</sup>.

In line with these arguments, the EU has presented the 'Blue Card' initiative for highly skilled migrants in October 2007. Being the main policy initiative of the EU to attract skilled migrants from all over the world, the Blue Card of the EU is modeled after the Green Card used in the US. If it enters into force, the Card is going to set up a single application procedure for non-EU workers to reside and work within the EU<sup>83</sup>. With the Blue Card, "the EU aims to attract up to 20 million workers from outside the EU" by 2030<sup>84</sup>. In addition to this initiative, the European Commission is expected to propose guidelines to attract seasonal workers for the agricultural, construction and tourism sectors this year (2009).

Following these lines, in the words of Kofi Annan "the message is clear; migrants need Europe, but Europe also needs migrants"<sup>85</sup>. In line with this, according to the EU officials, receiving migration is the most important and effective tool overcoming the

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<sup>79</sup> Christina Boswell, *Migration in Europe*, Unpublished paper, prepared for the Policy Analysis and Research Programme of the Global Commission on International Migration, (2005), pp. 1-23.

<sup>80</sup> For instance the EU has launched the Lisbon Strategy in 2000. The Strategy sets a new goal for the EU "to become the most competitive and dynamic knowledge-based economy in the world" in the next decade. According to EU institutions, immigrants can play an important role in the realization of Lisbon Strategy (Deniz Genç, *Multiculturalism and Immigrant Integration in European Societies*, Unpublished Master Thesis submitted to the Marmara University European Communities Institute, Istanbul, (2005), pp. 54-72).

<sup>81</sup> Commission of the European Communities, *The Demographic Future of Europe- From Challenge to Opportunity*, Commission Communication of October 12, 2006 [COM (2006) 571]. [Electronic Version] Retrieved on January 30, 2009 from <http://europa.eu/scadplus/leg/-en/cha/c10160.htm>, (2006), pp.1-15.

<sup>82</sup> EurActiv, 'An EU 'Blue Card' for High-Skilled Immigrants?', (April 22, 2008). [Electronic Version] Retrieved on January 31, 2009 from <http://www.euractiv.com/en/socialeurope/eu-blue-card-high-skilled-immigrants/article-170986>, (2008), pp. 1-3.

<sup>83</sup> Spiegel Online International, (October 23, 2007). 'EU Targets Skilled Migrants', (October 23, 2007). [Electronic Version] Retrieved on January 31, 2009 from <http://www.spiegel.de/international/europe/0,1518,-513083,00.html>, (2007), p. 2.

<sup>84</sup> EurActiv, 'An EU 'Blue Card' for High-Skilled Immigrants?', (April 22, 2008). [Electronic Version] Retrieved on January 31, 2009 from <http://www.euractiv.com/en/socialeurope/eu-blue-card-high-skilled-immigrants/article-170986>, (2008), p. 2.

<sup>85</sup> Kofi Annan, *UN Secretary-General Annan Addresses European Parliament*. Speech delivered to the European Parliament on January 29, 2004. [Electronic Version] Retrieved on January 30, 2009 from [http://www.europa-eu-un.org/articles/en/article\\_3178\\_en.htm](http://www.europa-eu-un.org/articles/en/article_3178_en.htm), (2004), p.5.

problems that European economy and society are going to face in the next decades. Therefore, the EU tries to attract migrants; skilled in the short-run and unskilled in the long-run.

### **III. Securitization of Migration in the European Union**

In the 1970s there has been a thematic change in approaching to migrant and migration. In this period, for mostly economic reasons, the positive ‘contributor’ image of the migrant turned to a negative ‘public order de-stabilizer’ in the minds of the Europeans and in the 1980s, migration policy discussions in the Member States of the European Union were more about protecting public order and preservation of domestic stability, which were endangered by migration according to the policy makers<sup>86</sup>. These arguments paved the way for criminalization of migrants and securitization of migration in the Member States<sup>87</sup>. Securitization of migration followed by the establishment of restrictive national migration policies in turn.

It can be inferred from the material on migration to Europe that the issue has been a very important subject for political and societal debates in the Member States of the European Union since the early 1970s. However, the issue could become an important one for the European Communities only in the mid-1980s. With the establishment of Trevi Group, an Ad Hoc Working Group on Immigration in 1986, the Europeanization of migration policy has started to take place and only after that the EU began to make migration policies.

Similar to the national migration policies of the Member States, the European migration policies are also restrictive. Huysmans says that they are driven by “restrictive and control-oriented imperatives” and therefore all the regulations made in the EU level on migration had a point in common that they all “emphasize the need for restriction of population flows”<sup>88</sup>. This restrictive nature of the European migration policies has a lot to do with the intergovernmental cooperation of the Member States. Although the Member

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<sup>86</sup> Maggie Ibrahim, ‘The Securitization of Migration: A Racial Discourse’ in *International Migration*, Vol. 43, No.5, (2005), pp. 163-187 ; Jeff Huysmans, ‘The European Union and the Securitization of Migration’ in *Journal of Common Market Studies*, Vol. 38, No.5, (2000), p. 751-777.

<sup>87</sup> Theodora Kostakopoulou, ‘The Protective Union: Change and Continuity in Migration Law and Policy in Post-Amsterdam Europe’, *Journal of Common Market Studies*, Vol. 38, No.3, (2000), p. 497-518 ; Ali Bilgiç, *Securitization of Immigration and Asylum: A Critical Look at Security Structure in Europe*. (Unpublished Master Thesis submitted to Lund University, 2006), pp.20-25.

<sup>88</sup> Jeff Huysmans, ‘The European Union and the Securitization of Migration’ in *Journal of Common Market Studies*, Vol. 38, No.5, (2000), p. 756.

States used the European framework in this cooperation, the European institutions were restricted in this field. Despite the communitization of the field after 1997, the backbone of the Migration Policy, the securitized understanding, was already created and it was there to stay. Therefore it would not be wrong to say that when the migration issues were moved to the European level, they were already securitized in the Member States. Similarly, Kostakopoulou says that “the European Communities have adopted the Member States’ own discourses on the securitization of migration policies”<sup>89</sup>. Hence, the securitization of migration in the EU can not be separated from that of in the Member States.

According to Huysmans, who focuses on the logic beneath the securitization of migration in the EU and in the Member States rather than focusing on the process, three related themes are used in the securitization of migration<sup>90</sup>. These are the themes of internal security, cultural security and the crisis of the welfare state. The paper follows Huysmans and examines the logic of securitization in the field of migration in the EU and in the Member States.

### **i. Migration versus Internal Security**

In the internal security theme, it was told that the borderless nature of the internal market would have a side-effect, it would also “facilitate the illegal and criminal activities by terrorists, international criminal organizations, asylum-seekers and immigrants”<sup>91</sup>. The discourse was put forward by the security professionals, who came together for the Trevi and the Police Working Group on Terrorism that together prepared the ground for the creation of the Schengen Agreement. Their professional status, their obvious capacity to define security questions, made them convincing in the eyes of the public.

The professionals “produced and distributed internal security knowledge that articulated a continuum between borders, terrorism, crime and migration”<sup>92</sup>. As Bilgiç notes, this discourse indicated the immigrants and refugees as the sources of insecurity for Europe and by linking migration with the organized crime and terrorism, the internal security theme has been able to construct an assumption that “migration is a security

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<sup>89</sup> Theodora Kostakopoulou, ‘The Protective Union: Change and Continuity in Migration Law and Policy in Post-Amsterdam Europe’, *Journal of Common Market Studies*, Vol. 38, No.3, (2000), p. 509.

<sup>90</sup> Jeff Huysmans, ‘The European Union and the Securitization of Migration’ in *Journal of Common Market Studies*, Vol. 38, No.5, (2000), pp. 751-777.

<sup>91</sup> Ibid: 760.

<sup>92</sup> Ibid: 761.

threat, which must be effectively controlled”<sup>93</sup>. The link was constructed so successfully that this understanding became a common sense and as a result the EC policies were able to connect the abolition of internal borders with the need to strengthen the external border controls easily<sup>94</sup>. It is told that the 1990 Convention Applying the Schengen Agreement of 1985 is the best example of securitization of the internal market, which formally links immigration and asylum with terrorism, transnational crime and border control<sup>95</sup>.

## **ii. Migration versus Cultural Security**

The cultural security theme is about presenting migration as a threat to the cultural identity. This theme has worked in three different ways. First of all, the strict border control has a cultural dimension. The EU strengthens the borders for the people, who are coming from Third Countries, who are culturally and sometimes racially different<sup>96</sup>. This can also be interpreted as an ‘Otherization’ process, in which the EU creates a continental dichotomy of ‘us’ and ‘others’; the ‘Europeans’ and the ‘TCNs’ by demarcating a thick and almost impregnable border to the outside.

Secondly, in the last decades, the European institutions have been persistently calling Member States to step up their efforts in integrating immigrants into their societies. According to academics, integration can be explained basically as the “adaptation of the immigrants to the culture of the host society”<sup>97</sup>. As Huysmans notes, by their nature integration policies indirectly assume that a culturally uniform, a homogenous society existed before the migrants came and brought their cultures with them<sup>98</sup>. According to him, by continuously highlighting the need to integrate immigrants, the European institutions confirm a nationalist desire for this pre-existing culturally homogenous society and at the same time identify the immigrants as the obstacles in the realization of it. Furthermore, while this understanding says that it was the migrants who

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<sup>93</sup> Theodora Kostakopoulou, ‘The Protective Union: Change and Continuity in Migration Law and Policy in Post-Amsterdam Europe’, *Journal of Common Market Studies*, Vol. 38, No.3, (2000), p. 508.

<sup>94</sup> Jeff Huysmans, ‘The European Union and the Securitization of Migration’ in *Journal of Common Market Studies*, Vol. 38, No.5, (2000), pp. 751-777.

<sup>95</sup> Ali Bilgiç, *Securitization of Immigration and Asylum: A Critical Look at Security Structure in Europe*. (Unpublished Master Thesis submitted to Lund University, 2006), pp. 20-25.

<sup>96</sup> Jeff Huysmans, ‘The European Union and the Securitization of Migration’ in *Journal of Common Market Studies*, Vol. 38, No.5, (2000), p. 751-777.

<sup>97</sup> Han Entzinger and Frank Biezeveld quoted in Deniz Genç, *Multiculturalism and Immigrant Integration in European Societies*, Unpublished Master Thesis submitted to the Marmara University European Communities Institute, Istanbul, (2005), p. 35.

<sup>98</sup> Jeff Huysmans, ‘The European Union and the Securitization of Migration’ in *Journal of Common Market Studies*, Vol. 38, No.5, (2000), p. 765.

ruined the culturally homogenous space, it cements the perception that different life-style and culture of the migrants are threatening for the cultural identity of the society.

Thirdly, the EU tries to establish multicultural and non-racist European societies. It aims this for several reasons, most prominent of which is the fear of returning to old (19<sup>th</sup> century) Europe, where racism and extreme nationalism were common practice<sup>99</sup>. In the last decade a rise in the racist, xenophobic and extreme nationalist acts have been observed in Europe. It is thought that the Common European Asylum and Immigration policy will be a remedy for these problems and it is going to help the establishment of multi-cultural and non-racist societies. Therefore, the EU calls for multiculturalist practices in the Member States and campaigns against the revival of nationalism, racism and xenophobia<sup>100</sup>. However, in doing this in a way it highlights the cultural difference that the migrants carry. It highlights the fact that the migrants carry different cultural identities, which again brings the issue to the argument that European cultural identities are threatened by those of migrants<sup>101</sup>.

### **iii. Migration versus Welfare Systems**

The last theme in the securitization of migration in the EU and in the Member States is about presenting migration as a threat to the welfare systems of Europe. Due to successive economic crises and the rise of unemployment in the 1980s, competition for the benefits of the European welfare states intensified<sup>102</sup>. In such an environment, foreigners in the labour market (migrants and asylum-seekers) have become more visible to the eyes of the Europeans. A tendency to see them as rivals in the distribution of the benefits has been observed. Migrants are increasingly seen as “having no legitimate right to social assistance and welfare provisions”<sup>103</sup>. According to many Europeans since migrants are not a part of ‘them’, they should not be recipients for the benefits. With this

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<sup>99</sup> According to Waever, the fear of return to old Europe is a very powerful theme, on which the security identity of the European integration has been built. As the racist and nationalist practices fragmented Europe in the 19th century and led the way for the World Wars, the European integration takes old Europe, racism and nationalism as its ‘Other’ and tries to develop multiculturalism in the European societies (paraphrased in Jeff Huysmans, ‘The European Union and the Securitization of Migration’ in *Journal of Common Market Studies*, Vol. 38, No.5, (2000), p. 770.

<sup>100</sup> Deniz Genç, *Multiculturalism and Immigrant Integration in European Societies*, Unpublished Master Thesis submitted to the Marmara University European Communities Institute, Istanbul, (2005).

<sup>101</sup> Jeff Huysmans, ‘The European Union and the Securitization of Migration’ in *Journal of Common Market Studies*, Vol. 38, No.5, (2000), pp.751-777.

<sup>102</sup> Ali Bilgiç, *Securitization of Immigration and Asylum: A Critical Look at Security Structure in Europe*. (Unpublished Master Thesis submitted to Lund University, 2006), pp.20-25.

<sup>103</sup> Ibryamova, N. ‘Migration from Central and Eastern Europe and Societal Security in the European Union’. University of Miami, *Jean Monnet/Robert Schuman Paper Series*, Vol. 1, No.2 (2002), p. 6.

understanding “the notions of solidarity and distribution of welfare are coined with the notion of nationality”<sup>104</sup>. Huysmans calls this, “privileging of national citizens in the distribution of social goods”, as welfare chauvinism<sup>105</sup>.

In its radical form, welfare chauvinism depicts migrants as people, who reap the benefits of the welfare systems illegitimately. Migrants are shown as exploiters, who commit welfare frauds. In a more moderate version, welfare chauvinism tries to legitimize the establishment of restrictive migration policies by using the problems in the European economies. In this view due to economic recessions, employment opportunities for the migrants decrease, and when they are unemployed their costs to the welfare system increase. According to this view, migration should be restricted not because migrants are welfare fraudulents but “because the welfare system should first provide benefits and welfare for its ‘own’ people”<sup>106</sup>. Welfare chauvinists use metaphors such as ‘flood’, ‘invasion’ or ‘swamping’ of migrants in their discourses. Geddes says that these words can be accepted as anti-immigration vernacular and he adds that these metaphors “frame the debates about international migration and present it as a threat to welfare security”<sup>107</sup>. Huysmans mentions the same thing and he says that such metaphors “portray immigrants, asylum-seekers and refugees as a serious threat to the survival of the socio-economic system”<sup>108</sup>.

It is told that the EU sustains welfare chauvinism in many of its regulations. Most important of all, it favours free movement of nationals of the Member States in the labour market and in the social policy area<sup>109</sup>. Its strategy for the Third Country Nationals is based on “the refusal of economic rights granted to the EU nationals”<sup>110</sup>.

## Conclusion

Migration is a multifaceted phenomenon that is related with many aspects of the political organization and society and it is such a meta-issue that it can be shown as the cause of

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<sup>104</sup> Ibid.

<sup>105</sup> Jeff Huysmans, ‘The European Union and the Securitization of Migration’ in *Journal of Common Market Studies*, Vol. 38, No.5, (2000), p. 767.

<sup>106</sup> Ibid: 769.

<sup>107</sup> Andrew Geddes quoted in Ali Bilgiç, *Securitization of Immigration and Asylum: A Critical Look at Security Structure in Europe*. (Unpublished Master Thesis submitted to Lund University, 2006), p.19.

<sup>108</sup> Jeff Huysmans, ‘The European Union and the Securitization of Migration’ in *Journal of Common Market Studies*, Vol. 38, No.5, (2000), p. 769.

<sup>109</sup> ibid.

<sup>110</sup> Ali Bilgiç, *Securitization of Immigration and Asylum: A Critical Look at Security Structure in Europe*. (Unpublished Master Thesis submitted to Lund University, 2006), p.24.

many problems. For Europe, migration is not something new. Europe has always received migrants. However, in the 1970s, they became the main topics of political discussions about public order and domestic stability in the Member States of the European Union. In these discussions, migrants were shown as the causes of economic and societal problems and they were criminalized by the political actors. As a result, Europeans have started to perceive migration as one of the main sources of insecurity. By constructing this perception, the political actors became successful in securitizing the issue. The securitized understanding or approach to migration was also successfully transferred to the EU level, where Europeanization of migration has started to take place in the 1980s.

Migration was securitized in the EU by the use of three related themes about the internal security, cultural security and the crisis of the welfare state. Together these themes were able to depict the migrant as a person, who is a potential contributor to terrorist activities and organized crime, who is a threat to cultural identity of the society because of his different cultural background, who reap the benefits of the welfare system illegitimately and who commit welfare frauds to exploit the system. Securitization through the use of these arguments became successful in the EU and it resulted by the introduction of highly restrictive migration policies.

Interestingly, though the issue of migration is securitized by the EU through the presentation of migration and migrants as existential threats to the European society, the EU economy and society are in desperate need of migrants for renovation. For that reason the EU has introduced several measures to attract migration. The EU wants to attract up to 20 million skilled migrants by 2030 and unskilled migrants in the long run. This denotes a paradox in the EU migration management because on the one hand, the EU tries to attract migrants, however on the other hand it securitizes the issue of migration. These two practices of the EU contradict with each other in its migration management. As long as the issue is securitized, Europeans will be against receiving new migrants as they will not be able to make a differentiation between skilled and unskilled migrants in their normal lives.

As a conclusion, it can be said that Europe needs migrants however; securitization of migration in both national and European levels cements the presented negative image of the migrants and strengthens the argument that migration poses an existential threat. If

the EU wants to attract migrants for the well-being of its economy and society, it has to fix this paradox first. To fix this paradox the EU has to desecuritize the issue of migration first as securitization is “a negative practice, always a failure in dealing with an issue within the framework of normal politics” and “desecuritization must always be the optimal long-range option”<sup>111</sup>.

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<sup>111</sup> Buzan, B., Waever, O & Wilde, d. J., *Security: A New Framework for Analysis*, (Colorado: Lynne Rienner Publishers, Inc., 1998), p.29.

# MIGRATION AND RETURN ON THE BOTH SIDES OF THE BULGARIAN-TURKISH BORDER

**Lina Gergova**

**Abstract:** The paper is presenting a starting fieldwork on two groups of refugees on the both sides of the Bulgarian-Turkish border. In terms of the nation state these groups came back to their motherland – Bulgarians to Bulgaria and Turks to Turkey. Actually, because of many wars, borders changing and repressive ethnic policy on the Balkans they left their traditional homes and became refugees. The paper is aimed to answer the question why the process of returning is quite different although the migrations are similar as reasons, features and results.

**Keywords:** migration and return, refugees, resettlers, Balkans

## Introduction

The migration processes in the European context are usually connected with some historical events relying on the national policies of the states during various periods of their development. These national policies do not change promptly and they as well as the results of them continue to be important for long time.

The paper aims to present relatively old migration processes which are from the remote or recent past but still have influence on the completely contemporary national policies connected with the EU integration of two Balkan countries – Bulgaria and Turkey<sup>112</sup>. The point is about two migrant groups – refugees and resettlers – moved on the *other* side of the border returned to their historical homeland but actually left their home places.

The theoretical framework of the expose is based on the ideas of Anthony Smith about the nation and national identity. According to him the national identity contains fundamental features as follows:

1. an historic territory, or homeland;
2. common myths and historical memories;
3. a common mass public culture;

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<sup>112</sup> All these issues are subjects of the starting Bulgarian-Turkish research project “Resettlers and Migrants on Two Sides of the Bulgarian-Turkish Border: Heritage, Identity, Intercultural interactions” funded by the National Scientific Fund of Republic of Bulgaria and realizing by international team based in the Institute of Folklore at Bulgarian Academy of Sciences. The researches are yet to go deep so the results now are just hypotheses.

4. common legal rights and duties for all members;
5. a common economy and territorial mobility for members.<sup>113</sup>

I will return to these features at the end of the expose and I will try to show that the national identity of the both researched groups is hesitated.

In these terms the national identity does not fulfill its main functions, namely to define the social space and borders, to control all, including human, recourses within these borders, to stabilize the institutions, to socialize the people as citizens of particular country, to confirm common values and traditions, to build individual identity based on the national one<sup>114</sup>.

I need the return as a phenomenon in order to illustrate these hesitations in the national identity and its functions. The return is the opposite side of the migration and demonstrates its incompleteness and reversibility in the social, economic and cultural level.

From the methodological point of view the research is based on the anthropological approach, i.e. semi-structured interviews with representatives of both communities, observations on various feasts and rituals in the spaces inhabited by them, content analysis of the their press and collecting archive information.

## **I. Historical overview**

Migrations of compact groups of population are often process on the Balkans – particularly in 19<sup>th</sup> and 20<sup>th</sup> century because of many wars, collapse of empires and establishment of new states<sup>115</sup>. The last migration waves between Bulgaria and Turkey was in 1990s but this process started just after the Liberation of Bulgaria (1878) and it is connected mostly with ‘returning’ in the homeland. This return is caused by ethnic purge as means of the ethnic policy of the respective state. The result of this exchange of populations found expression in two big communities on the both sides of the Bulgarian-Turkish border.

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<sup>113</sup> Anthony D. Smith, *National Identity* (London: Penguin Books, 1991), p. 14.

<sup>114</sup> p. 16-17.

<sup>115</sup> The liberation of Greece was in 1829 after the Edirne agreement. Bulgaria was liberated in three steps – in 1878 after the Russian-Turkish War (the northern part), in 1885 after the Unification and Bulgarian-Serbian War (the southern part) and in 1913 after the Balkan Wars (the Rodhope mountaine, Macedonia and some parts of Thracia. Serbia was liberated also in some steps – there are two uprisings and three agreements during 1800s-1820s. The country became independent after the Russian-Turkish War in 1878. Romania was not completely under the Ottoman or Austrian rule but its independence is from 1861.

## 1. Thracian refugees

The first community in the Bulgarian historiography is known as *Thracian refugees* or *Thracian Bulgarians*. Their migration started during the Balkan Wars (1912-1913) and finished in 1925 with a new wave after the Angora agreement.

The researches in the sphere of history and demography outline the basic characteristics of this community.<sup>116</sup> The migration was really large-scale process so the group had not any specific gender, age or social features. A Bulgarian living in Edirne, Turkey, says: ‘*The first who moved were the rich people, than – the poor ones. We [the middle class] were the last*’. So the social features just define the time of the migration not the migrant community in general.

The Bulgarians from Turkey moved from Anatolia and Southern Thrace mostly to Southern Bulgaria.

**Table 1** Bulgarian refugees from Turkey

<b>From Turkey to Bulgaria</b>	<b>Number of people</b>
<b>Total, incl.</b>	<b>~ 221 000</b>
women	67 796 (3 304 widows)
children	70 320 (8 765 orphans)
<b>Southern Bulgaria, incl.</b>	<b>189 834</b>
Bourgas region	48 332
Kyustendil region	2 377
Kardzhali region	14 103
Smolyan region	3 290
Blagoevgrad region	34 900
Plovdiv region	19 729
Stara Zagora region	9 311
Sofia city	35 446
Haskovo region	22 346

Source: Archive of the Thracian Organisation in Bourgas, Bulgaria.

Bulgarian state had to accept these refugees and to provide houses and subsistence for them. Actually this process was long and difficult because Bulgaria was in wars and – after them – in post-war catastrophe (so called first national catastrophe). The refugees

<sup>116</sup> Lyubomir Miletich, *Razoreniaeto na trakijските balgari prez 1913 g. [The Ruin of the Thracian Bulgarians in 1913]* (Sofia: Tracia, 1989).

Hristina Nedeva, *Razoreniето na trakijските balgari ot Mala Azia v saznanieto na tehните potomci [The Ruin of the Thracian Bulgarians from Asia Minor in the Mind of Their Heirs]* (Varna: Helix Press, 2004).

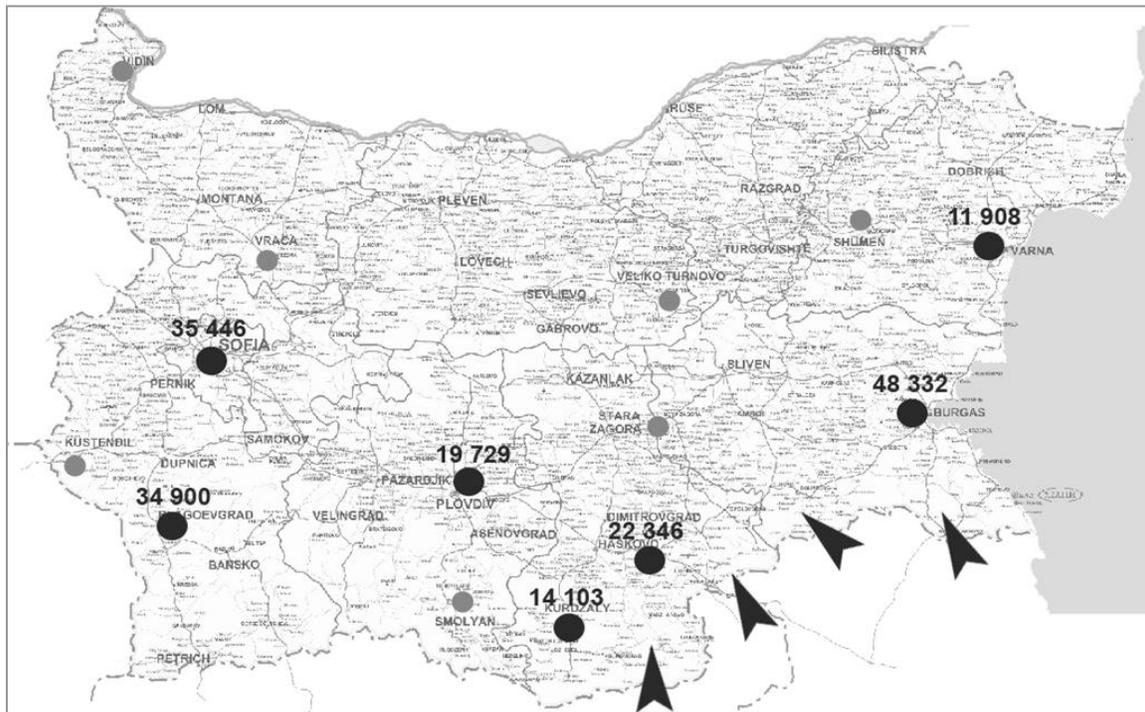
Snezhana Racheva, *Bezantsi ot Belomorieto [Refugees from the Aegean region]* (Silistra: RITT, 2004).

Delcho Poryazov, Pogromat na trakijските balgari prez 1913 godina – razorenie i iztreblenie [The Massacre of the Thracian Bulgarians in 1913 – Ruin and Annihilation], *Thrace Journal*, Vol. 18-24.

were living for years in sheds or tents on charity of local people. They had abandoned all their possessions in Turkey homes in order to save their lives.

At the same time and the next years (before the Second World War) many Greeks living in Bulgaria moved to Greece in the framework of bilateral governmental agreement known as ‘Mollov – Kafandaris’ (1928). They left their houses and lands even whole villages. Many Thracian refugees settled in the places left by the Greeks. In the 1920s-1930s the Bulgarian state built some houses as well.

**Map 1** Migration of the Thracian Bulgarians from Turkey to Bulgaria – main directions.



The most of the actual refugees are not still alive – the others came to Bulgaria when they were children so they do not remember the very migration. They as well as the heirs of Thracian Bulgarians remember and tell the story of the escape. This story and some documents are the only remains of their previous life in the former Ottoman Empire. There are no any friends, relatives or possessions on the other side of the border.

The story of the migration fulfills the function of the community myth – it explains their origin, behavior, traditions. However, this myth does not integrate them in the Bulgarian society or nation in general – they remain different. Furthermore – the Thracian Bulgarians do not accept the Bulgarian national myths as relevant for their community, so they could not be completely included in the nation.

Nowadays in Bulgaria there are a lot of organizations of the community united in a national structure – the Union of the Thracian associations in Bulgaria. They have their newspaper, web-sites, monuments, clubs, etc. So the Thracians have their own cultural and parallel social and community institutions which replace the national ones.

## 2. Bulgarian Turks

The second community is known as *Bulgarian Turks* or *Turkish resettlers*<sup>117</sup>. Most of them moved to Turkey in 1989-1990 and during the post-socialist ‘period of changes’ – in 1990’s. They do not have refugee status, even if the Turkish state accept them building houses and blocks of flats and providing good jobs for them. The story of the migration is not relevant as a community myth but it is a experienced process by almost all its representatives.

The people moved from two particular regions of Bulgaria (North-Eastern – *Deliorman*, and South-Eastern – near the border) to the biggest Turkish cities: Ankara, Istanbul, İzmir, Bursa, Edirne. Turkish resettlers left many friends and relatives on the other side of the border. The migration process is not homogeneous – many people left Bulgarian in order to find better place for their professional or social realization but they did not succeed to find their place in the new society. On the other hand, many Turks from Bulgaria moved in Turkey during the socialist period – although this migration was not forced they are representatives of the migrant communities – of *Rumelia (Balkan) Turks*<sup>118</sup>.

The community does not have any particular age or gender features. The social status of the group is already heterogeneous but they were a part of socialistic society when they moved to Turkey so the social differences were in the spheres of education, job, number of children, urban or rural experience, etc. Most of them still possess property in Bulgaria and are still Bulgarian citizens. They are organized in a lot of associations, foundations, federations and two large confederations.<sup>119</sup>

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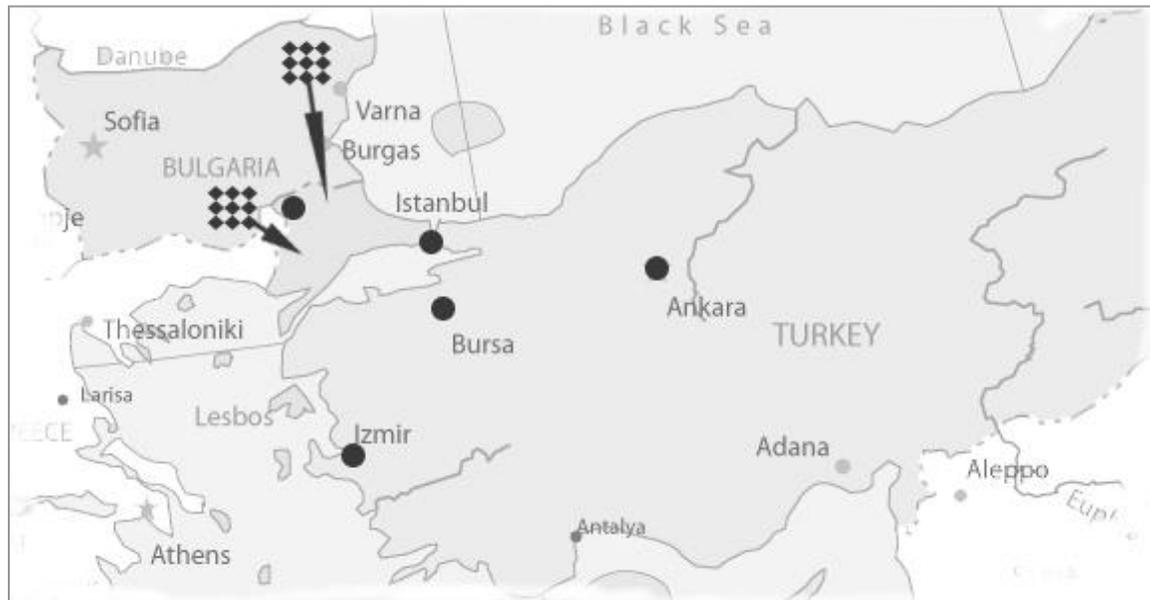
<sup>117</sup> There are a lot of surveys on the Bulgarian Turks in Turkey, for instance: Veselin Bosakov, *Balgarskite turtsi mezhdu kulturata na sasedstvoto i religioznata identichnost [Bulgarian Turks between the Culture of the Neighbourhood and the Religious Identity]* (Sofia: LiK, 2000).

Antonina Zhelyazkova (ed.), *Mezhdu adaptatsiyata i nostalgiyata. Balgarskite turtsi v Turtsiya [Between the Adaptation and Nostalgia. Bulgarian Turks in Turkey]* (Sofia: IMIR, 1998). Margarita Karamihova, *Da zhiveesh tuk, da sanuvash tam [To live here, to dream there]* (Sofia: IMIR, 2003). Mila Maeva, *Balgarskiute turtsi – preselnici v Republika Turtsiya (Kultura i identichnost) [Bulgarian Turks – Resettlers in Republic of Turkey (Culture and Identity)]* (Sofia: IMIR, 2006).

<sup>118</sup> Rumelia is the name of the Balkan parts of the Ottoman Empire – that is why the Balkan migrants in Turkey are known as Rumelia Turks.

<sup>119</sup> Balkan Göçmenleri Kültür ve Dayanışma Derneği (BalGöç) and Balkan Rumeli Göçmenleri Konfederasyonu (BRGK).

**Map 2** Migration of the Bulgarian Turks from Bulgaria to Turkey – main directions.



## **II. Reasons for migration**

### **1. Thracian refugees. *Persecutions during Balkan Wars***

The Balkan Wars coincided with Young Turk revolution in Ottoman Empire. So the military victories of the Bulgarian army bring about persecutions of the Bulgarians living in the empire in Southern Thrace and Anatolia. Many people were killed – the others left their homeland and became refugees in the ‘metropole’. The ethnic policy of the Ottoman Empire did not affect only the Bulgarians but also the Armenians living there.<sup>120</sup>

Leaving their homes the migrants abandoned their property, livestock, etc. Bulgarian state recognized them as refugees and gave them land and free-of-interest loans, as previously mentioned. The result is about 800 000 heirs of refugees from Thrace and Anatolia nowadays.

### **2. Bulgarian Turks. *'Revival process'* and *economic crisis in Bulgaria***

So called Revival process is a complex of political activities of the Bulgarian state in the country during 1980s – laws, governmental decisions and certain activities, including forcible changing of the names, mother tongue and traditions. The Revival process is a part of socialistic unification policy not only in Bulgaria but in all Balkan totalitarian

<sup>120</sup> The Armenian genocide (1905) is not confessed by Turkey yet but it becomes a big problem in the process of its integration in EU.

countries. Therefore in Turkey there are various migrant communities – from former Yugoslavia, Albania, etc.

There are two main migration waves from Bulgaria: 1) in the summer of 1989 (“the big excursion”) and 2) after the changes – in 1990 and after years. The first wave is political. The second wave could be considered as economic (or labor) migration because of the crisis in post-socialist Bulgaria. The result is about 850 000 immigrants in Turkey from Bulgaria. Of course, there are a lot of migrants before and after these years but they could not be taken up as migration wave. For instance, during my fieldwork in Edirne this year I met a man who moved to Turkey 10 years ago. Now he is a taxi driver and share that he has migrated because of the crisis in 1997 – in this year many Bulgarians left the country and moved to Western Europe and USA as well.

### **III. Reasons for return**

Analyzing the process of return among some migrant communities<sup>121</sup> it becomes obviously that we could speak about permanent and periodical (impermanent) return. Actually the lack of return is not usual because the most of the new<sup>122</sup> migrant communities have deep contacts with the concerned states.

#### **1. Bulgarians**

##### **1.1. Permanent return**

Presently we could not speak about permanent return among Bulgarians but after Balkan and First World Wars (late 1910s and early 1920s) some Bulgarian refugees try to return home and to restore their possessions. This intention was successfully fulfilled only in the areas in present Greece.

##### **1.2. Periodical (impermanent) return**

The Bulgarians’ impermanent return is prompted by three main reasons:

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<sup>121</sup> I have researched some migrant communities in Bulgaria, Turkey, Slovakia and Austria in the framework of various projects.

<sup>122</sup> We could not speak about return among communities which are result of old migrations – in USA, Australia, Latin American countries, etc., because they have moved to establish a new country which became their homeland. Sometimes there are borderline cases – Besarabian Bulgarians in Ukraine and Moldova, for instance, are old migrant community (18<sup>th</sup> century), they want to come back in Bulgaria but their economic situation is too bad to realize this will. Perhaps this is the usual case of the diasporas. Perhaps I should underline that we could not speak about such return of communities which are not migrant but are a result of shifting or establishment of national borders.

1) Visit the birth places of their forefathers – it became possible after 1989 when the Bulgarian-Turkish border was open for tourists, during the socialist period only Bulgarians able to go to Turkey were diplomats and the members of their families. When the home place is the base for someone's identity, the victims of this run become community heroes as well as the birth place is considered as promised, sacred land.

2) Organized visits to the “Bulgarian” places in Turkey (Istanbul and Edirne) – in Turkey there are three open Bulgarian churches (two in Edirne and one in Istanbul) and a Bulgarian graveyard (in Edirne). There is an interesting example: many tour operators offer trips called “On *hadjilak*<sup>123</sup> in the Bulgarian Jerusalem – Istanbul”.

3) Getting evidences for property of their forefathers – this is not usual practice because there is not open access to the Turkish archives. The documents filled by the refugees in the moment of their arriving in Bulgaria and the protocol in the Angora agreement are the main evidences. The attempt of the Thracian and Anatolian Bulgarians to receive compensations for their property in Turkey led to a clause in the pre-accession agreements between Turkey and EU. If Turkey does not recoup the refugees in the framework of Angora agreement (1925), it will not accept Turkey in the union.

## **2. Turks**

### **2.1. Permanent return**

1) Poor *professional realization* – it caused return shortly after migration. Turkey received the political immigrants very well ensuring job and houses for them. However, the Bulgarian Turks had not right to choose where to live and work if they embrace the offer of the state. Main positions were in Eastern Anatolia (Kurdistan). So the poor or unsatisfactory professional realization and poor professional realization of a relative are the main and the most widespread reasons for permanent return. It is not surprising because the most of emigrants (including women) were high educated and experienced professionals.

2) *Business investments* in Bulgarian (after 1998-1999 and especially after 2007) – as an EU member Bulgaria attracts many investors from various non-European countries,

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<sup>123</sup> *Hadjilak* is a particular form of pilgrimage in Jerusalem among Balkan people – when they visit Jerusalem they become ‘hadji’. It is something like a title and they could put this word before their names. The word comes from Arabic ‘hajj’ which means pilgrimage to Mecca, the largest annual pilgrimage in the world.

including Turkey. The interest is mainly in the spheres of agriculture, construction industry, light industry and energetic. There is a particular but interesting case – Sisecam Company, producing glass products is famous with its manner to hire Turks living in Bulgaria. The last two spheres (energetic and glass production) are priority for ‘non-Bulgarian’ Turks. The most important condition for Turkish investments in Bulgaria is their right to buy and possess land in the country and after 2007 in whole European Union as Bulgarian citizens.

3) *Nostalgia* seems to be the main reason for Bulgarian Turks to return in Bulgaria. Because of the good professional realization they plan to return ‘home’ when they retire. However, this return is always as an intention but the cases of its realization are few and they are result of different processes. Nostalgia is also a reason for some inventions in the family traditions – in the sphere of feasts, cuisine, and music. Through ‘Bulgarian’ meals, songs, dances, symbols in the rites the Turks realize a permanent but still artificial return to ‘home’. Although there are not yet lots of pensioners, many people who do not work during the whole year as well as students stay in holidays in Bulgaria. So the ‘home’ becomes a summer house.

4) Education (*students*) – Bulgarian higher education attracts many Balkan students – mainly from Macedonia and Turkey. They use their right as Bulgarian citizens (if they are not they become) to pay lower fees and to get scholarships. On the other hand, there are some universities in Bulgarian which are traditionally attractive for Balkan, including Greek and Romanian, and African and Middle Eastern students. These are medical universities in Sofia, Plovdiv, Pleven, technical universities in Sofia, Plovdiv and Rousse, the Veterinary University in Stara Zagora and the Agricultural University in Plovdiv.

The students from Turkey prefer universities in Southern Bulgaria and in Sofia because they are closer to Turkey. They do not live in dormitories because their social status is higher than of the other students. There are a lot of students of Bulgarian citizenship who do not speak Bulgarian but they are not obliged to attend language classes. In my opinion, during late 90’s many Turks entered Bulgarian universities in order to get diploma easier even to pay for it without any studying. Now it is more difficult and the decreasing number of foreign students could be observed. It is very important that Turks have rights in European high education system as EU-citizens.

### **3. Periodical (impermanent) return**

1). Relatives' visits – as mentioned above, many resettlers in Turkey still have relatives and some property in Bulgaria, so they go there in order to participate in the village fairs<sup>124</sup> or to help in the field work or house repairs.

2) Elections are very popular way and reason for return. In Bulgaria there is a Turkish party (Movement for Rights and Freedom) which conducts its propaganda through the community organizations in Turkey and providing transport for people who would like to vote in Bulgaria. In this sense, the term 'election tourism' becomes popular for the opponent of this party and in media discourse. At the time of elections all channels showing materials from the frontier posts and bus stations trying to illustrate this trend.

3) Shopping is not a reason for return anymore because of two trends: the prices in Bulgaria go up and the import of foodstuffs in Turkey is already forbidden.

## **IV. Ways of return**

The return needs not only reasons but occasions and means as well, especially when we speak about particular trips.

### **1. Bulgarians**

For the Thracian Bulgarians the main way of return is the tourism and the organized tourist trips to Edirne or Istanbul or to the coast (Antalya, Kusadasi). There is one more, really limited case: Bulgarian refugees from Istanbul and Bulgarians living there are known as *Tsarigrad* Bulgarians. On the both sides of the border they live in stable communities and are the only ones who still keep the connections between relatives. So the relatives' visits are still possible.

### **2. Turks**

The possibilities for the Bulgarian Turks are more. They could go or stay in their own lodgings, they could invest in a new lodging or rent a lodging (students).

Here I would like to discuss a particular way for return used only by the Bulgarian Turks – virtual: through Skype, Facebook, MySpace or other social networks. Many Turkish young men look for young women living in Bulgaria for chat or for relationship. Sometimes the reason is just to improve their language skills if they are involved in

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<sup>124</sup> The village fairs in Bulgarian and on the Balkans in general are derived of the family meetings which in the past collected whole families once a year.

investments or have business contacts in Bulgaria or if they would like to enter in university there. The girls from big cities (Sofia, Plovdiv, Bourgas) are preferred with a prospect of real meeting.

It should be underlined that the most of the Bulgarian Turks speak Bulgarian but there are not Thracians speaking Turkish anymore.

It is interesting that the Turks in Bulgaria prefer Turkish TV channels but the resettlers watch the Bulgarian ones. It might be an indicator for a need of two languages and cultures in the media space. TV Scat, for instance, is the favorite among Bulgarian Turks because of the folk music programs even it is nationalistic channel. The *chalga*<sup>125</sup> channels and the news in Turkish on the Bulgarian national Television are also very popular. Furthermore – in the websites of the Bulgarian Turkish organizations many songs of Bulgarian *chalga* singers could be found and downloaded, ringtones as well.

## Conclusions

Basing the conclusions on this analyses and the fieldwork among the representatives of both communities I argue that some conditions should be fulfilled so we could ask our respondents if and why they would return. They should have **where** to return (property, events), **with/at who** to return (people) – and these two **conditions** automatically become **reasons – and freedom of movement**.

The most important obstacle for the return among Thracian Bulgarians is the **trauma** of the lost home confirmed each year through many festivals, articles, movies, etc. And conversely, the **nostalgia** for the left home is the main reason for return according to Bulgarian Turks. However, there are some issues for future research. The migration has its **temporal and spatial framework**. The question is if we could speak about waves or targets of the return process. The spatial framework of the return of the Turks is influenced by two main conditions: 1) home place as the natural place for return and 2) the developed or developing regions of the country.

However, Turkey becomes a sacred place for Thracian Bulgarians. Edirne and Istanbul are already places for pilgrimage – that is why the most popular places are the Bulgarian churches there and mainly at the biggest Christian holidays.

We could speak also about **institutions** in the cases of the impermanent return. For the Turks they are MRF and regional and national migrant organizations. For

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<sup>125</sup> ‘Chalga’ means pop-music with some Balkan or Oriental elements suitable for Oriental dance ‘kuchek (?)’.

Bulgarians these institutions are not so clear: their organizations and the tour operators have big role but the Bulgarian state and Church as well as some parties are also involved.

Here is the place to return to Smith to remind the hypothesis about the hesitated national identity and its unrealized functions. Actually there are not any available features of national identity at all. Its functions are taken all from migrant (ethnic) identity, i.e. we can speak about transnational transborder ethnic communities, which pass from the framework of “other” to the framework of their “home” nation, and the community has always been and still is foreign.

So the hesitated national identity influences on the processes of return mainly in the direction of their growth and diversification, and vice versa – the returns support the hesitations of the national identity because they provides exclusions from the new home nation and inclusions into the old one. The first process is more visible among the Thracian Bulgarians, the second one – among Bulgarian Turks. However, we could speak about both directions of the interaction between return and national identity among new migrant communities in general and the current case study is just a model.

# "THE JOB IN TRADE PERSPECTIVE" – A NEW WAY OF UNDERSTANDING REFUGEE INTEGRATION. THE ROMANIAN REFUGEE CASE IN DENMARK

**Astrid Hamberger**

**Abstract:** This research aims at investigating the degree of integration of the Romanian refugees who, during the communist regime in Romania, have flown from their country and asked for asylum in Denmark. The study revealed that the degree of integration in Denmark depends on the type of economical integration refugees are enrolled in. The study also argues that the type of economical integration is the catalyst or the impediment toward refugees' cultural and social integration.

**Keywords:** Refugees, integration, networks, Romania, flight, human capital asylum.

## **Introduction**

Until 1989, life in the former Eastern European countries was shaped by the lack of freedom, political conflict, and individual struggles. The desire to escape the authoritarian regimes and move forward to democratic societies was mostly expressed in the flight from these communist countries to the West. Many people have flown from the former communist countries or Soviet satellites, in search for protection and political freedom in Western Europe and USA. Between 1980 and 1989, Poland and Romania were the top two refugee producing countries in the Eastern European bloc: 211,505 Polish asylum requests and 52,050 Romanian asylum requests were registered in the Western European countries before 1989<sup>126</sup>. The number of Romanian asylum applications from 1975 to 1989 in Denmark totaled 505 (32 asylum requests from 1975 to 1979 and 473 asylum requests from 1980 to 1989)<sup>127</sup>. Their security and protection was guaranteed and the next step for these asylum seekers was to integrate into Danish society. Andreas Kamm (2006), the director of the Danish Refugee Council argued that due to their small numbers, cultural and racial similarities, Romanians were expected to rapidly integrate into Danish society.

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<sup>126</sup> UNHCR, *Asylum applications in industrialized countries: 1980-1999* (2001)

<sup>127</sup> Idem 1

## I. Research questions

The aim of this paper is to explore a new dimension of immigrant integration in Denmark. This new aspect of exploration is the refugees' work within their pre-immigration field, specialization and jobs equivalent their education. Moreover, it seeks to explore the relationship between cultural, social and economical integration. Therefore, this paper seeks to answer two key research questions:

1. To what extent does the job in the refugees' pre-immigration field or specialization, explicitly or implicitly, play a considerable role in the Romanian refugees' integration?
2. To what extent is there a connection between cultural, social and economical integration in the Romanian refugees' case in Denmark?

## II. Methodology

### i The empirical site

I ground my research in what Walcott (1995) conceptualized as a "micro-ethnography."<sup>128</sup> Walcott uses this concept to reveal a focus on a particular aspect of a topic, in contrast to full-scale ethnography which implies the researchers' presence and participation of long periods of time in the field.

While studying in Denmark, I have been in contact with a number of Romanian refugees and I often had non-interview conversations with them about their life in Denmark. My first insight into the Romanian refugees' world was through my grandmother who has been a Romanian refugee living in the city of Arhus, Denmark, since 1985. My second experience speaking with Romanian refugees about their immigration to Denmark was with one of the first couples of Romanian refugees who entered Denmark at the end of the 1970s, Anca and Lucian Giurchescu. They shared various stories with me – both personal stories and stories heard from friends and different acquaintances. They also gave me the names of other refugees and recommended me to interview them. This method is called the *snowball technique*. This is a sampling method which "begins from a core of known elements and is then increased by adding new elements given by members of the original sample."<sup>129</sup> This technique is used mainly "where there is no available sampling frame listing all the elements for the

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<sup>128</sup> Bryman Alan, *Social Research Methods* (Oxford, 2004), p.295

<sup>129</sup> Marshall Gordon, *Oxford Dictionary of Sociology* (Oxford University Press 1998)

population of interest. Hence, snowball samples are not random and not statistically representative of the population under consideration.”<sup>130</sup> Because I wanted to contact a group of people for whom there was no sampling frame, the best approach for finding respondents was to have the interviewed subjects suggest other people whom they believed were suitable to answer similar questions.

Therefore, I did not meet any obstacles in either reaching the refugees or convincing them to sit down for an interview. I was, in Birman’s (2006) terms, a “cultural insider.” I have easily gained the access to the Romanian refugees’ stories, first, because I was a Romanian and I was able to communicate with them in their own language. Second, being a Romanian, there were no issues of cultural barriers between me and my informants: “cultural insiders have the additional advantage over insiders because they have facility with the language and culture that allows them access to the cultural community.”<sup>131</sup> Third, gaining the access was facilitated by recommendations. The Giurchescu refugee couple and my grandmother recommended me other refugees to interview. Having access to the gate keepers of the Romanian refugee world facilitated my contacts with other refugees.

Furthermore, I had also contacted the Secretary-General at the Danish Refugee Council, Andreas Kamm, and I also corresponded with the person responsible for asylum at the Danish Immigration Service, Bo Bruun both of whom were acquainted with the group of refugees I studied. Together with Lucian Giurchescu, they provided direct accounts and primary sources of information in the form of oral history interviews about the story of Romanian refugees in Denmark.

## **ii Data collection**

The interview protocol was similar with every interviewee. I have chosen to use interviews, as I wanted to investigate each refugee’s understanding of integration. Therefore, I conducted semi-structured interviews where interviewees were free to impose their own rhythm, style and tone. As a researcher, I intervened from time to time with follow-up questions to direct them toward a representative point of discussion, asked for more details, and double checked some of the issues discussed. Besides semi-

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<sup>130</sup> Idem 5

<sup>131</sup> Idem 6

structured interviews I have also employed the oral history interview. In the oral history interview “the subject is asked to reflect upon specific events or periods in the past.”<sup>132</sup>

This research project totaled 17 digitally and tape recorded interviews of at least one and a half hour each, from which 15 were conducted with refugees arrived in Denmark before 1989 and two with Danish refugee representatives. Except the interviews taken to Danish representatives which were taken in English, all interviews were taken in Romanian language.

### **iii Limitations of the study**

In what concerns the methodology of my research project, I must admit that even though my study reached the theoretical saturation, I still had some difficulties while doing the analysis of the interviews. Though I have been in contact with this small Romanian community, and even though I knew the language and their culture, while doing the analysis I had the tendency to go back to the field and ask the interviewees other questions that could clarify their previous answer and thus, my analysis and interpretation. Right now I could say that data triangulation and the use of both qualitative and quantitative methods would have given me more self-sustained arguments regarding the integration of these refugees.

Another limitation is that I have no evidence if the questions that I raise in this thesis can be transferred to other receiving societies than the homogenous/monocultural ones where my policy developed. In my perspective, the results of my study can be applied in the Danish context on other “small groups of refugees.”<sup>133</sup> Due to the complexity of integration and different immigrant reception policies, I cannot generalize my policy to other receiving societies.

## **III. The case**

My work on Romanian refugees shows that they belong to the Danish migration period between 1975 and 1989. 505 Romanian asylum requests to Denmark were recorded by UNHCR from 1975 to 1989. Compared to other refugee groups soliciting asylum to Denmark in that period (for example, Palestinians – 8021 asylum requests, Iran – 6812

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<sup>132</sup> Bryman Alan, *Social Research Methods* (Oxford, 2004), p.323

<sup>133</sup> Birman Dina, “Ethical issues in research with immigrants and refugees”, in Trimble, E., Fisher B., Celia, *The Handbook of Ethical Research with Ethnocultural populations and communities* (Sage, 2006), p. 158

asylum requests, Sri Lanka – 4591 asylum requests), the Romanian refugees' numbers were extremely small and they were not considered as forming a representative wave of migration (505 asylum requests). They did not qualify as a “recognized population of refugees.”<sup>134</sup> In addition to their insignificant numbers, the racial and cultural similarities to the Danes or the easiness of blending in were seen as signs for an unproblematic integration (Andreas Kamm, 2006).

Addressing the topic of East European migration before 1989, Kopnina (2006) contends that migration from the East European bloc before 1990 was mostly considered as “accidental” since few people could manage to leave the communist countries because of strong restrictions imposed on emigration and overall travel. Moreover, Kormendi (1987:5) argues, the increase in the non-European refugees (1984-1985) caught the Danish authorities “quite unprepared”. This unpreparedness generated major changes regarding the integration policies in Denmark. She notes that if before 1984, the knowledge regarding the integration of immigrants was insufficient, starting with the autumn of 1984 “the practical implementation of the integration work and its different aspects and methods came to fore in Denmark.”<sup>135</sup>

### **i Eastern European refugees, a special situation**

Describing the Eastern European refugees' situation, Andreas Kamm (2006), the director of the Danish Refugee Council, refers to it to be a *special situation*. This special situation is described by Kamm through the flight experience: “the simple fact that you escaped, not necessarily because you were in danger or in a situation that as such made you a refugee, but the simple fact that you crossed the border and escaped from your own country would had a consequence that it would be dangerous to go back again. But in the moment he arrived to Denmark, everybody knew that if he was sent back, he would not be a very popular person in his home country and therefore maybe put to jail and therefore he would be a refugee. So we had this special category from Eastern Europe that if you jumped off a plane in Denmark without being a refugee as such, in the moment when you touched Danish ground you were a refugee because if you were sent

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<sup>134</sup> Danish Refugee Council, *Assessment and Recognition of Refugees' Qualifications in the European Community* (1999), p. 57

<sup>135</sup> Kopnina Helen, *East to West Migration. Russian migrants in Western Europe* (Ashgate, 2005), p. 17-18

back you will end up in jail without the possibility to escape again. It was a special category... I think republic flight people.”<sup>136</sup>

The UNHCR International Thesaurus of Refugee Terminology defines “the republic flight” (republikflucht) or “the flight from the Republic”<sup>137</sup> as a term used originally in the Eastern European context to describe the illegal border-crossing and/or absence abroad beyond the validity of an exit permit, which may be seen by the country of origin as a political act, and which is liable to punishment. On these grounds, refugees were spontaneous refugees and have been granted de facto status on humanitarian grounds.

## **ii Literature on Romanian refugee migration**

My study of Romanian refugees in Denmark is framed under what Birman called the study of “small groups of refugees.”<sup>138</sup> Most of the literature regarding Romanians’ flight from communist Romania to Western Europe is written from the perspective of, what I have called, *two step migration*. The *two step migration*, very common among Romanian migrants in the times before 1989, meant the flight from Romania to a neighbor communist “safe country”, like Hungary, characterized by the principle of non-refoulement<sup>139</sup> and the continuation of their flight to other Western countries. For example, while both Romania and Hungary have been considered to be refugee producing countries, there were visible differences between them: “Hungary demonstrated a strong tendency toward liberalization, while Romania has remained stalwart in its resistance to change.”<sup>140</sup>

Another source of information on Romanian refugees is the UNHCR study on “Asylum Applications in industrialized countries: 1980 – 1999” (November 2001). Here UNHCR provides in a systematic manner, numbers of refugees from asylum flows during the last decades of the 20<sup>th</sup> century. In this report, which is “based on national registration and data collection practices” (2001: vii), they also provide information about the

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<sup>136</sup> Andreas Kamm, director of the Danish Refugee Council 2006

<sup>137</sup> UNHCR *International Thesaurus of Refugee Terminology* (1996), p. 48

<sup>138</sup> Birman Dina, “Ethical issues in research with immigrants and refugees”, in Trimble, E., Fisher B., Celia, *The Handbook of Ethical Research with Ethnocultural populations and communities* (Sage, 2006), p. 158

<sup>139</sup> Principle of international law which requires that no State shall return a refugee in any manner to a country where his or her life or freedom may be endangered. The principle also encompasses non-rejection at the frontier. *International Refugee Thesaurus – Alphabetical Display* (1996), p. 328

<sup>140</sup> Godziak, Elzbieta *Migration in and from central and eastern Europe: addressing the root causes* (RefugeePolicy Group, 1992) p. 1

numbers of Romanians who have asked asylum in the industrialized countries. According to this study, the number of Romanian asylum applications from 1975 to 1989 in Denmark totaled 505 (32 asylum requests from 1975 to 1979 and 473 asylum requests from 1980 to 1989). The small number of Romanian refugees that Denmark received throughout these years can be explained by Denmark's character of being a non-traditional European immigration country (Hansen, 1986; Belinda Steen, 1993).

A further significant research study done concerning Romanian refugees was conducted in 1988 by the Danish representatives of Danish Refugee Council Bo Bruun and Morten Kjærum. This research was born in the aftermath of the wave of nearly 300 Romanian refugees that arrived in 1988 in Denmark from Hungary. The aim of this field study was to find out if Hungary was a *safe* country for the Romanian refugees. Following this event, Denmark changed the admission of immigrants from Eastern Europe from free entrance to visa entrance.

### **iii The story of Romanian refugees in Denmark**

Except the statistical information offered by the rapport on "Asylum Applications in industrialized countries: 1980 – 1999" (2001) and the study made by Bo Bruun's team in 1988, the story of Romanian immigrants in Denmark is only known by some people who were themselves early immigrants and have witnessed the increasing number of Romanian refugees throughout time or official characters who have come in direct contact with these refugees while analyzing their asylum application.

One of the official characters at the Danish Refugee Council who directly handled the asylum application of a number of Romanian refugees arriving in Denmark before 1989 is Bo Bruun. During our meeting, where we have discussed the story of Romanian refugees in Denmark, he told me that few Romanians were coming to Denmark before 1989 and those who managed to arrive in Denmark were granted refugee status on the spot because they could not be sent back to Romania.

In 1979, Lucian Giurchescu remembers, he and his family brought the number of Romanian refugees in Denmark to 60. As Mr. Giurchescu recounts, the types of Romanian immigrants present in Denmark at that time were refugees (single men and women) and Romanian women married to Danish citizens. He remembers that there was no contact between the two types although the Romanian Political Police has tried

unsuccessfully to use some of the Romanian women married to Danes to provide information about the Romanian refugees arriving and living in Denmark.

Mr. Giurchescu remembers that until 1979 the admission of refugees in Denmark was easy to obtain. He told me that from the moment when a person declared his intentions to remain in Denmark until the approval of the residence permit, the asylum seeker's waiting time was between one and two months. The refugees who escaped from the communist countries were automatically admitted by the official characters and also accepted by the ordinary Danish citizens: "Danes were open to people who refused to live in communism and preferred the freedom of the West", he recounts.

When asked about Romanian refugees in Denmark, Andreas Kamm (2006), the director of the Danish Refugee Council described them in terms of their numbers and their cultural similarities to Danes. He remembers that the numbers of the Romanian refugees arriving in Denmark before 1989 was not high at all: "the numbers who came from Eastern Europe and Romania was very low so the numbers as such were not a problem. And the distance between the Danish people and the people from Eastern Europe and the people from Romania was not, in terms of cultural differences, very big", he argues.

The Romanian refugees arrived in Denmark while they were middle-aged. Their life in Romania was threatened by the Political Police's repressions and injustices. Some of the refugees managed to leave Romania with working contracts and they decided not to go back. From here, they made all their efforts to reunite with their families. Most of the refugees who left Romania in this way had a higher education: they were engineers, theater directors, culture people, screen writers, professors. Others only had high school education or less.

Other refugees left Romania using different methods to cross the Romanian border: they physically crossed the border between Romania and the neighbor countries from where they covertly travelled further to the first Western country which could offer them protection and the guarantee of non-refoulement. Therefore, Romanians have asked for asylum in the first Western country or they have been recruited from different refugee camps and offered asylum in Denmark: "the rule was to ask for asylum in the first secure Western country because asylum is a necessity not a luxury" argued A.G.

#### **IV. Integration in Denmark**

Denmark is one of the nations where the policies of integration are created within its closed borders. Describing the Danish context in terms of its migrant diversity, Hansen asserts that “Denmark occupies a position at one end of the scale as it has been an extraordinarily homogenous society until recently.”<sup>141</sup> Belinda Steen describes Denmark as “a small country with a limited experience of foreigners in its territory”<sup>142</sup> and a non-traditional destination for immigrants. Besides, before 1984, when Denmark faced mass immigration from non-European countries, the knowledge regarding the integration of immigrants was deficient.<sup>143</sup> It is a de-facto immigration country whose immigration tradition started in 1956 when Denmark received Hungarian refugees fleeing from the Hungarian communist regime.

Today’s Danish discourse regarding immigrant adjustment revolves around the concept of integration. Like in most European countries, assimilation is perceived as “undesirable”<sup>144</sup> or “negative term”<sup>145</sup>, that is why integration is the preferred term in Western Europe. Thus, in Denmark, “the term ‘integration’ strikes the Danish ear more gently than does assimilation.”<sup>146</sup>

Although Denmark speaks about immigrant incorporation in terms of “integration”, in practice Denmark tacitly advocate for assimilation. Recent research about Danish integration argues that “Danish integration policies appear to be assimilationist in effect if not in intent.”<sup>147</sup> Moreover, integration means “the construction of a successful, well-functioning, multi-cultural or multi-racial society”<sup>148</sup> which is certainly not happening in Denmark.

Characterizing Denmark as having assimilationist policies, Hedetoft argues that Denmark “mixes ethnic and civic-republican virtues (as well as attendant demands on the

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<sup>141</sup> Hansen B. Holger, “Danish migration research in an international perspective”, in *Themes and theories in migration research* (Danish Social Science Research Council, 1986), pp. V

<sup>142</sup> Steen Belinda-Ann, *Varieties of the Tamil Refugee Experience in Denmark and England*, Minority Studies, University of Copenhagen (The Danish Centre for Human Rights Copenhagen, Copenhagen, 1993), p. 19

<sup>143</sup> Kormendi Eszter, *Refugees in Denmark* (Danish National Institute of Social Research, 1987), p. 17-18

<sup>144</sup> Idem 18

<sup>145</sup> Favell Adrian, *Assimilation/Integration*, in *Immigration and Asylum: From 1900 to the Present*, (edited by Matthew Gibney and Randall Hansen, Santa Barbara, CA: Clio, 2005) p.1

<sup>146</sup> Schierup Carl-Ulrik, Aleksandra Ålund “Introduction. From ‘birds of passage’ to ethnic minorities” in *Will they still be dancing? Integration and ethnic transformation among Yugoslav immigrants in Scandinavia*, Umeå: University of Umeå 1986), p. 47

<sup>147</sup> Hedetoft Ulf, *Multiculturalism in Denmark and Sweden* (Danish Institute for International Studies 2006), p. 2

<sup>148</sup> Favell Adrian, “Integration nations: the nation-state and research on immigrants in Western Europe, The multicultural challenge”, *Comparative Social Research*, Vol.22 (2003), pp. 13-42

“new Danes”) on the assumption that the integration process can only accept difference and deviation from the traditionally practiced notion of equality to a limited extent and on for pragmatic-instrumental reasons.”<sup>149</sup> All these factors together with the dominant ideology of the nation state and the concept of homogenous societies with stable populations, obstruct immigrant integration and push immigrants toward complete assimilation or marginalization: “this democratic impatience also explains the focus on immigration and the idea that integration has failed. Immigrants in Europe are thus under much more official and public pressure to assimilate than those in the United States.”<sup>150</sup>

Moreover, framing it into Pennix’s (2004) typology, Denmark is considered to have an inclusive policy toward immigrants. In Denmark, immigrants are granted legal/political and socio/economic rights, but do not grant the right to cultural/religious expression. Thus, following Pennix’s definition, Denmark is characterized by inclusive policies defined as assimilation. In Denmark, “positive discrimination is never contemplated as a solution to integration problems; descriptive representation of ethnic minorities in political life is rejected; mother-tongue instruction is actively discouraged; and cultural diversity more broadly is frowned on as an alien, “un-Danish” notion.”<sup>151</sup>

Regarding the overall process of immigrant assimilation in Denmark, Husted et al. (2001:27) argue that only partial assimilation will take place and this can be observed in the first five years of residence in Denmark. They support the argument that cultural and economical integration are two dimensions that presuppose and give meaning to each other: “this lack of complete assimilation in terms of wage levels may, of course, have many explanations, one being that, at least in the case of first generation refugees, the refugees do not acquire enough cultural and linguistic capital to catch up, another being that discrimination keeps refugee wages below those of native Danes.”<sup>152</sup>

Denmark’s integration policies and immigrant reception “live up to stereotypical perceptions.”<sup>153</sup> These stereotypes are that Denmark is a homogenous self-sufficient

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<sup>149</sup> idem 23, p.6

<sup>150</sup> Lucassen Leo, *The immigrant threat. The integration of old and new migrants in Western Europe since 1850*, (University of Illinois Press, Urbana and Chicago, 2005) p. 14

<sup>151</sup> Idem 23, p. 1

<sup>152</sup> Husted Leif, Helena Skyt Nielsen, Michael Rosholm, Nina Smith “Employment and wage assimilation of male first-generation immigrants in Denmark”, *International Journal of Manpower*, Bradford, Vol. 22, (2001),

pp. 8

<sup>153</sup> idem 23

country where, according to Hedetoft, assimilation or “closed, exclusionary regime contrasts with official recognition of difference”<sup>154</sup> raised, for example, by Swedish multiculturalism. Further on, Denmark is a country where the others are seen as “problems”<sup>155</sup>, where welfare is used to hinder others from integration, where “they’ are seen as victims of or responsible of their own destiny” and where the “others” encounter “institutional rigidity” and “demands for single, exclusive citizenship.”<sup>156</sup>

## Critiques

In 2001, the Danish Ministry of the Interior argued in the Think Thank on Integration rapport that a condition for the successful integration of immigrants in Denmark is not represented only by the employment rate to the level of Danes, but a successful integration would be when “foreigners to the same degree as Danes maintain jobs that are equivalent to their qualifications.”<sup>157</sup> But this affirmation, together with DRC’s rapport on refugees’ study recognition have remained only in the statement sphere.

In the 2003 Integration Plan, the Danish Government equated a successful integration, in contradistinction with the 2001 Think Thank, with enrollment in any kind of job: ”work is the key to successful integration of foreigners in the Danish society. All possibilities of work should be utilized: good jobs, bad jobs, occasional jobs, seasonal jobs, mentor schemes and other company traineeships.”<sup>158</sup> Furthermore, Alba and Nee (1997), who study socioeconomic assimilation, affirm that economic integration will inevitably lead to other types of integration, cultural, social and political integration. Both Danish policies and social science theories do not take into consideration the type of jobs immigrants should enroll in or the immigrants’ educational backgrounds.

In 2004, the Danish Minister of Interior appointed a Think Thank rapport to compare Denmark’s and other Western countries’ immigration policies. The aim was to clarify what and how much can Denmark learn from these countries in terms of

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<sup>154</sup> Hedetoft Ulf, *Multiculturalism in Denmark and Sweden* (Danish Institute for International Studies 2006), p. 3

<sup>155</sup> Kormendi Eszter, *Refugees in Denmark* (Danish National Institute of Social Research, 1987), p. 17-18

<sup>156</sup> Favell Adrian, “Integration nations: the nation-state and research on immigrants in Western Europe, The

multicultural challenge”, *Comparative Social Research*, Vol.22 (2003), pp. 13-42

<sup>157</sup> Think Thank on integration in Denmark (August, 2001), p.10

<sup>158</sup> Ministry of Refugee, Immigration and Integration Affairs *A new chance for everyone. The Danish Government’s integration plan*, (2005) p. 13

immigrant integration: “Seen in light of the difficulties of integrating immigrants into the Danish labor market, Denmark has chosen to pursue a relatively strict immigration policy. It is just as strict or even stricter than that of the other countries on most issues (...) A welfare society like the Danish society has to work actively to ensure – not at least for economic reasons – that as many persons as possible become self supporting.”<sup>159</sup> This translates, in my perspective, as providing immigrants with “any job” without taking into consideration the immigrants’ educational background, an element that didn’t ensure a successful integration in the case of Romanian refugees in Denmark. This definition only takes into consideration the immigrants’ shift from welfare to self-maintenance, but does not guarantee integration.

Moreover, the 2005 Danish Government Integration plan brings to light three criteria that the Government uses to measure immigrant integration: proficiency in language, any kind of employment and self-maintenance. In the Danish Government’s perspective, self maintenance is an important step toward integration as refugees and immigrants move from receiving income (welfare) to receiving economic incentives for working (Think Thank 2004:14). Implicit in this statement lies the social scientists’ arguments that equate a successful integration with any kind of employment assimilation (Rosholm 2006, Husted et al, 2001). My argument is that employment guarantees the possibility of self maintenance, but does not guarantee integration.

## **V. Research findings**

The target group of my research is the Romanian refugees who came to Denmark during the 1970s and 1980s due to the communist regime existent in Romania in those times. Even though there are almost 20 years since the fall of the Soviet Union and its communist satellites, the consequences of these waves of migration have been mostly overlooked by the Romanian, Danish and other international researchers.

My research has unearthed two types of refugees and three types of economical integration. The two types of refugees are unskilled and highly educated. The three types of economic integration are:

- unskilled jobs for unskilled refugees
- unskilled jobs for highly educated refugees and

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<sup>159</sup> The Ministry of Interior, The integration of foreigners in the Danish Society. The Think Thank on integration in Denmark (2004), p.17

- skilled jobs for highly educated refugees.

These typologies claim that for the Romanian refugees in Denmark a successful integration means integration in a job equivalent to the refugees' education which also generates cultural and social integration.

The evidences found throughout my field work prove an inconsistency between what the Danish receiving authorities take for granted when speaking about refugee integration and what actually happens with the ones going through the integration process: from the Danish Governments' perspective, the refugees who found "any job" are integrated into Danish society. But my research shows that in the case of skilled Romanian refugees, following the Danish Governments' definition will only ensure self-maintenance, and will not guarantee integration.

My interviewees had different experiences after the integration program. Following the 18 months integration program refugees entered the Danish society with a different set of individual characteristics. Their human capital was different, thus their expectations were different: some were highly educated and some were unskilled; some refugees started to make use of their Danish networks during their integration program. And all of them began to make individual efforts and personal decisions to integrate in the new environment.

M.B., a Romanian refugee whom I interviewed, described the situation Romanian refugees found themselves in during and after the integration program: *"Refugees have willingness to integrate, but what they encounter after the integration program, determines them to take a personal decision."*

After the 18 months integration program some knew better Danish than others, but neither of them knew sufficient Danish for puzzling themselves out in real social situations. One barrier in learning Danish mentioned by the Romanian refugees was the limited usage of Danish in everyday contexts. For the Romanian refugees, work provided the most important social context where they could use their Danish. The contacts with Danish representatives provided the refugees with country-knowledge skills and information they lacked at the time of their arrival in Denmark. These contacts transformed into "networks" and "reference persons", elements that were almost vital for the Romanian refugees' cultural, social and economical integration. But if networks can have positive effects, they can also have negative effects in the refugees' integration. If

the networks can provide the country-specific knowledge and can open the doors to many aspects of the social life in Denmark, the lack of networks obstructs or blocks the access to the social, economical and cultural aspects of integration.

In the Romanian refugees' case in Denmark, the networks or the social contacts with Danes is what made the difference between the ones who found job in trade and those who didn't. A Danish "reference person" gives the refugees recommendations, advices that help refugees in the labor market integration. The refugees who benefited of these Danish contacts managed to find work in their trade, but the ones who didn't have any reference person were also the ones who couldn't find work in their trade and were obligated to find "any job".

The unskilled refugees used the education gained through the vocational training in Denmark to build their human capital in accordance with the Danish labor market requirements. These trainings provided the unskilled refugees with country-specific skills. For these refugees, the tightness of the Danish labor market at that time placed them in jobs that traditionally were reserved to immigrants: unskilled jobs. Even in this type of jobs "a reference person" was extremely important. The Romanian unskilled refugees moved between their jobs with the help of their Danish or Romanian networks. The unskilled refugees admitted that when they started working everything became easier for them: they had a financial stability, they could use their Danish and they made contact with the Danish society through their colleagues. Excepting the period of unemployment and the poor Danish after the integration program, their integration developed according to the Danish State's expectations. They learned the language, they found the vocational training useful and they found "any job" which offered them financial stability and shifted their status from welfare receivers to self-maintenance. They also declared that they felt integrated in the Danish society.

The skilled refugees also made use of the occupational training and networks, but their results were different. Facing the different opportunities, some skilled refugees managed to materialize and use the occupational training throughout their integration, some have enrolled voluntarily in other specialized fee-paying courses which offered education according to their educational background. Like the unskilled refugees, they also made use of the networks they established during the integration program. Some of the skilled refugees found the networks and the information provided by them extremely

useful and they found jobs in their trade. Ultimately, they declared themselves integrated and felt satisfied with their life in Denmark.

But some refugees, even if they found jobs in their trade by using their networks, they couldn't afford an honorable living by working in their life long profession because of the low payment associated with their jobs (e.g. handball professor, screen-writer). Together with the refugees whose previous education couldn't be transferred or adapted to the Danish labor market, they found themselves in a situation where they had to re-specialize in another field. This was usually below their expectations and human capital. They found unskilled jobs. This situation was for the skilled refugees a decreasing function of residence in Denmark: they admitted their Danish language acquisition suffered a descending course, their social contacts diminished in their volume and their economical integration became a disappointment. They have experienced exclusion and caste in the same time. Thus, not "any kind" of job creates the basis for integration, as proven by the skilled refugees with unskilled jobs, but only jobs that correspond to the refugees' level of education. For the skilled refugees, "any kind" of economic integration provides material security, but does not provide cultural and social integration.

## **Conclusions**

Work is of major importance in the refugees' life. Refugees identify themselves with their job and working in their trade is the only way to regain their lost status. Thus, the match, the balance or the correspondence between their education and the jobs these refugees found after settling in Denmark, more exactly between their achieved status (subjective status) and what they came across in the destination country, namely, their ascribed status (objective status) are of significant importance in their integration. If these two elements balance each other fairly, then, we can speak of a successful integration.

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# SELF-IDENTITY AND CONSUMPTION GOODS. THE THEORETICAL OUTLINE OF PROBLEM AREA

**Eva Hudáková**

**Abstract** The aim of the paper is to put stress on self-identity in a form of life-stories and its connection to consumption processes of a person, as a field for further research in frame of not only psychology and marketing sciences, but consumption anthropology as well. I do try to assign the influence of life stories projected into one's future, on purchasing decision and person's future shopping plans to obtain consumption goods he/ she dreams about.

**Key words** Consumption, consumerism, consumption goods, life story, identity, future projection of identity

## Introduction

With the development of massive production of consumption goods in the Euro-American culture since second half of 19<sup>th</sup> century was the relationship of a person and social groups to consumption goods several times and newly redefined together with man's influence on meaning of consumption goods in society. The contemporary society is far more than previous historical periods perceived in the connection with consumption and consumerism.

We speak about consumerism time, consumerism society or culture of consumers yearning for realization of their consumer's dreams. Terms *consumption* and *consumerism* are one of the most used terms for description of nowadays situation in societies and it invokes in majority of persons rather negative emotions and pejorative reviews than any other accounts or feelings. However both anthropological and sociological scientists and their theoretical papers concerning consumption, consumption goods and general concept of materiality suggest real and important function of consumption goods for actual functioning of social groups and its members.

## I. Several theoretical concepts in consumption anthropology

This part of the paper introduces some chosen authors, who deal with consumption anthropology and whose theoretical concepts have a great influence on perception and approach towards named sphere.

To the processes of material consumption was since the 18<sup>th</sup> century paid attention exclusively from the economic point of view. Consumption was apprehended as the terminate stage in market mechanism and consumer's behavior was implicitly evaluated as rational and free choice, without the allowance of social environment or cultural factors. Economic anthropology and consumption anthropology have therefore their roots in economic sciences, especially in the theory of human needs. Till the fifties of 20<sup>th</sup> century was consumption anthropology a branch of economic sciences.

The main change on the scientific field happened in year 1952 with publishing of *Economic Anthropology: the Economic Life of Primitive Peoples* by Melville J. Herskovitz in which author formulated the request for economic anthropology as an independent scientific branch, based on the universality of all economic events. Incoming wave of interests for the consumption sphere took place in Euro- American culture again in the eighties of 20<sup>th</sup> century, reacting on actual cultural and social transitions in societies. It became necessary to newly categorize and redefine the principal concepts and ideas in the theory of consumption, originally springing from economic definitions of the late 19<sup>th</sup> century.

One of the basic papers in consumption anthropology is the work *World of goods* by authors Mary Douglas and Baron Isherwood, first published in year 1978, who have started the new approach to fundamental definitions of consumption and its research on the field of anthropology. Authors reacted on economical definition of consumption, as exclusively a result of rational decision of a person for a particular consumption good. Another economic approach towards consumption was claiming that consumption begins there, where the market ends. Hereat results a question of what happens to consumption goods after their purchase, after which those (consumption goods) will become a new role and new life in form of making specific use of the ware. With numerous examples from different world cultures Douglas and Isherwood show that consumption is on one side created and formed by the individual stance of a person as well as by the professional sphere (political and economical organization and authorities) of the society one does live in.

Another question authors deal with is why do people want goods and they propose: "Instead of supposing that goods are primarily needed for subsistence plus competitive display, let us assume, that they are needed for making visible and stable the

categories of culture (...) to concentrate a main part of cultural analysis upon their use as communicators.<sup>160</sup> Consumption goods have particular meaning in a particular society, fulfilling their function as a communicator of informations, feelings and values among people.<sup>161</sup> Each person as a member of society creates his/ hers own identity and struggles to give sense to matters done in his/ hers living environment. In respect to consumption consists the reality of a person from material consumption goods, one does decide for. That's how consumption goods become part of a culture; they are arranged in structures which serves social purposes. Material possession created through process of mass produced goods and ware selection, the so called *channelling resources* generates consequently specific forms of social behaviour as an integral part of social system. In the everyday life it does show as the need of an individual for social interactions, personal relations made and mediated via consumption goods such as food, hospitality in one's house, coloured clothing signalling the fellowship to others by funerals, weddings and others<sup>162</sup>.

Papers of Daniel Miller are considered to be the basic in contemporary consumption anthropology. In his thirty years' scientific practices he devoted to numerous subjects from explanatory concepts of terms materiality and consumption to case studies illustrating the relationship of persons to fashion and its influence on persons and other actual themes. Miller explains the place and role of consumption goods in social life with a theoretical concept, inspired by sociologist Ervin Goffman and art-historians Ernst Gombrich.

Goffman sees human actions as with a great deal determined by expectations taking place in certain frames and consequently shaping the existing human experience and context of a given situation. In one of Gombrich's study he did researched and observed peoples reaction on picture- frames, in which the artwork was inserted. He figured out that people, viewers of an artwork notice the picture frame only when it is evaluated as inappropriate to the style of the artwork. If the picture frame did correspond with the actual picture, it (the picture frame) stayed without bigger notice.<sup>163</sup> Miller has

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<sup>160</sup> Douglas Mary- Isherwood Baron, *The World of Goods- Towards an anthropology of Consumption*. (London: Routledge, 1996), p.38.

<sup>161</sup> Douglas Mary- Isherwood Baron, *The World of Goods- Towards an anthropology of Consumption*. (London: Routledge, 1996), p.43.

<sup>162</sup> Douglas Mary- Isherwood Baron, *The World of Goods- Towards an anthropology of Consumption*. (London: Routledge, 1996), p.37.

<sup>163</sup> Miller Daniel, *Materiality*. (London: Duke University Press 2005), p.4-5

applied the findings of Goffman and Gombrich in the theoretical concept named *The humility of things*, in which consumption goods create environment we live in and therefore give character to our activities and backwards. Material objects place our performances into concrete social and cultural context: “Objects are important not because they are evident and physically constrain or enable, but often precisely because we do not “see” them. The less we are aware of them, the more powerfully they can determine our expectations by setting the scene and ensuring normative behavior, without being open to challenge. They determine what takes place to the extent that we are unconscious of their capacity to do so.”<sup>164</sup> With the given theoretical concept Miller explains material culture: “(...) since it implies that much of what we are exists not through our consciousness or body, but as an exterior environment that habituates and prompts us.”<sup>165</sup>

Miller’s concept *Objectification* is another important theoretical approach on ground of consumption anthropology. It involves the sole definition of material objects that are by Miller characterized with the term *thingness*<sup>166</sup>. Miller based his findings on Marx’s conception on labor alienation as an implication of capitalistic society, describing the alienating feelings of producer towards (his) own made goods made not for his own needs but for other working persons, who as well are producers and produce goods for other people.<sup>167</sup> Miller mastered the assertions streaming from labor alienation of producer and worker to him produced object, which outcome is the perception of mass produced consumption goods and material object in general, as independently existing units bearing a meaning or symbol, which is consequently used by a person in human communication.

This point did Miller derived from Hegel’s conception resolving the primer dispute between materiality and humanity. According to Hegel, everything what we do and what we are is a result of the reflection of our own self at the hand of mirror picture of processes, through which we create a form and at the same time we are created within the same process the produced form. Miller therefore points to an important fact of putatively existing separation between a subject (man) and an object (consumption good)

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<sup>164</sup> Miller Daniel, *Materiality*. (London: Duke University Press 2005), p.5

<sup>165</sup> Miller Daniel, *Materiality*. (London: Duke University Press 2005), p.5

<sup>166</sup> *Thingness*: the quality or state of objective existence or reality, taken from: <http://www.merriam-webster.com/dictionary/thingness> (20.05.2009)

<sup>167</sup> Barker Christopher, *Slovník kulturních studií*. (Praha: Portál sro, 2006), p.20

and suggests to perceive subject and object as equivalent, as we create a form and the form create us. He writes” “On one hand, we produce religion or finance; on the other, the existence of religion and finance produces our specificity as a priest in ancient Egypt, or as a Japanese derivatives trader. So our humanity is not prior to what it creates. What is prior is the process of objectification that gives form and that produces in its wake what appear to us as both autonomous subjects and autonomous objects, which leads us to think in terms of a person using an object or an institution.“<sup>168</sup>

Contemporary consumption anthropology is characterized by numerous studies from different cultural and social environment from around the world. Their aim is to analyze and explain function and role of material artifacts and consumption goods in existing societies, from both synchronic and diachronic point of view. James Carrier and Josiah Heyman have on the basis of contents of contemporary themes, divided them to the three most researched types. The most attention is paid to the topic of consumption goods, their perception and construction as symbolic marks, caring attributed meanings from either producers or concerned consumers. Anthropologists from this field research meanings of consumption goods to individuals as well as societies (e.g. research of clothing, cosmetics and foods).

Second important topic for research are the consumption processes and strategies of individual or social groups in disposal of consumption goods. Those processes are placed in time, in which person yearns for the specific object, imagines the final ownership of the object and its use after the purchase. The last most researched sphere is so called household reproduction, giving the character and volume of household's consumption, as clearly household standard depends on political and economical conditions agreed upon governing authorities in the country.<sup>169</sup>

## **II. Identity project in form of life-stories and consumption goods**

Third part of paper addresses to possible explanation of individual preferences in selection and disposal of consumption goods in the frame of consumption processes of present days. Explanation of consumer choices is in general not an easy one. Based on sociological and psychological literature I start from the assumption that consumer choice

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<sup>168</sup> Miller Daniel, *Materiality*. (London: Duke University Press 2005), p.9-10

<sup>169</sup> Carrier James G.- Hayman Josiah McC, 'Consumption and political economy', *The Journal of the Royal Anthropological Institute*, Vol. 3, Nr.2., (1997), pp. 362

of material artifacts is conditioned by personal identity formed in stories about the self. As philosopher Daniel Dennett writes :”(...) if we want to think about something, we must have a way, in which the thinking and reasoning can take place in.”<sup>170</sup>

Cognitive psychologist Robert Sternberg claims that people actually do think in stories, as specific interpretation of reality, a construction, which we regard as to reality or, so to say the story about reality. Author explains it in detail via his theory of human relationships by perceiving *love* as a form of a story. According to Sternberg’s theory life-stories primary exist on the emotional and experience level. “Life-stories consist of beginning, core and ending and they fluctuate in time. We elaborate our “old” life-stories and replace them stepwise with “new” ones. We constantly evolve stories including all kinds of stimulus from actual live.<sup>171</sup>

Beginnings of stories are an exciting reception of informations about consumption goods as consumer does not have factual experiences only expectations; how it will be/ would be to posses this specific (material) object of desire. In following time period will consumer implement his/ her aim and either purchases the ware or not. Later on in the paper Sternberg claims that life-stories are created by individuals respecting cultural and social context. Individuals live under social pressure and therefore create only socially and culturally acceptable life-stories responding the society they live in.<sup>172</sup> Theory of life-stories helps to explain the heterogeneousness of consumer choices made by an individual and the preference compared to other consumption goods. Life-stories are not only used in terms of retrospective interpretation of already spent situations and happenings in the past and current time. The theory considers also stories projected by a person into his/ hers future, forming one’s wishes and imaginations about what he/ she want to become and be like in the future, or what he/ she want to achieve and possess, as a result of his/ hers performance in life.

Therefore another author to which theories I want to pay attention is sociologist Anthony Giddens. He deals with problematic of late- modernity as an opposite to traditionalistic society dominated by traditions, in which would be the observation of individual actions of a person rather irrelevant. In the traditionalistic societies is the performance of an individual person socially specified in advance. It is given by tradition

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<sup>170</sup> Dennett, Daniel C., *Typy myslí*. (Bratislava: Archa, 1997), p. 45

<sup>171</sup> Sternberg, Robert J., *Láska je príbeh: Nová teória vzťahov*. (Bratislava: Ikar as, 2008), p.23

<sup>172</sup> Sternberg, Robert J., *Láska je príbeh: Nová teória vzťahov*. (Bratislava: Ikar as, 2008), p.40

and social rules however it does not mean that people in traditionalistic societies do not reason and speculate about traditions and do not change them in order to better adapt to actual demands of their life. “In post-traditionalist times we don’t really worry about the precedents set by previous generations, and opinions are at least as open as the law and public opinion will allow. All questions of how to behave in society then become matter which we have to consider and make decision about. Society becomes much more reflexive and aware of its own precariously constructed state.<sup>173</sup>

The question of identity is inevitably established in every society, most of all in actual modern (opposite to traditionalistic societies) times. I regard the theoretical concept *The reflexive project of the self* established by Giddens to be one of the main concepts for my PhD. thesis. Author raises a question of a format that *the self* exists in. His answer is that self-identity is kept in life-stories so called narratives of the self, by means of which self-identity is reflexively understood, both by the individual concerned and by others as well.<sup>174</sup> His further on says that self is during life reflexive, not static and it develops and changes.

Within this concept author terms and characterizes personal identity in contemporary late- modernity times. Reflexive project of the self is a process, whereby self-identity is constituted by the reflexive ordering of self-narratives.<sup>175</sup> The self is not something we are born with, and it is not fixed. On contrary; self-identity is constantly extension of existing experiences, the reflection of actual life and from both implicit future projection of the self as imaginations about own biography. The self is reflexively made, thoughtfully constructed by the individual.<sup>176</sup>

Identity formed in life-stories is a subject of interests for personality psychologists including Dan McAdams. He qualifies life-stories as *personal myths* intensively created in late adolescents and early adulthood period in order to provide his/ hers life with unity or purpose.<sup>177</sup> According to McAdams: “(...) story (is) a natural package for organising

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<sup>173</sup> Gauntlett, David, *Media, Gender and Identity*. (London: Routledge, 2008) p. 104- 114

<sup>174</sup> Giddens, Anthony, *Modernity and Self- Identity*. (Cambridge: Polity Press, 1991), p.243

<sup>175</sup> Giddens, Anthony, *Modernity and Self- Identity*. (Cambridge: Polity Press, 1991), p.244

<sup>176</sup> Gauntlett, David, *Media, Gender and Identity*. (London: Routledge, 2008) p. 106

<sup>177</sup> McAdams, Dan,P., *The Stories We live by: Personal Myths and the Making of the Self*. (New York: The Guilford Press, 1993), p. 5-45

many different kinds of informations. Storytelling appears to be a fundamental way of expressing ourselves and our world to others.”<sup>178</sup>

He explains the fundamental role of life-stories in our life simply after this manner: ”If you want to know me, than you need to know my story, for my story defines who I am. And if I want to know myself, to gain insight into the meaning of my own life, then I, too, must come to know my own story. I must come to see in all its particulars the narrative of the self- the personal myth- that I have tacitly, even unconsciously, composed over the course of my years. It is a story I continue to revise, and tell to myself (and sometimes to others) as I go on living.”<sup>179</sup> McAdams sees life-stories covering one’s past, present life and imagined future.

Both theoretical conceptions by Giddens and McAdams discuss creation of self-identity via life stories and thinking in stories as general human condition. On this point I want to tie up to the connexion between life-stories and consumer preferences of a person. Connection of life-stories with material artefacts is not a novelty on the field of consumer anthropology as several authors paid attention to this issue in their researches (Linda Layne, Milena Veenis, Krisztina Fehérvary). Life stories of individuals or social groups connect ownership of a material artefact either in form of souvenir or keepsakes, with its mission to commemorate a particular person or experienced occasions.

On the ground of themed literature and own observations I assume that in the process of consumer choice of consumption goods, person follows his/ hers life stories, not only the past ones, but also expectation in form of stories projected into future. McAdams explains future projected life-myth as an expectation predominantly based in positive ideals, which person perceives as to be positive in each life phases. I assume that concrete shape of “future stories” takes place in a form of showing the person as successful in major activities, such as personal and working life, derived from actual life happening.

In like manner I do assume that future projected life-stories are placed and they happen in *material setting*, which has a tangible form resemble to real life of the person as to create the trustworthy picture about the own self and the future. Moreover the

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<sup>178</sup> McAdams, Dan,P., *The Stories We live by: Personal Myths and the Making of the Self*. (New York: The Guilford Press, 1993), p.27

<sup>179</sup> McAdams, Dan,P., *The Stories We live by: Personal Myths and the Making of the Self*. (New York: The Guilford Press, 1993), p. 11

material setting of future projected life-story is established exactly with those material artefacts, which mean a fulfilment of material desires for specific person and symbolize his/ her success, such as ownership of own house, specific type of a car, clothing or electric appliances, realization of holidays and others. With potential completion of wished material objects person would fulfil his/ hers imagination of own flourishing self and would herewith present own self to others in order to communicate with people from own reference group or one that he/she wants to become member of. Named applies to Douglas- Isherwood argument that material artefacts take the role of communicators with making social and cultural categories visible which is a reason why it is easier for people to think in terms of material goods.<sup>180</sup>

Consumption good by itself creates setting of the future projected stories. Neither the story nor the setting of the story is necessary perceived consciously by a person, as the key with which one chooses material goods for him/her. I see here therefore hypothetical contiguity with Miller's concept *Humility of things*, according which we do not realise the presence and importance of material goods, they rather stay "invisible" to us and yet all the more construct our selves, what we do and the way how we act.<sup>181</sup> Material artefacts create setting of future projected life-stories within whose framework our wishes and imaginations about our own self are realised.

At the instance of relegated concepts I come to the hypothetical conclusion that individual person follows in the process of consumer goods choice his/ hers own life stories projected into future as he/ she does "see" material setting consisting of specific material artefacts those acquisition and ownership would set him/ her forwards to better and so to say ideal imaginations about his/ her own self.

## **Conclusion**

In compliance with listed authors (Giddens, Baumann, and McAdams) is the life story the characteristic of personal identity in the era of late modernity, which creation, actual form and content is influenced by many variables. It is almost impossible to give a four-square definition of processes influencing specificities and measure of the influence on a life-story. Contemporary person faces confrontation of shattering informations quantity that

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<sup>180</sup> Douglas Mary- Isherwood Baron, *The World of Goods- Towards an anthropology of Consumption*. (London: Routledge, 1996), p.37

<sup>181</sup> Miller Daniel, *Materiality*. (London: Duke University Press 2005)

can be potentially taken in consideration for one's identity development. Identity can therefore mean a chaos with all kinds' difficulties for a person living in late-modernity as it means the searching, creating and identifying with aspects in finding of *the self*.

People therefore appreciate "help of authorities" claiming to have the key to one's identity. Besides personal authorities (family, parents, partners, friends) is one's identity influenced by official and paid authorities such as life-style magazines, medial presentation (fiction or non-fiction) in television, marketing advertisement or inspiring psychological books helping to find one's "direction". Media offer quantum of stories one can identify with according to his/ hers (conscious or non-conscious) decision. Person can accept, change, develop and innovate the reflection of own self.<sup>182</sup>

Predominantly the marketing industry nowadays operates with the idea that consumption goods can help us to accentuate our individuality naturally within the frame of industrial offer, which content and capacity is supervised by economical and political governing authorities of the country one does live in. Identity project is therefore regulated by commercial corporations and cramped to set of consumer opportunities for an individual.

It is important to point to the fact that various scientists agree on; namely that consumption process is a never-ending searching and finding of different identities, the transformation of already existing and development of new life-stories. Consumer's aim is not the finishing of consumption process, or finding the right stuff, but the journey towards it. The actual occasion to buy then in general becomes the final destination of the individual, as Baumann notes: "(...) it is the consuming the desire of consuming."<sup>183</sup> The research of wide range of forms of life stories means therefore a great prompt not only for contemporary psychologists but social anthropologists as well.

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<sup>182</sup> Hearn, Alison, 'Meat, Mask, Burden', *Journal of Consumer Culture*, Vol.8, (2008)

<sup>183</sup> Baumann, Zygmunt, 'Consuming life', *Journal of Consumer Culture*, Vol.1, (2001), p.13

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# LIFELONG LEARNING: A LOOK THROUGH THE GENDERED LENSES

**Janka Kottulová**

**Abstract:** Lifelong learning is process which strongly depends on the individual characteristics of learner. However there are certain aspect and structural conditions influencing this process considerably. Gender and gender related roles belong among these factors. Most of the discourse on lifelong learning stays “gender blind” despite that fact. The aim of this paper is therefore to look at the lifelong learning through the „gendered lenses”.

**Key words:** Lifelong learning, Gender, Gender equality, Labour market,

## Introduction

Comprehensive lifelong learning and equal opportunities for all are fundamental elements of the European Social Model. Flexicurity as a key concept of this model requires systematic enforcing of the labour force adaptability to the needs and challenges of the constantly changing labour markets. Lifelong learning is legitimately regarded as playing a key role in increasing this adaptability.

Overall presence of different initiatives accenting the importance of Lifelong Learning (we will further refer to this as LLL as well) may evoke the feeling that we definitely live in the “era of a lifelong learning”. Lifelong learning is nowadays on the agenda on every governance level with EU level playing a leading role in this process.

Hardly any official document of EU concerning its strategic direction, competitiveness or social policy produced in last decade is missing a note on the need and importance of LLL as a crucial instrument that enables Europe to cope with the globalisations challenges and threads successfully. Lisbon Agenda aimed at making the European Union the most competitive economy in the world until 2010 also included a goal to achieve the 12,5 % participation of adults in the lifelong learning. Importance of LLL for a EU competitiveness and social cohesion was also expressed by producing “the lifelong learning trilogy” at the beginning of the decade: A memorandum on the lifelong learning (2000) was followed by the Communication from the Commission on making a European area of lifelong learning a reality (2001) and Resolution of the Council (2002). All these documents brought the same message: Europe's future depends on the extent to

which its citizens can face the economic and social challenges. And ability to face these challenges is acquired through the continuing education and learning. Therefore Europe should become an *area of lifelong learning which empowers citizens to move freely between learning settings, jobs, regions and countries in pursuit of learning.*<sup>184</sup>

No one would argue against the importance given to the lifelong learning. However this enthusiasm for lifelong learning should not overlooked the fact that it is not a panacea to every problem. As well as it can contribute to the economic growth it can produce an inequality. Those who are, for different reasons, excluded from lifelong learning are getting disadvantaged in the labour market and as the changes are accelerating the gap is getting wider. Those who have an access to an adequate and quality lifelong learning can develop further, those who not, fall behind. In relationship to our topic we have to ask the question: on which side do women prevail?

## **I. Is lifelong learning gendered?**

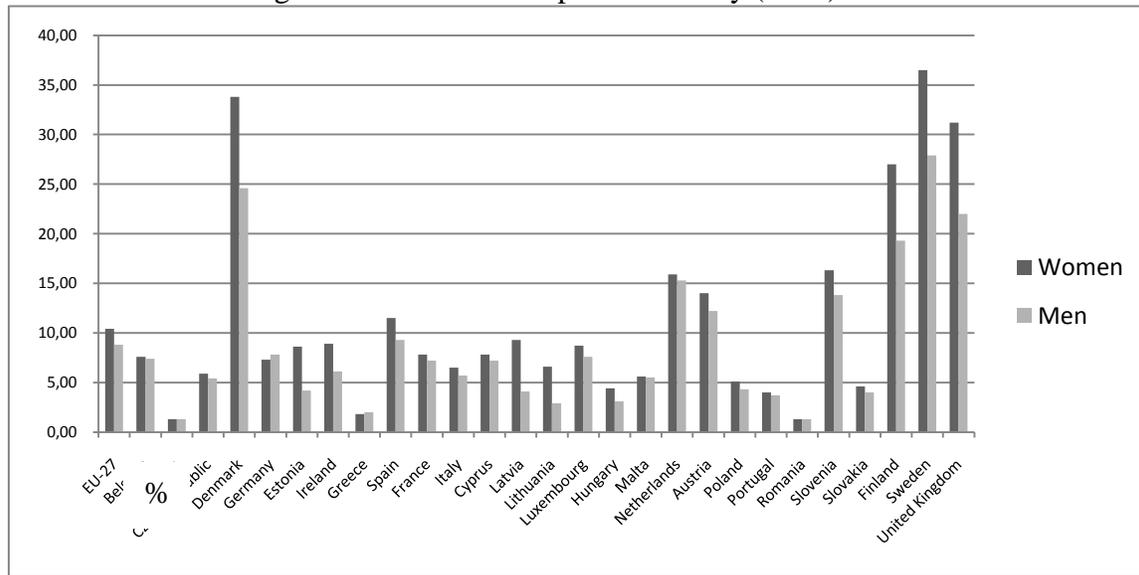
Before we start to search for an answer on the question raised in the foregoing paragraph another important question should be answered: is there actually a need to include gender perspective into the lifelong learning?

Most of those who say that there is no such need use the following argument: One of the prevailing characteristic of the lifelong learning is the emphasis it puts on the individuals: Terms like „individual learning pathways“, „self-governed learning“, „individual learning needs“and similar are used to characterise LLL and express the fact that every single person has different learning needs. And if the lifelong learning is to be effective it has to be tailored to these specific needs. This approach should also be reflected in the definition of lifelong learning policies which should concentrate on the creating of equal learning opportunities for all; however they should leave the responsibility for taking up these opportunities on the individuals. And women take these opportunities even more often than a man which is illustrated also by the following graph capturing the level of participation in LLL.

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<sup>184</sup> The Communication from the Commission of 21 November 2001 on making a European area of lifelong learning a reality

**Graf 1** Lifelong learning: percentage of the population aged 25 -64 participating in education and training over the four weeks prior to survey (2006)



Source: Eurostat, Labour Force Survey (2006)

So, if the LLL is so strongly related to the individuals with her/his specific learning needs and preferences and if the women participate in LLL as much as men or even more is it meaningful to think about including a gender perspective into LLL? Wouldn't be more meaningful to perceive LLL as a gender neutral?<sup>185</sup>

Alan Rogers in his overview study shows that most authors writing on the LLL decided for the second option and they avoid including the gender perspective into the discourse on LLL. The result is obvious "absence of gender" in LLL discourse.<sup>186</sup> Surprisingly (or not?) similar voice can be heard from the feminist side: It would be to simplifying to think about gender as a single category in relationship to the LLL. Women (as well as men) are highly heterogeneous group with different characteristics and interests and it is not possible to apply the same approach to a highly skilled women participating in different forms of LLL as to a one which does not use this opportunity at all. Additionally whenever talking about gender as single category there is a tendency to denote women as a disadvantaged group in a whole.

Obviously all this has a clear rationality and it would not make any sense to oppose the fact that we cannot divide learner into two groups according to their gender.

<sup>185</sup> LEATHWOOD, C. - FRANCIS, B.: Gender and lifelong Learning: Critical feminist engagement, London, Routledge 2006

<sup>186</sup> ROGERS, A.: Lifelong Learning and the Absence of Gender, In: International Journal of Educational Development, v26 n2 p189-208 Mar 2006

When thinking about gender perspective of lifelong learning we cannot abstract from the numerous individual characteristics which form the learner. However gender (or to be more accurate gender roles) , no matter if it is female or male one, includes certain social roles and expectations and the fulfilment of these role expectations determines the way how individuals decide, and how they are allowed to decide. The traditional division of gender roles is still strongly enrooted in the society and it finds its reflection on the labour market and as we show in the following part in the LLL as well. Most of the women (as well as men) are still not free of this roles expectations They are “caught” in structural conditions and limitations that are related to their gender. These are reflected in every aspect of life and the lifelong learning is not an exception. And as long as it stays so, it is meaningful to think about gender perspectives of lifelong learning.

To illustrate this following simple example might be useful:<sup>187</sup>

Person S leaves the job at 5 p.m. After that person S drives the car to the further education institute, where Person S participates in the course on Quality Management funded by the employer. The course is included in the Person’s S working time. The course ends at 9 p.m and the Person S together with colleagues go for a drink to the neighbouring pub. Person S comes home at 10:30 p.m. Person S is supposed to get promoted due to the course participation.

Person T leaves the job at 4 p.m. After that person T takes up the children from the kindergarten and does some shopping. Person T prepares the meal and meets the grandmother, which is supposed to look after kids, while Person T participates in the accounting course. Person T decided to pay for the course in a hope for a better paid job. However person T is decided to end up the course participation if it should have negative impact on the family life. Course ends at 9 p.m. Person T comes home at 10 p.m.

The reader is now supposed to determine the gender of person S and person T.

Gender roles division which is still strongly present in the society is clearly reflected in this example and probably not many readers would identify person T as a man even if it could be one (though there might be more reader who would identify person S as a woman). However the gender perspective cannot be separated from other structural conditions: ethnicity, age and social class influence the learning opportunities most significantly. And when the picture of female learner is created is has to include all of these characteristics

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<sup>187</sup> Gutknecht-Gmeiner, M: Hohe Weiterbildungsbeteiligung von Frauen und Männern - und alles wird gut? Gender als Kategorie in der Weiterbildungsforschung: Ansätze zur geschlechtsspezifischen Analyse empirischer Befunde In: Gender und Erwachsenenbildung - Zugänge, Analysen und Maßnahmen, Nr.3, Februar 2008, ISSN 1993-6818

## **II. Dimensions of lifelong learning in the gender perspective**

We start this section with the definition of LLL (one of them actually, because there is no single definition of lifelong learning, however this one is broadly used across the EU and suitably captures the multidimensional character of LLL):

Lifelong learning' means all general education, vocational education and training, non-formal education and informal learning undertaken throughout life, resulting in an improvement in knowledge, skills and competences within a personal, civic, social and/or employment-related perspective. It includes the provision of counselling and guidance services.<sup>188</sup>

This definition includes at least three different dimensions of LLL. The first one is the one, which is already included in its name: it is the extension of learning over the whole human life and its different phases. Second dimension refers to different contexts in which people learn and says that learning is not only lifelong but also “life-wide”. And the last dimension we mention is the one related to the multiple purposes for which people learn. Following text will focus on each of these dimensions from the gender perspective.

### **i Lifelong dimension of learning**

Learning (and to be more specific training and qualification development as well) is not a process limited to the school age only. Most people must learn nowadays in order to adapt to the changing conditions on labour market or technological changes, no matter how old they are. Therefore learning must take place in any life stage. However there are no doubts that in the lives of most women are stages in which their access to the lifelong learning is hindered. Especially maternal and parental leave is the time when most of women do not have an opportunity to develop their qualifications. Most of the employers are still not “enlightened” enough to search for the ways how to include women (or men as well if they overtake part of this responsibility) on the parental leave into the process of further qualification development. After two or three years out of the job return, to work can be quite difficult and many times this interruption in the women’s careers pathway is a reason, why their career growth stagnates. Also after the return to the job participation in the LLL still can be more difficult for those who take care of small

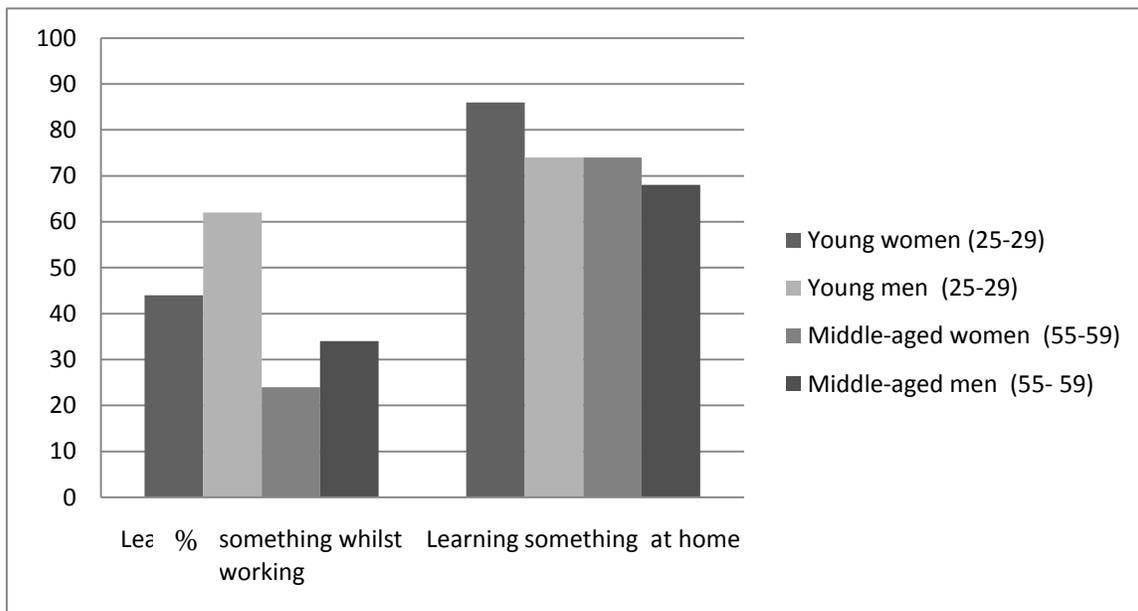
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<sup>188</sup> DECISION No 1720/2006/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 November 2006 establishing an action programme in the field of lifelong learning

children. The area of work – family balance is nowadays discussed a lot and different ways how to enable parents to harmonize their career (which includes also participation in training) are designed. Additionally as the family patterns change, family responsibilities are divided more equally. This might be a reason to be a bit optimistic about the future change, though the slow one.

Another stage of women’s life in which many of them are excluded from the lifelong learning is the age over 50. Many middle aged people over 50 , women as well as men, have to face different discrimination practices on the labour market and women in this age group belong to the most disadvantaged groups at all. Many employers are not willing to invest into the people who do not learn so fast as 30 years old ones do or will retire early (even if “early” means in 10 years). Following graph illustrates how women and men in two different age groups perceive the contexts, in which they think they learnt the most in the preceding year.

**Graph 2:** The context in which people think they have learned something in the preceding year (by gender and age group)



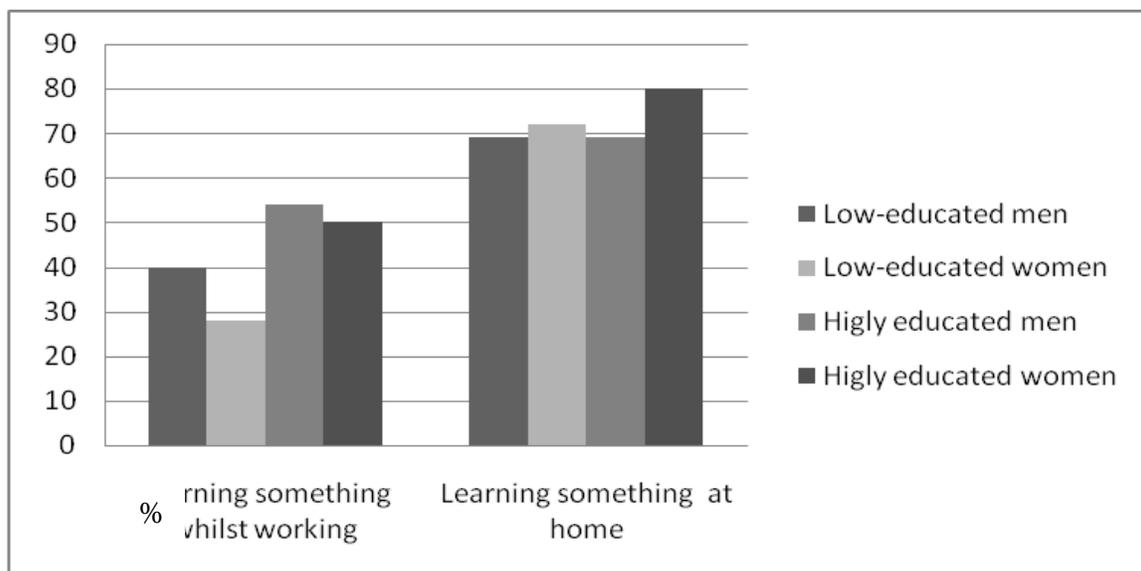
Source: EUROBAROMETER: Citizens’ views on lifelong learning in the 10 new Member States (2008)

This perception might be influenced by the fact that the young generation which grew up in the “era of a lifelong learning” perceives the learning potential of different situations more intensively. However the difference is quite impressive and illustrates the fact, that learning for work or at the workplace is still found to be “younger people thing” which does not correspond with the lifelong learning philosophy.

## ii Life-wide dimension of learning

Lifelong learning is not only “lifelong” but as well “life-wide”. We learn in different situations and contexts. This is also expressed in the definition of three different types of learning: Formal education refers to the education provided by educational institutions and leads to the recognised diploma or certificate. Nonformal education is also provided institutionally however it does not lead to a recognised qualification. Informal learning refers to the learning that occurs in a variety of contexts, such as learning at home, at the workplace and through daily interactions and shared relationships. Gender aspects are reflected in this dimension in two different ways. First women learn in different contexts. Second women learn different things. This is illustrated also in the following graph capturing the people’s perception on how they learned in different contexts.

**Graph 3:** The context in which people think they have learned something in the preceding year (by gender and education level)



Source: EUROBAROMETER: Citizens’ views on lifelong learning in the 10 new Member States (2008)

Of course perceptions are also influenced by the fact that people have a different ability to perceive learning potential of different situations and with higher level of education this ability is increasing. However graph still reflects what is very much a realistic situation. Women spent more time at home taking care of household, whilst men spent more time at workplace therefore this is not a surprising result. Beside that fact there is one more factor influencing the learning in different contexts: content of jobs. Position

held by men offer more possibilities to learn at workplace than those held by women. And this is especially visible when comparing low educated men and women.

After all different contexts in which women and men learn are not the nature of problem. Problematic is the acceptance of outcomes of learning in different contexts in society and on the labour market. While there is a tendency to recognise the experience acquired in the context of the workplace as highly relevant, there is a much lower acceptance for the experience acquired for example by taking care of the family members. Even if there are some occupations where this can be an advantage most of employers do not pay special attention to the organisation skills which women attain while taking care of their family or organising the community event. Creating the conditions for the recognition of informal learning in the contexts outside the workplace is therefore an important precondition for increasing gender equality on the labour market.

When talking about the learning at the workplace another important factor has to be mentioned that influences the gender differences in the lifelong learning: occupational segregation.

Women are active learners. The straightforward logic which is also often used when referring to the importance of LLL says that this fact should qualify them for a better position on the labour market and increase in revenue or promotion subsequently. However reality shows a different picture. Difference in the pay level is still substantial and women earn in average 15% less than their male colleagues. Those disproportions are increasing with the level of education and are highest between men and women with high level of education.

However this is a not surprising contradiction. Women usually work in the segments that are paid less (horizontal segregation) and if they work in the better paid segments they usually cannot get through the “glass ceiling” (vertical segregation). Segregation has its roots in the educational decisions – what people do is usually based on what they study. And more men than women study in areas that bring higher income in the future. The gender specific segregation in the education and on the labour market is subsequently reflected in the further training and qualification development. That means if women work in the certain occupations their further education tends to be related to their jobs and further develop the skills they use the most. When it comes to job related

training women participate more in generally oriented trainings, men on the other side take part in the closely job content related training, which bears upon the character of jobs again. If there is a need for a highly specific job related course in the technical engineer position, position in the customer services requires rather generally oriented communication training. And the further education in the technical skills is usually related to the higher returns than the further education in for example communication skills. From this point of view lifelong learning can increase the gender gap instead of diminishing it.<sup>189</sup>

### **iii Multi - purpose character of lifelong learning**

Most of this contribution as well as the general discussion are devoted to the lifelong learning as an instrument that helps individuals to get ready for the challenges arising on the labour market and employers to get the labour force corresponding to their actual qualification needs. However LLL cannot be reduced to the tool for “upskilling” for labour market. People learn for many different reasons from the purely practical ones to the personal self fulfilment.

Society as well benefits from the lifelong learning in different ways not only the economic one. This multi-purpose character of lifelong learning can be very important for the fostering of gender equality. Lifelong learning can become a tool that creates condition for higher participation of women in public life. It can also increase the general sensibility towards gender issues. And finally lifelong learning creates more developed society which has lower tolerance to any form of inequality or discrimination.

## **III. Lifelong learning and gender in Slovakia**

Finally few comments on gender perspective in lifelong learning in Slovakia will follow. In order to understand the existing situation short introduction into the state of the lifelong learning and the state of gender equality in Slovakia might be useful. Neither of them is too optimistic.

Although we live in the “era of lifelong learning” it seems not to be true for Slovakia According to the Eurostat statistics only 3, 3 % of population aged 25 - 64 participated in education and training over the four weeks prior to survey in 2008. What

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<sup>189</sup> LEATHWOOD, C, - FRANCIS, B.: Gender and lifelong Learning: Critical feminist engagement, London, Routledge 2006

is even more warning is the negative trend in the development of LLL participation as it decreased by 1,3% points since 2006, when 4,6 % of population aged 25 – 64 participated in further education and training. Additionally strong regional disparities can be observed. While 12,7%<sup>190</sup> of population aged 25 - 64 living in Bratislava region participated in the lifelong learning in 2008, only 3,8 % of population in region of central Slovakia, 2,5 % of population in region of western Slovakia and 1,8 % of population in this age group participated in the LLL. Failure to promote lifelong learning in all regions of Slovakia widens the existing gap among Slovak regions further.

One of the main reasons of this dismal situation is underdeveloped system of the lifelong learning. Although there were few strategic documents produced most of them stayed on the declaratory level only. Last one that should mean the turning point in the LLL development in Slovakia is a National strategy on lifelong learning and guidance produced in 2007. The strategy announces the creation of an open lifelong learning system which should arch over the existing subsystems of LLL and among others create the conditions for the recognition of nonformal education and informal learning. It also includes the creation of lifelong guidance and counselling system. All of these are important preconditions that enable women to participate in LLL more actively and to get more recognition for what they learn. However the not much of the Strategy has been put into practice so far.

The brief look at the basic indicators used to measure the level of gender equality confirms that picture of the gender equality in Slovakia is not much more optimistic. The report on development of wages structure and differentiation published by Statistic office of Slovak republic in 2007 shows that the gender pay gap increased by 5,5 % since 1997. Women employment has increased, but the increase was slower than in the case of men therefore the difference got wider. Percentage of women holding the managerial positions in 2006 decreased by almost 3 % since year 2001.

Education is at least from the point of participation level, an exception. More women than men graduate from the schools. And more women than men participate in the lifelong learning - 4,6 % of women aged 25 – 64 compared to 4 % of men in the same age group stated that they have participated in the job related education and training in the last four weeks prior to the survey (2006). On the other hand we have to

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<sup>190</sup> Indicator used is a percentage of the population aged 25 - 64 participating in education and training over the four weeks prior to survey (2008)

deal with question what women learn and it is obvious that they learn different things that their male colleagues. This is reflected in the occupational segregation which reached 30,1% in 2005 and is one of the highest in European union.<sup>191</sup> And as it has already been discussed lifelong learning naturally tends to be related to the nature of job. Therefore we can assume that if there would exist gender specific statistics on the content of LLL in Slovakia, they would show that patterns of occupational segregation are reflected in the lifelong learning.

Another point view is the one that concentrates on the work – family balance. Besides different ways of flexible working time organisation, the participation in training and further qualification development is another important tool that enables women and men on the parental leave to keep their career pathways. However not many Slovak employers care about that fact: according to survey realised in the frame of one of the EQUAL projects almost 69% of employers answered that they do not enable women or men on the parental leave to participate in the training and qualification development.<sup>192</sup>

Another area which is not discussed in this paper but that would deserve a lot of attention is the lifelong learning in relations to specific groups of women especially those most vulnerable: elderly women who are often hindered in the access to the lifelong learning at the workplace and Roma women for whom no lifelong learning actually exists.

Despite all those facts lifelong learning policies in Slovakia seem to stay blind against this and lifelong learning is found to be gender neutral. As a simple example following quotation from The national report on the development and the state of the art of adult learning and education, produced for UNESCO might be useful. In the part concerning importance given to women and other target groups following is stated:

„The equality of access to adult education according to gender is guaranteed by the Constitution of the Slovak Republic. Participation in adult education programs is not limited to gender or target group“<sup>193</sup> Is that really enough?

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<sup>191</sup> Equality between men and women – 2008: Report from the Commission to the Council and European Parliament, The European Economic and Social Council and Committee of regions

<sup>192</sup> Project Causes of the discrimination on the labour market and possibilities of their removing.. Information available on <http://www.rpl-projekt.eu/>

<sup>193</sup> The national report on the development and the state of the art of adult learning and education, 2006

## Conclusion

Despite the improving position of women in society gender and gender related roles are still factor strongly influencing women's possibilities to fully develop their potential and face the challenges posed by the globalisation process and development of knowledge economy. Lifelong learning is one of the tools that should help them to develop those possibilities by enhancing their qualifications and thus improving their position on the labour market and in a society generally. However we have to ask the question if this objective can be achieved if the special needs of women learners are overlooked. In general there is a strong tendency to approach the lifelong learning as focused on the individual learner and therefore gender neutral. However the closer look shows that patterns of gender inequality that can be found on the labour market or in the society are reflected in the lifelong learning. First, occupational segregation is reflected in what men and women learn and as the result women usually participate in the lifelong learning programs that bring them fewer returns than those taken by men. Second, women interrupt their career pathways because of parental obligations and many of them are not given an opportunity to participate in education and training while being at the parental leave. Finally women learn in different contexts, which once again relates to their family obligations as well as to the characteristics of their jobs and the contexts in which women learn are in general less recognised. All these aspects pose the challenge for lifelong learning policies and should not stay overlooked.

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# EXPLAINING DIFFERENCES IN LABOR MOBILITY IN CZECH REPUBLIC AND SLOVAKIA <sup>194</sup>

**Lucia Kurekova**

**Abstract:** This paper investigates the link between reform processes and migration dynamics in two CEE economies: Czech Republic and Slovakia. Unbundling development and socio-economic change along structural and institutional line, the work argues that the timing, type and location of the entry of foreign direct investment which served as the key driver of economic restructuring in conjunction with adjustments to welfare states enhance our understanding about why labor migrated with very different rates from and to the Czech Republic than from and to Slovakia.

**Key words:** labor migration, transition, restructuring, Czech Republic, Slovakia

## Introduction

Major geo-political and economic shifts took place in the Eastern bloc in 1989 which substantively changed the basic living and working principles of people in Central and Eastern Europe. Prior to the fall of the Berlin wall, communist regimes severely restricted free movement of people across the borders. The shift to democratic principles in the East brought individual freedom into decisions to travel or migrate while it also marked transition from the planned to market economy. Labor migration from the CEE region has been a phenomenon present throughout the whole period of transition but has taken unprecedented magnitude after the 2004 EU enlargement.<sup>195</sup> The exact directionality of these flows towards the UK and Ireland was largely unexpected, as was the uneven distribution of migrants across the eight source countries.<sup>196</sup> While literature about labor adjustments and labor re-allocation within countries during the process of economic change and restructuring is abundant, studies that would try to understand the impact of economic and social reforms on between-country labor adjustment in the form of labor

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<sup>195</sup> Pawel Kaczmarczyk, and Marek Okolski, 'Demographic and labor market impacts of migration on Poland', *Oxford Review of Economic Policy* 24, (2008), pp. 600-625.

<sup>196</sup> Christian Dustman and Albrecht Glitz. *Immigration, Jobs and Wages: Theory, Evidence and Opinion*. (Centre for Research and Analysis of Migration, CEPR, London, 2005). Thomas Bauer and Klaus F. Zimmermann, 'Assessment of possible migration pressure and its labor market impact following EU enlargement to Central and Eastern Europe. A study for the Department of Education and Employment, UK'. *IZA Research Report* No.3 (1999). *Employment in Europe 2008*, (DG Employment, Social Affairs and Equal Opportunities, Brussels, 2008).

migration are scarce. This paper seeks to fill this lacuna and investigate the link between reform processes and migration dynamics in two CEE economies – Czech Republic and Slovakia.

Through tracing transitional paths of these countries, the paper aims to enhance our understanding of the impact of structural change and welfare system adjustments on decisions of workers to migrate for work. Different opinions of the leading elites about the course of the reforms were among the main causes of the peaceful divorce of Czechoslovakia in 1993. Since then the political, economic and social reform processes have been gradually diverging in different areas of socio-economic realm at different times. Interestingly, albeit surveys in late 1990s show that the Slovak and Czech citizens shared very similar intentions to migrate and the countries exhibited relatively similar net migration dynamics for most of the 1990s, the migration outcomes after the accession are very different and so is the degree of attraction of foreign labor into these economies.

Suggesting that the determinants of migration based on the neoclassical theory of migration fall short of explaining these differences, I propose own framework for studying migration in transition region. I analyze overtime effects of foreign direct investment (FDI) and of welfare state adjustments on migratory decisions in order to point out how a combination of these elements induced versus reduced propensity to migrate among the Slovak and Czech citizens. Due to its aim to explain broad patterns and overtime trends rather than micro-level behavior, this work will not analyze extensively individual level migrant rationalities. The paper is structured as follows: I first demonstrate varying migration dynamics from and to the studied cases during transition and after the accession to the EU. The paper then briefly reviews the main explananda of migration determinants and explains how they fail to account for the overtime and cross-country variation. In the next section I briefly outline a new framework for understanding migration patterns and the last section concludes.

## **I. Migration dynamics: from similarity to difference**

There are few data resources comparable across countries which allow producing reliable comparisons about migration in transition economies. Survey of 11 CEE countries carried out under the auspices of IOM in 1998 is a notable exception and provides reliable and comparable results about migration intention for both Slovakia and the Czech Republic. Among notable findings of the survey was the fact that the countries in the post-

communist region resembled great differences among each other in the forms and the rates of intended migration. In general comparison with the other CEE countries, both Czech Republic and Slovakia came out as the countries with preferences for short-term migration in order to work temporarily in the EU countries for higher wages. Very few people expressed willingness to go abroad for longer and very few intended to emigrate for good. Importantly, the shares in the two countries were extremely similar only with slightly more Slovaks than Czechs answering positively. At the same time, Czechs declared better networks abroad and more Czechs made tangible steps towards realizing the migration intentions: significantly more Czechs learnt foreign language and obtained qualifications, which implies that they carried out actual preparations for going abroad. As such, the intentions to migrate in 1998 seem to have greater actualization potential in the case of Czech migrants than in the case of Slovaks. In addition, more Czechs than Slovaks declared to have friends or relatives abroad in other CEE countries or in the Western countries (Table 1).

**Table 1** Migration potential in Czech Republic and Slovakia: 1998 (%)

	Czech Republic	Slovakia
<b>Would like to go abroad for ...</b> (percentage answering "very likely" and "likely")		
Few weeks	49	56
Few months	44	47
Few years	24	27
For the rest of life	10	11
<b>Friends or relatives abroad that could help with migration</b>		
CEE	21	17
Western countries	36	24
<b>Preparations for going abroad</b> (all countries)		
Learned foreign language	24	17
Obtained qualifications	17	9
Sold property	1	2
Obtained information	13	14
Applied for jobs	5	5
Found place to live	5	4
Applied for permit	3	3
Contacted people	3	2
Other	4	2

Source: IOM, 1998.

In contrast to migration intentions in late 1990s, the migration outcomes after the countries joined the EU differ significantly. The number of Slovak citizens who decided to migrate for work to the countries which liberalized their labor market after the accession is much higher than the number of Czech workers. Between May 2004 and December 2007 approximately twice as many Slovaks registered into Workers Registration Scheme in the UK or for Personal Public Service Number in Ireland than Czechs.<sup>197</sup> When corrected for the size of population of these countries, approximately four times as many Slovaks migrated for work in the after-accession period than Czechs. In addition, net migration rate throughout the whole period of transition points to a rising gap between the countries.<sup>198</sup> While in 1990s the net migration figures were relatively similar, the gap started to grow very quickly since 2002/2003. These differences are in striking contrast to the similarities described earlier about intentions to migrate in 1998. In addition, not only it is the case that the Czech workers are less prone in recent years to migrate for work abroad than the Slovak workers, the Czech Republic is at the same time much more attractive for foreign workers than Slovakia. Very strong and growing capacity of the Czech Republic to attract migrants more than any other new EU member (accept Hungary) while a lack to do so in Slovakia points to systematic differences between the two economies. How they came about and how they affect migration patterns will be analyzed later but before that I first address the capacity of propositions of traditional migration theories to account for the developments described above.

## **II. Traditional explanations of migration**

Migration literature investigates motives, patterns and mechanisms on the basis of which workers migrate. There is a variety of theoretical models which employ varying concepts, assumptions, frames and levels of analysis.<sup>199</sup> The common underlying assumption of the dominating theory, the neoclassical theory of migration, is that migration is stimulated primarily by rational economic considerations of relative benefits and costs, mostly financial but also psychological. In the research about expected migration propensity from CEE after the enlargement, the prevailing conceptualizations were based on the neoclassical theory of migration in its basic specifications and looked at the economic factors – wage, income differentials and probability of employment - as the main

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<sup>197</sup> *Accession Monitoring Report. May 2004 – June 2008.* (A Joint Online Report by the Home Office, Department for Work and Pensions, HM Revenue & Customs and Communities and Local Government, June 2008).

<sup>198</sup> Eurostat: Net migration. Figures are based on the difference between total population growth and natural growth and show permanent migration.

<sup>199</sup> For a review of migration theories see: Douglass S., Massey et al., 'Theories of international migration: a review and appraisal,' *Population and Development Review* 19, (1993), pp. 431-466.

predictors of behavior of migrants.<sup>200</sup> This paper argues that wage differentials alone fail to account for the cross-country and the overtime variation in migration patterns in the two studied cases. Below I briefly explain how.

### ***Economic factors: wages and unemployment***

The Slovak part of Czechoslovakia was during the whole period of the existence of the common country poorer and until 1970s relatively less developed. While the Czech lands hosted a mixture of industries, heavy industries of steel and armaments were established in the Slovak part. At the outset of the transition this resulted in the fact that Slovakia was hit harder both in terms of the length and severity of the first transitional recession. It also explains high unemployment that Slovakia has been struggling with throughout the whole of transition: unemployment jumped high due to high share of heavy industries, especially armaments and steel, which went bankrupt due to the loss of export markets and old-fashioned ways of production which were not able to survive in the competition with Western markets. The level of development of the two countries measured by GDP per capita differed in 1990 by over 20% and the countries have retained this relative difference in GDP.<sup>201</sup> A return to 1989 wage levels was much faster and more successful in the Czech Republic which surpassed its wage level from before the transition towards the end of 1990s. The wages in Slovakia grew not only slower but the annual change in real wages was much more volatile and affected by economic cycles and the economic problems that the country was facing at multiple points in the period prior to joining the EU.

It is known that over transition the countries exchanged much labor between each other. In the more recent years, there has been a prevalence of Slovak workers going to the Czech Republic who found employment mostly in the industrial segments of the Czech labor market. Higher wages and a strong Czech currency are proposed as the main explanations of the more recent Czechoslovak migration dynamics which has been characterized by short term flows and a return of migrants home upon the termination of work. While wage differentials in combination with strong language and cultural ties are a good explanation of the migration exchange between the Czech Republic and Slovakia, they alone are less powerful at explaining why many more Slovaks migrated to Western Europe after the

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<sup>200</sup> Bauer and Zimmerman. Christian Dustmann et al, 'The impact of EU enlargement on migration flows,' Immigration and Nationality Directorate of the UK Home Office. Home Office Online Report 25, (2003). Tito Boeri and Herbert Brucker, 'Eastern Enlargement and EU-Labor Markets: Perceptions, Challenges and Opportunities,' *World Economics* 2, (2001). Richard Layard et al, *East-West migration. The alternatives.* (MIT Press and WIDER: Cambridge, MA, 1992).

<sup>201</sup> All figures: Author's calculations based on Transmonee data.

accession or why the Czech Republic has been attracting so many migrants of other nationalities while Slovakia has not. Further, while my work acknowledges that the incidence and structure of unemployment is an important determinant in explaining higher migration propensity from Slovakia, I will argue later in this paper that it gains its explanatory validity only when understood in the context of structural and institutional determinants and policy decisions.

### ***Proximity to the West***

Proximity to richer economies is another factor considered in migration theory as having an impact on the propensity to migrate. The causality anticipates that more migrants will leave from countries which lie geographically closer to rich economies due to higher wages and, most importantly, lower transaction costs of mobility with smaller distances between the countries. According to that, the Czech Republic which borders directly on Germany and Austria should have seen more out-migration than Slovakia. This was partly the case during the initial phase of transition when a considerable rate of cross-border commuting or short-term migration from Czech Republic to Germany and Austria was taking place but the nature of phenomenon has declined overtime and is currently considered marginal.<sup>202</sup> Further, proximity as an explanation of migration dynamics to Britain and Ireland after the accession of Slovakia and Czech Republic to the EU again falls short of accounting for the variation. In this case, the distance of the sending countries to the British Isles is very similar and flattened by easy access to cheap transport readily available via cheap flights that have mushroomed between CEE region and Western Europe generally.

### ***Internal mobility***

Degree of internal mobility is of importance for migration dynamics in two ways. First, internal mobility can effectively serve as a substitute for outside mobility. Second, internal mobility can serve as a proxy for 'attitudes' towards migration. Internal mobility has traditionally been low in all transition economies, with minor cross-country differences.<sup>203</sup> Both the Czech and the Slovak labor markets share a feature of low internal mobility which can be explained historically and culturally as well as with

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<sup>202</sup> Marie Vavrejnova, 'Mobilita pracovní síly před a po vstupu ČR do EU,' Institut integrace ČR do evropské a světové ekonomiky Fakulty mezinárodních vztahů Vysoké školy ekonomické v Praze, (2006).

<sup>203</sup> Pierella Paci et al, 'Internal Labor Mobility in Central European and the Baltic Region,' *World Bank Working Paper* no. 105 (2007).

deficiencies in housing and other markets.<sup>204</sup> All in all, internal mobility is unlikely to be a significant explanation of different migration dynamics in Czech Republic versus Slovakia due to the fact that the levels of internal mobility are equally low.

### ***Networks, diaspora and culture of migration***

The existence of diaspora or networks of nationals of a sending country in a receiving country is likely to influence the decisions of migrants when they choose destination. The analyses have shown the tendency of new immigrants to move to the enclaves already established by their compatriots or ethnic kin. In the context of transition economies, this explanation is partly weakened by the history of communist oppression which did not allow free movement for work or travel. While mobility was restricted, thousands of people were emigrating from the region in the quest for politically freer life. In spite of high natural growth of populations, net migration for both Slovakia and Czech Republic for the period from 1960s to late 1980s was prevailingly negative; it was driven politically, by the attempts to escape the oppressive regime and start anew in the freer as well as more prosperous Western countries. In the Czech case, one can observe relatively lesser degree of outflows in the late 1960s characterized by more optimism for the regime and expectations of fruits of Dubcek's socialism with human face. The disillusionment with the 1968 Soviet oppression and increased normalization in the 1970s are also reflected in higher rates of outmigration, as shown by greater negative net migration in the early 1970s in both countries.<sup>205</sup>

All in all, however, there are no significant differences in the outflows of people during communism from the two parts of Czechoslovakia which would create greater network capacity in one or the other country. Moreover, the nature of migration during the old regime was very different with political incentives prevailing. The extent to which the people who flee were able or interested to keep ties with home is questionable, not least due to the fear of persecution of those who stayed behind. This is yet another element why the emigrants who had left the communist countries during the Cold War are unlikely to have served as source of networks and help for the wave of migrants after the fall of the regime, and even less so after the EU accession. The network theory is

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<sup>204</sup> Ibidem. Also Stepan Jurajda and Katarina Maternova, 'How to overhaul the labor market: Political economy of recent Czech and Slovak reforms,' Background paper prepared for the World Development Report 2005.

<sup>205</sup> All figures from: *European Social Statistics. Migration*, (European Communities, 2002).

more useful in explaining directionality and perpetuation of flows rather than the decisions to migrate. It falls short of accounting for the variation across the two countries also due to the fact that denser links declared by the Czech migrants presented in Table 1 would have predicted more outmigration from the Czech Republic which, as we saw, was not the case.

#### **IV. Towards a (macro) explanation of migration**

Why do we see different migration dynamics in the Czech Republic and Slovakia during the course of transition and after the accession to the EU, in spite of their similar legacies? Traditional explanations of migration fall short in explaining the difference in migration dynamics in Czech Republic and in Slovakia both over the course of transition *and* after the accession to the EU. In this section I would like to outline alternative ways of explaining the dynamics that the countries have witnessed in terms of outgoing and incoming migrants. I argue that migration patterns in the two studied cases can be understood when analyzed as part of socio-economic transformations that the countries have experienced. The account is anchored in macro- and mezzo-level explanatory frameworks of migration, inspired by different theories both within and outside of migration literature (world systems theory, dual labor market theory, welfare state literature, varieties of transnational capitalism school and transition literature). Therefore, rather than looking at demographic determinants of individual decisions to migrate, I propose a theoretical approach which combines structural and institutional variables in order to look at the process of transition and structural change and the adjustments to welfare states in these two countries as processes that can illuminate why workers from the Czech Republic migrated less than from Slovakia and why the Czech Republic has been attracting significantly more foreign labor than Slovakia, especially in 2000s. The next section is therefore structured in two parts and seeks to map the differences and similarities in, first, the dynamics of restructuring of the economies, mainly through the lens of the impact of FDI, and, second, in welfare state reforms and retrenchment.

##### ***Foreign direct investment and structural change***

All CEE countries share a common communist legacy characterized by state-led development and full employment mainly in large state-owned enterprises or collectives. In the process of transition, major reallocation of labor took place when employment had

to drift away from state (large firm) sector into new private sector and small and medium enterprises. The key driver behind the economic restructuring has been foreign direct investment (FDI) which entered the region in the framework of privatization of state enterprises, absorbing a large fraction of workers released from the state sector, but also as green-field investment. Transition literature generally has argued for a beneficial role of FDI for growth in CEE and demonstrated that it served as a source of capital and technological and organizational knowledge.<sup>206</sup> In addition to the effects on aggregate employment, FDI has strong influence on domestic employment through affecting “types of jobs created, regional distribution of new employment, wage levels, income distribution and skill transfer.”<sup>207</sup> Job relocation and labor shedding in transition were driven by a combination of the pick-and-choose decisions of foreign investors and policy choices in respect to foreign and domestic firm subsidies. Non-employment benefits (unemployment, social security, sickness, early retirement) which the governments in CEE introduced in greater extent than the post-Soviet countries effected wage dispersion and were instrumental in helping the population to adjust.<sup>208</sup> The studies about the link between FDI and employment generation in transition economies have concluded that foreign investment enterprises after the first transitional recession operated as an important *buffer* to further erosion of employment<sup>209</sup> while the green field investments generated employment directly in the 2000s.<sup>210</sup> All in all, “any recovery in CEE was most often FDI-led or FDI assisted.”<sup>211</sup> This section will emphasize the importance of the timing, type and location decisions of foreign investors in affecting the restructuring paths across the two countries in very specific ways.

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<sup>206</sup> See for example: Tomasz Mickiewicz, Slavo Radosevic and Urmas Varblane, ‘The Value of Diversity: Foreign Direct Investment and Employment in Central Europe During Economic Recovery’, *ESRC Working Paper 05* (2000); Dorothee Bohle and Bela Greskovits, ‘Capital, Labor and the Prospects of the European Social Model,’ Paper prepared for a workshop at Hamburg Institute of International Economics, (September 2005), Alojzy Nowak and Jeff Steagall, ‘Foreign Direct Investment Patterns and Consequences in Central and Eastern Europe 1990 – 2000,’ *Yearbook of Polish European Studies* 5, (2001), pp.67-95, for a more critical account see Werner Sengenberger, ‘Foreign direct investment, industrial restructuring and local labor markets in the transition economies of Central and Eastern Europe: Issue for debate,’ *UN Economic Commission for Europe* (2002).

<sup>207</sup> Mickiewicz *et al*, 2000, p.5.

<sup>208</sup> Tito Boeri and Katherine Terrell. “[Institutional Determinants of Labor Reallocation in Transition](#)”, *Journal of Economic Perspective* 16, (2002), pp. 51-76.

<sup>209</sup> Mickiewicz *et al*, p.18. Guilia Faggio and Josef Konings, ‘Job creation, job destruction and employment growth in transition countries in the 1990s,’ *IZA WP no. 242* (2001), p.11.

<sup>210</sup> Malgorzata Jakubiak *et al*, ‘The Automotive Industry in Slovakia: Recent Developments and Impact on Growth,’ Commission for Growth and Development. World Bank, (2008). Bob Hancke and Lucia Kurekova, ‘Varieties of capitalism and economic governance in Central Europe,’ New Modes of Governance FP7 project. Ref. no: 20/D092008, (2008).

<sup>211</sup> Mickiewicz *et al*, p.24.

The CEE economies have opened up to the inflow of FDI to different degrees and at different points in time in transition.<sup>212</sup> This is also the area where a key difference rests between the Czech Republic and Slovakia: the dynamics of incoming foreign direct investment which in turn affected the inter-occupational employment (and indirectly unemployment trends) has differed among the two countries, especially during the initial decade of transformation. Specifically, the Czech part was already in the early 1990s above average performer in FDI attraction, while Slovakia lagged behind and started to become regional FDI attractor only towards the end of 1990s. Net FDI inflows into Slovakia were marginal relative to the inflows to the Czech Republic for most of the 1990s and only started to rise from 1999 onwards. Similarly, cumulative FDI stock as the share of GDP in Slovakia lagged behind the Czech Republic significantly until early 2000s when the countries started to converge.<sup>213</sup>

This period of lagged opening of Slovakia for FDI in comparison to its neighbor, I argue, was crucial for affecting the migration dynamics both between the countries but also in terms of the realized migration outside of the territory of Czechoslovakia. The precise importance of this difference can be outlined in three ways. First, as already demonstrated, FDI played a crucial role in job preservation and job creation in transition economies. In this respect, more significant inflow of foreign investment to the Czech Republic directly affected employment levels in the country which at the same time suffered lesser misfortune in its initial industrial structure than the Slovak part. Second, the earlier and more massive entry of FDI into the Czech Republic has - via demand for more skilled labor - increased skill premium and returns to education.<sup>214</sup> Higher premium is tied to greater wage dispersion and potentially also to a greater rise in wages which is the next link through which FDI – indirectly – has contributed to essentially lower propensity for emigration from Czech Republic in comparison to Slovakia where these potential effects of FDI were missing and hence wages grew slower. The third link is materialized through the type of FDI that the countries were able to attract which has shown to be essential in explaining the success of the Czech transformation in terms of its

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<sup>212</sup> Nina Bandejl, *From Communists to Foreign Capitalists. The Social Foundations of Foreign Direct Investment in Postsocialist Europe*. (Princeton University Press. Princeton and Oxford, 2008). *Slovak Republic Living Standards, Employment and Labor Market Study*. (World Bank, 2002).

<sup>213</sup> Data from UNCTAD and EBRD Transition Report 2008.

<sup>214</sup> Giovanni S.F. Bruno et al, 'Foreign Direct Investment, Wage Inequality, and Skilled Labor Demand in EU Accession Countries,' *Development studies working paper no. 188*, (Centro Stidu Luca D'Agliano, October 2004). Mickiewicz et al.

record low unemployment rates. Munich et al argue that the exceptionally low unemployment rate in the Czech Republic relative to Slovakia has been brought about by not only a rapid increase in vacancies along with unemployment which resulted in a relatively balanced unemployment-vacancy ratio at the aggregate as well as district level. Importantly, the vacancies that were being created in the country matched rather strongly the existent profiles of labor throughout the transition.<sup>215</sup> This was perhaps not least due to the fact that the investments into the Czech Republic followed more balanced distribution in terms of sectoral and regional orientation already early on which was hardly the case in the Slovak counterpart.<sup>216</sup>

Distribution of foreign direct investment in Slovakia over the period of transition both across sectors and across regions in the country has been very uneven. In late 1990s, allocation was skewed towards manufacturing sector which attracted nearly 50% of investments, followed by trade and financial intermediation gaining over 19% of foreign investments each. Bratislava area at that time attracted roughly two-thirds of all FDI, a factor explaining why employment performance of the capital city region far surpassed that of other areas in the country throughout the transition.<sup>217</sup> In Slovakia the unfavorable patterns of FDI distribution remained largely unchanged until now. Consequently, the differences in unemployment-vacancy ratio in the early transition (between 1991-1995) and throughout in the two countries have been prominent and highlight both a greater balance between job seekers and vacancies and more balanced distribution of labor market tightness across regions in the Czech case.<sup>218</sup>

I propose that a combination of the above factors - the timing of FDI entry (sooner in the Czech Republic and later in the Slovak case) as well as the sectoral composition and regional orientation of the FDI (more balanced in the Czech lands than in Slovakia) - have contributed to very high unemployment rates that have defined transitional experience in Slovakia as well as to labor market mismatches. It is clear that the pool of unemployed partly composed the migration pool from Slovakia to the Czech

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<sup>215</sup> Daniel Munich, Jan Svejnar and Katherine Terrell, 'Worker-firm matching and unemployment in transition to a market economy: (why) are the Czechs more successful than others?' [\*CERGE-EI Working Papers no 141\*](#), (1998).

<sup>216</sup> See also: Stepan Jurajda and Katherine Terrell, 'What drives the speed of job reallocation during the episodes of massive adjustment?' *IZA DP. No. 601*, (2002), Vit Sorm and Katherine Terrell, 'Sectoral Restructuring and Labor Mobility: A Comparative Look at the Czech Republic,' [\*William Davidson Institute Working Papers Series 273\*](#), (1999).

<sup>217</sup> *Slovak Republic Living Standards, Employment and Labor Market Study*, p.84. SARIO.

<sup>218</sup> *Lessons from Labor Market Policies in the Transition Countries*. (OECD, Paris, 1996), pp.209,255.

Republic before the accession and it is known that the Slovak labor has been coming from the more depressed regions of the Eastern, Central or Southern parts of the country.

### ***Welfare state reforms, labor markets and migration***

The role of welfare states through social and labor market policies has been crucial in the transition, not only through mitigating the negative impact of privatization and liberalization processes but also through making economic restructuring successful.<sup>219</sup> Most immediate response to initial rising unemployment was the introduction of unemployment benefit schemes, in addition to which some of the countries in the region (i.e. Hungary) introduced wide schemes for early retirement or disability pension, hence decreasing official unemployment figures. Social security schemes and other aspects of (post-socialist) welfare states played a crucial role in affecting migrant decisions both directly and indirectly. Welfare states impact migrant decision through affecting opportunity structures and safety nets in the instances of struggles on the labor market. For people at high-risk-of-unemployment it would be primarily the policies related to labor market – both passive (unemployment schemes, social welfare assistance, early retirement) and active (retraining, start-up grants, job creation support) that were directly relevant in shaping the range of options and opportunities in respect to employment options at home versus abroad. Other areas of welfare schemes such as health care, education, housing, or family benefits embody *indirect* forms of ‘income’; these are likely to be important elements in assessing the costs and benefits of migration when potential migrants make decision within (future) households and would inhibit rather than induce migration or contribute to its temporary and/or circular nature.

At the initial point in transition, the Czech and Slovak welfare systems were institutionally identical, although the levels of spending were naturally higher in Slovakia which had to spend more on dealing with its unemployed. With time, however, the countries have started to differ significantly.<sup>220</sup> Behind such changes in the spending is a series of comprehensive reforms of social security system in Slovakia which started with the first Dzurinda government (1998-2002) but only took a full course during the second Dzurinda government between 2002 and 2006, unified by a common pre-reform and neo-liberal ideology of the coalition parties. While the window of opportunity of distancing

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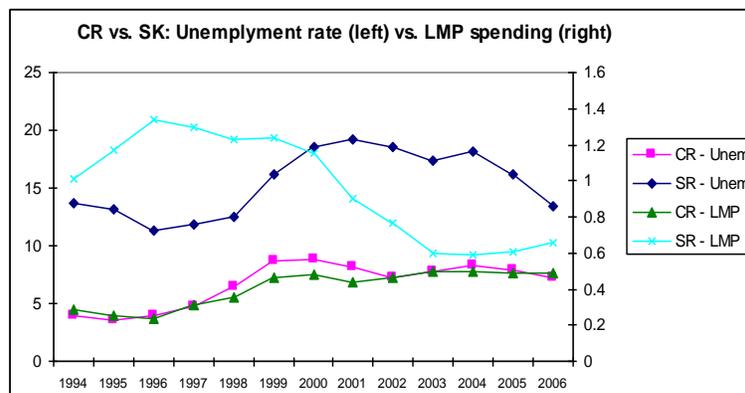
<sup>219</sup> Boeri and Terrell.

<sup>220</sup> Eurostat: Social expenditure.

from the infamous Mečiar regime allowed a series of far-reaching and radical reforms in virtually all segments of public governance including all aspects of welfare state except education shortly before Slovakia joined the EU, the Czech Republic did not undertake any significant reforms until after the EU accession.<sup>221</sup>

Hence, the ways to address labor market problems in the two countries have been very different and marked by different ideologies and political preferences of governing parties since the separation in 1993. The difference in the tendencies in funds allocated to dealing with labor market problems overtime cannot be more striking: while labor market policies (LMP) spending was rising continuously since mid-1990s in the Czech Republic, it has declined sharply in Slovakia from early 2000s, essentially converging on the levels of spending in the two countries shortly before the accession. Thus, while increasing unemployment in the Czech Republic was copied by a concomitant rise in spending on active and passive labor market policies, labor market expenditure in Slovakia significantly declined since 2000 onwards in spite of the unemployment reaching its peaks and attaining levels three times higher than in the Czech case (Figure 1). As the passive LMP spending declined rapidly, active LMPs, which would have been in line with the ‘activation logic’ of the governments in power, did not rise but also continued to decline in the country.<sup>222</sup>

**Figure 1** Czech Republic and Slovakia: unemployment rate vs. labor market policies spending



Source: OECD and Laborsta.

Further, Slovakia significantly changed its labor market rules towards greater flexibility. The Slovak economy was in 1998 overall more rigid in terms of employment

<sup>221</sup> Stepan Jurajda and Katarina Maternova, ‘How to overhaul the labor market: Political economy of recent Czech and Slovak reforms,’ Background paper prepared for the World Development Report, (2005).

<sup>222</sup> OECD.

protection legislation, but it introduced more flexibility in the areas of workers dismissals in both regular and temporary employment, fixed-term employment and collective agreements by 2003, when it had less regulated economy than the Czech Republic which had not undergone any substantive changes in labor market regulation.<sup>223</sup> The labor market regulation in two countries could have affected migration in two major ways, although the direct causality of the effect of employment protection legislation is not straight-forward.<sup>224</sup> It seems however, that stricter regulation of dismissals in the Czech Republic provided more stability and security to those in employment, making firing but also hiring more stringent. Given the employment opportunities and high employment levels, it did not seem to have had any negative effects on the Czech labor market. On the other hand, liberalized dismissal regulation made both firing and hiring more flexible in the Slovak labor market which just before the accession had specific implications on, first, the feeling of security in respect of domestic employment, and second, the ease of re-entering labor market after working abroad.

Welfare states can be therefore linked to migration dynamics in three ways. Their relevance manifests itself through labor market in providing safety nets at times of labor market problems (PLMPs), mediating the impact of transition (ALMPs) or offering public employment. At the same time, the existent social structures create expectations of citizens and therefore downward trends in adjustment might lead to reactionary behavior such as migration. In addition to these ‘push’ effects of welfare states, it can also function as pull factor via health care and education systems which gain importance if decisions are made within (future) households.

## **Summary and conclusions**

This paper investigated the link between reform processes leading to different socio-economic regimes and the divergence in migration dynamics in two CEE economies: Czech Republic and Slovakia. The comparison of Czech Republic and Slovakia forms a counterfactual: the countries have made opposite choices in crucial areas of transition policies since the separation and in effect essentially experienced very different migration pattern from and to the countries. I argue that the effect of FDI which served as a key driver of economic transition and restructuring in conjunction with adjustments to

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<sup>223</sup> Ibidem.

<sup>224</sup> Faggio and Konings, p.7.

welfare states help us to understand better why labor migrated with very different rates from and to the Czech Republic than from and to Slovakia. I show that the countries shared initial similarity and moved towards dissimilarity on the welfare state dimension. Although the initial divergence on structural dimension and FDI attraction was closed up by the time the countries joined the EU, it was insufficient to prevent vast out-migration from Slovakia.

Transitional path in respect to FDI attraction and subsequent restructuring in the Czech Republic ended up being very different to the Slovak. First, the Czech Republic attracted more FDI and much earlier than was the case in Slovakia which joined the quest for FDI only at the break of the millennium. Given a crucial importance of multinational companies in the process of job creation, this directly and indirectly affected the rates of migration from and to the Czech Republic and migration from Slovakia to the Czech Republic in the late 1990s/early 2000s. My paper argues that the motivations for such mobility were not purely driven by wages but equally – if not more - by employment opportunities which were offered in the Czech Republic to Slovak (industrial) labor. Very high rates of out-migration from Slovakia mainly to the UK and Ireland after the accession, can be fully explained only when broader reform trajectory, primarily but not only in social welfare and labor market interventions, is considered. There the cases again show variation and divergence.

The reform in the Czech Republic generally and in the social sphere specifically until very recently retained the basic pre-1989 features and its comprehensive, universalistic and inclusive elements. Such system is likely to provide wide-ranging safety nets and in many aspects broadens and improves quality of life for all strata of the society. Slovakia, on the other, gradually from 1998 onwards introduced a series of far reaching reforms which overhauled the old system, originally very similar to the Czech system due to a common institutional legacy from communism and the early transition period. Most of the Slovak labor market and social system reforms were in full launch before the country joined the EU in May 2004. Both direct and indirect links can be made between these comprehensive changes and increased rates of migration from Slovakia. At the time of joining the EU, the Czech citizens lived in a country which had more work than it could fill with domestic labor and relatively extensive and comprehensive welfare system while Slovakia was only entering the period of mushrooming job opportunities

and had just re-adjusted social system downwards for most segments of society which were to get less from the government also in the other spheres of public spending.

In sum, this paper applied a macro-level structural-institutional framework for studying migration patterns across countries and overtime and showed that reform processes affected by different policy choices can be traced down and empirically connected to migration patterns. Migrant decisions – while rational - are undertaken in the context of *specific* economic, social and institutional environments of home countries.

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# THE NEW ECOLOGY OF RISK: PREVENTING ECONOMIC STAGNATION IN THE FACE OF CLIMATE CHANGE ON THE HUMBER ESTUARY

**Carl Lewis**

**Abstract:** This paper discusses the economic implications of flood risk on the Humber estuary. The Environment Agency currently manages flood risk through a governance approach, but the low private sector profile is jeopardizing the ability to incorporate sustainable economic development into flood risk plans. This paper investigates business perceptions of flood risk, and whether the alleged ‘dismissal’ of flood risk could lead to job and industry migration, threatening the Humber’s future sustainability.

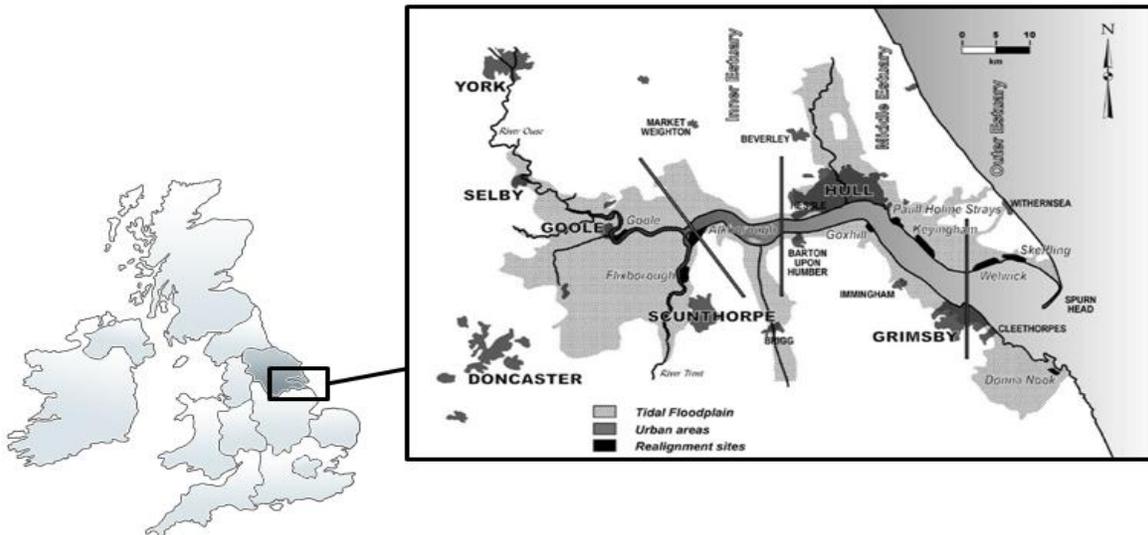
**Keywords:** Flood Risk Management, Sustainable Economic Development, Unbalanced Governance, Knowledge Construction

## Introduction

Climatologists are predicting an imminent and significant rise in sea levels caused by climate change, which will substantially increase flood risk to low lying coastal areas. This paper will address the flood risk issues relating to the Humber estuary region of the United Kingdom, shown in **Figure 1**.

The Humber estuary is particularly susceptible to flooding from storm surge events which cause large quantities of water to be funnelled up the estuary from the North Sea. Land surrounding the estuary is characteristically low-lying and flat, providing an ideal location for intensive farming and various large-scale industries. Unfortunately, this land offers little resistance to storm surge flooding, meaning that a flood event has the potential to cause extensive damage to both property and infrastructure.

**Figure 1** The location of the Humber estuary in the United Kingdom



Source: Edwards and Winn (2006)<sup>225</sup>

The Humber estuary is particularly susceptible to flooding from storm surge events which cause large quantities of water to be funnelled up the estuary from the North Sea. Land surrounding the estuary is characteristically low-lying and flat, providing an ideal location for intensive farming and various large-scale industries. Unfortunately, this land offers little resistance to storm surge flooding, meaning that a flood event has the potential to cause extensive damage to both property and infrastructure.

Following the 1953 East Coast storm surge, which claimed over 300 lives, the Eden government embarked on a national scale programme of hard-engineered flood defences. As part of this programme the Humber estuary gained a comprehensive network of sea walls and reinforced embankments covering all areas deemed to be socially or economically valuable, therefore effectively ‘removing’ flood risk from the region.

Ironically these flood defences are now a major headache to flood risk and spatial planners in the Humber region. Many of the defences are now nearing the end of their design lives, and require heightening work if they are to continue to protect the low lying land as sea levels rise. The Environment Agency was given statutory responsibility for all

<sup>225</sup> Adapted from: Edwards, A. and Winn, P. (2006) ‘The Humber Estuary, Eastern England: Strategic planning of flood defences and habitats’, *Marine Pollution Bulletin*, Vol. 53, p. 167.

public flood defences within England on April 1<sup>st</sup> 2008, and has therefore taken on the task of flood risk management for the Humber Estuary. This will require the balancing of social, political, environmental and economic risks, as determined by the various stakeholders present in the region.

The paper will look at how risk is constructed with regard to environmental problems such as flooding. This will then be used to explore the wider implications of non-balanced flood risk governance in the Humber estuary region of the UK, where private sector involvement is currently marginal.

## **I. Risk as a Concept**

Risk can be defined broadly as “the potential for the realisation of unwanted negative consequences of an event”<sup>226</sup>. Therefore those consequences associated with flood risk in the Humber would depend upon the environmental surroundings, and indeed, the activities which take place within this environment. Gibbs and While draw attention to the various ‘tensions’ involved within representing local material interests when dealing with issues related to conservation science<sup>227</sup>, such as flood mitigation. This emphasises the nature of risk as a socially constructed concept, shaped through the various nodes and networks that connect the various agents of society within the Humber estuary.

Socially constructed risk, emanating from the practices of science and industry upon which our society is built, forms the basis for Beck’s ‘Risk Society’<sup>228</sup> prognosis. The predicted increases in flood risk within the Humber estuary are attributed to anthropogenically induced climate change. Although Beck’s ‘boomerang effect’<sup>229</sup> suggests that the whole of society will be exposed to the risks we have produced, the extent to which different agents are affected will depend partly upon their own risk perceptions, as well as upon how resilient these different agents are in dealing with potential flood events.

The fundamental principle of Beck’s risk society is that maintaining a safety discourse against risks is unsustainable, with the “...only safe thing to say is that safety is

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<sup>226</sup> Rowe, W. (1977) *An Anatomy of Risk*, New York, Wiley-Interscience, p. 24.

<sup>227</sup> Gibbs, D. and While, A. (2007) ‘Governing nature conservation: the European Union Habitats Directive and conflict around estuary management’, *Environment and Planning A*, Vol. 39, p. 344.

<sup>228</sup> See: Beck, U, (1992) *Risk Society: Towards a New Modernity*, Sage, London & Beck, U. (1995) *Ecological Politics in an Age of Risk*, Cambridge, Polity Press.

<sup>229</sup> Beck, U, (1992) *Risk Society: Towards a New Modernity*, Sage, London, p. 23.

impossible”<sup>230</sup>. Considering this in the context of climate change induced flooding, it can be seen that the science itself is based upon “...sets of *assumptions* about the external world which are *social* in their [origin]”<sup>231</sup>. Therefore due to the uncertainty involved in climate change debates, environmental risks may never be fully eradicated through the application of science alone. As exceptional flood events become regular occurrences, catastrophe mitigation and management will “include a reorganisation of power and authority”<sup>232</sup>.

## II. Positioning Risk Flood Mitigation

Brown and Damery highlight that flood management in the UK “has traditionally favoured technological solutions to hazard reduction and focused primarily on the construction of [state funded and coordinated] hard-engineered defences...”<sup>233</sup>. For over fifty years, defence barriers have ‘removed’ flood risk from society in the Humber estuary, creating what Freudenberg describes as a society “not so much in control of technology as [it is] *dependent on technology*”<sup>234</sup>. In such a situation where societal agents have been privy to long-term shielding from flood risk, a gap may be apparent between flood risk *per se* and perception of flood risk based upon individuals’ knowledge.

Morris divides knowledge into two *broad* types consisting of:

- 1) Tacit Knowledge - often personal and context dependent knowledge
- 2) Codified Knowledge - ...explicit, standardised and easily transferable knowledge<sup>235</sup>

Tacit knowledge is strongly influenced by personal experience, and as few people would have seen a flood in the Humber region within living memory, experience derived knowledge cannot be expected to hold flood risk in high regard. However, nation states are gradually reorganising the way in which they manage flood risk mitigation from a ‘control over’ approach, to a ‘living with’ approach. Recent flood events across Europe

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<sup>230</sup> Beck, U. (1995) *Ecological Politics in an Age of Risk*, Cambridge, Polity Press, p. 44.

<sup>231</sup> Irwin, A. (1995) *Citizen Science*, London, Routledge, p. 51, (emphasis in original).

<sup>232</sup> Beck, U. (1992) *Risk Society: Towards a New Modernity*, Sage, London, p. 24.

<sup>233</sup> Brown, J. and Damery, S. (2002) ‘Managing flood risk in the UK: towards an integration of social and technical perspectives’, *Transactions of the Institute of British Geographers*, Vol. 27, p. 412.

<sup>234</sup> Freudenberg, W. (2001) ‘Risky Thinking: facts, values and blind spots in societal decisions about risks’ *Reliability Engineering and System Safety*, Vol. 72, p. 128.

<sup>235</sup> Morris, C. (2006) ‘Negotiating the boundary between state-led and farmer approaches to knowing nature: An analysis of UK agri-environment schemes’ *Geoforum*, p. 115.

have resulted in the widespread ‘Beckian’ acceptance that floods are ... “a natural phenomenon [and that consequently] man will always be exposed to floods”<sup>236</sup>. This shift in management strategy may be communicated to agents within society through codified knowledge distributed by those in charge of flood risk management strategy. However codified scientific knowledge may be rejected by groups within society<sup>237</sup> due to a lack of trust, resulting in a return to tacit knowledge which therefore disregards the current, real, flood risk.

This has important implications for areas such as the Humber estuary, which have not directly experienced what Lange and Garrelts term as a ‘reality test’<sup>238</sup>, where flood defences are exposed to and breached by extreme storm events. In areas where such ‘reality tests’ have taken place, flood risk is taken very seriously, as are any changes in the process of flood risk management<sup>239</sup>. However, without exposure in the form of tacit knowledge, it is difficult, if not impossible, to accurately judge the hazard and vulnerability of a flood event, as explained graphically in **Figure 2**.

**Figure 2** The Crichton Risk triangle



Source: Crichton (2008)<sup>240</sup>

<sup>236</sup> Socher, M. and Böhme-Korn, G. (2008) ‘Central European floods 2002: lessons learned in Saxony’, *Journal of Flood Risk Management*, Vol. 1 (2), p. 125.

<sup>237</sup> See: Bradbury, J. (1989) ‘The Policy Implications of Differing Concepts of Risk’, *Science, Technology and Human Values*, Vol. 14 (4), pp. 380-399; Bruckmeier, K. and Tovey, H. (2008) ‘Knowledge in Sustainable Rural Development: From Forms of Knowledge to Knowledge Processes’, *Sociologia Ruralis*, Vol. 48 (3), pp. 313-329; Morris, C. (2006) ‘Negotiating the boundary between state-led and farmer approaches to knowing nature: An analysis of UK agri-environment schemes’ *Geoforum*, pp. 113-127 & Wynne, B. (1992) ‘Risk and Social Learning – Reification to Engagement’ in Krimsky, S. and Golding, D. (eds.) *Social theories of Risk*, Westport, Praeger, pp. 275-297.

<sup>238</sup> Lange, H. and Garrelts, H. (2007) ‘Risk Management at the Science-Policy Interface: Two contrasting cases in the field of flood protection in Germany’, *Journal of Environmental Policy and Planning*, Vol. 9 (3), p. 271.

<sup>239</sup> Rupp-Armstrong, S. and Nicholls, R. (2007) ‘Coastal and Estuarine Retreat: A Comparison of the Application of Managed Realignment in England and Germany’, *Journal of Coastal Research*, Vol. 23, p. 1427.

<sup>240</sup> Crichton, D. (2008) ‘Role of Insurance in Reducing Flood Risk’, *The Geneva Papers*, Vol. 33, p. 123.

As this paper focuses on business flood risk perceptions, these general notions must be applied to the activities of the private sector. Inward investment in the Humber has created a large cluster of petrochemical plants, all of which must have adequate flood risk plans as stipulated by COMAH (Control of Major Accidents and Hazards) legislation<sup>241</sup>. However, SMEs (Small and Medium Enterprises) are not covered by such regulations, and as a result are more economically vulnerable to flooding than their larger counterparts. This vulnerability could have a severe impact upon the regional economy, as not only do SMEs feed products and services into larger Humber industries, but they also play a crucial part in sustaining future post-industrial economic development in the region<sup>242</sup>.

Positioning flood risk within business operations requires an examination of the day to day risks that businesses deal with. Research has shown that “the small firm is not a large one in miniature”<sup>243</sup>, and that small businessmen tend to be “reluctant planners”<sup>244</sup>, due a combination of costs, the technical nature of planning and other ongoing activities that require attention within the business.

However, flood risk can be argued to transcend the main “three categories of risk”<sup>245</sup> concerning SMEs; namely those of economy based risk, industry based risk and firm based risk. Flooding can cause widespread damage to a business site, as well as posing less immediately obvious problems such as damage to infrastructure. Although such ‘secondary’ damage does not affect the business site directly, it still has the potential to affect trade through the disruption of transport used for distribution, for example. To make matters worse, flood insurance cover in the UK is not available as a stand-alone policy, as it is currently “...‘bundled’ with other perils, such as fire, storm, theft, earthquake, etc.”<sup>246</sup> serving to further dilute the prominence of flood-specific risk.

As many Humber business people live and work in the Humber region, tacit knowledge may be responsible for Clemo’s findings that indicate a recent fall in the number of small business leaders concerned about the seriousness of climate change,

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<sup>241</sup> HMSO (1999) ‘Statutory Instrument 1999 No. 743 The Control of Major Accident Hazards Regulations 1999’, London, HMSO.

<sup>242</sup> Gibbs, D., While, A. and Jonas, A. (2007) ‘Governing Nature Conservation: the European Union Habitats Directive and conflict around estuary management’ *Environment and Planning A*, Vol. 39, p. 348.

<sup>243</sup> Beaver, G. and Prince, C. (2004) ‘Management, strategy and policy in the UK small business sector: a critical review’, *Journal of Small Business and Enterprise Development*, Vol. 11 (1), p. 35.

<sup>244</sup> Foster, J.M. (1993) ‘Scenario Planning for Small Businesses’, *Long Range Planning*, Vol. 26 (1), p. 123.

<sup>245</sup> Everett, J. and Watson, J. (1998) ‘Small Business Failure and External Risk Factors’, *Small Business Economics*, Vol. 11 (4), p. 371.

<sup>246</sup> Crichton, D. (2008) ‘Role of Insurance in Reducing Flood Risk’, *The Geneva Papers*, Vol. 33, p. 118.

from 85% to 77%<sup>247</sup>. When juggling other business risks deemed to be more immediate, codified knowledge regarding flood risk may be ignored due to a lack of scientific certainty on the subject. Christie and Hanlon have observed that people often disregard official information to “avoid [a] flood that may not happen in their lifetime”<sup>248</sup>.

Flood risk may be viewed as one complex piece in a larger jigsaw puzzle of risks associated with business operations on the Humber. The issues highlighted above have major implications for the way flood risk is managed, namely through a framework of governance.

### **III. Governance as a Concept**

Governance, as a policy implementation method, can be described as the “rolling back of the nation state”<sup>249</sup> or the “denationalisation of statehood”<sup>250</sup>. This concept seeks to develop a framework allowing the private sector and civil society to work in collaboration with the public sector to coordinate and organise policy delivery. In doing so, responsibility is re-allocated and spread over three sectors (public, private and voluntary) as opposed to being tied to the public sector alone. Such a system enables closer collaboration and accountability between groups at local and regional scales, which is often difficult to achieve from top-down central government planning<sup>251</sup>.

Brand observes governance to be not so much “...government in touch with and involving people, but... government at a distance [steered] through complex networks of government organisations and agencies of which the state is one, albeit key, actor”<sup>252</sup>. Despite the fact that QUANGOs (Quasi Autonomous Non Governmental Organisations) are an inherent feature of governance, the state cannot avoid taking some responsibility in the overall coordination of resources. Castree recognises that “[g]iven the state's legal and

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<sup>247</sup> Clemo, K (2008) ‘Preparing for Climate Change: Insurance and Small Business’, *The Geneva Papers*, Vol. 33, p. 112.

<sup>248</sup> Christie, F. and Hanlon, J. (2001) in Lumbroso, D., Ramsbottom, D. and Spaliveiro, M. (2008) ‘Sustainable flood risk management strategies to reduce rural communities' vulnerability to flooding in Mozambique’, *Journal of Flood Risk Management*, Vol. 1 (1), p. 36.

<sup>249</sup> Diamond, J. (2001) ‘Managing change or coping with conflict? Mapping the experience of a local regeneration partnership’, *Local Economy*, Vol. 16, No. 4, p.275

<sup>250</sup> Jessop, B. (2000) ‘The Crisis of the National Spatio-Temporal Fix and the Tendential Ecological Dominance of Globalizing Capitalism’ *International Journal of Urban and Rural Research*, Vol. 24 (2), p.352

<sup>251</sup> Doak, J. and Karadimitriou, N. (2007) ‘(Re)development, complexity and networks: A framework for Research’ *Urban Studies*, Vol. 44 (2), p. 220.

<sup>252</sup> Brand, P. (2007) ‘Green Subjection: The politics of Neoliberal Urban Environmental Management’, *International Journal of Urban and Rural Research*, Vol. 31 (3), pp. 616-632.

financial power, it is normally incumbent upon the state to ensure [that] these resources [economic, civil and environmental] are used appropriately”<sup>253</sup>.

Governance of the planning process, which deals with the three resources highlighted by Castree, enables an 'institutionalist' approach acknowledging the “importance of institutions in shaping social action”<sup>254</sup> through interaction. However, at the same time the overall “...authority of such networks remains tied to traditional political arenas, primarily [that of] the nation state”<sup>255</sup>. In the context of flood risk mitigation, a governance framework has sought to involve the private and voluntary sectors to form new institutions. Flood risk can therefore be ‘spread’ over multiple sectors, in acknowledgement of the notion that absolute protection from flood events can no longer be guaranteed, due to the uncertainty attributed to climate change in the ‘Risk Society’.

#### **IV. Risk within the Governance of Flood Mitigation**

Theoretically, the governance process should benefit from the different understandings of flood risk which are communicated between the network of institutions representing the private, public and voluntary sectors. ‘Pareto’ improvements are sought from the governance process, where flood mitigation measures will be implemented without adversely affecting other region-specific priorities of the sectors involved, such as sustainable economic development in the Humber case. Communicative planning should allow a balanced input for local flood risk mitigation and economic development schemes, but if institutions representing sectors within the sphere of governance withhold information, or cannot communicate it effectively, the governance process may produce an unsatisfactory policy solution within the geographic area in question.

The Environment Agency, part of the public sector, is the dominant actor in flood mitigation governance within the Humber region. As such, the power which the Environment Agency yields is not merely “power over, or power to, but power as ‘ability’ to coordinate flood risk management”<sup>256</sup>.

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<sup>253</sup> Castree, N. (2008) ‘Neoliberalising nature: the logics of deregulation and reregulation’, *Environment and Planning A*, Vol. 40, p. 148.

<sup>254</sup> Healey, P. (2006) ‘Transforming Governance: Challenges of Institutional Adaptation and a New Politics of Space’ *European Planning Studies*, Vol. 14 (3), p. 301.

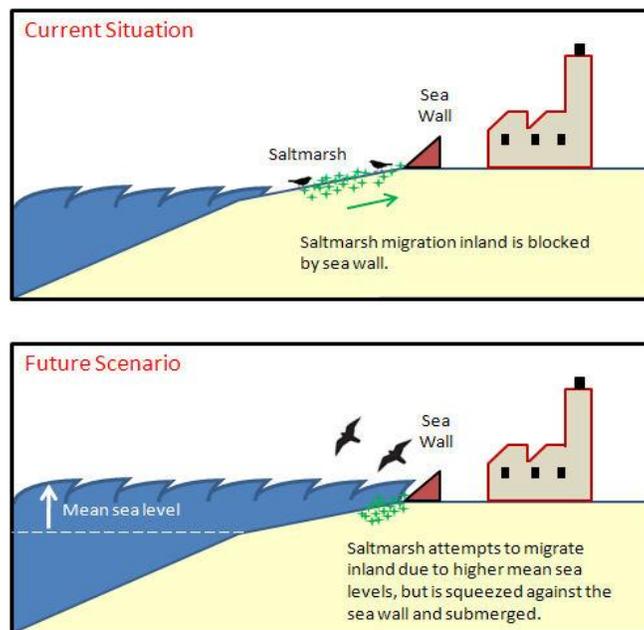
<sup>255</sup> Bulkeley, H. (2005) ‘Reconfiguring environmental governance: Towards a politics of scales and networks’ *Political Geography*, Vol. 24, p. 880.

<sup>256</sup> Healey, P. (1999) ‘Deconstructing communicative planning theory: a reply to Tewdwr-Jones and Allmendinger’ *Environment and Planning A*, Vol. 31, p.1133.

The Environment Agency has so far enjoyed the cooperation of local government and voluntary organisations in its quest to manage flood risk around the Humber estuary through the *Humber Estuary Shoreline Management Plan*. However, private businesses have exhibited a reluctance to become involved, which planner typically put down to commercial ‘dismissal’ of flood risk around the Humber estuary. The shoreline management plan contains a range of local flood defence proposals for the region, ranging from complete withdrawal of defences in certain areas, to the widespread adoption of ‘Managed Realignment’. The trans-scalar properties of governance can be seen in action with the Environment Agency, itself straddling the local and national scales of UK flood policy, also having to incorporate European-level regulations which designate the Humber estuary as a Special Conservation Area<sup>257</sup>.

This has implications for estuary flood risk mitigation which, aside from the abandonment of the aforementioned safety discourse, prevents the renewal of existing flood defences due to coastal squeeze. The process of coastal squeeze is linked to climate change, and will eliminate EU-protected animal habitat in the Humber, as explained in Figure 3.

**Figure 3** Coastal Squeeze



Source: Author drawn.

<sup>257</sup> Edwards, A. and Winn, P. (2006) ‘The Humber Estuary, Eastern England: Strategic planning of flood defences and habitats’ *Marine Pollution Bulletin*, Vol. 53, p 168.

Managed realignment is, however, a viable alternative to hard-engineered defences that will require the conversion of shoreline land into 'overflow areas' that will flood during storm surge events. This method will help to keep mean water levels stable in the estuary whilst also providing additional habitat for protected wildlife. However, managed realignment requires vast areas of land which poses a potential opportunity cost for future Humber economic development. Whilst the public and voluntary sectors are engaged within the governance process, establishing new tacit knowledge on regional flood risk, the private sector remains static and uninvolved to its own detriment.

The ultimate goal of flood risk mitigation is to create a sustainable future for the Humber region. However, Gunder highlights that "...*sustainability* is used in a manner that Markusen (2003, 702) deems a 'fuzzy concept'"<sup>258</sup>. Sustainable futures will therefore undoubtedly entail different scenarios for the different sectors involved.

Much of the flat land on the estuary shoreline earmarked for managed realignment could equally be used for future economic development, whether it be for further expansion of key businesses already in the region such as the Humber ports complex and the petrochemical industry, or for new SME-centric schemes. However, without representation from the private sector to highlight the potential future side effects of schemes like managed realignment on the local economy, voluntary and public sector agendas will continue to be prioritised. This may well see the widespread adoption of policy which does not serve the best interests of the Humber private sector, both in terms of present flood risk plans which affect their current sites and operations, as well as their future economic sustainability and roots within the region.

Through a lack of risk awareness and comprehension, the flood mitigation governance process has become unbalanced in the Humber estuary, and planning for the future will not incorporate the distribution of risks as intended under a multi-institutional, regionally accountable approach. To rebalance the governance process within the Humber estuary, it is imperative that the Environment Agency better understands how businesses construct flood risk knowledge so that they can maximise the participation of the private sector.

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<sup>258</sup> Gunder, M. (2006) 'Sustainability: Planning's Saving Grace or Road to Perdition', *Journal of Planning Education and Research*, Vol. 26, p. 211.

## **V. Research Methodology**

The primary research for this project is being undertaken in two parts. Questionnaires are currently being distributed to 3000 businesses in the Humber Estuary Flood Risk Zone. The target businesses were sampled using data from the UK-FAME financial database and various business directories which were then transferred into a GIS system. Using Environment Agency flood risk maps and the appropriate Standard Industry Classification Codes of each business, the top four business sectors by representation within the Humber flood risk area were identified.

These sectors were:

- 1) Construction – Largest Sector
- 2) Wholesale and Retail – 2<sup>nd</sup> Largest Sector
- 3) Manufacturing – 3<sup>rd</sup> Largest Sector
- 4) Transport and Communication – 4<sup>th</sup> Largest Sector

The above business sectors provide a diverse cross section of the local economy, with the greatest base of potential respondents. Considering the lack of research which has been carried out on business perceptions of environmental risks, a questionnaire survey was chosen because of its ability to gather a large amount of basic quantitative data in a short time frame. The projected response rate for the questionnaires is approximately 10%, requiring a high distribution number to maintain representative results.

The questionnaire has been designed to enable it to be filled out quickly due to the busy schedules of the business recipients. It consists of 20 questions, the majority of which are closed tick box style. There are four sections to the form, the first asking for basic company data such as turnover, the second dealing with flood issues in the past, the third with current flood risk concerns and the fourth concerned with future plans for the business. More complex questions addressing the perception of flood risk over time have been allocated extra space, allowing the respondent to expand further upon the short answers should they wish to.

The GIS system has also allowed cross-examination within the four business sectors. Environment Agency flood newsletter and leaflet distribution areas were added to the Humber geodatabase, allowing for the comparison of responses from those business within the Environment Agency newsletter distribution area – which should have been provided with up to date information on flood risk - with those who are not,

and have presumably not seen such material. This will help to ascertain how useful and influential the Environment Agency-distributed codified knowledge has been.

The returned questionnaires will be analysed, and then sampled to be followed up by the second phase of research consisting of 10-20 semi-structured interviews. This will allow me to expand upon the brief responses given in the questionnaires and to probe deeper to uncover other issues hidden within qualitative data, including topics which are difficult to communicate within a short-answer questionnaire.

By combining both questionnaires and interviews, I hope to achieve a non-biased reflection of the current business perceptions of flood risk and flood risk governance around the Humber Estuary. Not only will the questionnaire provide a brief insight into the issues of more businesses than I could ever hope to interview, but will hopefully act as a useful filter to pursue issues which I may not have uncovered in my literature review, and am therefore currently unaware of.

## **VI. Research Questions**

The research questions that will be answered through the methodology are as follows:

1. What are the multi-sectoral tensions involved in flood mitigation and economic development in the Humber estuary?
2. How do private businesses interpret the changing scientific and technical understandings of flood risk as communicated by public bodies?
3. In what way do these understandings of flood risk impact upon the choice of sites suitable for industrial economic development projects?
4. How has the growing concern over sea level rise, flood risk mitigation, and economic development encouraged local stakeholders to plan and execute their activities on an estuary-wide basis?

These questions will keep the project focussed, whilst allowing for the maximum range of analyses to be conducted on the data. This will ensure that the full range of nuances surrounding flood risk perceptions and implications in the Humber region is fully examined.

## **VIII. Preliminary Results**

The questionnaire survey has provided some interesting early results. Response rates are currently close to 20%, which is higher than predicted and will help increase the

significance and accuracy of the data. 80% of the returned questionnaires have had all answer fields completed, many of which have also exhibited much greater detail in written answers than was specified within the questionnaire instructions. This would suggest that those who have returned the questionnaires hold the issue of flood risk in high regard and take the matter seriously.

Within the questionnaires returned so far, only 10% of businesses located within the official Environment Agency publicity distribution zone stated that they had received official flood risk information. Of the businesses that had received flood information, many thought that it was unhelpful, which suggests that the Environment Agency is failing to engage with the private sector in a meaningful way.

It is too early in the study to draw detailed conclusions, but it would seem that businesses are not entirely ignorant to flood risk. Whether this knowledge of flood risk is based upon tacit or codified knowledge remains to be seen, pending a more detailed analysis after the questionnaire research phase is complete. However, preliminary indications seem to suggest that there is a breakdown in governance attributed to misunderstandings in risk communication and adaptive measures between the public and private bodies involved in the governance process.

## **Conclusion and Summary**

In conclusion, there is an imbalance in the Humber flood risk governance process, with the potential to scupper future economic development, as business concerns are not being fully represented in flood management plans.

The project aims to ascertain the way in which businesses understand and communicate flood risk, and therefore uncover the reasons behind why businesses are not being more pro-active in this area. The project will yield high quality results of use to the Environment Agency as well as contributing to the field of social knowledge and risk construction and helping to re-adjust flood risk governance in the Humber to the advantage of including economic development. This should help to curb the migration of jobs, therefore helping to stabilise the regional population and industry base which will better facilitate long term sustainable economic strategies currently sought by local and regional planners.

Although the research can be seen to be multi-disciplinary in its approach, the underlying theory of the project is based upon perceptions of risk and the economic

implications of a governance approach. The project can be seen to explore Ecological Modernization which includes arguments in favour of adaptation to continuous change as well as “...economic growth that can be achieved while simultaneously protecting the environment”<sup>259</sup>. Finding the correct balance relating to environmental change mitigation methods will ultimately pave the way for the sustainable development of the Humber region, using methods which are flexible enough to incorporate the scientific uncertainty within the modern ‘Risk Society’.

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<sup>259</sup> Korhonen, J. (2008) ‘Reconsidering the economics logic of ecological modernization’, *Environment and Planning A*, Vol. 40, p. 1332.

# LIMITS OF EU “TRANSFORMATIVE POWER”: MINORITY PROTECTION IN CROATIA, SERBIA AND SLOVENIA

**Zuzana Lisoňová**

**Abstract:** The big bang enlargement has brought EU some substantial changes in its policies towards candidates embodied in the concept of transformative power. The assumption is that employing instruments under transformative power should reproduce the success also in case of former Yugoslav countries. Due to the focus of EU policies on the national level but weak local level and weak EU position in minority rights Union’s impact on Croatia and Serbia is even more limited than the actual impact on Slovenia was.

**Keywords:** minority rights, transformative power, Croatia, Serbia, Slovenia, EU accession

## Introduction

Thanks to big bang enlargement 2004 success European Union deploys same approach-transformative power towards current and future candidates mainly coming from the former Yugoslavia region. “Respect for and protection of minorities” is again core of the political conditionality also towards selected case studies of Croatia and Serbia. However, the situation with these cases is to some extent different. Formation of independent Croatia and Serbia was accompanied by war and even ethnic cleansing. Peace agreements stated the protection of minorities as key condition for refugee return, restoration of neighbourhood relations, and recognition of new countries as stable states. EU accepted existing international norms also present in peace agreements as conditions for its own relations with nowadays named region of Western Balkans (represented by the Stabilization and Association Process). EU used international norms mainly because there is no single or common “European minority policy”<sup>260</sup>, minority protection is not precisely present in *acquis communautaire* and Copenhagen criteria are rather vague on this issue. Already lot of effort and foreign aid was invested but the actual numbers of returnees remain low and situation is not stable yet.

Main thesis is that EU’s impact on Croatia and Serbia in minority rights is even more limited than the actual impact on Central European countries and especially Slovenia was. The effects of transformative power are again focused on the national level

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<sup>260</sup> Anagnostou, D. and Triandafyllidou, A.: *Regions, Minorities and European Policies: An Overview of the State of the Art in Western, Central Eastern and Southeast Europe*, ELIAMEP July 2005.

but the weak local level implementation hampers the overall improvement. One of the crucial obstacles of EU's effective impact on Croatia and Serbia is weak Union's position relying on rules and norms set by other international actors, doing nothing more than the individual member states allow and finance.

## **I. European Union's Transformative Power**

Essence of transformative power as Heather Grabbe<sup>261</sup> formulated is the Union's impact on Central and Eastern European countries through the conditionality of accession process<sup>262</sup> that enabled different methods of Europeanization of these countries. Candidate countries were actually locked in the process of accepting all the new EU norms (*acquis communautaire*) despite the uncertainty of the enlargement negotiations. EU's potential impact was huge but the final, real one was rather limited because of the diffuse and unclear meaning of criteria, norms or evaluation, member states attitudes etc. Currently has the environment for EU transformative power even worsened because of the several reasons: firstly, accession process is more complex, that means more has to be done by candidates or future candidates, secondly, these candidates have gone through different transition and state/building process that is not yet settled (esp. Serbia) and last but not least, negative attitude towards enlargement are persisting in several member states.

My paper aims to examine the influence of European Union on the protection of minority rights in three former Yugoslav countries- Croatia, Slovenia and Serbia. The inclusion of current member state, candidate country and country preparing to submit application for membership will allow an interesting comparison and analysis of developing EU's policy. Special characteristics in minority composition can be seen in population composition:

- Slovenia- new member state

Population: 2,021,435; composition of population: (2002 census): Slovenian 1,631,363; Hungarian 6,243; Italian 2,258; other 324,172; religion: Roman Catholic 57.8%, Muslim 2.4%, Orthodox 2.3%, other Christian 0.9%, unaffiliated 3.5%, other or unspecified 23%, none 10.1%.<sup>263</sup>

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<sup>261</sup> Grabbe, Heather- *The EU's Transformative Power: Europeanization through Conditionality in Central and Eastern Europe*, Palgrave Macmillan 2005

<sup>262</sup> See also Schimmelfennig, F. and Sedelmeier, U.: *Governance by conditionality: EU rule transfer to the candidate countries of Central and Eastern Europe*, *Journal of European Public Policy* 11:4 August 2004: 661-679, available at <http://www.ut.ee/SORT/05s/kursused/eit/schimmel.pdf>

<sup>263</sup> "Slovenia facts" available at [http://www.slovenia.si/slovenia\\_facts/](http://www.slovenia.si/slovenia_facts/)

- Croatia- candidate country

Population: 4,437,460 inhabitants; composition of population: the majority of the population are Croats; national minorities are Serbs, Slovenes, Hungarians, Bosnians, Italians, Czechs and others. Religions- majority: Roman Catholics, other are Orthodox, Islamic, Jews, Protestants.<sup>264</sup>

- Serbia- future candidate country

The latest 2002 census puts the population of Serbia (excluding Kosovo-Metohija) at 7,498,001, which made up 92.3% of the population of the former State Union of Serbia-Montenegro. Serbs make up 82.86% of the population, Hungarians 3.91%, Bosniaks 1.81%, Roma 1.44%, Yugoslavs 1.08%, Croats 0.94%, Montenegrins 0.92%, Albanians 0.82%, Slovaks 0.79%, Vlachs 0.53%, Romanians 0.46%, Macedonians 0.34%, Bulgarians and Vojvodina Croats 0.27% each, Muslims 0.26%, Ruthenians 0.21%, Slovaks and Ukrainians 0.7% each, Gorani 0.06%, Germans 0.05%, and Russians and Czechs 0.03% each<sup>265</sup>.

Despite the relative homogeneity of Slovenia and its easy transition (including negotiated departure from federation and nearly no use of hard power) one has to recognize that relations especially towards Croatia are not smooth. Current blocking of accession negotiations is an example of persisting bilateral disputes that have previously accompanied by some violent actions or anti-ethnic rhetoric. In Croatian and Serbian case special attention need to be devoted to the issue of displaced persons and refugees from the war times. Not very precise numbers are available but because of information about the development and the core of the conflict, one can has to have in mind that displaced persons and refugees used to constitute minorities (e.g. Serbs in Croatia). Therefore despite being member of ethnic majority, their situation is qualitatively different.

Within the association process the EU has developed several instruments (better known as carrots and sticks) that constitutes its transformative power and that employed also in case of minority rights:

- Praising and shaming: Commission as the accredited agent of the EU and its member states prepares annual strategy and regular evaluation reports not only for candidates but also for the future one within the Stabilisation and Association

<sup>264</sup> "Croatia Information" available at [http://www.htz.hr/English/O\\_Hrvatskoj/Informacije.aspx](http://www.htz.hr/English/O_Hrvatskoj/Informacije.aspx)

<sup>265</sup> Serbian Government- Population, Language and Religion available at <http://www.srbija.gov.rs/pages/article.php?id=36>

Process (SAP) that is supposed to give advice, support or encourage the countries reform processes and its decision-makers. Regular reports are important part of communication between EU and candidates, future candidates but in its essence it is focused on rules, institutions and the state's administration.

- Stop the accession/ SAP process: The most powerful threat has been used rarely (e.g. in case of Slovakia's weak fulfilment of democratic criteria including minority rights) is intended to change country's behaviour. Currently, as mentioned previously are the Croatian negotiations blocked by Slovenian government because of border dispute and Serbian Stabilisation and Association Agreement ratification is frozen on Netherlands insistence on extradition of war criminals.
- Funds: The most attractive instrument is very often presented to public but the actual flow of money and allocation is coordinated from national level. Therefore the local level responsible for the implementation of reforms is successfully engaged only if the central administration is transparent and helpful in projects implementation.

The use of all these instruments has been tested in one of my cases- Slovenia and the actual results show that they do not help to overcome the resistance at local level, responsible for effective implementation of minority rights. As the other cases will show their use in complicated (post-conflict and/or dissolution) states is even more ineffective.

## **II. Minority rights in EU**

EU founding treaties are rather brief in defining the principal basis and you can hardly find minority rights in the text, e.g. Article 6 of the TEU:

1. The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States.
2. The Union shall respect fundamental rights, as guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms signed in Rome on 4 November 1950 and as they result from the constitutional traditions common to the Member States, as general principles of Community law.
3. The Union shall respect the national identities of its Member States.

Researchers argued often that lack of a firm foundation of minority rights in EU law and concise benchmarks envisages that the actual meaning of minority rights, their promotion and protection was unclear for candidates.<sup>266</sup> Best example is the Copenhagen Criteria that Grabbe named the “moving target”<sup>267</sup>:

- **Political criteria**

The applicant country must have achieved stability of its institutions guaranteeing democracy, the rule of law, human rights and **respect for and protection of minorities**.

- **Economic criteria**

It must have a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the EU.

- **Criteria of the adoption of the *acquis***

It must have the ability to take on the obligations related to of membership, including adherence to the aims of political, economic and monetary union.

However, the association agreements (so called Europe agreements) between EU and candidates from CEE (including Slovenia) devoted much attention to very specific provisions (mainly economic ones). Council of Europe (CoE) and OSCE have been the institutions that actually created the meaning of human rights and minority protection in international agreements from 1990s that were conditions for membership in the council. The mostly known is the Framework Convention for the Protection of National Minorities under which Council of Europe in cooperation with governments provides regular evaluation and recommendations.

The complexity of association process can be seen as multi-level process where rules, rights are defined at international level, the actual laws are resolved at national level and the implementation even goes to local level. Special EU instruments during accession process are trainings of mainly civil servants (e.g. in preparing legislature or transposition of international norms into domestic one) or financial assistance for

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<sup>266</sup> Bray, Z.: State of the art report reviewing the development and change of European policies towards regions with large minority populations, University Institute and ELIAMEP July 2005.

<sup>267</sup> Grabbe, H.: A Partnership for Accession? The Implications of EU Conditionality for the Central and East European Applicants, Robert Schuman Centre Working Paper 12/99 San Domenico di Fiesole (FI): European University Institute, 1999, available at [http://www.cer.org.uk/pdf/grabbe\\_conditionality\\_99.pdf](http://www.cer.org.uk/pdf/grabbe_conditionality_99.pdf)

trainings but also for reconstruction and locally initiated activities from infrastructure, through education till culture. Last studies of central European countries' EU accession process showed the impact on minority policy at the national political elite level but the local elite often responsible for the actual implementation was omitted<sup>268</sup> despite the provided funds.

### **III. State of Minorities' Rights in Slovenia, Croatia and Serbia**

#### ***Slovenia***

The most precise constitutional provisions Special Rights of the Autochthonous Italian and Hungarian National Communities (Article 64) have been introduced in Slovenia but mainly because of special position of its minorities:

“The autochthonous Italian and Hungarian national communities and their members shall be guaranteed the right to use their national symbols freely and, in order to preserve their national identity, the right to establish organisations and develop economic, cultural, scientific, and research activities, as well as activities in the field of public media and publishing. In accordance with laws, these two national communities and their members have the right to education and schooling in their own languages, as well as the right to establish and develop such education and schooling. The geographic areas in which bilingual schools are compulsory shall be established by law. These national communities and their members shall be guaranteed the right to foster relations with their nations of origin and their respective countries. The state shall provide material and moral support for the exercise of these rights.

In order to exercise their rights, the members of these communities shall establish their own self-governing communities in the geographic areas where they live. On the proposal of these self-governing national communities, the state may authorise them to perform certain functions under national jurisdiction, and shall provide funds for the performing of such functions. The two national communities shall be directly represented in representative bodies of local self-government and in the National Assembly.

The position of the Italian and Hungarian national communities and the manner in which their rights are exercised in the geographic areas where they live, the obligations of the self-governing local communities for the exercise of these rights, and those rights

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<sup>268</sup> Malová, D. and Világi, A.: Regions, Minorities and European Integration: A Case study on Hungarians in the Košice region, Slovakia. In: Sociológia, Slovak Sociological Review, Fall 2006, Vol. 38, No. 6, s. 507-533.

which the members of these national communities exercise also outside these areas, shall all be regulated by law. The rights of both national communities and their members shall be guaranteed irrespective of the number of members of these communities. Laws, regulations, and other general acts that concern the exercise of the constitutionally provided rights and the position of the national communities exclusively, may not be adopted without the consent of representatives of these national communities.

Article 65 (Status and Special Rights of the Romany Community in Slovenia):  
The status and special rights of the Romany community living in Slovenia shall be regulated by law.”

Council of Europe’s report on the Framework Convention for the Protection of National Minorities stated that the actual problem in Slovenia was the lack of information on the size of minorities that were essential to the specification on state policies and following evaluation and recommendation on the necessary measures. The report “notes the spirit of co-operation shown by Slovenia throughout the process ... [and] encourages the Slovene authorities to continue their efforts to improve awareness of the Framework Convention”<sup>269</sup>. The second report was based on more specified information but the issue of communication towards Slovenian public has showed as problematic: “It is essential that, in future, the authorities take more decisive measures to inform the public and raise awareness of the findings of the monitoring process”<sup>270</sup>. Despite the Slovenia’s uncomplicated departure from Yugoslavia the CoE recognized specific minorities’ problems characteristic for the whole region: “The case of non-Slovenes from other parts of the former Yugoslavia most of whom had already settled in Slovenia before 1991 and many of whom possess Slovene citizenship, requires particular attention. This includes persons of Albanian, Bosniac, Croatian, Macedonian, Montenegrin or Serbian origin. In view of these persons’ specific position in Slovenia, the many problems they face and their desire to be able to preserve and develop their identity, it is particularly important that the authorities address their situation and consider the possibility of adopting a more inclusive approach ... The legal status of non-Slovenes from former Yugoslavia who, having been deleted from the register of permanent residents in 1992, found themselves

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<sup>269</sup> Advisory Committee on the Framework Convention for the Protection of National Minorities. Opinion on Slovenia (adopted on 12 September 2002). ACFC/INF/OP/I(2005)002

<sup>270</sup> Advisory Committee on the Framework Convention for the Protection of National Minorities. Second Opinion on Slovenia, adopted on 26 May 2005. ACFC/INF/OP/II(2005)005

foreigners in the country they were living in and who have subsequently been unable to regularise their presence in Slovenia, continues to represent a challenge for the authorities.<sup>271</sup> Despite the well developed framework for minority rights protection these people as well the Roma community have presented cases out of the framework and therefore without protection. Another very frequent shortcoming also for the two following cases was identified: „it appears that some local authorities are reluctant to allocate budgetary funds to measures aimed at improving the situation of Roma”<sup>272</sup>.

In comparison to the other cases Slovenian problematic implementation of international rules was present on local level and on the national level was focused to specific groups of minorities (ex-Yugoslav citizens). The EU financial instruments were structured to support cross-border cooperation that should help to promote minority rights. Despite that Eurorreg research done on Slovenia concludes that in “the implementation of minority rights for the Italian ethnic community in Slovenia, little improvement has been perceived either in the context of EU integration and cross border cooperation initiatives affecting the Italian national community, or in the comparative context of the dissolution of Yugoslavia and the communist system and the subsequent formation of the first independent Slovene state and a democratic system. To the contrary, members of the minority community perceive even greater tensions with the majority population (although it is generally limited to small or specific groups of individuals). Interestingly enough, the economic autonomy of the minority community has become even more tenuous under the new market conditions. The government has yet to fulfil its obligation to provide a foundation for the greater economic independence of the community.”<sup>273</sup>

## ***Croatia***

Basic provision in Croatian Constitution (Article 15) for minority rights in is rather precise in comparison to the Serbian one:

- “Members of all national minorities shall have equal rights in the Republic of Croatia.

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<sup>271</sup> Advisory Committee on the Framework Convention for the Protection of National Minorities. Second Opinion on Slovenia, adopted on 26 May 2005. ACFC/INF/OP/II(2005)005

<sup>272</sup> Advisory Committee on the Framework Convention for the Protection of National Minorities. Second Opinion on Slovenia, adopted on 26 May 2005. ACFC/INF/OP/II(2005)005

<sup>273</sup> Šabec, K.: Regions, Ethnic Minorities and European Integration: A Case Study of Italians in Slovenian Istria, ELIAMEP 2006

- Equality and protection of the rights of national minorities shall be regulated by the Constitutional Act which shall be adopted in the procedure provided for the organic law.
- Besides the general electoral right, the special right of the members of national minorities to elect their representatives into the Croatian Parliament may be provided by law.
- Members of all national minorities shall be guaranteed freedom to express their nationality, freedom to use their language and script, and cultural autonomy.”

However it took Croatia several years of work to improve its constitutional set-up. In 2001 CoE concluded that “main concern ... is that practice related to the implementation of the Framework Convention has improved regrettably slowly. In particular at the local level, there appears to be a level of reluctance amongst certain authorities, not only with regard to remedying the negative consequences of past discriminatory practices and other minority-related problems, but also with regard to ensuring that such problems do not occur in today's Croatia.”<sup>274</sup> The particular problems were in area of refugee return, employment of Serbian and Roma minority and portrayal of persons belonging to national minorities in different media. The main concern was delayed adoption of Constitutional Law on the Rights of National Minorities that was passed only in 2002. This law created the institutional framework for participation of minorities within parliament as well as local governance. However the 2002 evaluation also concluded shortcomings in minorities’ participation in area of state administration and judicial bodies and implementing monitoring processes.<sup>275</sup> Analysing the CoE evaluation one has to see the progress in institutional matters that is accompanied by problems in implementation area: “Croatia has made real progress in addressing a number of problems relating to the return process ... [e.g] persons belonging to national minorities have been given improved access to reconstruction programmes and senior public officials have made laudable statements encouraging persons belonging to national minorities to return to Croatia. There are, however, still real obstacles hindering sustainable return of persons belonging to the Serbian national minority, such as incidents of hostility in certain localities and remaining housing concerns, including those involving

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<sup>274</sup> Advisory Committee on the Framework Convention for the Protection of National Minorities. Opinion on Croatia, adopted on 6 April 2001. ACFC/INF/OP/I(2002)003

<sup>275</sup> Advisory Committee on the Framework Convention for the Protection of National Minorities. Opinion on Croatia, adopted on 01 October 2004. ACFC/INF/OP/II(2004)002

former tenancy rights holders.”<sup>276</sup> Examples of these obstacles included reconstructing houses for returnees that were not plugged in the electricity network. Another problem is the acceptance of returnees by local population. In this context international community regards as a helpful instrument to provide financial resources for reconstruction. However if these are not followed by reconciliation projects for local people e.g. (building schools or kindergartens for both communities) their actual impact might be back warding even negative as occurs in Serbian case.

Main focus on monitoring Croatia nowadays is within the enlargement process and its regular reports but language and actual evaluation used by European Commission is not different to that of Council of Europe. In comparison to the very precise Commission’s evaluation and advices for example in economic policies creates weakened position of the EU further undermined by qualitatively different state of minorities’ rights in individual member states.

### ***Serbia***

Protection of national minorities is introduced in Article 14 of Serbian Constitution:

“The Republic of Serbia shall protect the rights of national minorities. The State shall guarantee special protection to national minorities for the purpose of exercising full equality and preserving their identity.”

CoE first evaluation of Serbia<sup>277</sup> from 2004 was marked by the “the legacy of the aggressive nationalistic policies of the Milosevic regime [that] is still widely felt in the society. This legacy complicates the task of the present authorities to implement the Framework Convention and necessitates special measures aimed at rebuilding inter-ethnic tolerance and true and effective equality in Serbia and Montenegro.”<sup>278</sup> Monitoring of the implementation of the Framework Convention for the Protection of National Minorities includes reports presented by the Serbian government and due to the UN administration of Kosovo this part of the country was not included. The first CoE report remarks a very specific characteristic of Serbian case that can be described as a period of double standards: “Uncertainty and flux, as well as a certain lack of coherence, also characterises the status of relevant legislation, including new legislation on the protection of national minorities. This is particularly discernible as regards the federal Law on the Protection of Rights and Freedoms

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<sup>276</sup> Advisory Committee on the Framework Convention for the Protection of National Minorities. Opinion on Croatia, adopted on 01 October 2004. ACFC/INF/OP/II(2004)002

<sup>277</sup> At that time state union of Serbia and Montenegro.

<sup>278</sup> Advisory Committee on the Framework Convention for the Protection of National Minorities. Opinion on Serbia and Montenegro (made public on 2 March 2004)

of National Minorities, adopted in 2002. While that law is presently considered applicable in the Republic of Serbia until its future status has been determined by the Serbian Parliament, the authorities of the Republic of Montenegro do not apply the said law but continue the prolonged process of drawing up their own legislation on the protection of national minorities.”<sup>279</sup> The overall rules were ratified but the actual implementations could not start because of very specific constellation of the internal power division of the country more complicated by the serious economic problems. Second CoE report confirmed the lack of coherence when Serbia adopted a new Constitution in October 2006 but failed „to adopt key legislation to advance the protection of national minorities ... [that] has prompted legitimate concerns.“<sup>280</sup> Serbian government has tried to advance with creation of the new Ministry of Human and Minority Rights in July 2008<sup>281</sup> but „Serbian authorities are still largely considered to lack a comprehensive and strategic approach towards the integration of its minorities into the society. In addition, measures taken in this field of minority protection are often perceived by Serbian society as a result of the pressure exercised by external actors.“<sup>282</sup> Serbia therefore presents the most difficult case where implementation is lagging behind at both national as well as local level with the negative perception in the society. Not only is the EU relation to Serbia complicated by the Kosovo issue and till recent the visa regime but also the notion of “sticks” policy is helping to sustain the nationalistic rhetoric in Serbian politics. EU has not proved to impact Slovene local authorities even despite the generous funding. One has to have in mind that Annex 7 of the Dayton Peace Agreement on Refugees and Displaced Persons grants refugees and displaced persons the right to safely return home and regain lost property, or to obtain just compensation<sup>283</sup>. That is binding for Croatia and Serbia but EU and its member states have very little experience with this kind of situation. The crucial question is therefore what can the “Brussels agents” actual do? How can they advise? Are they supposed to ask only for laws? But how can we reach the local actors who are responsible for finding or rebuild homes for minorities in post-conflict societies?

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<sup>279</sup> Advisory Committee on the Framework Convention for the Protection of National Minorities. Opinion on Serbia and Montenegro (made public on 2 March 2004)

<sup>280</sup> Advisory Committee on the Framework Convention for the Protection of National Minorities. Second Opinion on Serbia, adopted on 19 march 2009.

<sup>281</sup> New ministry replaced the Agency for Human Rights.

<sup>282</sup> Advisory Committee on the Framework Convention for the Protection of National Minorities. Second Opinion on Serbia, adopted on 19 march 2009.

<sup>283</sup> Summary of the Dayton Peace Agreement on Bosnia-Herzegovina available at <http://www.state.gov/www/regions/eur/bosnia/bossumm.html>

## Conclusions

The analysis of the Framework Convention for the Protection of National Minorities within the Council of Europe that the EU has set as essential norms and rules included in the accession criteria has shown some success focused on the national level but the weak local implementation hampers the overall improvement in minority protection on Croatia and Serbia. The Slovenia experienced lesser problems but the EU has not proved to impact Slovene local authorities to support the effective practise of minority rights protection even despite the generous funding. Up till now weak implementation of specific minorities' rights and even persistence is seen at local level as well in Croatia and Serbia where the last case remains challenge for the EU transformative power also in other areas. Minority rights and protection constitutes only part of the accession criteria for Croatia and Serbia and further research is needed in the area of democratic criteria implementation, functioning of institutions as well as role of actors (decision and policy makers).

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# EXPLAINING CONTINUITY AND CHANGE IN POSTCOMMUNIST CENTRAL EUROPEAN WELFARE STATES

**Kristin Nickel Makszin**

**Abstract:** This paper develops a theoretical framework for explaining instances of reform and continuity in various social policy areas in Central and Eastern European (CEE) countries, focusing on Hungary and Poland at this point. Drawing on the CEE welfare state literature, I outline various pressures for reform and pressures for continuity that influence the propensity for change, but I argue that the defining cleavages between the parties and the characteristics of the CEE party systems, interacted with the various types of pressures, explain why we see dramatic reform in some cases and historic continuity in others.

**Keywords:** welfare state, change, reform, redistribution

## Introduction

The economic and political transformations that took place in Central and Eastern European (CEE) countries suggest that there was an opportunity to truly recreate postcommunist welfare states compatible with a market economy and re-emerged democracy. There have already been some important contributions regarding the diversity of CEE welfare states.<sup>284</sup> Based on these authors' findings and my earlier empirical work, this paper begins with the understanding that modern CEE welfare states *do differ significantly from each other*. In addition to diversity of CEE welfare states, an interesting debate has developed in the literature regarding the degree of transformation that CEE welfare states have undergone. One set of literature argues that there were dramatic and revolutionary changes to CEE welfare states, but other literature examines the importance of historical, institutional, and policy legacies for enforcing the continuity of postcommunist welfare states. Closer analysis reveals that in some social policy areas in some countries, dramatic reforms and changes took place in CEE welfare states. In

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<sup>284</sup> Nick Manning, "Diversity and Change in Pre-Accession Central and Eastern Europe Since 1989," *Journal of European Social Policy* 14, no. 3 (August 1, 2004): 211-232; Martin Rhodes and Maarten Keune, "EMU and welfare states in East Central Europe," in *Enlarging the Euro Area: External Empowerment and Domestic Transformation in East Central Europe* (New York: Oxford University Press, 2006), 376; Mitchell Orenstein and Martine Haas, "Globalization and the Future of Welfare States in the Postcommunist East Central Europe," in *Globalization and the Future of the Welfare State*, ed. Miguel Glatzer and Dietrich Rueschemeyer (Pittsburgh, Pa: University of Pittsburgh Press, 2005), 130-152; Dorothee Bohle and Béla Greskovits, "Neoliberalism, embedded neoliberalism and neocorporatism: Towards transnational capitalism in Central-Eastern Europe," *West European Politics* 30, no. 3 (2007): 443-466; Tomasz Inglot, *Welfare States in East Central Europe, 1919-2004* (New York: Cambridge University Press, 2008).

other social policy areas in other countries, there was surprising continuity and stability during transition.

This leads to the question: what determines the degree of change and stability in postcommunist welfare states? In my dissertation, I aim to explore the explanatory factors behind the diverse welfare state reform paths (in three policy areas) to understand the reasons for their diversity and, most importantly, explain the instances of change and continuity in the policy areas. I argue that many possible explanatory factors constitute a set of *pressures for reform* and *pressures for continuity*, but the action and interaction of political actors are essential for explaining the diversity of welfare state structures. Given that reform proposals emerged in each policy area in each country, I argue that the role of political actors is essential for understanding both the instances of continuity and of reform.

In this paper, I present the theoretical framework for explaining change and consistency in CEE welfare states, beginning the empirical work with Hungary and Poland. The reason for beginning this analysis with Hungary and Poland is that I can control for the magnitude of total welfare spending, pre-transfer inequality, similar international influences, and similar postcommunist political swings between left and right governments. In the next section, I review the relevant literature and outline the pressures for reform and continuity summarized in that literature. In section II, I summarize the difference in party systems that influence welfare state reform. Finally, I specify the explanatory framework that I propose for understanding change and continuity in CEE welfare states, which will be tested in future research.

## **I. Assessing pressures for reform and pressures for continuity**

The economic and political transition that has been taking place in CEE countries since 1989 has brought many forms of radical and systemic change. Consequently there was a potential for dramatic change in the social policy that accompanied the new democratic political system and market-based economic system. Much of the literature on welfare states in Central and Eastern Europe refers to the dramatic and revolutionary change of these welfare states, even if reforms occurred with some delays.<sup>285</sup> From this literature, it

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<sup>285</sup> Guy Standing, "Social Protection in Central and Eastern Europe: a Tale of Slipping Anchors and Torn Safety Nets," in *Welfare States in Transition: National Adaptations in Global Economies*, ed. Gosta Esping-Andersen (London: United Nations Research Institute for Social Development, 1996), 225-255; Hans-ürgen Wagoner, "The Welfare State in Transition Economies and Accession to the EU - PB - Routledge," *West European Politics*

is clear that there were multiple sources of pressures for reform of the existing systems of social policy in transition. *Pressure for reform* of welfare states in transition resulted from:

- (1) the collapse of previous social support systems (price subsidies, employment-based social benefits through state-owned firms)
- (2) the need to address transformed social challenges during transition (unemployment, rising poverty with reduced price subsidies),
- (3) the constraints posed by fiscal deficits, and
- (4) pressure from the international actors (i.e. World Bank, EU).

Given these pressures, it seems that significant reforms to the welfare state were possible, if not inevitable. During this time of “extraordinary politics”<sup>286</sup>, the societies and electorates in CEE countries accepted radical changes in many policy areas, even ones that brought about difficulties during transition. The social supports that existed during the communist regime (price supports, firm-based social services) were no longer compatible with the market-based economy with privately owned firms. So reforms were necessary not only to meet new social needs and complement the new economic system, but to also reduce fiscal budget deficits in many countries.

In contrast to the pressures for reform, there is a substantial literature emphasizing the historical continuity and path dependence of the welfare states in the Visegrad countries. This literature examines the importance of institutional and historical legacies for enforcing the continuity of postcommunist welfare states with a path dependent understanding of welfare state development.<sup>287</sup> As these authors argue thoroughly, historical legacies have clearly shaped the future reform options and they have led to a surprising continuity in CEE welfare states. Postcommunist Central and Eastern Europe could have been expected to be just the context for radical reformed welfare approaches, but many argue the role of historical legacies has dominated. Inglot argues that “certain clearly discernable patterns of social policy making within each country tend to persist,

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25, no. 2 (2002): 152-174, doi:10.1080/713601579; Katharina Müller, *The Political Economy of Pension Reform in Central-Eastern Europe*, Studies in comparative economic systems (Cheltenham, UK: E. Elgar, 1999); Orenstein and Haas, “Globalization and the Future of Welfare States in the Postcommunist East Central Europe.”

<sup>286</sup> Leszek Balcerowicz, *Socialism, Capitalism, Transformation* (Budapest: CEU Press, 1995).

<sup>287</sup> Inglot, *Welfare States in East Central Europe, 1919-2004*; Béla Tomka, *Welfare in East and West: Hungarian Social Security in an International Comparison, 1918-1990*, Jahrbuch für Wirtschaftsgeschichte 5 (Berlin: Akademie-Verlag, 2004); Alfio Cerami, *Social Policy in Central and Eastern Europe: The Emergence of a New European Welfare Regime*, Region, Nation, Europa Bd. 43 (Berlin: Lit, 2006).

survive regime change, and often reemerge in similar configurations in different historical periods.”<sup>288</sup> The transition in CEE countries was a time when extreme change was acceptable and expected, but it became “a rare historic event of regime change that involves reproduction of the welfare state.”<sup>289</sup> The historical continuity of the CEE welfare states suggests that there was also *pressure for continuity*. The pressures for continuity result from:

(1) *Veto players* who represent present-day beneficiaries that defend their benefits under the current system. This is related to the ‘power resource’ model of welfare state reform, which observes that entrenched interests block reform. Historical legacies could be said to have created “politically constructed property rights,” meaning that citizens felt entitled to these benefits and blocked any reform that threatened them.<sup>290</sup>

(2) *Institutional legacies* that constrain change as new CEE welfare states are recalibrated versions of past institutional configurations<sup>291</sup> or are reformed only in ‘layers’.<sup>292</sup> Past institutional arrangements create dynamics that make sudden and complete reform of institutions difficult. Transformative change is possible, but only over an extended period of time.

(3) *Societal perceptions of the past* that form expectations in the society about the way the welfare state should be. These perceptions (both positive and negative) of past policy and history influence public opinion and, therefore, electoral outcomes and voters’ expectations of political actors.<sup>293</sup>

As outlined above, there are two sets of literature that investigate postcommunist Central European welfare states and reach opposing conclusions about the degree of change in social policy. Notably the authors that identify dramatic change base their findings on policy areas in countries that indeed experienced dramatic change (for example, many aspects of Hungarian and Polish pension reforms, Polish family

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<sup>288</sup> Inglot, *Welfare States in East Central Europe, 1919-2004*, 2.

<sup>289</sup> *Ibid.*, 296.

<sup>290</sup> Herman Schwartz, “Round up the usual suspects! Globalization, Domestic Politics, and Welfare State Change,” in *The New Politics of the Welfare State*, ed. Paul Pierson (Oxford [England]: Oxford University Press, 2001), 31.

<sup>291</sup> Inglot, *Welfare States in East Central Europe, 1919-2004*; László Bruszt and David Charles Stark, *Postsocialist Pathways: Transforming Politics and Property in East Central Europe*, Cambridge studies in comparative politics (Cambridge: Cambridge University Press, 1998).

<sup>292</sup> Kathleen Thelen, “How institutions evolve: Insights from comparative-historical analysis,” in *Comparative Historical Analysis in the Social Sciences*, ed. James Mahoney and Dietrich Rueschemeyer, Cambridge studies in comparative politics (Cambridge, UK: Cambridge University Press, 2003), 208-240.

<sup>293</sup> Dorothee Bohle and Béla Greskovits, “Combating Poverty and Inequality in East-Central Europe,” *Journal of Democracy* (Forthcoming).

allowance, Slovak reforms in 2003-4, ...). The authors that find surprising continuity and path dependence in welfare states focus on the policy areas where continuity can be observed (for example, Hungarian family allowance, Czech pension system, Polish benefits and pensions for agriculture and favored sectors, ...).

In each country in *different* policy areas, there have been meaningful and even dramatic reforms. In addition, there is much evidence that historical legacies have a significant influence in the welfare reform process. Therefore we must determine the mechanisms of influence of pressures for continuity and pressures for reform in order to understand why significant change occurs in some policy areas and some countries, but not in others.

Importantly, in all Visegrad countries, proposals were suggested for drastic reform for many (if not all) dimensions of the welfare state. These proposals were debated in parliaments and often were decisive in electoral outcomes for political parties. Some of these proposals were adopted and substantial reform occurred. In order for reform to occur, political and/or social actors must have been involved in designing, gaining support for, and implementing reform plans. Some reforms occurred and were later ‘undone’, creating a return to the previous approach. Other proposals were rejected and led to continuity in the welfare state. In order for continuity to occur, political actors had to choose to *not* reform. Even in cases of non-reform, the questions and possibilities of reform were part of the political debate in almost every policy area in each CEE country. Given that reform proposals existed in each of the countries and in each of the policy areas, a less obvious, but very important point for my research is that: *the instances of non-reform also required active measures from political actors* (i.e. non-reform also requires agency).

Given that varying degrees of *both* pressures for reform and pressures for continuity exist(ed) in different policy areas in different countries, I argue that domestic political actors mediate between these pressures and determine the degree of reform or stability in each policy area. The pressures form the context for reform, but political actors are the mediators and are, therefore, an important (often neglected) variable for determining the degree of change or continuity in welfare states. In other words, pressure for reform is a necessary, but not sufficient, condition for reform; while pressure for continuity is a necessary, but not sufficient, condition for stability. It is political actors, more specifically political parties, that decide how to respond to the various pressures and

consequently determine the degree and type of reform. The role of politics is largely neglected in the literature on CEE welfare states and when it is recognized there is a lack of systematic evaluation of how politics affects welfare state reforms. For this reason, evaluating the role of political actors in CEE welfare state reform is one of the primary aims of my research and will be the focus of the following section.

## **II. Role of political actors and party systems**

In the CEE welfare state literature, there is a limited group of authors that have recognized the importance of political actors in understanding welfare state outcomes. The first type focuses on the presence or absence of veto players, bureaucrats or interest groups that seek to block reforms.<sup>294</sup> This literature focuses primarily on explaining the lack of reform (or significant delays in reforms) by identifying actors that blocked reforms (parties, politicians, trade unions, or other social actors). Similar to the historical legacy literature, this literature does not explain the why reform does occur at specific points in time; it can only explain continuity, the lack of reform, or limited degree of reform. Brown performs a thorough analysis of social policy decisions of political actors in early transition and concludes that early decisions restricted future welfare state reform possibilities, but does not explain how change could occur at later stages of transition.<sup>295</sup> Other literature that recognizes the importance of political actors is more limited in its scope, evaluating one policy area or one country (such as early retirement or Polish pension reform).<sup>296</sup> This literature analyzes political actors in a single country and policy area without explaining why actions were different in other policy areas or other countries. Consequently, the findings from this literature, while informative, were not generalizable to the broader CEE welfare state context.

In this literature, the role of electoral politics and the importance of political parties and party systems have been virtually ignored. Assuming that these new

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<sup>294</sup> Michael Cain and Aleksander Surdej, "Transitional Politics or Public Choice? Evaluating Stalled Pension Reforms in Poland," in *Left Parties and Social Policy in Postcommunist Europe*, ed. Linda J Cook, Mitchell A Orenstein, and Marilyn Rueschemeyer (Boulder, Colo: Westview Press, 1999), 145-174; Jerzy Hausner, "Security though Diversity: Conditions for Successful Reform of the Pension System in Poland," in *Reforming the State: Fiscal and Welfare Reform in Post-Socialist Countries*, ed. János Kornai, Stephan Haggard, and Robert R Kaufman (New York: Cambridge University Press, 2001), 210-234; Titio Boeri, "Social Policy Models in Transition: Why Are They So Different From One Another?," in *Pension Reform in Europe: Process and Progress*, ed. Robert Holzmann, Mitchell Orenstein, and Michal Rutkowski (Washington, D.C: The World Bank, 2003).

<sup>295</sup> Dana Brown, "The new politics of welfare in post-socialist Central Eastern Europe" (Thesis, MIT, 2005), <http://dspace.mit.edu/handle/1721.1/33682?show=full>.

<sup>296</sup> Pieter Vanhuysse, *Divide and Pacify: Strategic Social Policies and Political Protests in Post-Communist Democracies* (Budapest, Hungary: Central European University Press, 2006); Cain and Surdej, "Transitional Politics or Public Choice? Evaluating Stalled Pension Reforms in Poland."

democracies have a sufficiently functioning democratic system, then the electoral pressures of different groups of voters should have significant influence over the welfare reform process.<sup>297</sup> In a comparison of welfare states in Latin America, East Asia, and Eastern Europe, Haggard and Kaufman conclude that one of the decisive determinants of CEE welfare states was “powerful electoral and interest group pressures,” but they do not specify the nature and interaction of these electoral and interest groups pressures and how they vary from country to country.<sup>298</sup> Orenstein argues that democracy matters for postcommunist welfare state outcomes, demonstrating that countries that are rated as more democratic have higher welfare state spending, and suggests that “democratic political pressure” and veto actors significantly affected the welfare state outcome, but does not invoke any political mechanism. Both Orenstein and Cook argue that the level of democracy influences the size of postcommunist welfare states based on contrasting most of the states in the former-Soviet Union with states that are new member states of the European Union. This very recent literature emphasizes the importance of ‘democratic political pressure’ or electoral pressure, but does not reconcile the relationship of these pressures with other pressures outlined earlier nor do they evaluate how electoral pressures vary across countries and across policy areas. This is the goal of my dissertation project.

Parties form the most important political actor for my research, as they were the primary actors that mediated the various pressures for reform and continuity. Other social actors (trade unions, non-governmental organizations) played a secondary role and will be highlighted in the case studies when relevant, but my investigation of politics in CEE welfare state reform focuses on parties and party systems. To understand the role of political actors in welfare state reform, it is important to understand: (1) the positions of the major parties towards social policy reform (varies by policy area), (2) the nature of the cleavages<sup>299</sup> between the parties, (3) the interaction between the parties (i.e. coalition

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<sup>297</sup> I assume a sufficient degree of agreement between electoral opinion and political actions, but my argument does not depend on the direction of the causality. Whether the electorate determines that actions or political actors or political actors shape opinions of the electorate is an interesting question for another research project.

<sup>298</sup> Stephan Haggard and Robert R Kaufman, *Development, Democracy, and Welfare States: Latin America, East Asia, and Eastern Europe* (Princeton, N.J: Princeton University Press, 2008), 360.

<sup>299</sup> I used Whitefield’s definition of party cleavages: “Political cleavages are conceived of here as strongly structured and persistent lines of salient social and ideological division among politically important actors. This definition requires social division but is not limited to it, involves social difference to connect not only to varied views of the world but also to political competition, and says that people who are thus divided matter to political outcomes.” Stephen Whitefield, “Political Cleavages and Post-Communist Politics,” *Annual Review of Political Science* 5 (2002): 181

formation), and (4) the structure of the party system. More qualitative analysis of the positions of the major parties and their interactions will be outlined in section IV. In this section, I summarize the evaluation of party positions and party systems on the social policy dimension, particularly relying on the work of Kitschelt *et al* and Rohrschneider and Whitefield.<sup>300</sup>

In their analysis of postcommunist party systems, Kitschelt *et al*<sup>301</sup> investigate four dimensions important for understanding party systems:

- (1) Issue salience (How much does an issue matter?)
- (2) Programmatic crystallization (Do all agree where the parties stand on issues?)
- (3) Polarization (How spread out are the parties in the issue space?)
- (4) Systematic asymmetries (Does a party's self-identification vary from how others identify it?)

The authors investigate these dimensions through surveys among politicians across many issue spaces conducted in 1994. I focus on their findings for the social security dimension. Table 1 presents the scores in the social security dimension on the four characteristics of party systems for Hungary and Poland compared the mean score for all countries (Bulgaria, Czech Republic, Hungary, and Poland).

**Table 1** Characteristic of party competition in Poland and Hungary (from Kitschelt *et al* 1999)

<i>Score on social security dimension</i>	<b>Poland</b>	<b>Hungary</b>	<b>Mean</b> (all countries)
Saliency of issue (Low=1, High =5)	4.4	4.5	4.5
Programmatic diffuseness (standard deviation on 20 point scale)	3.1	2.9	3.2
Spread/ Polarization of parties (standard deviation on 20 point scale)	3.5	1.9	3.0
Asymmetry of parties' issue positions (Low if within party placement matches outsiders placement of party in issue space)	5	15	8.8

Source: Kitschelt *et al* 1999, 157-180.

Clearly the social security issue is highly salient for politicians in both Poland and Hungary, but parties are notably more polarized on social security issues in Poland than in Hungary. Interpreting the programmatic diffuseness and the asymmetry indicators

<sup>300</sup> Herbert Kitschelt et al., *Post-Communist Party Systems: Competition, Representation, and Inter-Party Cooperation* (Cambridge University Press, 1999); Robert Rohrschneider and Stephen Whitefield, "Understanding Cleavages in Party Systems: Issue Position and Issue Saliency in 13 Post-Communist Democracies," *Comparative Political Studies* 42, no. 2 (February 1, 2009): 280-313.

<sup>301</sup> Kitschelt et al., *Post-Communist Party Systems*.

together, for Poland, it is apparent that parties' have well-defined positions on social security and all actors agree on this placement. For Hungary, the high level of asymmetry suggests that politicians disagree about where *other* parties stand on social security. Combining this with low polarization, Kitschelt *et al* conclude that valence competition is dominant in Hungary.<sup>302</sup> This means that the political parties are competing less on the types of welfare policies that should be introduced and more on their party's competence to introduce them.

Rohrschneider and Whitefield (2009) compare the importance of different conflict dimensions for party competition. Using expert surveys conducted in 2003-2004, they rate the importance of conflict dimensions from 1 (most important) to 5 (least important). In Hungary, the most important dimensions for party competition are nationalism (score: 2.1), followed by welfare state (3.3) and the communist legacy (3.5). In Poland, the most important dimensions for party competition are the welfare state (2.2), religiosity (2.8), and nationalism (3.6). At this time, I also focus *only* on the welfare state dimension given its salience in both countries and its obvious relevance for this research project. In future research, I plan to incorporate the cleavages along the religious and nationalism/communist legacy dimensions, which may also be important for understanding certain dimensions of welfare state reform (such as the position of pro-religious parties on family benefit policy).<sup>303</sup>

In Poland, the left and right parties that formed governing coalitions differ substantially from each other on their position on the welfare scale.<sup>304</sup> Using the seven-point scale presented by Rohrschneider and Whitefield (2009) where 1 implies support for welfare and 7 opposition to welfare provision, the parties of the left coalitions (Democratic Left Alliance, SLD; Polish People's Party, PSL) are rated between 2 and 4, while the parties of the right coalition (Freedom Union, UW; Civic Platform, PO) are positioned between 6 and 7. This suggests significant differences in policy positions between parties on welfare state policies, which must be negotiated in reforms, and corresponds to the higher degree of polarization in Poland, as suggested earlier. In Hungary, the difference between party positions is low on the welfare scale with the major parties of the left coalition (Hungarian Socialist Party, MSZP) scoring at

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<sup>302</sup> *Ibid.*, 180.

<sup>303</sup> It is also important to keep in mind that the communist legacy scale may capture ideological *and* socio-economic factors by dividing the winners and losers of communist takeover and postcommunist transition (Enyedi 2008, 298).

<sup>304</sup> This assumes relative stability of parties' positions on the welfare dimension during transition.

approximately 3.8 and right coalition (Hungarian Democratic Forum, MDF; Hungarian Civic Union- Alliance of Young Democrats- Fidesz) scoring at 4.6. This again suggests a very low degree of polarization between the major Hungarian parties on the welfare dimension (but there is much higher degree of polarization on the nationalism or communist legacy scale, to be investigated in future research). Once again, given the finding that parties in Hungary tend not to be class-based and the low difference between parties on the welfare scale and the high salience of the welfare issues further supports that argument that in Hungary, politicians exercise valence competition on the welfare state dimension.

Hungary has been characterized by relatively stable political actors throughout the transition. In Poland, however, there has been high volatility of parties during transition with many parties entering and leaving the political sphere. But the findings of Kitschelt *et al* (1999) for early transition and Rohrschneider and Whitefield (2009) for later transition confirm that the polarization of parties on the welfare states dimension has been consistently high. In fact, often when parties disappeared, the new parties occupy a similar space on the welfare dimension (to be argued in a different paper). Therefore I maintain that despite high volatility, defining characteristics of the Polish party system can be analyzed.

To summarize, the most important findings in this section are:

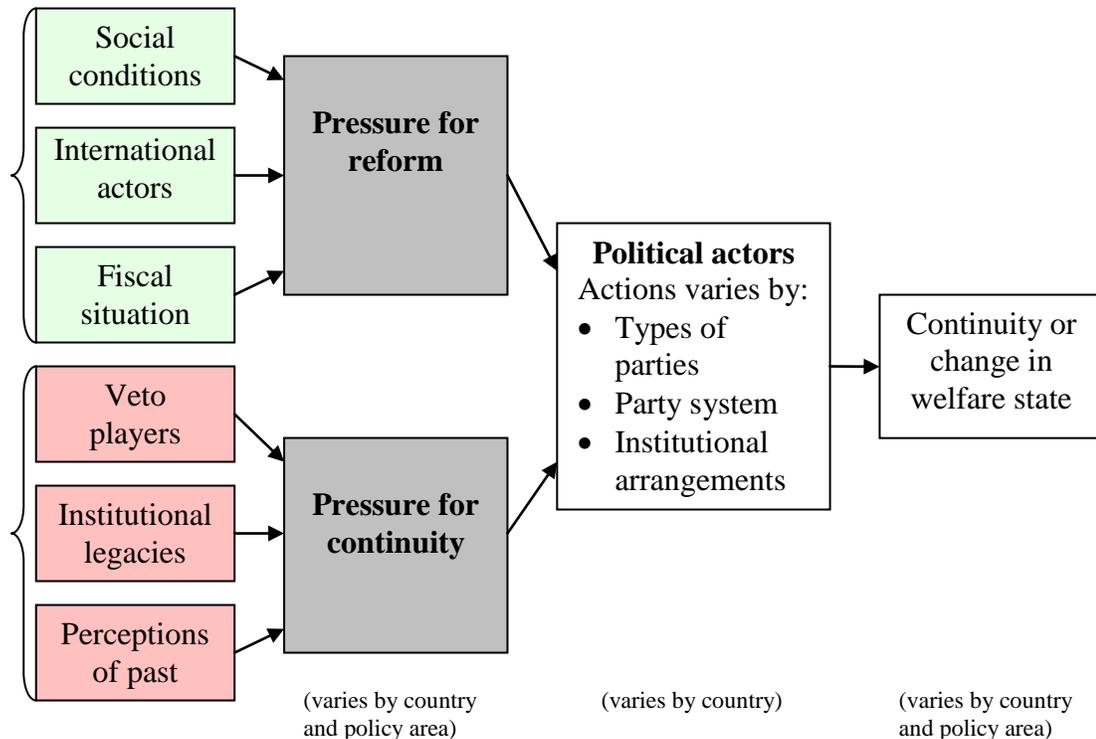
- (1) Hungary is characterized by cross-class parties. Poland has some parties with electoral support depending more on lower or higher income quintiles.
- (2) Poland has a high degree of polarization between parties on the welfare state dimension; while Hungary is characterized by valence competition on welfare-related policies.

### **III. Towards an integrated theoretical framework**

I have outlined the types of pressures for reform and continuity, the importance of incorporating politics into explanations of CEE welfare states, and proposed the dimensions of politics that I think could explain different welfare state outcomes, party types and party systems. Other authors also argue that both historical legacies and transitional politics matter, but do not evaluate or systematize the interaction of these

factors.<sup>305</sup> In my dissertation project, I aim to go beyond the argument that ‘everything matters’ and to outline a theoretical framework for how historical legacies and politics interact to produce reform or stability in CEE welfare states. The following diagram outlines the theoretical schema that I propose to explain the interaction between the various determinants of welfare state outcomes:

**Figure 1:** Explanatory schema for welfare state change and continuity



As shown in the above diagram, I argue that pressures for reform and continuity are mediated by political actors in order to determine the welfare state outcome. For example, in the case of pressures for reform from international actors, welfare reforms were not initially a major priority for the international advisors in CEE countries until the mid- to late-1990’s given the many challenges of transition. In early transition, international actors had “little to say on the social-sector restructuring that was to become such a large part of post communist transformation.”<sup>306</sup> As a consequence, CEE countries made many reforms to the welfare system and national politicians had significant

<sup>305</sup> Cain and Surdej, “Transitional Politics or Public Choice? Evaluating Stalled Pension Reforms in Poland”; Phineas Baxandall, “Postcommunist unemployment politics: historical legacies and the curious acceptance of job loss,” in *Capitalism and Democracy in Central and Eastern Europe: Assessing the Legacy of Communist Rule*, ed. Grzegorz Ekiert and Stephen E Hanson (Cambridge, UK: Cambridge University Press, 2003), 248-288; Mitchell Orenstein, “Postcommunist Welfare States,” *Journal of Democracy* 19, no. 4 (October 2008): 80-94.

<sup>306</sup> Orenstein, “Postcommunist Welfare States,” 85.

freedom in choosing how to reform (or not to reform) the welfare state.<sup>307</sup> When more significant reforms finally occurred, in *some* CEE countries, in *some* policy areas, the welfare reforms were often overseen and advised by World Bank, which generally favored a liberal social welfare model.<sup>308</sup> However countries varied in the degree to which they followed World Bank's advice and in the methods of implementation.<sup>309</sup> Domestic political actors clearly responded to the pressures in different ways, which will be explored further in my further research.

Various combinations of pressures are likely to provide incentives for different actions by politicians, leading to different welfare state outcomes. Less obviously, *similar pressures* may have lead to different political action, depending on the type of parties and the characteristics of the party system. The interaction of these two dimensions offers a way of systematically analyzing CEE welfare state outcomes that has the potential to explain variations across countries and variations across policy areas within the same country. Much of the literature on CEE welfare states attempted to fit these transformed welfare states into existing welfare state typologies, based on Esping-Andersen.<sup>310</sup> The above theoretical framework suggests the need to begin to analyze CEE welfare states as 'patchwork welfare states' where we do not *a priori* assume that the same welfare logic functions across all policy areas. Given that the primary goal is to explain instances of reform and stability in CEE welfare states, I will analyze the effects across multiple policy areas. In my dissertation, I argue that the degree of change varies significantly between countries *and* between policy areas within each country. Further the differences between the degrees of change in different policy areas can be understood through the interaction of pressures for reform and continuity interacted with characteristics of the party system in each country.

The initial hypotheses for the influence of party types and characteristics of party system on welfare state outcomes, which will be tested in my future empirical research, are:

*(A) Cross-class parties increase the likelihood of support for welfare policies benefitting the middle income households.*

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<sup>307</sup> Louise Fox, "Safety Nets in Transition Economies: A Primer" (The World Bank, 2003), <http://go.worldbank.org/5WUUT4VPT0>.

<sup>308</sup> János Mátyás Kovács, "Approaching the EU - and Reaching the US? Rival Narratives on Transforming Welfare Regimes in East-Central Europe," *West European Politics* 25, no. 2 (2002): 175-204.

<sup>309</sup> Wagener, "The Welfare State in Transition Economies and Accession to the EU - PB - Routledge," 171.

<sup>310</sup> Gosta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Cambridge, UK: Polity Press, 1990).

Cross-class parties have a unique role in welfare state reform because they rely heavily on the support of middle income households. For policy areas where the status quo clearly benefits the middle income households, cross-class parties will promote continuity of welfare state policy. On the other hand, if there is a policy area where the status quo clearly does not benefit the middle income households, cross-class parties will advocate reform in that policy area.

*(B) Party cleavages (i.e. high polarization) along distributional or welfare state dimensions increase the likelihood of reform.*

Polarization along welfare dimensions implies that at least some parties have preferences that deviate from the status quo. Strong cleavages on the welfare dimension also increase the likelihood that debates regarding reform emerge in more policy areas. Polarization of actors is therefore a necessary (but not sufficient) condition for reform. In order for reform to occur and have lasting effects, there is also a need for some compromise between the parties that balances their divergent preferences. Holding pressures for reform and continuity constant, a country with a polarized system is likely to see more substantial reform over time.

*(C) Coalitions between parties that support the same policy outcome based on preferences on different policy dimensions increase the likelihood for reform (because diverse political actors will support the reform).*

Given that most policies are multidimensional, unlikely coalitions may be formed that can lead to welfare state change (for example, a coalition for reform in family policy between parties with the goal of targeting and reducing spending and other parties that promote traditional family values). This implies that polarization of party position along the welfare dimension does not always imply conflict in reform preferences (based on the multidimensional nature of policies).<sup>311</sup> This once again suggests that the pressures for reform and continuity interact with political factors to create different reform outcomes across countries and across policy areas within a single country.

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<sup>311</sup> Silja Häusermann, “Beyond Continuity: Coalitional dynamics as drivers of gradual transformative policy change in Continental pension politics,” in (presented at the ESPAnet Doctoral Researcher Workshop “The Politics of Recalibration: Welfare Reforms in the Wider Europe”, Forli, Italy, 2008), 11.

## Conclusions

Based on previous research, we observe very different reform trajectories of welfare states in postcommunist Central and Eastern Europe. The review of the literature suggests the need for reconciling two opposing literatures and developing the understanding of the relationship between historical factors and political agency in CEE welfare state reform. The proposed research will demonstrate the interaction of pressures for reform and continuity and the role of political parties and party systems. The Polish reform seems to be a context of highly polarized political actors representing different constituencies seeking compromises in each policy area. The Hungarian political parties, in contrast to the Polish parties, seem to represent similar socio-economic constituencies leading to a policy that favors the middle income households and leads to continuity in any policy area that benefits this group. This paper proposes an explanatory framework for the nature of the interaction between political parties that serve as possible explanations for the different reform outcomes. The hypotheses outlined here will be tested in multiple policy areas. The planned policy areas include: (1) social assistance and family benefit reforms, (2) policies towards the non-employed- evaluating unemployment and early pension together, and (3) old age pension reform. My research so far demonstrates that actor-based and historical arguments are likely to be most fruitful when explored simultaneously, also taking into account the interaction of these two explanations.

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# CRISES 2009: THE OPPORTUNITY FOR EUROPE TO RECONSIDER ITS PRIORITIES

## Ján Matuška

**Abstract:** The following discussion paper follows two objectives. The first one is to discuss the Lisbon Strategy that has been followed by the EU since 2000 and the Strategy's hitherto results under the consideration of the current financial and economic crises. The second objective is to point out that the crises do not necessarily have to be considered dramatic. If dealt with in a correct manner, they may act as an impulse for politicians to reconsider the priorities of each EU member state and of the EU as a whole.

**Keywords:** Lisbon Strategy, Review of the Lisbon Strategy, Impact of Crises on the EU

## Introduction

The main purpose of the Lisbon Strategy set out by the European Council in Lisbon in March 2000 was to make the EU “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion” within 10 years, i.e. until 2010.<sup>312</sup> The EU member states should on the one hand prepare and enforce policies aimed at reaching EU's ambitious, yet broadly defined, goals. On the other hand, they should better coordinate one with each other. In more detail, the EU should:

- *Support the transition into an information society.* The digital society gives impetus to additional growth and thus to the creation of new jobs thanks to new goods and services as well as entire new markets. In particular, the EU has to enact a legal framework for electronic commerce and to ensure that businesses and citizens will have access to an inexpensive communication infrastructure.
- *Establish a common European area of research and innovation.* The main target of this agenda point is to foster the dissemination of excellence. The EU has to motivate researchers from member countries to network together and share their knowledge. Therefore, it is necessary to remove obstacles to the mobility of researchers and to enforce electronic scientific communication.

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<sup>312</sup> European Parliament: Lisbon European Council 23 and 24 March 2000. Presidency Conclusions. [online]. 2000. [cited 2009-04-10]. Available at: <[http://www.europarl.europa.eu/summits/lis1\\_en.htm](http://www.europarl.europa.eu/summits/lis1_en.htm)>.

- *Complete the internal market and assure its full operation readiness.* The EU has to undertake all possible measures to create a free movement of services. Hence, it is inevitable to remove barriers to services, speed up liberalisation in areas like utilities, postal services and transport. In addition, competition has to be promoted and State aids for individual companies or sectors systematically reduced.
- *Establish efficient and integrated financial markets.* In order to foster growth, the EU has to facilitate access to investment capital for both large corporations and SMEs. Other points include a better functionality of government bond markets, more investment possibilities in pension funds, more intensive cooperation between financial market regulators, et cetera.
- *Enforce the coordination of the members' macro-economic policies.* EU member states have to coordinate their macro-economic policies to foster the transition towards a knowledge-based economy.
- *Support education and training for living and working in the knowledge society.* In order to take advantage of the knowledge based economy, increased focus on lifelong education is necessary. The EU should envision an increase in per capita investment in human resources, enabling access to learning and training opportunities to target groups at different stages of their lives. Among other things, the mobility of students, young researchers and teachers should be promoted by abolishing obstacles and through the recognition of qualifications.
- *Endorse an active employment policy.* In order to combat unemployment, an EU-wide data base on jobs and learning opportunities will be established. This measure goes hand in hand with an envisioned increase of EU citizens' mobility. EU citizens have to be prepared for lifelong learning, flexible management of working time and for job rotation during their productive lives.
- *Foster social protection and promote social inclusion, thus combat poverty.* The main aim is to modernise social protection by developing an active welfare state. The EU's objective is to gradually decrease the number of people living below the poverty line and in social exclusion. In addition,

priority actions have to be developed in order to address specific target groups such as minorities, children, the elderly and the disabled.

- *Put the decisions into practise.* The Strategy acknowledges that existing processes have to be improved and that member states should benchmark themselves on the best performing ones among them in order to achieve best results.

If realised as stated in the paper, the goals would certainly lead to an improved competitiveness of the EU and to the transformation of Europe into the knowledge-society driven “*eEurope*”. Unfortunately, it has become obvious that the aims of the Lisbon Agenda would not be fulfilled by 2010 already some years after its passage. In the Commission’s 2004 mid-term review of the Lisbon Strategy’s implementation headed by Mr Wim Kok<sup>313</sup> it was admitted that the objectives set would not be reached by 2010. The urgency for a better coordination was once more underlined.

The Kok Report analyses the current state of fulfilment of the Lisbon Agenda and suggests that the EU as well as all members on regional and local levels should take immediate actions in five areas of policy. First, the EU should undertake all steps necessary in order to promote research and development and to become a knowledge-based society. The second area deals with the completion of the internal market and the four freedoms (free movement of goods, capital, services and persons). Furthermore, small and middle enterprises (SME) should be supported through a reduction in administrative burdens and better legislation. In addition, the Kok Report urges the EU to take measures to promote lifelong learning and thus the employability of EU citizens. The fifth area is the environmental sustainability and comprises efforts to address the climate change and decouple economic growth from resource use.

## **I. Review of the Lisbon Strategy under the consideration of the crises**

With one year left to the completion of the 10 years period of the 2000 Lisbon Agenda, it is obvious that its ambitious goals will not be met. As has already been pointed out in the Kok Report, external events did not positively contribute to the fulfilment of the goals. The problem was that too many areas had been addressed simultaneously without a clear definition of targets and how these goals would be measured. Moreover, a lack of

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<sup>313</sup> Kok, Wim et al.: *Facing the challenge. The Lisbon strategy for growth and employment*. Luxembourg : Office for Official Publications of the European Communities, 2004. 51pp. ISBN 92-894-7054-2

commitment from individual member states and a missing reward and penalisation mechanism can be accounted for the failure of achieving the objectives set in the Lisbon Agenda.

In their revision of the Lisbon Strategy, Johansson et al. state that the Agenda was approved at a time when the EU member states were facing economic prosperity.<sup>314</sup> The countries benefited from a longer period of economic growth and anticipated that this GDP growth (of about 3% per year) can sustainably be achieved. Johansson et al. compare the EU with the USA and Japan in terms of competitiveness in the area of research and development and critically point out that it is exactly the progress of becoming a knowledge-based economy where the EU lags behind its two major economic rivals. Nevertheless, the EU should keep its efforts to enforce the transition. The question of utmost importance is to find a way how to boost up the transition process.

The revision of the Lisbon Strategy was published in December 2007, only several months after the breakout of the current financial crisis and before it could fully have an impact on the real economy. The economic crisis, a follow-up to the financial one, came to Europe (and to the EU) with a time lag of some months after it broke out in the United States of America. First statements of politicians that the EU would not be as strongly affected by the crises as the US were proven to be wrong.

As of May 2009, the EU estimates an overall decline of its GDP by 4% in 2009 and by 0.1% in 2010.<sup>315</sup> The downturn in local economies is accompanied by an increase in unemployment and lower inflation. Some countries even expect a slight deflation in their economies.

The increase in the harmonised unemployment rate strongly varies among EU member states. On the one hand, countries like Ireland, Spain, Estonia, Latvia and Lithuania reported an increase in unemployment of more than 5% from May 2008 to March 2009.<sup>316</sup> On the other hand, 13 countries experienced an increase of lower or equal 1%. Nevertheless, as of May 2009, only two countries (the Netherlands and Austria) had

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<sup>314</sup> Johansson, Börje et al.: The Lisbon Agenda from 2000 to 2010. In: *CESIS Electronic Working Paper Series*, Paper No. 106, 2007. 46pp. Available at: <<http://www.infra.kth.se/cesis/documents/WP106.pdf>>

<sup>315</sup> Eurostat online: Real GDP growth rate – Growth rate of GDP volume – percentage change on previous year. [online]. 2009. [cited 2009-05-27]. Available at: <<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsieb020>>.

<sup>316</sup> Eurostat online: Harmonised unemployment rate by gender - total - % (SA). [online]. 2009. [cited 2009-05-27]. Available at: <<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=teilm020>>.

an unemployment rate of lower than 5%, compared to seven countries with the rate already being higher than 10%.

Particular countries (or their respective governments, to be more precise) will be less tempted to support too ambitious supranational long-term goals such as those of the Lisbon Agenda under the above described unfavourable macro-economic development. National governments, together with the European Commission (EC), seem to prefer enforcing policies aimed at putting the EU out of the recession and reverse the negative trend.<sup>317</sup> The following list summarises the four policy areas that should be addressed according to the European Commission:

- improved business environment,
- focus on a so-called knowledge triangle that comprises education, research and innovation,
- debate on energy and climate change and
- access to the internal market.

The policy areas themselves are defined rather vaguely and can therefore be interpreted differently by individual member states. Nevertheless, should particular policies be effectively put in practice, the European Union would both create new sustainable jobs and place itself as the leader in the fight against climate change. It is necessary that member states explicitly commit themselves to superior (supranational, long-term) goals and accept some short-term deterioration on national levels, e.g. temporary increase in the unemployment due to restructuring of own economies, higher costs resulting from more environmentally friendly production, et cetera.

Nonetheless, it is understandable that instead of working on long-term goals, local governments concentrate on mitigating the impacts of the current economic downturn. They approve anti-crisis packages comprised of measures intended to combat the crisis, i.e. they e.g. pump money into the financial system and selectively chosen industries, reduce tax burdens, promote infrastructure projects and try to create a better business environment for SME as well as for large corporations. All these measures are aimed at increasing the confidence in the banking sector, at overcoming the liquidity gap that curbs the economy and finally at reversing the economic downturn.

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<sup>317</sup> EurActiv.com: EU begins to rethink growth and jobs strategy. [online]. 19 May 2009. [cited 2009-05-21]. Available at: <<http://www.euractiv.com/en/opinion/eu-begins-rethink-growth-jobs-strategy/article-182463>>.

The author of this discussion paper agrees that immediate actions have to be undertaken in order to mitigate the impact of the downturn on households and enterprises. Nevertheless, it has to be stated that member states deteriorate their public budgets by trying to support both the aggregated demand and supply. Therefore, it is of uppermost importance to approach current financial aids provided by local governments with highest care and only to selectively and directly support sectors of industries where the possibility of big social impacts becomes imminent.

The following section contains a proposal to regard the economic crisis as an opportunity to review national and supranational policies and hence to take advantage of the changing environment.

## **II. Crises – a chance to reconsider priorities**

Instead of solely focussing on short-term measures that are aimed at healing impacts of the economic crisis, national governments together with the EC should elaborate medium to long-term goals targeted at improving the business climate and at preventing future crises. It has to be stated that the respective countries' anti-crisis packages contain elements that do enhance the business environment. These are e.g. abolition of investment barriers, research capitalisation, faster VAT return, enforcement of the competition, loan guarantees provided by the states for small and medium enterprises, support of export and other. They have in common that they increase disposable income and/or the liquidity and thus should boost local economies.

Other measures such as car-scrap bonuses have a one-time effect. Although such measures may have a positive impact on the GDP increase in the short run, they can have a negative impact on the GDP in the long run. On the one hand, households spend more money on cars instead of other goods which deforms the market and shifts production to less efficient sectors (in this particular case to the automotive sector that has been severely hit by the current crisis). On the other hand, shifting future demand to the present will create a gap in the future car sales.

Why should the priorities be revised exactly during or right after the crises? On the one hand, the chance to take advantage of the current situation lies in the fact that people will be more likely to favour unpopular measures that temporarily deteriorate their welfare but boost it in the long run. On the other hand, it is obvious that some policies in force were not effective in preventing the economic downturn and should be adjusted or

abolished. Member states should focus on fiscal consolidation and lowering public debt. This can be achieved e.g. by reducing social expenses and bureaucracy and eliminating corruption, the latter being one of the factors that curb economic growth.

The intuitive question that arises is what policies should be followed in order to increase the overall welfare of EU citizens and make the EU an attractive place for living. The author of this paper suggests that following actions should be primarily supported in order to prepare the EU for a period of sustainable economic growth:

- *Improve business environment.* SME are considered to be the backbone of EU's economy. They quickly react to economic changes and create jobs. The EC has to gradually put pressure on national governments to reduce hidden business barriers. Member states should be compared with the one with the least barriers and the best business climate and set measurable medium-term goals how to reach the best performer's state.
- *Decrease the level of money redistribution.* Taxes should be reduced to a minimum level necessary to cover public interests like the guarantee of freedom, security and justice, large infrastructure projects or education, healthcare, workforce re-education and mobility et cetera. Private individuals should decide on their own how they will spend their money and thus contribute to the economy.
- *Increase in the transparency of financial institutions.* To prevent financial crises, financial institutions should be compelled to present detailed reports on their income and cash flow statements as well as on their balance sheets. Moreover, bank managers should not only profit from gains but they should also bear the risks incorporated in speculative trades. In addition, people's financial literacy should be promoted. An average EU citizen should be aware of all possible risks connected with investing his/her money e.g. in funds or on stock exchanges.
- *Increase in the transparency of public money flows.* Nowadays, if public money flows to private companies responsible for its further distribution, people lose any possibility to track it. This opaque policy allows for money misuse. The farther and the more abstract public money is, the less people know what happens to it and what it is spent on. The EU should enforce mechanisms and enact guidelines to make money flows more transparent and

traceable. It should be possible to trace all public money, i.e. the EU, national and local budgets. If public money were given to private companies, these should publicly disclose how it would be spent.

- *Publication of contracts between authorities and the private sector.* In order to fight against intransparent procedures in the public procurement system, public authorities should be compelled to make all contracts public. Only private companies agreeing to the publication of tender contracts should be allowed to take part in tenders. This measure discriminates against the winning private company that reveals sensitive information to its competitors on the one hand, on the other hand it gives people and unsuccessful tenderers the chance to assess whether contracts had been entered into under prevailing market conditions.
- *Continue with transformation into a knowledge-based economy.* The EU effectively introduced student mobility programmes such as Socrates. It now has to focus on supporting increased information exchange among centres of excellence and on enabling talented researches to follow their research areas of interest. Furthermore, national governments should enact tax cuts for SME who are engaged in R&D projects. More intense research and development activities would lead to an increased number of patents, publications and jobs for highly skilled academics. Successful new technologies themselves may open a vast array of opportunities up to creating whole new economy sectors and thus supporting the GDP growth. Moreover, the increase in governmental and private spending on R&D would logically help to reverse brain drain to other knowledge leading countries such as the USA and Japan. This of course provided that researchers would be given equal or better research opportunities and adequate remuneration in the EU.
- *Support mobility and learning.* National governments should indirectly support lifelong learning and workforce mobility through tax deductions for individuals and companies. If direct temporary subsidies were necessary, they should always require measurable results from supported individuals and should be paid ex post. Reeducation of individuals should be measured both by final tests and more importantly by their ability to find and keep new jobs.

- *Enforce the building of transport infrastructure.* It is necessary to continue with building transportation connections between member states in order to help less developed regions to stop migration of their inhabitants into more developed regions. By creating a functional network of road, railroad, waterways and air connections throughout the European Union, less developed regions could catch up with more developed ones. This measure would contribute to the goal of the EU to lower differences between regions.
- *Enforce the building of information infrastructure.* In the recent years, a fifth freedom of the free market has been more and more discussed – the free movement of information. Member states should coordinate their activities for the purpose of establishing well functioning communication infrastructures. Intensified exchange of information within the EU would boost the new economy based on information society and create additional research opportunities.
- *Stronger fight against corruption.* A serious issue hindering the economic growth and overall welfare is corruption. Venal politicians and state clerks will prefer unfavourable projects from which they gain personal benefits to the most suitable ones. Hence, an uncompromising fight against corruption should be promoted. People found guilty of corruption should be unconditionally sentenced for several years and should be withdrawn the possibility to work for the public sphere in the future.
- *Bill on origin of property.* Member states should enact a bill on origin of property that compels civil servants to prove the origin of their property. In dubious cases, this law should be applicable on family members or persons who allow civil servants to use their property (houses, cars, etc.).

All of the suggested actions have to be coordinated not only by the EC on a supranational level, but also on a regional and local level, together with national governments. They have to contain clearly defined, ambitious and reachable goals whose impacts can be measured. Therefore, it will be necessary to create an effective measurement system for all actions taken. Moreover, member states should commit themselves to fulfilment of these goals and not only to considering them as recommendations.

The EU could tie up fund payments to member states to reaching goals like abolishing hidden trade barriers, establishing centres of excellence, finishing infrastructure projects, etc. in order to motivate member states to fully or at least partly achieve their goals set.

It is understandable that for the purpose of some newly adopted policies to be taken into practice, transition periods will be required. Politicians should start to act in favour of all EU citizens and not only for the benefit of lobby groups and their patrons.

Member states may jointly work on issues where synergies can be reached (which, more or less, can be applied on all areas). Nevertheless, it is important that each country remains sovereign in regards to elaborating and implementing measures to promote growth. This is necessary because of the heterogeneity of member states and different situations they find themselves in.

## **Conclusion**

The Lisbon Agenda has a clear goal – to make the European Union the most competitive and dynamic knowledge-based economy capable of sustainable economic growth. Its ambitious targets that should have been fulfilled by 2010 will with certainty not be met. Nevertheless, the efforts to transform the EU into a knowledge-based society persist and should be enforced gradually.

The financial and economic crises have led to economic downturns and higher unemployment in all EU countries in the recent months. Hence, national governments passed anti-crisis packages aimed at reversing the negative trends and bolstering liquidity. These anti-crisis packages include measures which should improve the overall business climate as well as measures with one-time effects. All have in common that they increase government spending.

The author of this paper considers the crises to be a starting point for national governments and the EU to reconsider their priorities and focus more heavily on long-term growth. He elaborates several areas where actions should be taken. These include among others the improvement of business environment, increase in the transparency of financial institutions, transformation into a knowledge-based economy, mobility and learning support, building of transport and information infrastructure and a fight against corruption.

Although the areas presented in this discussion paper are rather broadly defined, the author suggests that individual policies should contain clearly defined, ambitious, reachable targets whose impacts can be measured. The EU could motivate public authorities to achieve goals set by tying them up with fund payments.

Further research could be conducted based on the Kok Report and other reviews of the Lisbon Strategy. It would be interesting to find out what actions have been put in practice by the European Union or individual member states in order to achieve a turnaround in the current development and to catch up with the ambitiously set goals. Individual actions could be analysed by their efficacy.

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# **SOCIAL OR PERSONAL: NETWORKING AS A CHANCE FOR BETTER UNDERSTANDING AND PREJUDICE-LESS SOCIETY\***

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**Abstract:** Various points of view are presented in the paper referring one of the many challenges the Internet phenomenon faces. Network as an arguable but useful notion in social sciences is analysed along with its cyberspace embodiment, social networking services. Their main characteristics are confronted with such a challenging issue of contemporary society as a need for mutual understanding, reduction of stereotypes and prejudices as well as commitment and engagement problems. Social psychological theory of inter-group contact hypothesis is examined along with the main principles that are characteristic to the Internet and electronic social networking; especially free choice and easy disconnection.

**Keywords:** electronic networking, Internet, social networks, prejudice, stereotypes

Networking phenomenon affects nowadays almost everything. It occurs partly due to the advanced digital technologies development influencing contemporary ‘information’ society in multiple ways both in symbolic and in material senses. The specific view on this issue ‘biased’ on prejudice and stereotyping problems may possibly enhance the understanding of information society. It offers new research perspective on the impact of electronic networking on social group and personality as well as some working hypotheses on understanding, prejudice reduction and possible ways for further analysis of the mentioned issues.

There are various theoretical perspectives on the network phenomenon that are worthy noting in the context of Internet and information society. Network paradigm has become extremely popular in various social as well as political disciplines. The network phenomenon has permeated nowadays practically every part of our life even if we do not experience this influence directly.

One should emphasize that ‘network’ as a term emerged long ago and has been used in the diverse contexts. It migrated from the designation of the warp of fabric, net or lace, to the field of anatomy and “reticular body of skin” in 17th c. medical experiments. In a while aforementioned reticular prospective penetrated into a vision of the strategic

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\* Highly useful critical comments by Martin Muransky and Anna Rocheva are appreciated and taken into consideration.

use of territory.<sup>318</sup> Later, at time of freedom of speech and assembly, civil networks became more representative and important as well as networks of underwater cables with the exceptional influence both in technical and social dimensions.

There are various multifunctional applications of the network paradigm in science; for example, according to the famous systems theorist Fritjof Capra network is a pattern common to all life. So called ‘web of life’ concept allows thinkers to use network models at all systems levels, “viewing organisms as networks of cells, and cells as networks of molecules, just as ecosystems are understood as networks of individual organisms.”<sup>319</sup> Social networks and especially electronic networks of human beings also can create live communities according to ‘the web of life’ principle, but it is quite a contradictory issue if they are indeed harmonious and stable as real or natural networks.

Currently there are two main approaches in research on networks and networking. Recent technological development - or information revolution in more discursively widespread way - transformed a notion of network into a powerful organizational model. Network organization, information and knowledge management in corporations as well as the process of networking work and production in a corporative way play important role of an alternative analysis schemes in globalisation studies. Here another remarkable dimension of network comes forward.

Network has become so popular recently thanks to its unique communication pattern. Network communication pattern or model is built on information technologies, which supply networks with spectacular speed and coordination abilities so necessary to overcome hierarchical model of organization that is still actual in today’s ‘flat world’.

Network architecture, as its most prominent enthusiast Manuel Castells put it, “cannot be controlled from any centre, and is made up of thousands of autonomous computer networks that have innumerable ways to link up, going around electronic barriers.”<sup>320</sup> And more hubs and nodes has network, more beneficial it becomes for every specific hub. Network is a set of interconnected nodes that structures the unstructured while preserving flexibility because only unstructured is the driving force of innovations in human activities and action.<sup>321</sup>

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<sup>318</sup> Armand Mattelart, Susan G. Taponier, James A. Cohen, *The Information Society: Introduction* (Sage 2003) p.16 -17.

<sup>319</sup> Fritjof Capra, *Living Networks*, in: McCarty, Helen, Miller, Paul, Skidmore, Paul, eds. *Network Logic. Who Governs in an Interconnected World?* Demos 2004, p. 26.

<sup>320</sup> Manuel Castells, *The Rise of the Network Society, The Information Age: Economy, Society and Culture, Vol. I.* Cambridge, MA; Oxford, UK 2000, p. 8.

<sup>321</sup> *Ibid.*

All these apply at least theoretically to the case of electronic social networks also. Nobody today would doubt the growing significance of social networking based on computer and Internet technologies. Although this significance certainly does not automatically presuppose positive consequences that Internet technologies generate in society, social interactions and on the personal microlevel.

The global society has been changing into the densely interconnected networks labelled by some theorists 'the network society'. Among main networking issues in the contemporary society one should initially mention the phenomenon of personality-centred social networks. Since the turn of the centuries this phenomenon has been expanding on enormous and unique scale. Social media, social network sites or social networking services on the Internet develop ceaselessly partly due to the unprecedented development of unique communication and information technologies as well as – what is even more significant - their relatively free exploitation in terms of Web 2.0 practices.

Social networking appears to be quite a controversial but weighty phenomenon. Some theorists even consider a social group to be a type of social network of certain type of relations and density. Networking primarily is a communication pattern that altered the linear one. The latter can be exemplified in a chain model that started at transmitter and ended at receiver. Network assumes a multitude of nodes and hubs that are characterized by the multiplicity of roles of both creators and audience. This characteristic is exceptionally important both for Web 2.0 and offline intellectual property as well as debates on these issues.

To define social media according to actual research and analyses, these are the social networking sites, which provide web-based services. These services allow people, firstly, to create public or private profile, situated in a system with certain predefined boundaries<sup>322</sup>. Second, social platforms allow people to develop their own register of connections with other people, either visible or hidden for strangers and friends. This refers to another characteristic, which allow social networking site users viewing or navigating without any restraint the lists of connections as well as such lists that other users have<sup>323</sup>.

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<sup>322</sup> danah m. boyd, Nicole B. Ellison, "Social network sites: Definition, history, and scholarship". *Journal of Computer-Mediated Communication*, 13(1), article 11, 2007, Internet: <http://jcmc.indiana.edu/vol13/issue1/boyd.ellison.html>

<sup>323</sup> Ibid.

Such predominantly technical definition of social networking activities does not exclude the cultural component, which continues to be extremely important. Native languages as well as national or ethnic cultural code in everyday interpersonal communication are important even in computer-based individual interactions based on personal approaches and relations.

The diversity of the real world seems to be powerful even in the zero-one world of predominantly English-speaking cyberspace. Here one should take into consideration so called network effect and its cultural component. According to the Castells' *informationalism code* concept every next hub or node would be able to connect to a certain network only possessing its specific intra-network communication code as well as corresponding symbolic language and shared values.

This similarity between common definition of social group and network raises another interesting part of the network society theory. It encompassed the dichotomy of social identity and social movements of the disconnected offline world, on the one hand, and the globalised identities of *networkers*, the very sense of the network society idea<sup>324</sup>. Castells's understanding of identity can be complemented by the approach that emphasizes the individual dimension of personal identity that emerges in reference to networks and deals with networks. This dimension refers to the difference not between groups or parts of society (ethnic, territorial, gender, sexuality etc. according to Castells), but the difference between individuals and also the phenomenon of so called individualism. Every person that enters the boundless cyberspace or connects to the social network of several millions hubs, nodes and users like s/he, can take not the social but personal or individual point of view. The reference group in this case will be human universe and the final point in it is "Me".

Internet and electronic space of flows represent unique sphere that can contribute into the mutual understanding among different people. For others Internet yet turns to be a tool for development of equality of democratic kind and a unique chance or source of opportunities for everybody. Regarding these capacities one should also mention significance of "indigenous" microlevel non-hierarchical communication in innumerable electronic social networks or at least technological enthusiasts see them. Contemporary technologies made it available for everybody – technologically savvy though – to connect

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<sup>324</sup> Manuel Castells, *The Power of Identity, The Information Age: Economy, Society and Culture, Vol. II.* Cambridge, MA; Oxford, UK 2000.

to the unlimited quantity of the networks, webs, nodes, personals, friends, families, colleagues, pals etc. What a social researcher could be interested in is that every connection of such kind creates new reference point for identity construction and revision as well as endless opportunities for contact and interaction.

Nowadays everybody can connect with everybody. Which kind of attitude could be therefore more significant for social interactions through networking on the Internet? Will a person refer to his social and cultural identity, which is to a great extent collective, while interacting in the networks? Or will s/he build his/her main communicating activities on the specific individual characteristics and personal identity regardless any cultural differences, social stereotypes, prejudices as well as religious values or political views? Will an individual confronting the *Other* on the Internet be guided by his/her personal characteristics or by the groups s/he belongs to? One can propose that network means contact that seems to be able to overcome prejudices and stereotypes of various origins.

These issues are analytically close to the inter-group contact hypothesis as well as its *decategorization* component. It is a part of the Gordon Allport's long-standing and rather optimistic social-psychological theory that was in part revised by its later representatives<sup>325</sup>.

Several main ideas of the inter-group contact hypothesis applied to cyberspace and digital social networks appear to be relevant and important. The interaction on an individual basis in the electronic social networks is institutionally supported, rather widespread and at least at the present moment unrestrained. At the same time the decategorization model implies that prejudice and labelling are eliminated during such individually based contacts altogether. This level of social interaction excludes category labels and categorization that can potentially launch prejudice mechanisms. Here one can maintain an incredibly positive impact of Internet, at least in its very foundations.

The users that leave sensible or helpful comments or advices under a chemistry paper or on the computer science forum are regarded as the thorough and highly qualified experts. Accordingly people view their interlocutors on the other side of the screen as individuals with generally human attributes with no reference to the stereotypes or prejudices of ethnic, racial, gender or social origin.

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<sup>325</sup> John F. Dovidio, Peter Samuel Glick, Laurie A. Rudman, *On the Nature of Prejudice: Fifty Years After Allport*, Wiley-Blackwell, 2005, p. 279-280.

There is another interesting prejudice-reducing mechanism that can work in the cyberspace especially regarding its Web 2.0 characteristics. If people cooperate voluntarily or due to the circumstances, they find themselves in the situation of doing others a good turn. That means that an individual who shares his/her knowledge, information or skills on the Internet in the virtual place open to others renders those others a service. That conceivably results in growing good will and unselfishness with respect to other people as well as reduction of any probable prejudices<sup>326</sup>.

However, there is a reverse of the digital coin. First of all, one should mention such a function of social networking sites as personal profile creation. A profile is based on various labels and characteristics of demographic, gender, sexual orientation and social categorization origin. Certainly Internet does not require disclosure of one's characteristics or interests.

However, widely admired as well as criticized anonymity "on the screen" comes to an end for an individual, for instance, with an unavoidable need of language choice of a program or a web page to use. *Netizen* appears therefore to be strongly connected to the cultural code of his/hers. It suddenly comes out that one on the Internet is dog indeed to refer to the popular statement from the mid-nineties article concerning Internet influence and emergence of widespread electronic networking<sup>327</sup>. If a non-English user makes an orthography or grammatical mistake in his helpful English comment or advice on a computer science forum, would other users still unconditionally trust his academic or professional knowledge? Will users' digital cross-dressing or *passing* experience influence the prejudice level significantly?

One can conclude that our real-identity-mirrored profiles on the social networking portals or our specific culturally bound knowledge give a lot of space for stereotypization, labelling and prejudice-driven behaviour. Network, as a phenomenon would react to any kind of negative feedback for one of its hubs or nodes in a specific and natural way - disconnecting. Particularly easy disconnection appears to take place in the cyberspace. Does it at all have any need in generally understood strong real cultural references, preferences and differences?

The cultural component of networking presumes shared cultural or informationalism code, as it has been so meaningfully called by Castells. In addition it

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<sup>326</sup> Elliot Aronson, *Człowiek – istota społeczna*, Warszawa 2005, p. 331.  
<sup>327</sup> Published by Peter Steiner in "New Yorker" in 1993.

includes common goals and social values and excludes intra-group or intra-network prejudices and conflicts. One can then assume that boundaries of networks or of certain intra-network clusters could be as strong as those of a social group. Connection or contact activities across infinite networking spaces can leave them fairly intact.

However, electronic networking and Internet lacks one key component of a social group as well as stable social identity the group members. Hubert Dreyfus puts it as an unconditional commitment referring to Kierkegaard's religious sphere of existence<sup>328</sup>. Internet is compared to life that is either interesting or boring, and on the Net, the interesting place is a click away, so life consists of permanent fights with boredom being opened to all possibilities and constant taking of new roles. So the only commitment of a postmodern self, which inhibits Internet extensively, is commitment to curiosity that brings no risk into one's life. Also there is no fixed identity that is defined by one unconditional commitment, because it would be easier to escape that existential threat of life disappointment, humiliation and loss<sup>329</sup>.

On the Internet commitments are at best virtual one, and as mentioned before, one can easily just disconnect or leave the page, site, virtual pseudo-community or network taking no part in an involved action. Dreyfus underlines that on the Net it is almost impossible to distinguish relevant and significant from irrelevant and insignificant, so everything becomes equally interesting and equally boring. Considering these indifference and lack of real commitment, it turns out that on the Internet, where free choice and ease of connection reigns there should be no intolerance, prejudices, hatred and misunderstanding. The problem will indeed appear, when such lack of attachment as well as freedom to revoke previous choices entirely undermines human dignity. Such a pessimistic view on Internet and networking emphasizes mainly the disembodied and alienating effects of the advanced information and communication technologies on society and social identity. Such evaluation and assumptions should not, nonetheless, be declared absolutely right.

There is another model of interest for the analysis of networking influence on potential stereotyping or prejudice mechanisms in social interactions on the Internet. If Internet is as diverse as a whole global society, and its users are not multicultural tolerant netizens but rather closely integrated inhabitants of cultural cyber-clusters or *small*

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<sup>328</sup> Hubert L. Dreyfus, *On the Internet* (London: Routledge 2001), pp. 73-89.

<sup>329</sup> Ibid.

*worlds*, would network be ever able to reduce prejudice? Here one should keep in mind that computer based communication is widespread but not universal. Here one should take into consideration the phenomenon of the digital divide as well as serious inequality and intolerance issues in zero-one logics of information society.

There is another model in the inter-group contact theory. The *recategorization* model explains how the Fourth World of disconnected alienated non-users allows the transformation of netizens into “we” from the previous prejudiced “us” and “them” according to the cultural, language, age or gender attributes<sup>330</sup>. This inclusive superordinate category “we” does not involve, however, those, whom Castells calls “locally disconnected”. They can play an ungrateful part of the reference group for *networkers*. The only positive sign is the constantly growing Internet users population, while certainly some people will stay disconnected yet for a long time or even forever.

One can also evoke another divide inside the cyberspace between those who create, generate or harness information, on one side, and those who merely process it, download and use. This *netocracy* divide between experts (hackers and *netocrats*) and amateurs (passive users, dummies or *consumptariat*)<sup>331</sup> claims to be a new class theory for information society. Such approach to Internet-driven social differentiation crosses out all the optimistic democratic aspirations of the Internet phenomenon and the open cyberspace enthusiasm.

Global village, English-speaking cosmopolitan democracy or economically flat world appear to be full of internal divides, breaks along cultural, social and demographic lines providing as a result various powerful sources of prejudice and stereotypes. All these processes can certainly turn up in the cyberspace. Social analysis of the Internet phenomenon influencing interpersonal relations and interactions should be aware of so common technological determinism of the information society sceptics. Boundless electronic networks merely propose the structural setting for human being to use networks and develop their skills. The reticular electronic structure with unlimited connection opportunities and absolute openness for every hub or node can get easily stuck in the richness and diversity of humanity.

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<sup>330</sup> John F. Dovidio, ... op. cit., p. 279-280.

<sup>331</sup> Alexander Bard, Jan Söderqvist, *Netocracy: the New Power Elite and Life after Capitalism*, Pearson Education, 2002, p. 121.

The network structural determination of social interactions as well as prejudice and stereotypes affecting these interactions, at some point, require some personalized approach, similar to social-psychological *deategorization* model of prejudice reduction. One should also emphasize such an important Allport's conclusion about inter-group contact and its possible successes or failures in prejudice reduction. The assumption is rather obvious. To have a positive impact upon individual's attitudes inter-group or interpersonal contact must "reach below the surface in order to be effective in altering prejudice"<sup>332</sup>. Here comes Dreyfus's unconditional commitment issue. As regards Internet and electronic networking nobody would doubt its real freedom to connect. At the same time, nobody could be possibly forced to link up in the social networking in cyberspace or any other digital activity. Therefore, the uncommitted Internet and social networking services user freely chooses rather indifferent disconnection and random but comfortable cultural values and stereotypes than any kind of committed fight for his/her ideas and ideals as well as deep engagement into interpersonal relationship, which can possibly change those stereotypes.

Nobody would ever prevent an individual to disconnect and escape various threats and vulnerability. Even if caching archives would store our data for some time, everybody is completely free either to go online or leave offline. This outstanding feature of networking means that people can reject others' stereotyping comments or prejudiced behaviour in cyberspace by mere switching off. Does this characteristic make networking a better means for mutual understanding? At least an individual on the microlevel can link up primarily with those, who would understand him/her.

Taking into consideration the common definition of prejudice, which describe it as a hostile or negative attitude towards a certain group that is based on generalization derived from false or incomplete information<sup>333</sup>, one can conclude that all individuals connected to a certain network and possessing particular intra-network code might be free of any stereotype or prejudice against intra-network members due to an easy access to all information in that particular network. Electronic network, however, contain that much computer-style information of different kind so one can verify the very philosophical difference between information and knowledge as well as experience substantial difficulties in finding relevant information.

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<sup>332</sup> John F. Dovidio, ... op. cit., p. 280.

<sup>333</sup> Elliot Aronson, op. cit., p. 280.

Besides, a problem can occur when individuals do not use and do not wish to use all - accessible in their network - information for evaluation but select that of less harm to their stable cognitive mechanisms and cultural stereotypes developed during formative or socialization period offline that is in the real world. As it was neatly put in a short psychological blog essay on Internet and prejudice, many people select information, which affirms their beliefs yet ignore information, which opposes them<sup>334</sup>. Such a process reveals normal social psychological mechanisms. However, it can regenerate into the hostile behaviour as well as prejudiced comments and speech, which are easy both to broadcast through the Web 2.0 “creative” technologies and to read for those are stably socialized yet.

Electronic networking and other Internet services are able to connect a lot of people as well as bigger or smaller social networks. This means that their users are usually challenged with such a complexity and diversity that widespread stereotyping does not seem to be surprising. Information on the Internet is endless, but knowledge is found in its users’ minds.

An ordinary user has no alternative just to classify this endless cyberspace into some well known to him/her categories. Certainly this does not imply prejudiced behaviour but does impact on way people can exclude extra information that does not fit mentioned preformatted categories. Even having at his/her command endless ocean of diverse information, nobody would recognize his/her own views as false and change his/her mind thanks to all the accessible information. This could to some extent be a reason for such a widespread hate speech on any topic on almost every forum (comments) on the Internet. Everybody has something to tell, but nobody listens others, even reading previous rather unfriendly but most probably absurd posts.

There are two main goals for people to enter reticular social structures on the Internet, to network electronically. On the one hand, this is a unique opportunity to keep weak ties in Granovetter’s terms<sup>335</sup>. An individual can easily maintain more or less intensive ties and connections with everybody met during his/her lifetime. And here come out another reason for people to connect and share intra-network code: common interests and shared values in real life. In such electronically based network an individual

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<sup>334</sup> *Social Psychology and Internet*, <http://socialpsych.wordpress.com/2007/04/28/prejudice>

<sup>335</sup> Mark Granovetter, “The Strength of Weak Ties”. *American Journal of Sociology*, Vol. 78, Issue 6 (May 1973), p. 1360-1380. Idem, “The Strength of Weak Ties: A Network Theory Revisited”. *Sociological Theory*, Volume 1 (1983), p. 201-233.

can connect to various hundreds and hundreds other individuals who share his or her interests, hobbies, professions, problems, fears, illnesses, troubles, views, beliefs etc. Certainly this does not preclude automatically any real commitment. However, this specific feature can mean that people in a certain network would rather be tolerant and friendly to others sharing information with them, doing them a good turn as was mentioned above. This type of cooperation allowed some researchers to deny the negative influence of Internet and information society on local community and mutual understanding in society<sup>336</sup>.

Regarding the first goal of networking, if an individual creates his personalized network, connects to the networks or hubs that are other individuals, which are known or familiar to him/her already, and they would not have otherwise an opportunity to stay in touch, this individual consider all his connections as friends (notoriously controversial terms 'friend' or 'buddy' to define everybody on Facebook, MySpace or Hi5). If everybody according to the six-degree separation idea is connected to everybody, is it a way towards complete mutual understanding and prejudice-less network society in the era of information? According to the results of the remarkable social-psychological study on social networks and prejudice, the strength and durability of individual-level prejudice of a person largely depend upon his/her close or significant others<sup>337</sup>. Moreover, these results demonstrate high importance of such a specific feature as homogeneity or heterogeneity of a social network that an individual belongs to. If an individual belongs to the network of personalities with diverse views and attitudes as well as with different levels of prejudice, his/her prejudices and specific attitudes will most probably be less stable, less resistant to persuasion and less probable to be acted upon, what reminds of Dreyfus's lack of engagement or commitment.

On the other part, those individuals will hold their prejudice more strongly if their network includes members with less divergent views, more similar and unified. This research is very much applicable to the electronic social networks phenomenon. Its main

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<sup>336</sup> Wellman, Barry. *The Network is Personal*: Introduction to a Special Issue of "Social Networks". June 8, 2009. <http://www.chass.utoronto.ca/~wellman/publications/index.html>. Carrasco, Juan Antonio, Hogan, Bernie, Wellman, Barry and Eric J. Miller. "Agency in Social Activity Interactions. The Role of Social Networks in Time and Space". *Tijdschrift voor Economische en Sociale Geografie*, 2008, Vol. 99, No. 5, pp. 562-583.

<sup>337</sup> Levitan, Lindsey and Penny Visser. *Influence of Social Network Members? Prejudice on Durability and Impactfulness of Individual-level Prejudice*. Paper presented at the annual meeting of the ISPP 31st Annual Scientific Meeting, Sciences Po, Paris, France. Internet. Available at: [http://www.allacademic.com/meta/p254773\\_index.html](http://www.allacademic.com/meta/p254773_index.html).

assumptions would most probably reflect the results of the mentioned research as well as the social space of Internet or cyberspace reflects social mechanisms of offline practices.

An individual as a member of his/her personalized electronic network should be regarded as a part of a cluster of networks based on various characteristics as well as specific attitudes and interests. At the same time this individual would most probably regard every member of his personalized network as naturally and normally as it possible. S/he will consider everybody in as a normal person that means evaluation on individual basis with no labels, offensive categories or stereotypes. However, those who are disconnected or out of the specific cluster are most probably to be categorized, “stereotyped” and most probably excluded.

Electronic networking, easy mailing, social networking portals and various other web 2.0 services allow everybody to connect to everybody and to have hundreds of hundreds of “friends”. Social networks, especially computer based and Internet facilitated social networks, however, contain not only familiar hubs and nodes, or friends and acquaintances. Other clusters function according to other rules and share completely different cultural code. People can agree on one meaningful topic and be absolute enemies on the other that certainly does not assume they will fight for it in the real life.

Being an exceptional rival for hierarchical organizations, networks are multifaceted, complex and fluid, therefore any change of configuration can change values, and thus attitudes, relations and social interactions. But such an altered network will then contain other hubs and nodes, other individuals, friends or buddies. Therefore, a network phenomenon is hardly a method for a prejudice-less global society of uncontrolled linking up and prejudice reduction. People will most frequently act according to their real, and not only virtual, views and attitudes. Internet can either reinforce these views and attitudes as well as challenge them. Easy virtual disconnection and free cyberspace choice do not seem to be able to cure the real and locally embedded troubles.

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# PROMOTION OF ECONOMIC MOBILITY IN EUROPE, THE CONTINENT OF CULTURAL DIVERSITY AND SOLIDARITY

**Zuzana Peterková**

**Abstract:** The paper deals with challenges of economic mobility in Europe. The first part covers global view on the topic. Including comparisons of migration policies between the European Union(EU) and other OECD countries. Secondly focusing on historical overview over last two decades and current trends. Not forgetting to mention recent challenges and implementing actions to support mobility of migrant workers in the European Union.

**Keywords:** employment, European Union (EU), migration, mobility, Organisation for Economic Cooperation and Development (OECD)

## Introduction

Economic mobility is the ability of an individual or family to improve their economic status, in relation to income and social status, within his or her lifetime or between generations. Economic mobility is often measured by movement between income quintiles or comparisons are made to the income of an individual's parents as a point of reference. The ability to increase one's income is closely tied to the idea of the "American Dream" and being able to advance your economic standing through hard work and effort.<sup>338</sup> Europe is not anymore a continent of emigration. Creating European Union, migrant workers have better job opportunities and can improve their economic status, too.

Economic and social progress and constant improvements in living and working conditions are fundamental objectives for the European Union. Europe experienced over the last five decades that economic integration: removing barriers to the free movement of goods, services, money and people, gives a much better chance of creating jobs and sustainable growth. Much has already been achieved through the customs union, then the single market and, most recently, economic and monetary union. EMU and the Euro were, however, stepping stones, not destinations. There is plenty of unfinished business. The EU needs to remove the remaining barriers that still confine research, public

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<sup>338</sup> Sawhill Isabel & Morton John E., *Economic Mobility: Is the American Dream Alive and Well?* 21 Feb. 2007. Economic Mobility Project, Washington, D.C. 4 Dec. 2007, p.3;

purchasing and the provision of financial services within national borders. Economic migration plays an important role in addressing the needs of the labour market and can contribute to help reduce skills shortages. It therefore considers that the employment and social impact of migration within the EU and from third country nationals needs to be addressed to EU member states in the context of the Commission proposals for a common policy on economic migration in order to improve workers' mobility and their social rights.

## **I. Aspects of Migration from Third Countries and within the EU**

Mobility of workers from the global perspective demonstrates flows of factors which recognised the marked shift in the pattern of global economic activity, resulting from extensive and fundamental changes in the world economy. This is driven by developments in technology, production, investment, and trade.

Flows of factors of production between countries are a crucial aspect of this shift. Factor flows now encompass not just physical capital and technological know how but also skilled labour and human capital.

Factor flows are influenced by a number of developments:

- Skills levels are going up globally, but much more rapidly in fast growing emerging markets;
- Emerging markets share of total Foreign Direct Investment (FDI) will continue to increase while the composition of trade and FDI will see emerging markets attracting a higher share of FDI in high value added manufacture, services, and R&D;
- Advances in technology, particularly IT, the relative rise of the service sector and change of business models have ensured that cross border flows are increasingly composed of services, R&D, financial capital and human capital, and not just of physical goods.

At present, the EU is one of the largest recipients of FDI in the world. Taking into account that emerging markets are growing rapidly and attracting a larger share of FDI and that the USA continues to attract both FDI and high skilled immigrants, the challenge for the EU is to develop more outward looking economic policies and remain the most open economy in the world, positioning itself to continue to benefit from increased factor flows and keep up with the US on leading edge research and development. Policies to

attract human and physical capital – high skilled migrants and Foreign Direct Investment – should be key components of strategies to maximise growth in an interconnected global economy.

Policy at a Community level needs to recognise these circumstances and context. Across a number of aspects, the reality of increased factor mobility strengthens the case for progress with the Lisbon agenda and the Internal Market at a Community level. At a national level, greater factor mobility strengthens the need to make our economies internationally attractive, pushing ahead with structural reforms as necessary to achieve this<sup>339</sup>.

In respect of migration from third countries, developing a new robust and coherent and more EU coordinated framework for policy – with a stronger economic orientation. Such a framework would take into account the spill over effects of Member State approaches and could allow Member States to enjoy an EU support when cooperating with third countries. Considering the pros and cons of an EU approach to skilled migration and aim to develop relations with developing countries based on an overall approach that provides benefits to both sides.

In terms of migration within the EU, concrete measures should be designed and implemented for facilitating the mobility of workers by increasing the portability of pensions and mutual recognition of qualifications, whilst recognising the economic consequences which could arise from expatriation on a larger scale in the source countries<sup>340</sup>.

Until 1995 migration flows to the EU, overall, remained relatively low and stable. Since 1995, there has been an increase - partly a consequence of regularisation programmes of illegal immigration especially in Southern Europe. Still, only 9 per cent of the population in Europe against 12 per cent in US and 20 per cent in Canada and Australia are foreign born. Almost all EU-25 countries are now net receivers of migration – though the dimensions vary across Member States - but the skills composition is very different. Inflows from outside the EU continue to be dominated by family reunification and asylum seekers. The pressure of illegal immigration is increasingly felt, especially in

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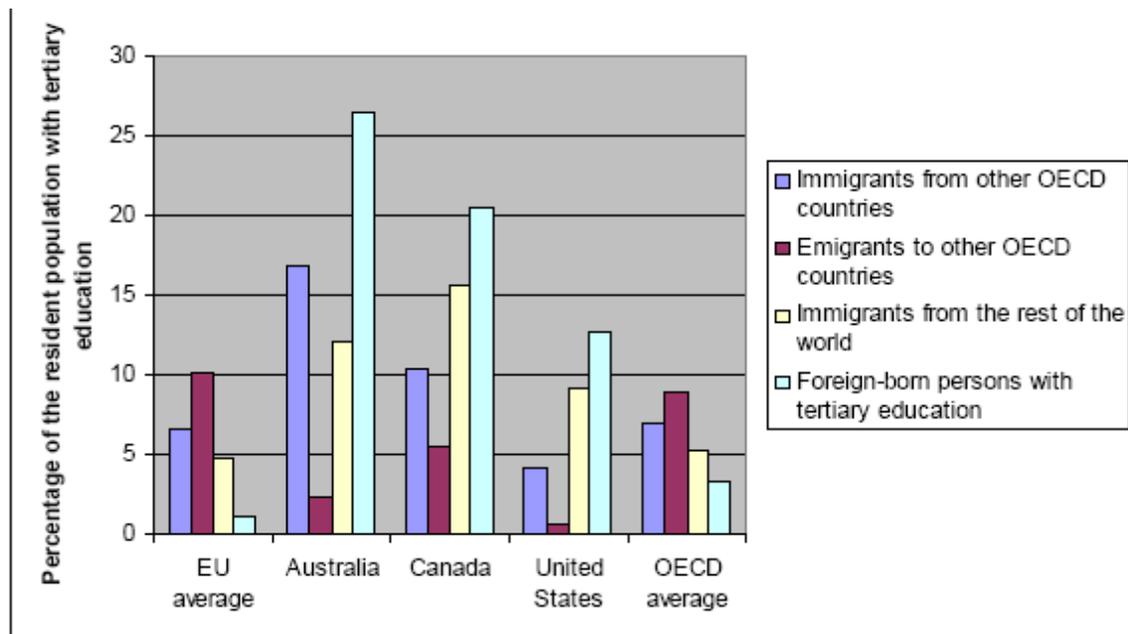
<sup>339</sup> Economic Policy Committee, *Factor mobility in the Global Economy: Policies for Growth in an Interconnected World*, Brussels, 14 November 2006, p. 1;

<sup>340</sup> Economic Policy Committee, *Factor mobility in the Global Economy: Policies for Growth in an Interconnected World*, Brussels, 14 November 2006, p. 2;

Southern Europe. The skill composition of immigrant flows is typically below that of the local population and well below that in countries such as USA, Canada, and Australia.

The chart 1 set out immigration, emigration and skilled migration for the EU as compared to the USA, Canada, Australia, and members of the Organisation for Economic Cooperation and Development (OECD) average. Movement within the EU, although it increased substantially after 2004, remains limited.

**Chart 1** Immigration, emigration and skilled migration EU and OECD 2006 (EU average is a simple average of Austria(AT), Belgium(BE), Czech Republic(CZ), Germany(DE), Denmark(DK), Spain(ES), Finland(FI), France(FR), United Kingdom(UK), Greece(EL), Hungary(HU), Ireland(IE), Italy(IT), Luxembourg(LU), Netherland(NL), Poland(PL), Portugal(PT), Slovakia(SK), Sweden(SE))



Source: OECD, 'International Migration Outlook', 2006, p.6

However, there is an increasing tendency – particular for movements east-west in the EU – towards very short term migration, including cross-border commuting and seasonal work, a development made easier by low cost transportation. This movement has been reinforced after the enlargement in 2004 and is probably partly due to the remaining transitional restrictions to full labour mobility between some Member States. The table 1 and 2 sets out a summary of Member State policy in respect of migration from New Member States.

**Table 1** Skilled worker migration – recent policy changes in EU

<b>Old Member States</b>	
<b>Measure</b>	<b>Country</b>
Liberalised completely	IE, SE, UK
Maintained national measures	DK, NL, FR, BE, FI, EL, LU, ES, DE, AT
Maintain national measures plus additional quota system	IT, PT
<b>New Member States</b>	
<b>Measure</b>	<b>Country</b>
Reciprocity to restriction	PL, SI, HU
Restriction within New Member States	None

Source: European Commission, *Labour migration patterns in Europe: recent trends, future challenges*, note to informal EPC meeting 26-27 June 2006, p. 10

**Table 2** Restrictions on migration from New Member States – first phase 1 May 2004 to 30 April 2006

<b>Old Member States</b>	
<b>Measure</b>	<b>Country</b>
Liberalised completely	IE, SE, UK, ES, FI, EL, PT
Simplified national measures	BE, FR, NL, DK
Maintained national measures	DE, AT
Maintain work permit system plus	IT
<b>New Member States</b>	
<b>Measure</b>	<b>Country</b>
Reciprocity to restriction	PL, HU
Restriction within New Member States	None

Source: European Commission, *Labour migration patterns in Europe: recent trends, future challenges*, note to informal EPC meeting 26-27 June 2006, p. 11

The historical flow of migration to the EU has impacted on economic performance in a number of areas. While most of the gains of migration probably accrue to the immigrants themselves, most studies find a small overall net gain from migration in the host country from more diversity of skills, fresh ideas, and perhaps increased labour market flexibility.<sup>341</sup> The impact of immigration on wages depends on the skill structure of the immigrant and native populations. The evidence on the fiscal effects of past immigration is mixed, but it appears fair to say that overall the net budgetary impact over the long run appears to be fairly small though geographic clustering can be associated with high costs for local budgets, and social impacts will need to be managed.

These trends are driven by both specific migration policies and other framework conditions providing incentives for immigration. In addition to specific immigration policies, in migration decisions for the highly skilled, the quality of educational and research institutions and the likelihood of well paid jobs in an open and flexible labour market play an important part both inwards to the EU and outwards from the EU to the USA.

<sup>341</sup> European Commission, Commission Communication on Illegal Migration (COM (2006) 402 final);

Migration policies have moved up on the policy agenda, in part because of difficulties associated with integration, in part because of efforts to attract more high skilled migrants, and in part because public opinion in many EU Member States appears to regard immigration as a negative phenomenon.<sup>342</sup> EU Member States have moved in the direction of tightening conditions for entry via family reunification and asylum programmes while at the same time opening more for economic based migration, targeting workers in scarce supply at the local level. There has at the same time been some movement in the direction of Australian and Canadian style policies on skilled migration – though systems employed by EU Member States are far from the sophistication of the more established schemes. A number of countries have implemented systems providing tax advantages to typically high skilled and/or highly-paid immigrants, often reflecting the fact that normal tax regimes are less attractive than in alternative host countries for example the US.<sup>343</sup> Policy in some countries has also recognised the benefits to growing economies of access to low skilled labour – which migration can help to supply. A summary of Member State changes to migration policies is set out in the table 3.

**Table 3** Skilled worker migration – recent policy changes in EU & OECD countries

	EU	OECD
Less strict policies	<p><b>Portugal 2006:</b> New work visa involving scientific and research activities.</p> <p><b>Czech Republic 2003:</b> New procedure to attract skilled people wanting to stay permanently, covering limited number of people.</p> <p><b>France 2003:</b> New exchange programs for young professionals.</p> <p><b>Finland 2004:</b> Broadens right to work without permits for some skilled occupations.</p> <p><b>Netherlands 2004:</b> Stimulating highly skilled labour, possibility of permanent residence. <b>2006:</b> stimulating skilled, self employed migrants and removing remaining bottlenecks with respect to the 2004 policy change.</p> <p><b>Germany 2004:</b> Highly skilled eligible for immediate residence permits.</p> <p><b>Ireland 2005:</b> Green card procedure introduced: Very restrictive at low pay levels and less selective for high paid group, possibility for permanent residence.</p>	<p><b>New Zealand 2004:</b> Expansion of group considered eligible for skilled migration: the range of occupations considered as skilled was broadened</p> <p><b>Japan 2005:</b> Plan to bring in 30000 IT professionals and facilitate permanent residence permits.</p> <p><b>USA 2005:</b> New acts to make more than 30000 visas for skilled workers.</p> <p><b>Australia 2005:</b> Skilled stream of migrant programme to increase in coming years.</p>
Stricter policies	<p><b>Austria:</b> Settlement of non-EU citizens only for highly skilled.</p>	

<sup>342</sup> European Commission, Commission Communication on Illegal Migration (COM (2006) 402 final);

<sup>343</sup> OECD, *Trends in migration policies*, 2005;

<b>Neutral policies</b>	<p><b>UK 2005:</b> Move from existing two tier to a new five tier labour immigration management system.</p> <p><b>Germany 2005:</b> Quotas for workers from new EU-member states for some sectors.</p>	<p><b>Canada 2005:</b> Improving selection by multi year planning and better promotion.</p>
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Source: European Commission, *Labour migration patterns in Europe: recent trends, future challenges*, note to informal EPC meeting 26-27 June 2006, p.11

In the background of debate about migration policy is the possibility of the emergence of a large informal labour market populated with illegal immigrants. In some senses the choice facing policy makers is not between immigration and no immigration, but between managed immigration into the regulated and taxed labour market, and unmanaged immigration into the casual labour market where wages are low, taxes are not paid, and migrants themselves are at risk of exploitation. Illegal migrants may enter the territory illegally, but there are also a considerable number of people who enter legally and then lose their legal status.

The Commission's Communication on Illegal migration<sup>344</sup> recognises that action on illegal employment and cooperation with third countries, alongside border security, are necessary. The strategy set out in the Communication suggests that the EU should continue to address the push factors for illegal migration - considering migration aspects within the EU strategies for financial assistance to developing countries, and the pull factors, above all illegal employment.

## **II. Challenges of economic migration now and in the future**

Migration creates a need for improving the quality of education systems in the EU. The role of migration policies also needs to be revisited here. In the USA, a shortage of “domestic” graduates in key areas for business innovation has been more than compensated by a substantial inflow of researchers, many of them from Asian countries. In the mean time US policies have become more restrictive due to security considerations. This inflow was clearly linked to more open and often targeted migration policies. An economically oriented migration policy should also take into account the benefits of access to low skilled labour.<sup>345</sup>

<sup>344</sup> European Commission: Report on the Functioning of the Transitional Arrangements set out in the 2003 Accession Treaty (period 1 May 2004–30 April 2006), Brussels, 8.2.2006;

<sup>345</sup> Delozier & Montout: *New Trends in Globalisation and international Division of Labour: Consequences for Europe*, 2006;

As regards immigration from non-EU countries, one of the issues to be addressed is which selection criteria to put in place. At the one end of the spectrum of policy options is the pure Green Card system. Entry is only conditioned by entrants fulfilling a number of objective criteria related to their pre-entry qualifications and their professional experience. At the other end of the spectrum are schemes designed to solve specific labour shortages where entry is often conditioned on having obtained a job before entry and/or proof that the employer has been unable to fill the position otherwise. The former system may be preferable in terms of gaining new workers that have qualifications suited beyond a short term horizon. The latter system tends to win political support more easily given its focus on solving well-identified present problems.

The fact that some EU Member States are moving somewhat in the direction of the Green Card approach while Canada recently has introduced more requirements for employment before entry illustrates that there are no easy solutions and learning by experience is essential. An alternative way forward may be a combination of approaches tailored to Member States' individual circumstances.

Within the EU, increased mobility may also help address sector and professional shortages across Member States. As noted above, the reduced restrictions in terms of movements between EU15 and EU10 introduced by a number of countries from May 2005, may introduce a helpful element of flexibility in labour markets. The fiscal impacts of ageing populations have also been put forward as reason for increasing immigration. Immigration from non-EU countries can probably contribute only very slightly to addressing this problem (intra-EU movements have by definition zero net effects).

Present long term projections already assume net migration of 40 million persons to EU until 2050. If this was expanded to 60 million, a rough calculation suggest that this would shave off just one quarter of a percentage point of GDP of the expected increase in pension expenditures of nearly 3 percentage points over the same period (EU-25).<sup>346</sup>

The reorientation of migration policies, which has already begun, should help Member States address a number of policy concerns. Estimates of future skills supply and demand in one study illustrate that in the aggregate the EU may not lack skilled workers. However, in specific sectors and in specific regions there are likely to be skills shortages, including in the natural sciences and in a number of areas at the medium skill level.

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<sup>346</sup> European Commission (2006);

The French Parliament voted a new Law on Immigration and Integration in May 2006. It contains several new provisions aimed at attracting those migrants who may benefit most from and contribute most to the French economy: A new stay and work card called “Competence and Talent” has been created. Eligibility is based on skills and ability to bring a significant and lasting contribution to French economic development or in intellectual, scientific, cultural, humanitarian or sporting life. Criteria to evaluate candidates’ projects are set by a national commission. The card is valid for 3 years and renewable once (permanent stay being usually granted after 5 years). In order to limit possible brain drain effects, for some countries classified as “Priority Solidarity Zone”, the card will only be delivered if the migrant commits to return at the end of a maximum 6-year stay. This condition may be relaxed if France has signed a co-development partnership agreement with the origin country, involving a contribution from the immigrant to economic development in his native land.

Also, the foreign student regime has been modernized. It now allows foreign students to work and earn a salary for as much 960 hours per year (namely 60 % of official full time hours). After completing successfully at least masters degree, a foreign student may stay 6 months in France in order to find a job with a salary above a given threshold (to be established by a forthcoming decree). Once the student has got such a job, work and stay permit will be delivered automatically.

In general, foreigners will be granted a work and stay permit as soon as they have a contract with an employer belonging to a sector and area listed as suffering from shortages of qualified applicants. In other sectors and areas, verification that no French national can fill the job still applies. Seasonal work and temporary secondments from abroad are also facilitated by the new policy.<sup>347</sup>

### ***The Blue Card Proposal***

EU countries, as an integrated area in the global economy, face common concerns over migration. This generates the need to consider a more coordinated approach in some aspects of national migration policies towards both high and low skilled migrants. Firstly, this coordination could allow Member States to better manage cross-border effects of their respective policies, optimising its design and reducing incoherence among policies

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<sup>347</sup> Economic Policy Committee, *Factor mobility in the Global Economy: Policies for Growth in an Interconnected World*, Brussels, 14 November 2006, p. 14;

that could offset each other. And, secondly, this coordination could allow Member States to enjoy EU support when cooperating with third countries.

There is a case for considering the costs and benefits of a Member State or a Community approach to policy on skilled labour immigration. A Member State approach allows individual governments to define policies that best suit their specific needs, but fragmentation of Member State approaches could reduce the attractiveness of the EU to potential high skilled migrants. An EU approach would raise the attractiveness of a move to any given EU Member State as it would give potential migrants the option value of further movement within the EU.<sup>348</sup>

In order to attract skilled immigrants, the Bruegel think tank has suggested that the EU should introduce a Blue Card: a work permit similar to the US Green Card that would grant the holder permanent access to the entire EU labour market. This Blue Card could be allocated through a points system similar to that used in Canada, favouring skilled young migrants with proficiency in the relevant languages and good job prospects. In addition, students graduating with a Masters Degree or equivalent from European universities or good universities abroad could be made automatically eligible for a Blue Card. This would help to attract and retain young talent early.

Bruegel argues that the Blue Card would make it easier for Europe to attract top talent than national programs because access to the entire European labour market is more valuable for migrants than access to any national labour market. Such a European approach to skilled immigration would also help to capture the positive cross-border externalities that skilled migrants are likely to project, similar to research and development activities.

One of the potential problems of an EU wide migration scheme is that it involves loss of national control in a sensitive area. However, in view of the generally positive economic impact of high skilled migration on any Member State, it might be possible to overcome those concerns. Also, the Blue Card scheme could co-exist with national schemes for those potential migrants who are not eligible for a Blue Card. Due to increasing cross border mobility the need for further coordination of migration may arise in the future. In the event, the Community would be able to build on the Blue Card experience.

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<sup>348</sup> Economic Policy Committee, *Factor mobility in the Global Economy: Policies for Growth in an Interconnected World*, Brussels, 14 November 2006, p. 15;

The proposed permanent nature of the Blue Card has advantages and disadvantages. Making the Blue Card permanent would make it more attractive than the temporary H1B visa in the US, and the US Green Card, which is not permanent as it does not guarantee re-entry to the US after more than 12 months abroad. This could help to at least partially offset the partially higher wages for skilled workers in the US. The permanent nature of the Blue Card would allow for "brain circulation" instead of just "brain drain" by acting as an insurance policy for skilled workers from developing countries in the event that they decide to return to their country of origin. With the Blue Card, they could always return to Europe for a second time.

The main disadvantage of the permanent nature of the proposed Blue Card is that it does not adapt to the changing needs of the labour market and the changing absorption capacity. For example, future labour demand cannot be predicted, that is, the qualifications that are valuable today might become less valuable in the future and this cannot be addressed with this permanent system. Critics might fear that the Blue Card proposal would push aside low-skilled migrants, with high skilled migrants taking up their slot. But Bruegel argue that the annual absorption capacity for migration is not a given. In fact, it appears that the skill-mix of immigration to some extent determines how many immigrants a country is willing to absorb: Those countries with a points systems typically accommodate higher levels of migration overall including low-skilled migrants. This might be because the high-skilled migrants can have positive effects on the attitudes of native inhabitants towards migrants overall.<sup>349</sup>

This proposal suggests that there may be benefits for the Community as a whole by operating with a Community 'Blue Card' system, targeting non-EU workers that all Member States agree would be a welcome addition to the labour force, while Member States could at the same operate national programmes targeting wider group of workers. However there are disadvantages to this proposal, including the possibility of asymmetric flows of talent to particular Member States, and the risk that those admitted would not achieve their highly-skilled potential.

The world has opened up to increased mobility of workers and of capital. As borders have become more open, factors of production have begun to move, in line with demand, to the locations where the return they generate is highest. This process has and will continue to drive a more optimal allocation of resources and higher productivity at a

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<sup>349</sup> von Weizsäcker Jakob, *Welcome to Europe*, Bruegel policy brief 2006/03, April 2006;

global level. The question for the EU is how it positions itself in relation to a more open world. The challenge is to ensure that the EU remains a desirable destination for FDI to ensure that companies within the EU can invest productively in emerging markets, and that the EU is an attractive location for qualified immigrants and intra-EU migration contributes to the flexibility of labour markets and enables workers to respond to changing circumstances<sup>350</sup>.

### **III. Implementing actions to support worker mobility**

There are several actions taken by European Union to support mobility of human capital within European. One of the most important actions is knowledge of languages. Another task is to adapt education and training systems in response to new competence requirements. In particular the mutual recognition of qualifications and an enhanced understanding of different national qualification systems and the portability of pensions are areas where further progress could be also made.

Worker mobility is a key instrument for an efficiently functioning single market and is essential for allowing more people to find better employment, a key objective of the Lisbon Strategy. However, to improve worker mobility there is still a need to remove a number of barriers. Aside from an uncertainty over the advantages of being mobile, individuals face a number of hurdles to their movement. These can range from legal and administrative obstacles, housing costs and availability, employment of spouses and partners, portability of pensions, linguistic barriers, and issues on the acceptance of qualifications in other Member States.

Based on the lessons from the previous 2002 Action Plan for Skills and Mobility, the results of the 2006 European Year of Workers Mobility, and on the strong connection between worker mobility and a number of ongoing policy debates, such as lifelong learning, multilingualism and demographic change, the Commission has launched a Job Mobility Action Plan for 2007-2010.

The aims of this Action Plan are to:

- improve existing legislation and administrative practices regarding worker mobility
- ensure policy support for mobility from authorities at all levels

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<sup>350</sup> Economic Policy Committee, *Factor mobility in the Global Economy: Policies for Growth in an Interconnected World*, Brussels, 14 November 2006, p. 17;

- reinforce EURES (European Employment Services) as the one-stop instrument to facilitate mobility of workers and their families
- foster awareness of the possibilities and advantages of mobility among the wider public.<sup>351</sup>

This Action Plan presents specific actions aiming to help remove these obstacles at the European level and to encourage the relevant authorities to deal with the obstacles at the national, regional or local level. This Action Plan represents a further, important step in a long line of initiatives to promote mobility.

Member States should take the necessary measures to ensure that benefits under supplementary pension schemes are paid to members and former members thereof as well as others holding entitlement under such schemes in all Member States, given that all restrictions on the free movement of payments and capital are prohibited under Article 56 EC of the Treaty. The Directive does not cover, what is often called "portability" of supplementary pensions, i.e. the possibility of acquiring pension rights (even for shorter periods of employment than the required by the scheme minimum "vesting period" or at the beginning of one's career) and keeping pension entitlements by transferring them to a new scheme in the event of professional mobility. A lack of portability could have a serious effect on worker mobility.

The Commission has recognised the negative implications a reduced portability of supplementary pension rights can have on the mobility of workers. It has consulted the European social partners and suggested that they negotiate a European collective agreement in this field. However, the social partners have diverging opinions on the need to start negotiations. As a consequence, the Commission adopted on 20.10.2005 a proposal for a "Directive on improving the portability of supplementary pension rights".<sup>352</sup>

On pension portability, a proposal last year from the Commission is currently with the European Parliament and Council for approval. By improving workers' possibilities to accrue preserve and transfer their supplementary pension rights when changing employers the draft Directive aims at facilitating both workers' freedom of

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<sup>351</sup> European Commission, Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee, The Committee of the Regions, *Mobility, an instrument for more and better jobs: The European Job Mobility Action Plan (2007-2010)*, COM(2007) 773 final, Brussels, 6.12.2007, p.3;

<sup>352</sup> European Commission, *Directive on improving the portability of supplementary pension rights*, (COM(2005)507 final), 20.10.2005;

movement within the EU and their occupational mobility within the same Member State. Member States are urged to consider the Commission proposal in a constructive way in order to come to a prompt adoption of a Directive substantially improving the portability of supplementary pension rights in the EU.

Emigration also needs to be considered. The flow of skilled EU citizens to countries where their skills command a higher premium must be a subject of concern for policy makers. This might also be an issue within the EU, which comprises both receiving and source countries at different levels of economic development. For some source countries, a substantial proportion of the working population, and many of those with the most useful skills, have and continue to migrate to Member States where their skills command a higher premium, with adverse fiscal and wider economic impacts on the source country. Although there may be remittances, technology and know-how transfers to the source country from this Diaspora, it appears clear that for some countries expatriation on a large scale represents a serious loss of human capital. There is scope to enhance co-operation with source countries – including source countries within the EU - on the overall framework of migration policies – focussing on win-win solutions in the context of the rapid rise in global human capital. It is necessary at the Community level to understand better the possible negative economic and social consequences which arise due to intra-EU migration on the source countries.

## **Conclusion**

Free movement of workers has existed since the European Community was founded in 1957. It is one of the fundamental freedoms guaranteed by Community law. EU citizens can move to another Member State in order to work or set up a company. Full integration of national economies and income convergence, however, are still to be achieved. For Member States, including the new ones, to fully identify the benefits of the Single Market, EU legislation needs to be fully transposed into national legislation and product and service markets need to be further integrated. Given its many benefits, financial integration within the EU will have to be further pursued, while simultaneously tackling the shortcomings in regulation and supervision exposed by the financial crisis. In the course of this integration process, Cohesion Policy will continue to play a key role in supporting the economic restructuring in the new Member States.

These reforms focused on active economic mobility are particularly important now, in the wake of the global financial crisis that could slow down the economic growth. But a crisis of this magnitude also offers opportunities for taking measures to mitigate its social and economic impact and carrying out deep structural reforms to underpin a quick and sound recovery, which will enable European economies to fully benefit from the growth opportunities that will emerge in the aftermath of the crisis. Looking ahead enhanced country surveillance through the Stability and Growth Pact and the Lisbon process will have to play a central role in identifying early on the issues Member States need to focus on in their economic policies and the measures they need to take to tackle the emerging problems. Proactive structural reforms and sound macroeconomic management will be essential to reduce the likelihood of a major financial crisis in the future. Success in solving the current crisis and preserving the achievements of the latest enlargements of the EU will be also necessary in order to enforce mobility of jobseekers in the near future.

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# WORK MIGRATION OUT OF MARGINAL VILLAGES IN HORNÉ KYSUCE REGION AND ITS CONSEQUENCES AT SOCIAL AND ECONOMIC HOUSEHOLD'S SITUATION

**Lucia Poláčková**

**Abstract:** The contribution is aimed at the work migration of one or more members of household in Horné Kysuce region. The main aspiration is to sketch conditions in regional labour-market, to point out motivation for work migration and long-term impacts of family segregation at social and economic situation of households. The contribution goes behind the official statistical data and through model marginal villages Klokočov and Olešná illustrates life experiences and opinions their inhabitants living in households.

**Keywords:** work migration, marginal region, regional labour market, households

## I. Data and methods

The contribution operates with dual base datas. Some analyses, mainly targeted in characterization of situation in whole Čadca district, or in model villages are based on „hard“ statistical data comes from database of the Statistical Office of Slovak Republic and from the Labour, Social Affairs and Family Office. This are complemented with qualitative data from an field survey. The field survey is based on behavioral methods through questionnaire, interview with inhabitants and method of participant observation. The survey was realized during months April and May 2009 in villages Klokočov and Olešná. Completely was enquired 9 households through semi-standardized questionares and depth interview. Four households were realized in Olešná and 5 in village Klokočov. Other 8 households were enquired through informal interview. This method was used because of unwillingness of people to participate in depth interview and anxiety about improper use their personal information about household. The participants of the depth interview agreed only in case of preservation their anonymity. Because of this were changed their real names in the contribution.

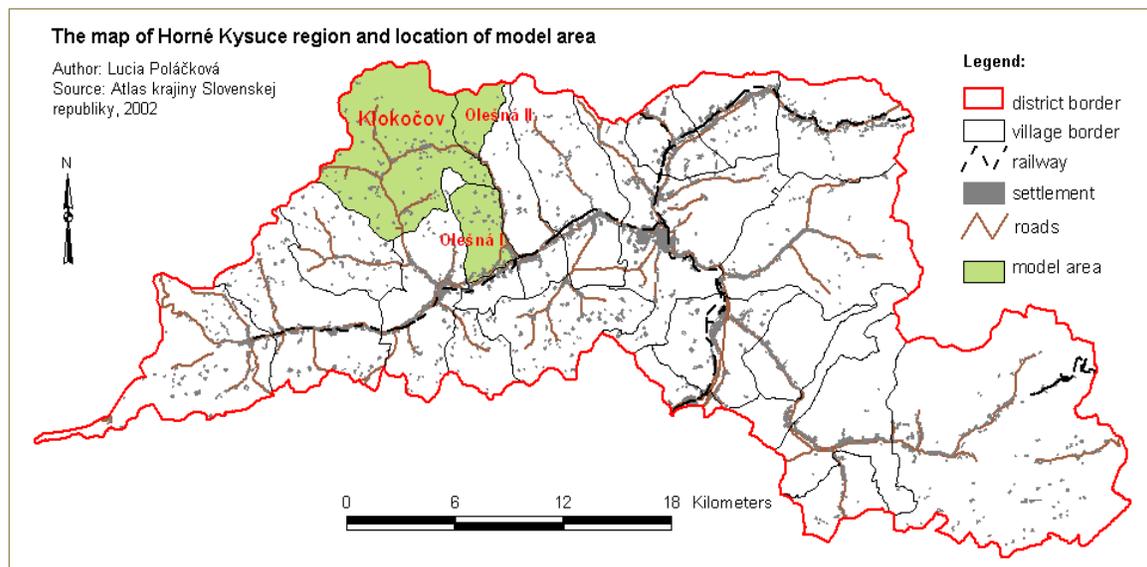
## II. Location and general characteristics of region

The research is set in the farne of traditional rural environment of the Horné Kysuce region, that is situated in peripheral position near Czech and Polish border, not very good traffic location, and conservative value attitude of inhabitants. The region Horné Kysuce

is now identical with the Čadca district in Žilina selfgoverning region (NUTS II), it has its own history and identity, till the administrative district Čadca was changing its area in time. It consists from 23 villages, three of them are towns: Čadca, Krásno nad Kysucou, Turzovka. The main centre is the town Čadca, lies in the middle of region. Lower regional centres are Turzovka in west part of region and Krásno nad Kysucou in the south.

Rural villages are situated mainly in the valley of river Kysuca, or along its feeders. The altitude range of villages range between 400 and 1200 metres above sea level. Tributary rivers usually have only narrow valleys. Because of this it creates here an dispersed settlement during colonisation, but it lasts until now. The traffic net prevents along the rivers and their feeders into the settlements, so its structure is quite complicated. Rural villages consist from quite compact central part along the river and dispersed settlement. (Figure 1)

**Figure 1** Map of Horné Kysuce region and location of the model area



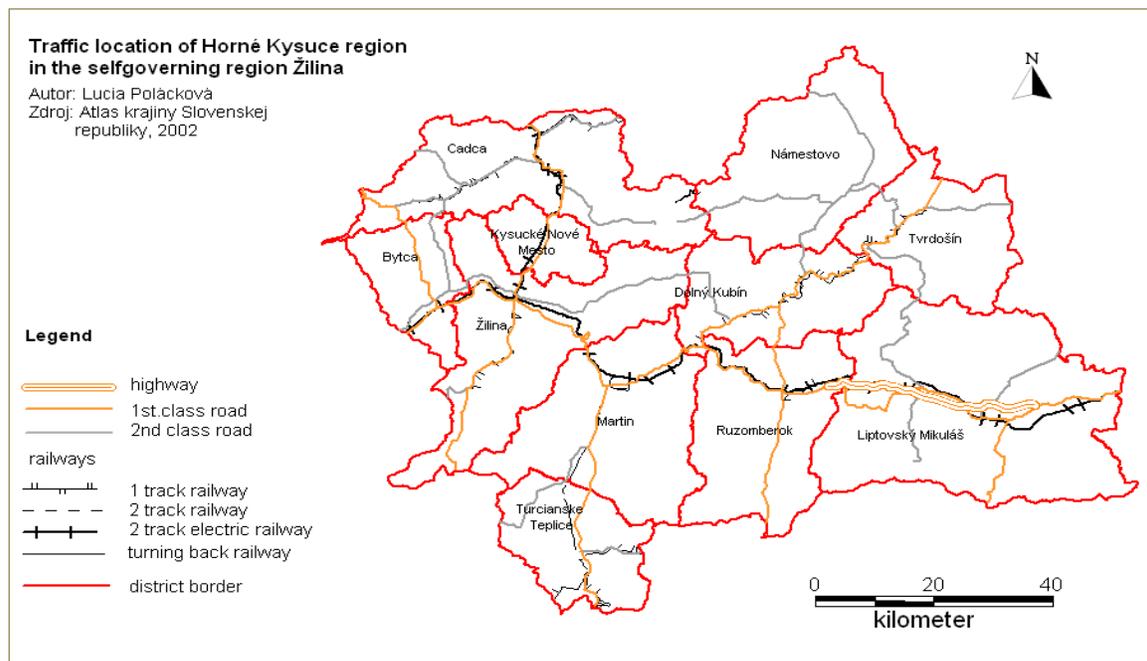
Source: Atlas krajiny Slovenskej republiky, 2002<sup>353</sup>

The district has prolonged east-west shape, that cause traffic problems, poor intrusion of villages to the main roads and bad accessibility of regional centrum Čadca. The distance between town Čadca and Bratislava is about 240 km (3,5 hours), between towns Čadca and Žilina is 35 km (55min). Behind the border with the Czech Republik lies other city

<sup>353</sup> Ministerstvo životného prostredia SR, *Atlas Krajiny Slovenskej republiky*, (Banská Štiavnica: Esprit, spol. s.r.o., 2002) 1.st edition, ISBN 80-88833-27-2

centres in daily attendance distance: Ostrava (82 km from Čadca, 1,5 hour), Karviná (55 km from Čadca, 1,5 hour) and Třinec (32 km, 1 hour), Frýdek - Místek (62 km from Čadca, 70 min). The towns in Horné Kysuce region and in hinterland are the centres of services, part of job offers and the main traffic junctions. The main road of first class: E 75, and railway No. 128 runs in north-south direction Žilina-Čadca-Czech Republic. Other road of first class I/18 runs just in the most western part of region between Žilina and Czech republic. The second class roads runs in west-east direction, mainly II/487 and II/520. (Figure 2)

**Figure 2** Map of administrative location and traffic situation



Source: Atlas krajiny Slovenskej republiky, 2002<sup>354</sup>

Both model villages are in the peripheral position, near the border with Czech republic. The village Klokočov presents villages situated along Kysuca feeders in the narrow valleys in mountains. They are without direct connection to some of main roads and have very dispersed character of settlement. The village Olešná presents villages with the direct connection to main roads. But the cadastral unit isn't compact. It consists from two cadastral territories, that are separated by part of Klokočov territory. Residential build-up area is deconcentrated and is situated in higher elevation about sea level, in Olešná above 500 metres about sea level and in Klokočov about 600 metres about sea level. It causes

<sup>354</sup> Ministerstvo životného prostredia SR, *Atlas Krajiny Slovenskej republiky*, (Banská Štiavnica: Esprit, spol. s.r.o., 2002) 1.st edition, ISBN 80-88833-27-2

problems not only in local selfgovernment, but in complicated transport for inhabitants inside the villages. (Figure 1)

### III. Characteristics of households

The Čadca district is typical quite balanced share of households according the count of persons per household. The majority keeps households with 4 members (21, 45%), the share of households with 1, 3, or 5 members is about 15% in each group, and households with two members counts 16, 27% from whole households. The minimum share of households has 6, 7 or more members (about 8% in each category). The district average is 2,85 persons per household. The model villages Klokočov and Olešná show signs of ageing process in population, that we can see in high share of households with one member. In Klokočov counts 23,37% of households and in Olešná 18,92% of households. The share of households with 3,4 and 5 members range from 13 to 16% and the minimum of households is in the category with 6, 7 and more members. An average number of members per household is lower, than in Čadca district, in Klokočov lives 2,59 people per household and in Olešná 2,66 people.

**Table 1** Households according to number of persons per one household in 2001 (in %)

Village	1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7+
Klokočov	23,37	20,17	14,00	16,37	12,93	7,95	5,22
Olešná	18,92	15,68	14,77	16,04	14,41	10,27	9,91
District CA	15,82	16,27	15,29	21,45	15,48	8,25	7,45

Source: ŠÚ SR, 2002<sup>355</sup>

In Čadca district 72,06% households are family households and 41,49% are households with dependent children. The number of children per household decrease because of bad economic situation and modern life trends. It prevails the model of one ore two-children family, that is visible in 78,42% households with dependent children. It is 16% households with three children and just 5,58% households with four and more dependent

<sup>355</sup> Štatistický úrad Slovenskej republiky, *Výsledky sčítania obyvateľov, domov a bytov v roku 2001*, (2002), digital form of data for region and villages

children. In Klokočov and Olešná is the share of family households lower, that again suggests the ageing process.

**Table 2** Types of households according to family and dependent children in 2001 (in %)

Village	Without dependent children	With dependent children	Non-family households	single
Klokočov	33,81	32,58	2,75	30,87
Olešná	31,37	35,60	1,28	31,75
District CA	30,46	41,59	1,92	26,02

Source: ŠÚ SR, 2002

**Table 3** Family households according to number of dependent children per household in 2001 (in%)

Village	1	2	3	4+
Klokočov	44,77	38,08	13,95	3,20
Olešná	38,49	39,21	16,91	5,40
Okres CA	39,73	38,69	16,00	5,58

Source: ŠÚ SR, 2002

The survey in households was focused at households with three and more members. The main respondents were women, and one man. It is characteristic for rural villages of Horné Kysuce region, that women stays at home, they care about children and household, so they are able to talk better about problems and impacts at whole household. The first category represent „young families“ with dependent children, whose live in a spouse parent´s house with siblings and grandparents (Mrs. Daniela – 7 members household), or they live in a new building near the spouse parent´s house (Mrs. Lenka – 4 members household). The second category of household is represented by mixed families without dependent children. There live young married couple without dependent children, and parents and siblings of one of them together (Mrs. Erika, Mrs. Vierka, Mrs. Iveta, Mr. Ján). There live 4 or 5 members in one household. In the third category are „long-standing“ families with dependent children living together in one family with grandparents (parents of one of spouse) – Mrs. Zuzana and Mrs. Mária, or with other

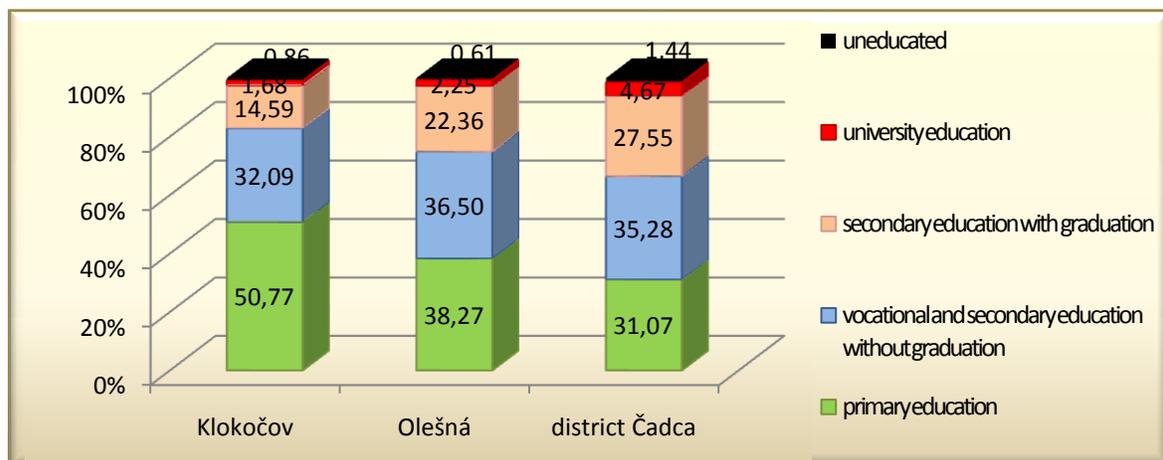
relatives (Mrs. Eva). These represents 5 – 7 member families. The last 4th category are the „old“ families, whose live old parents in retirement and one adult children (Mrs. Anna, Mrs. Jana). The households with dependent children displays weak economic situation, they had declared their household income like at living wages line, or below it. Only households without dependent children had declared household income above living wages.

#### IV. Situation at regional labour market

The regional labour market had been dependent at base industrial factories before 1989. Overemployment, one-sided producing orientation has caused that it hasn't been able to compete in new market economy. The result was bankrupt or strong restrictions and painful transformation of production. The regional labour market has not overcome it till today.

In Čadca district lived 92424 inhabitants in 2008 (31.12.2008), the women share was 50,29%. The share of economic active inhabitants counted 46,13 % of the absolute number inhabitants. Very important is the structure of people looking for job against job offer. The employment rate is effected by many factors, one of them is the level of education. In Horné Kysuce region inhabitants dispose dominantly by vocational school education, or by secondary education without graduation. 31,07 % of inhabitants dispose only by primary education. In the model villages the level of education of population inclines into primary education. In the village Klokočov 50,77 % inhabitants has completed the primary education, 32,09 % vocational or secondary education without graduation. In the village Olešná is the share more balanced. In the village Olešná is the share more balanced.

**Chart 1** Education structure of inhabitants in 2001 (in %)



Source: ŠÚ SR, 2002

It is not perspective to locate sophisticated production in diversified branches here because of a low education level. The higher educated young people don't have enough opportunities to find a job in their qualification, very well paid, so they departure. The result has been the native decrease since 2004 and the total decrease since 2005. The Labour, Social Affairs and Family Office<sup>356</sup>, branch in Čadca in the annual report claims: „in the comparison of districts of the Žilina region by common indicator, it is obvious to see, that in Čadca district is the worst situation in demographic progress of all.“

The situation is getting worse by low wage onto performed work and still increasing difference between average nominal wage in Čadca district (NUTS III region) and in Žilina region (NUTS II region) or in Slovakia (NUTS I region). The level of average nominal wage in the Čadca district per month reach only 62,93 % of average nominal wage per month in Slovakia and 64,83 % in Žilina region in 2008.<sup>4</sup> Low wage push the inhabitants, mostly men like bread-winners, to departure for work to other regions in Slovakia and to foreign countries (very often to the Czech republic).

**Table 4** Growth of an average wage per month (AWM) in the Čadca district 2002-2008 (in %)

	2002	2003	2004	2005	2006	2007	2008
Share AWM in Čadca district to Slovakia	76,37	74,75	74,11	74,31	74,31	74,04	62,93
Share AWM in Čadca district to Žilina region	84,89	70,15	83,39	66,19	65,22	65,14	64,83

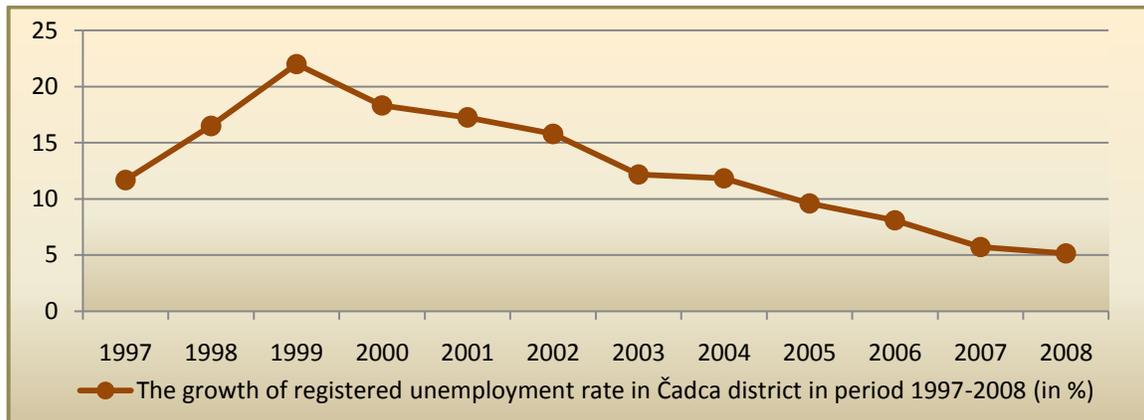
Source: UPSVAR, 2009

The other opportunity is to start business. The Statistic Office register that 13,13 % of self-employed in Žilina region in 2008, comes from Čadca district. But so high rate of self-employed doesn't locate its business in district Čadca, but they commute or departure for work to other regions, and so it decreases sale in region. A labour lead to bigger cities like Bratislava, Žilina, Čadca, Ostrava, Karviná, Frýdek-Místek, where is more job opportunities. The traffic connection is often complicated for many people from villages to these cities, also it increases travel costs and in connection with low wage creates difficulties to inhabitants. „The registered unemployed rate slowly decrease in the

<sup>356</sup> ÚPSVAR v Čadci, *Regionálna analýza trhu práce, sociálnych vecí a rodiny v okrese Čadca*, (2009), [3.5.2009], <http://www.upsvarcadca.sk/?abc=2>

Čadca region, but an employment doesn't increase, that indices getting employed in other districts or in foreign countries".<sup>4</sup>

**Chart 2** Growth of registered unemployment rate in Čadca district 1997-2008(in %)



Source: UPSVAR, 1997-2008<sup>357</sup>

High percentage of inhabitants is low educated, so the highest share of applicants for a job are low qualified workers and secondary educated people with graduation. High share of applicants for a job are women, whose belongs to risk group for getting a job. They have made 57 % of applicants for a job in 2008. Because of not very good traffic connections they are not allowed to synchronize commuting to work and child care with household activities. Distance between Klokočov and Čadca is 27 km, but it takes 70 min., to Žilina it is 52 km, but it takes 1,5 hour. Mrs. Eva form Olešná had finished secondary school without graduation like needlewoman, but then she has married and became pregnant. She has 4 children and now they are both with husband unemployed. After maternity leave she wanted to work in the village, or somewhere very near, to be with children during afternoon: *„I worked daily as an housekeeper 4 hours in late afternoon, it wasn't much money, but it helped us a little in household budget. I liked it, because I could stay with children during day. Last year they reduced staff in the company, because of world crisis, and they said that they are going to clean by themselves. I'm still unemployed since then..“* Other risk groups are the people in the age 35 – 49 years (36 % of applicants) and people above 50 years old (30 % of applicants). If we compare this situation with the data in Table 5, we can see relation this groups with the groups of active people leaving to foreign counties to work. In the same household with Mrs. Eva lives her brother-in-law (52), who is now unemployed too: *„I have*

<sup>357</sup> UPSVAR v Čadci, *Prehľad počtu evidovaných nezamestnaných v obciach okresu Čadca v rokoch 1997 – 2008, stav k 31.12.* , (1997-2008), digital data

*worked at road constructions for 23 years, then they have fired me, because had no work for me. I started to work in Karvina, but now it is a crisis, I'm old and nobody wants to employ me. If I will be 20 or 30, so yes, then they will employ me, but in this manner no. "*

## V. Work migration

In the past, region Horné Kysuce belonged between the poorest regions in Slovakia<sup>358</sup>, when many men migrate for work to the foreign countries (USA, Germany, Österreich). During 19. and 20. Century in the Moravian-silesian region were opened a few metalworks and coal-mines, that become a new migration destination. In the minds of people in Horné Kysuce region, thanks the generation of workers working in Czech Republic, has created some work tradition or pattern to migrate for work. If they can't find a job in regional labour market, they usually don't have any inhibition to migrate for work to other regions in Slovakia, or to foreign countries. Now this region belongs into regions in Slovakia with the highest work migration to foreign countries. In 2001 it worked 41, 37 % inhabitants in other regions or in foreign country and 28, 24 % of them worked in foreign country. In Klokočov is the work migration rate 54, 20 % and in Olešná 59, 42 % of active population. „*Everything is getting closed, it is impossible to find a job here, you have to go out to foreign country.*“ (Mrs. Mária, Olešná II)

In age structure it dominate age groups 35-44 and 45-59 years old inhabitants, whose very often work in Czech republic, or belongs into risk group in pre-retirement age, when they can't find job in a region.

**Table 5** Number of participants in labour migration in Čadca district in 2001

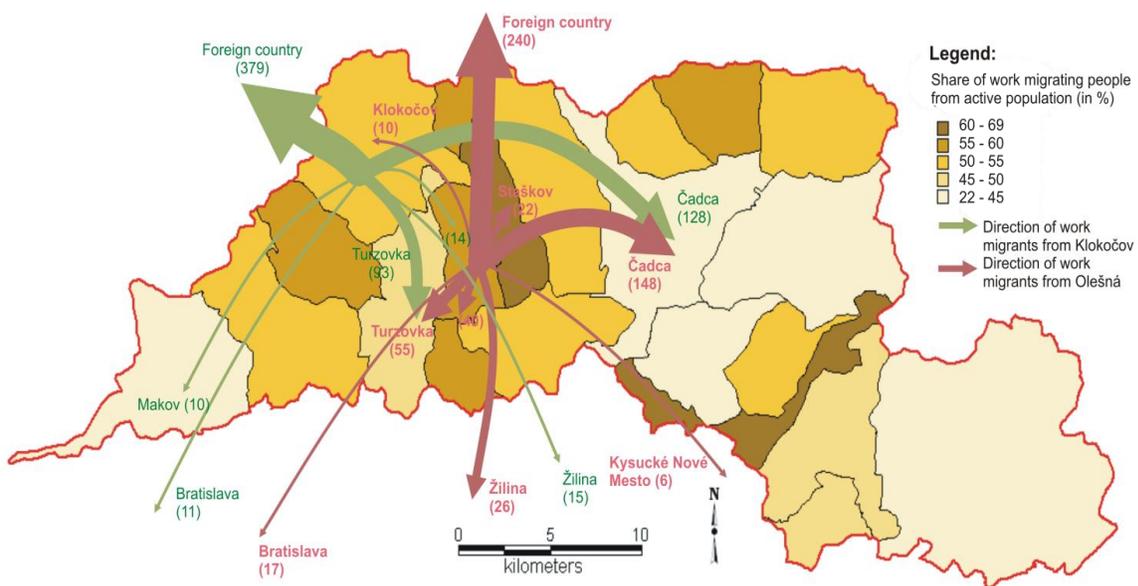
Direction of migration/age group	15-24	25-29	30-34	35-44	45-59	60+	sum
Departing inside the district	1 384	1 458	1 334	2 742	2 475	48	9 441
Departing to other districts in SR	768	953	663	1 031	855	24	4294
Departing to foreign countries	951	866	750	1495	1308	36	5406
sum	3103	3277	2747	5268	4638	108	19141

Source: ŠÚ SR, 2002

<sup>358</sup> More about history look in Hromádka Ján, *Všeobecný zemepis Slovenska* (Bratislava: Slovenská akadémia vied a umení, 1943), p.256.

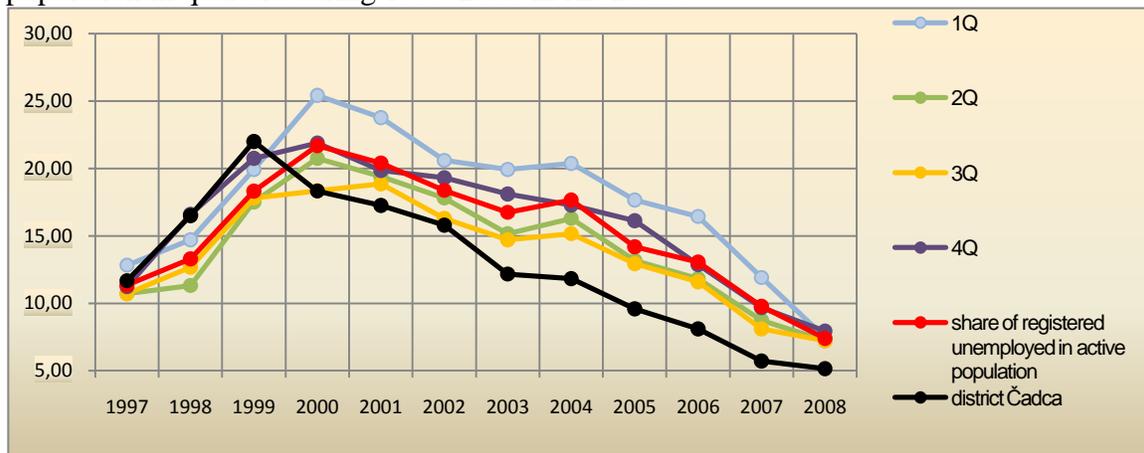
Young people and young couples need money for their own independent housing and they need also money for every day life costs. The solution is then man's departure for work to a bigger cities or to some foreign country, because there he can get higher wage for performed work. „It is no job opportunities in region, you have only one possibility - to go out for work to foreign country.“ (barmaid in a local pub, Olešná II) Men migrating for work to Czech republic usually work in building industries (occupy positions as waller, carpenter, bluecollar worker), or in wood industry in timber harvesting and forest cleaning, they find a job also in industrial factories (automobile factory Hyundai Motor Manufacturing, s.r.o. in Nošovice near Frýdek-Místek and its suppliers). Many people from Horné Kysuce region commute to Žilina, where has started industrial park Kia Motors Slovakia, s.r.o and its suppliers and logistic companies in 2006. One third (38,75 %) of work migrants to other regions in Slovakia, migrates to Žilina.

**Figure 3** Labour migration in Čadca district in 2001



Many unemployed inhabitants (men and women), who can't find permanent employment, work in Czech republic seasonal. „Many women from village work in Czechia in forests, they clean the forest. They commute daily by car and they come back in the evening. They work only seasonal from spring to end of autumn, until the first snow.“ (Mrs. Jana, Klokočov). Seasonal work is observable at variation of share of register unemployment people from economic active population in quarters.

**Chart 3** Trend of average share of registered unemployed people in economic active population in quarters during 1997-2008 in Klokočov



Source: UPSVAR, 1997-2008<sup>5</sup>

For most women with dependent children is impossible to migrate for work to foreign country, or to care about children only during late evenings. These women were disposed to migrate for work only in urgent case. More willingly for work migration were children without dependent children, or with adult children. „I have improved my qualification and I have done an requalification course as day care nurse. When the children will put away childish things, I will go to Austria to take care of seniors.“ (Mrs. Zuzana, Olešná D). After the Velvet revolution was closed or decrease many uneconomic companies, and many of them were the main employers for women in region Čadca (Pratex, Okrasa). Some of this women went out to find a job to foreign countries after the borders were opened. „My friend outmigrate to Austria for work after the state frontiers opening. She took care of seniors. Then she found other job and offered me her job in this family. I became unemployed after revolution too, so I agreed. Now I come home one per month and I managed to reconstruct a house with this money.“ (women in Klokočov) Some young girls after nurse secondary school education departure to Austria to earn money. They also take care of seniors: „Some girls have left from Hlavice (local part of Klokočov, author notice) to Austria to take care of seniors and earn some money. They left after finishing the school.“ (Mrs. Jana, Klokočov)

A society in region is still rather conservative and patterns used in every day life are changing only very slowly. Despite of difficulties with finding a job, just a few inhabitants are disposed to emigrate from home village due to work. In many cases it depends on situation: „It depends on situation, just in the case of a big profit, but still I think, that I will never emigrate. I will go out just for a time and then I will return back.“

(Mrs. Eva, Olešná I). *„I will never emigrate due to work, neither with my family. Here we have a house, ground and in a new habitat is very difficult to find a quality housing. I will always feel as an newcomer, there will be a disaffection and I never will be home there. But my daughter, she is other generation, she will go immediately if she find a job. She will move there too.* (Mrs. Jana, Klokočov, 57 years)

## **VI. Economic and social impact of work migration at household**

The rural society in Slovakia is typical by its lashing on land, property and social nets and people see very difficult to surrender them. In Horné Kysuce region is still this sign marked very well. Majority of rural inhabitants is disposed to surmount and stay in the rural village, despite of disadvantageous condition for financial securing of households and higher quality of life. They are longing for harmonic life, that connects mainly with material securing like large house, ground, car, well paid job, enough money for care for children. Nonmaterial values mention respondents in interviews after material. The reason is mostly its lack, or threatened option of their lost. That brings about lost of the level of their quality of life fear, phobia of threatened possibility of poverty, that brings not only material, but also social deprivation. *„The salary is minimal, I want to have better monetary conditions and so job opportunities in region, to be together with family. Everywhere around us lives many unemployed people, who were fired. There on the hill is almost everybody unemployed, I know them, I work there in Jednota.(retail chain, author notice)“* (Mrs. Zuzana, shop-assistant in local grocery, Olešná I) *„I want only to have job, because of children care. I am very unsatisfied with very weak social support and children's allowance. They don't support families and multi-path family has problem to survive. From 6000 SK (200 EUR, author notice)per month is impossible to survive with 4 children. If it will continue this way, I don't know what to do.“* (Mrs. Eva, unemployed, Olešná I)

In nonmaterial values dominates mostly necessity of complete family community in everyday life („to be together with family“), to have satisfying job and personal growth. *„I want to find a job, that match with my education and will be well paid“* (Mrs. with university education, Klokočov)

Young families with children living in autonomous household, match to disjunction difficult. They need money to build house together with money for everyday life in household. The solution is usually men's departure to bigger cities in other region or to foreign country. Women in maternity leave have to take care about children and to carry out all activities around household and garden alone. They don't share responsibilities and work

for household, that can effect tiredness and exhaustion between both of them. After longer time it can lead to spouse crisis. Mrs. Lenka from Olešná II. is in maternity leave with two children long time. Her husband works a long time as an self-employed in Žilina. To solve their financial problems, he has started doing business, because he has had no other opportunity to work. But it has its negatives too. *„My husband departure very early every morning and comes home very late, when we both are tired. Because of business we are not together during weekends everytime. I miss him in household activities and in the garden. I'm still lucky that I have here my people in law, who help me. I regret that he is not with children.“*

Second kind of households represent households with 4 or 5 members without dependent children. Income of this households is above living wages level, they don't need to solve housing question or children's care. Lack of job opportunities in home region and low wage cause, that one or more household members commute or longterm migrate to work. Mrs. Iveta lives in common household with her husband, adult daughter and son in law in Olešná. Iveta's husband and her son in law works in Czech republic, because they couldn't find well paid job. Men are masons, they migrated to work in the past and worked for seasons. Now her husband commute daily. To change this her daughter with husband has decided to start business with building material. Mrs. Iveta was in those time unemployed. *„Like unemployed I have passed requalification course, because I had finished only primary school. When my daughter with husband had decided to start business, I have started to work with her in the store. I hope in business growth, because than we can live together and nobody needs to work outside.“* Economic situation in household oscilates around living wages, because the opening investments to business brought high financial pressure. Mrs. Vierka lives with husband, his parents and brother in one family house. Both have university degree, so husband couldn't find a job in his specialization in region. Her husband and his brother daily commute to Czech republic, where *„is quite enough jobs,they can work in their specialization and so better utilize their qualification and abilities. They feel not only higher financial effect in higher wage as in Slovakia, but an internal satisfaction too“*. She responds to the question about negatives for her household: *„The distance to work place is long and some discrimination at workplace causes the feelings of tiredness at the weekend, that is transferring to our household too. An contact with family members is restricted.“* Finally is

the view of young couples without dependent children at work migrating positive. It is despite of the restricted contact between partners, only during weekends.

Oposite statement is in „long-standing“ families with dependent children in schoolyears, whose live in one household with grandparents. They feel strongly the separation, but they don't see any other opportunity. Mrs. Mária owns retail grocery in Olešná II. She has 3 dependent children and they live in one household with husbands parents in retirement. Husband had worked in Czech republic as an truck driver to earn enough money for family. He was with family just sparsely, because it was complicated to cross a border due to many controls. He got an heavy illness, so he become unemployed, but this badly influence his mental condition and family fell into financial crisis. Now he works in Czech republik again, because it was no other opportunity, but now he commutes daily. Mrs. Mária has too much activities, except her business, from child care to care about husbands parents, whose are getting older and lost a power. *„I miss my husbands help in household very much. It is hard to care about everything alone, but we have no other opportunity. My husband has got a job and he doesn't sit at home as unemployed. He brings more money, than he could get in a weak paid job here. The budget plan is cheaper in Czechia too. We can survive.“* Mrs Zuzana lives with husband, 2 children and mother in Olešná I. She occupies a position as shop assistant in a local grocery. Her husband has worked in Czech republic, because he couldn't find a job in his profession. Their household income increase, but *„he was not at home, when he was needed by house works, that I managed only very hard. The children missed him very much.“* After firing in his work, he found a job in a local saw, but the wage i minimal. They are now together, but the household is in financial problems.

The last category are represented by „old families“, where live parents in retirement and one adult child. This couples very often lived their life separately, when man has worked in foreign country and women has stayed at home. The spouses often grow away from one's family. It can cause some problems in retirement. Mrs. Jana from Klokočov lives in one household with husband and adult daughter. *„My husband worked whole life in Czech republik with other men from family (his father, brothers and causins), it was easier, they were close and they could help them together. He come home only one per month, but the wage difference between Czechia and Slovakia was huge.“* Long term absence caused many problems in family. *„It was hard that we couldn't be together, he didn't see how children grow up, I cared about them alone. It was problems*

*in family, with children and between us too.*“ Now are both of them in retirement, their daughter after finishing university studies stayed in Bratislava, because she couldn't find a job in her specialization in region Horné Kysuce. Mrs. Jana become ill, she is losing power and life energy to care about household, she is nervous because of it, what escalates in relation with husband or daughter.

Also a part of young population in economic active age, without children, or with a small children, leave rural villages and move to cities in region, other regions in Slovakia and foreign countries for work and better conditions. In the source rural villages stays people in higher age, or seniors. Decrease of young people and mixed multigenerational households is becoming a problem in a rural especially peripheral villages. Young people visit parents only occasionally. The seniors fall into material deprivation on the one hand, because they are not able to care about household, house or themselves and they have not enough money from low retired pay to finance the whole household (usually high prices for energy and medicine). On the other hand they fall into social deprivation, because ageing they lost social contacts with friends, whose die, they don't create new contacts due to long distance, they lost life motivation. The rural villages usually don't have enough money to build social infrastructure and daily care about seniors. This problem became more and more intensive.

## **Conclusion**

Region Horné Kysuce is still one of the regions in Slovakia with the high labour migration. It is maybe some kind of tradition together with no other opportunity to work. Because it is a border region, there is an international labour migration high. The work migration has many sides. We can observe moving and emigrating for work, or just seasonal work migrations, or daily commuting, but for a whole day. All of them influence the situation in households, that reflects in regional problems. In the region at household level is observable effect of financial effect of work migration and material securing of household against social separation in household, weak contact between members, problems inside the families. Inhabitants want to harmonize them, but in this period of economy crisis, it is difficult to achieve it.

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# **ADAPTATION OF LABOUR MIGRANTS AS A FUNCTION OF SOCIAL MANAGEMENT**

## **(Case of a construction site in St. Petersburg, Russia)**

**Anna Rocheva**

**Abstract** The XX century has already been named an era of migration; Russia hasn't avoided this tendency and moreover has faced enormous immigrants flow. The new social situation deriving out of it calls for adaptation which takes place in the framework of formal and informal institutions of the host society. The goal of social management is to optimize existing system of institutions; this paper is an attempt to cover several directions of adaptation from the perspective of the new institutional approach and social management.

**Keywords** labour immigration, adaptation, institution.

### **Introduction**

The collapse of the USSR became the turning point of the process of “opening” the borders of Russia together with other Commonwealth of Independent States (CIS) countries. This process took place in the broader framework of globalization and, speaking more locally, - Europe integration. Migration has become an integral part of the contemporary world-economy. Most of all, it can be said about migration of labour force – labour migration. This resulted in the appearance of inter-dependence between countries sending and receiving migrants.

Russia isn't a traditional immigrant-receiving nation (like Canada, the USA, Australia, New Zealand) but now it's trying this new role: according to the statistics of the World Bank, Russia stands on the second place in the world among countries receiving immigrants, after the United States of America<sup>359</sup>. Russian Federation is the main attraction pole for immigrants in the region of the CIS. According to the basic economic law of demand and supply, migrants from neighbouring countries are able to find working places in the labour market of Russia which is featured with imbalance resulting in the lack of unqualified or low-qualified workforce. It is labour migrants from the CIS countries coming on the visa-free regime that constitute the majority of the immigrant flow to Russia (including but not limited to Tajikistan, Uzbekistan, Kirgizia, Ukraine, Moldova).

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<sup>359</sup> “Russia Second-Largest Migrant-Receiving Country In World, Says World Bank Report” // <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTMIGDEV/0,,contentMDK:21183758~pagePK:210058~piPK:210062~theSitePK:2838223,00.html>

Taking the position of a receiving country accordingly leads to the positive and negative effects of labour immigration that Russia faces like other host countries. First, economic effects include that cost of labour force and consequently costs in general go down; second, migrants are consumers of commodities and services on the market of the host country, which means that the market grows; third, labour immigrants might contribute to the opportunities of vertical mobility of the “local” workforce occupying unpopular workplaces; fourth, in case of legal employment the state budget receives tax proceeds; fifth, the demographic structure can benefit from it; sixth, labour migration can be a way of recruiting high-qualified and/or rare workforce. On the other hand, effects of another kind can’t be overlooked. First, this can lead to the worsening of the local labour markets situation; second, uneven distribution of labour immigrants on the territory of the host country, their concentration in the most developed regions, big cities; third, possibilities for social tension, promotion of discriminatory practices; fourth, risks of marginalization of labour immigrants resulting from the adaptation process going in the direction undesirable for both immigrants and in the end – host society. Successful adaptation can be a factor contributing to the elimination of marginalization. The goal of social management, therefore, is promotion of adaptation in the direction, opposed to marginalization.

Adaptation is understood as a process of mutual adjustment of new-comers and receiving society resulting in appearance of new social patterns. In accordance with new institutional approach, adaptation takes place in the framework of and is influenced by institutions of the host society (both formal and informal). Adjustment processes are regulated by institutions, i.e. rules of routine interactions and mechanisms of their maintenance<sup>360</sup>; at the same time, institutions are created and transformed by individuals. Thus, more specifically the goal of social management can be put as follows: to guarantee the effectiveness of the institutions for the successful adaptation.

## **I. Material and methods**

For the research the following hypothesis has been set up: formal and informal institutions might not be favourable for the adaptation of labour immigrants in St Petersburg. Formal institutions exist not in all spheres; instead there appear informal

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<sup>360</sup> North D., *Institutions, Institutional Change and Economic Performance* (Cambridge University Press, 1990).

ones. Moreover, informal structures might exist even as alternative to formal ones, in parallel. However, informal institutions might be connected with illegal practices and thus contribute to marginalization and adaptation in the direction, negative for both sides.

The hypothesis was examined on the case of a construction company in St.Petersburg which is one of the popular destinations among immigrants. Migration can serve as a reliable indicator of differentiation in socio-economic development of regions<sup>361</sup>, and it can be proved on the distribution of labour immigrants in Russia: the most popular regions are those economically most developed: Moscow region, Hanty-Mansiysky and Yamalo-Nenetsky autonomous districts, Sverdlovsk region, Primorsky kray, St. Petersburg<sup>362</sup>. The majority of labour immigrants in Russia are employed in the construction sector (43%<sup>363</sup>). However, some difficulties occur when searching for a construction company who can let a researcher in due to the fact that illegal employment is practiced and letting an outsider in means risk of bringing some information out. The situation worsened due to the economic crisis: two companies rejected and explained it saying that all topics connected with labour immigrants are banned as they haven't been paying them salaries for 3 months already. It's worth mentioning that they rejected despite all the assurances about anonymity and despite the fact that all the searches were held through social networks which could serve as an additional factor of guarantee. Finally, a construction company was found. It is estimated by the head and co-owner as a "middle-sized company" in St. Petersburg: "neither big nor small"; it's been operating on the market for the last 8 years by now. It serves as a subcontractor on several sites both in St. Petersburg and in the suburbs: mainly finishing work but also construction itself. I carried out semi-formalized interviews with the head of the company (he's a co-owner), with the foreman and some workers on a construction site (both from St. Petersburg and from the CIS countries, namely Ukraine, Kirgizia and Tajikistan). In the interviews I covered some directions of adaptation, namely: getting information about labour migration to Russia (rights and requirements determined in the laws of the Russian Federation, opportunities and different spheres of employment, etc), solving all legal matters (migration registration, working permit), sorting out questions connected with

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<sup>361</sup> Зайончковская Ж. 'Рынок труда как регулятор миграционных потоков' // *Миграция и рынки труда в постсоветской России* // Под ред. Г.Витковской. М., 1998. С.27.

<sup>362</sup> *Труд и занятость в России - 2007г.* // сайт Федеральной службы государственной статистики: [http://www.gks.ru/bgd/regl/B07\\_36/IssWWW.exe/Stg/d01/05-18.htm](http://www.gks.ru/bgd/regl/B07_36/IssWWW.exe/Stg/d01/05-18.htm)

<sup>363</sup> 'Are You Happy to Cheat Us?' - Exploitation of Migrant Construction Workers in Russia. Human Rights Watch Report // <http://www.hrw.org/en/reports/2009/02/09/are-you-happy-cheat-us-0>

employment (looking for a job, agreement with an employer: either orally or in a written form, etc), obtaining social relations. I should mention that all migrants have come for a period of time to work and earn money (usually for some purpose: marriage, house construction, etc). Their families are in the native countries and this creates an interesting position of theirs in the middle between country of work and country of origin. They work in Russia for a period of about a year (length of a work permit), then come back “on vacation” and then return again. The whole life course and life planning is special.

The research required also analysis of the laws of the Russian Federation devoted to the labour immigration from the CIS countries (which doesn't require visas) and some basic international norms (conventions) and bilateral and multilateral agreements between Russia and countries exporting labour force.

## **II. Theoretical basis of the research of adaptation**

In general adaptation can be understood as a two-side process: the first one is "fitting in" to the society of settlement and functioning successfully in a new environment; the second one is the acceptance from the side of the host society. As a result, new social patterns appear.

At least two main sociological perspectives can be mentioned when speaking about adaptation. The first one, which can be called normative (E. Durkheim, T. Parsons, R. Merton) presupposes that there're some super-individual substances existing in the society – social facts – having compulsory character: “they consist of manners of acting, thinking and feeling external to the individual, which are invested with a coercive power by virtue of which they exercise control over him”<sup>364</sup>. Adaptation is seen as a process directed by them and in its course a person learns all the necessary patterns, norms and values and thus enters a social system. A person learns cultural patterns and his/her opportunities of influence are limited, there can be only side innovative change (either constructive or disruptive). Thanks to this fact the structure of social action obtains high-stable structural supports<sup>365</sup>. Stability, equilibrium and balance between needs, interests of an individual and social environment serve as goals of the adaptation process; with a view to ensure it social control is functioning; it checks accordance with dominant values; the whole system is oriented on the normative order.

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<sup>364</sup> Durkheim E., *The Rules of the Sociological Method* (New York: Free Press, 1982), pp. 50-59.

<sup>365</sup> Parsons E., *Societies: Evolutionary and Comparative Perspectives* (Englewood Cliffs (NJ): Prentice-Hall, 1966).

Robert Merton enriched this approach with paying attention not only to the goals defined by culture but also to the opportunities of their realization. Moreover, he declared conflict nature of the normative structure of the society, which calls for adaptation every time when a person takes up a new role in a specific situation. Merton has created a typology of modes of adaptation: conformity, innovation, ritualism, retreatism, rebellion – each of which is defined in two dimensions: the extent of acceptance/rejection of the goal and ease of access to means of goal realization<sup>366</sup>.

In the framework of the second approach – interpretative (A. Schutz, P. Berger, T. Lukman) – a person obtains a more active role in adaptation. In the course of everyday interactions within his/her “native” society he/she uses the schemes and patterns which are “set by default” and do not require any additional explanation. Fundamental to this approach is Weber’s sociology which primary focus is on the subjective meanings that actors attach to their actions in their mutual orientations. Therefore, a person always directs his/her actions in accordance with generalized other (G.H.Mead concept); he/she permanently interprets social reality, which calls for modification of the behavior and adjustment – even more so if we recall the situation of an alien. When an alien gets in touch with a host group, he/she faces a problem of interpreting actions of others as he/she doesn’t know all the patterns required for the correct interpretation and thus adequate action in response. Thus, adaptation of an alien means a process of getting to know patterns used in the host society in the process of interaction, in the result of which there appears shared knowledge. Social control in its various forms can enable some patterns of constructs after they turn into standards of behavior<sup>367</sup>.

Classical theories of assimilation (Park, Burgess, Gordon) can be seen as related to the second, interpretative approach. They presuppose that the final result of adaptation is inevitable assimilation, i.e. substitution of the norms, values, etc of the “old” society with those of the new one. Assimilation is understood as a final stage of adaptation: contact, competition, conflict, accommodation, assimilation<sup>368</sup>. Therefore, on the last stage (it can be reached by second generation) a migrant group is melted into the

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<sup>366</sup> Мертон Р., ‘Социальная структура и аномия’ // *Социология преступности (Современные буржуазные теории)*. М., 1966. С. 299-313.

<sup>367</sup> Щюц А., *Мир, светящийся смыслом*. М., 2004. С.21.

<sup>368</sup> Park R., ‘Human migration and the marginal man’, *American Journal of Sociology*, vol. 33 (1921), p. 881-93; Park R. and Burgess E., *On Competition, Conflict, Accommodation, and Acculturation* // <http://media.pfeiffer.edu/lridener/courses/COMPCONF.HTML>; Park R. and Thomas W., ‘Participation and Social Assimilation’ *In Kimball Young (ed) Source Book For Social Psychology*, (New York: A.A. Knopf, 1927), pp. 47-53// [http://www.brocku.ca/MeadProject/Thomas/Thomas\\_1927d.html](http://www.brocku.ca/MeadProject/Thomas/Thomas_1927d.html)

receiving community. However, this assimilationist approach narrowed the perspective of a researcher and lately the possibility of successful functioning of a single “melting pot” has been questioned; despite recent advocates of this approach<sup>369</sup>, social sciences recently tend to acknowledge plurality of results of adaptation instead of single result (assimilation) and this plurality depends on multiple factors<sup>370</sup>.

Neoinstitutional approach offers another interesting perspective in the sense that though its main thesis is “institutions matter”, nonetheless it pays attention to actor as well. Moreover, it differs from normative theories in its view of a person as an active individual. Institutions shape routine interactions but they can be created and transformed by individuals. Institution can be defined as follows: “Interrelated system of institutional elements – formal and informal – facilitating, motivating, an governing and economic action”<sup>371</sup>, and also mechanisms of their enabling and support. Distinction between “formal” and “informal” institutions isn’t a strict dichotomy but rather a continuum in which the indicators of formality are connected with the written fixation and state enforcement: formal institutions are defined in the laws and usually created on purpose, informal institutions appear spontaneously. It’s important to note that informal institutions aren’t bound to illegal practices; secondly, they might embrace not only some historically derived norms and traditions but also some innovative strategies<sup>372</sup>.

However, once appeared or being created, an institution can go on without being effective – first of all, in the sense of decreasing transaction costs. As institutions limit set of alternatives available for the actor, they contribute to the uncertainty elimination – and consequently elimination of risk and costs for information and coordination. Effectiveness of an institution can be measured with the help of indicators connected with big transaction costs; but there’re costs which are very difficult to calculate: for example, time spent for information search, time spent in queues, bribes and losses resulting from improper control and supervision. Maintenance of institutions means they reproduce

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<sup>369</sup> Alba R., Nee V., ‘Rethinking assimilation theory for a new era of immigration’ *International Migration Review*, vol. 31(4) (1997); Alba R., Nee V., *Remaking the American Mainstream: Assimilation and Contemporary Immigration*, (Harvard University Press, 2005).

<sup>370</sup> Schmitter Heisler B., ‘The Sociology of Immigration’ *Migration Theory: Talking across disciplines* (Eds Caroline B. Brettel, James F. Hollifield), (Routledge, 2008), pp. 83-113.

<sup>371</sup> Nee V., ‘The New Institutionalism in Economics and Sociology’ *CSES Working Paper Series*, No. 4 (2003) // [http://www.economyandsociety.org/publications/working\\_papers.shtml](http://www.economyandsociety.org/publications/working_papers.shtml). P.63.

<sup>372</sup> Радаев В., *Новый институциональный подход и деформализация правил российской экономики*, Препринт WP1/2001/01, Серия WP1 Институциональные проблемы российской экономики. М., 2001. С.24.

themselves, which is caused by three reasons: first, they allow society functioning in its contemporary conditions (maybe in the absence of purer forms of market), second, institutions are internalized, third – they are embedded in the interrelated system of institutions in such a way that it’s hard to modify one without dealing with others<sup>373</sup>.

Therefore, adaptation takes place in the context structured with institutions each of which is associated with higher/lower transaction costs; institutions might be created and modified by actors, social groups, etc. However, it’s not so easy to de-construct an institution in case of its ineffectiveness. At the same time, adaptation can be seen as a function of social management which on the level of the whole society is understood as a mechanism of internal self-regulation and “goal-oriented and value-oriented interaction of actors of management practices which guarantees satisfaction of needs and realization of interests of managed and managing parties with the help of reaching consensus and shared aims”<sup>374</sup>.

### **III. Research results**

Having analyzed the laws of the Russian Federation devoted to the labour immigration from the CIS countries (which doesn’t require visas) and conducted interviews, I can draw the following conclusions. Formal institutions do not exist in all spheres listed above. However, these spaces do not stay empty and are filled with informal institutions. Moreover, the latter can appear and act parallel with the formal ones in the cases when they’re estimated by individuals as less costly. What’s interesting is that informal institutions are being built into the formal ones. The problem, however, is that informal institutions are likely to be connected with illegal practices.

All information about migration is spread through the social networks of the potential immigrants. At the moment there are no effective formal institutions coping with this task. While creating channels of information for potential immigrants, it’s important to bear in mind that the majority of immigrants come from the villages (*kishlaki*) not provided with Internet or simple computers; so, any attempts to upload necessary information (like, requirements of the contemporary Russian laws) on the web-

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<sup>373</sup> Guilmoto C., Sandron F., ‘The Internal Dynamics of Migration Networks in Developing Countries’/ *Population: An English Selection*, Vol. 13, No. 2(2001).

<sup>374</sup> Волчкова Л.Т. ‘Качество социального управления: междисциплинарный подход к исследованию’ *Качество управления: междисциплинарный анализ. Материалы междисциплинарного семинара по управлению. Выпуск девятый.* СПб, 2008. С.11.

sites of the Federal Migration Office give very small effect. Moreover, information there is displayed on two languages: Russian and English which doesn't correspond with the needs of the immigrants (some of them hardly speak Russian, not to say about English). Recently, there has been created a test version of information bank in the framework of bilateral agreement between Russia and Tajikistan but it includes information concerned with employment only (available workplaces, employers, regions).

Coming to Russia requires preparation if a person seeks risk decrease. Preparation means search of some friends, relatives, fellow countrymen, etc already working in Russia. In this situation weak ties can help a lot: starting from the initial accommodation, obtaining of registration and work permits to the job search.

Despite the immigration reforms of 2005-06, the requirements for getting work permits and registration are quite strict. A migrant is supposed to be registered during 3 working days after arrival in the presence of some "receiving party" (this can be an employer or a "local" person). Amount of work permits that can be issued is assigned for every region annually and can be adjusted. The mechanism of quotes calculation isn't clear and serves as a source of instability and insecurity. The figures are gathered by the local government from employers, then all information is stocked in the centre and Ministry of Health and Social Development together with Ministry of Economics and Federal Migration Office make decision about the final figure and its distribution for the regions, branches of economics and countries of origin. However, this tool isn't adjusted properly: employers do not declare their need for immigrants and therefore the figures are lower than real needs on the country level and the quotes come to an end earlier than at the end of the year. Employers, in their turn, do not see necessity in participation in this request campaign: an employer can work with a labour immigrant regardless of the fact whether he addressed a request. Sometimes, a conflicting situation might take place when employers who took part in this campaign can't employ any immigrants as quotes are over till they satisfied their need in staff. Second negative effect is the opportunity of personal influence on the quotes calculation by some politicians: for instance, statement of Prime-Minister Vladimir Putin about the necessity of 50% quotes lowering in December, 2008<sup>375</sup>. Finally, the quote hasn't been cut so sharply but such statements

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<sup>375</sup> See article: Премьер России предложил сократить квоту на привлечение мигрантов // <http://www.rg.ru/2008/12/04/kvota-anons.html>

contribute to the instability and uncertainty which might lead to further development of illegal obtaining of work permits.

In the cases when a migrant isn't able to perform all necessary requirements to get all documents, he/she can be provided with mediator assistance. The service of mediators can include all papers execution, transfer organization, job search. Mediation institution operation differs considerably: though the means can be illegal, documents which are provided to a "client" can be legal. In this case, this is seen as "extra service" performed legally but with some additional payment. It can be connected with illegal practices (a mediator can take money and cheat; a mediator can provide a person with fake documents).

Similarly, there's no developed labour market for the employer and potential employee. Qualifications check is carried out on the spot through test task performance. Furthermore, price paid for following formal rules of employment is higher for the employer than penalty for their breach. Thus, illegal employment is practiced.

Thus, search of the employees is carried out with the help of social networks as well; in this search one of the important factors is that the employer is known as reliable, firstly in terms of salary payment. Reputation and trust together with a circle of people who can work themselves as well as recommend others are assets in the search of employees. These means serve for risk decrease.

As illegal employment is considered less costly, there are no written agreements between employer and employee. Again, what plays an important role here is trust which is often built on the personal relationships not necessarily with the head of the company but also with a foreman who serves as his deputy on the specific building site.

Even having all necessary documents doesn't secure a migrant against bribes, and it hampers successful adaptation even in the sense that it prevents him/her from familiarization with the city space. Bribes become a universal means for solving a lot of problems: starting from questions of illegal employment with the police and Federal Migration Office to deals with the Emergency in case of injury or even death of a migrant as construction is a dangerous sector.

High risks of bribes when walking in the city together with hard physical work, long working day and week prevent migrants from the broadening their social networks; of course, bad Russian language mastering and xenophobia among some "local" people

contribute to it as well. There is a risk of building of discriminatory practices into the social perception picture and its assessment as normal.

As mentioned above, Russia isn't a traditional immigrant-receiving country and doesn't have experience acting as a "melting pot"; declarations about further liberalization of the migration policy are met negatively; it is restrictive means that are seen as a major tool to eliminate illegal labour migration. This mood can be traced also on the level of St. Petersburg government: in the framework of the city program "Tolerance" (Program of harmonization of interethnic and intercultural relations, of xenophobia prevention and tolerance promotion)<sup>376</sup> there's a section devoted to the adaptation of labour immigrants. Only 4% of all the arrangements were devoted to migrants, their adaptation and integration. The main focus of these arrangements was on the raids and checks of documents of immigrants; that was performed mainly by the Committee for the issues of law order and security.

## Conclusions

The Russian Federation is following the United States of America in the amount of workforce imported; little experience in dealing with immigration leads to difficulties Russia faces like other receiving countries. Migration is a controversial process: it has potential for advantages Russia can make out of it as well as disadvantages and risks, among which is marginalization. Adaptation closely associated with illegal practices is unable preventing from this risk; thus, social management is to create conditions for adaptation in the direction required. This will require monitoring of the situation: what formal and informal institutions operate in the field, to what extent they are effective. At the moment, it can be said that lack of formal institutions that would be considered effective in the sense of costs leaves enough space for the appearance and operation of informal institutions that can be connected with illegal practices, which is connected with special kind of adaptation from which neither society not migrants benefit.

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<sup>376</sup> See Official web-site of the St. Petersburg Government: <http://www.gov.spb.ru/today?newsid=4661>

# POSITION OF WOMEN AT THE LABOUR MARKET OF EU: REASONS AND CONSEQUENCES OF DISCRIMINATION.

**Soňa Svoreňová**

**Abstract:** Main topic of my article are the theories explaining the earn gap between men and women. I introduce the main theories, that explain, why women usually belong to lower income groups, despite of variety reasons why it should not be so. I mostly try to introduce the issue from the economical point of view. In my paper I research the position of the women at the labour market of the EU. The main topic of the paper is the question, what are the main reasons, that lead to the gender discrimination. I research, if the discrimination is the consequence of some real facts, or if it is mostly related to gender stereotypes. The European Union is a perfect field for such analyzes. Despite of almost unified antidiscrimination law in the, it is possible to observe big regional disparities in the position of women, not only in the labour market, but in society in general. In my paper, I would like to point out the fact, discrimination is not only so called „female” issue, its consequences have an impact on all the society. I deal with the impact of discrimination on all the society, companies, households, and also the interaction between the discrimination and social system of the states.

**Keywords:** Unpaid women work, Theory of human capital, theory of choice, theory of discrimination, feminist attitudes to the work value, care economy, stereotypes

## Introduction

The majority of EU member states has the discrimination depending on sex banded by constitution. On the European level is the right of men and women for the same evaluation mentioned in the article 119 of *Treaty* establishing the *European Community*. In the praxis, very often even this basic law is broken, and the issue is more complicated than it seems to be on the first sight.

The average pay gap between men and women reach almost 25% of the male’s salary.<sup>377</sup> The difference is not caused only by ignoring the work law, but also by the fact, that women are less frequently reaching the well paid positions. In my paper I try to present some of most realistic theories, explaining what is the most common reason, why women earn less.

Basically, the most common question, asked when this issue is being discussed is the question, if it is free choice of women, to work in worse paid jobs, or it is a consequence of system on which our society is based, where you can find variety of direct or hidden discrimination, that force them to earn less.

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<sup>377</sup> Opinion on Gender Pay Gap. Advisory Committee on Equal Opportunities for Women and Men, European commission, 2007

The main objective of my article is to introduce in shortcut the most important economical theories, dealing with the pay gap. Usually this is the issue is considerate to belong more to the sociology or psychology. My deal is to introduce the topic from point of view of an economist. I also point out the most important negatives when being applied on nowadays Europe.<sup>378</sup> I try to compare the theory to the studies reflecting the reality in this sector.

## Results

Pay gap means “difference in average gross hour earnings between men and women within the whole economy and all employers’ organizations.”<sup>379</sup> Generic segregation of professions is regarded as the main cause of pay gap. Apart from women’s concentration in low income sectors, there are other reasons such for pay gap as: distinction in education, less women at leader’s positions because of their maternity or prejudices about their smaller competences etc.<sup>380</sup>

Mostly we can divide the theories into two groups: The „choice“ theories, which are mostly based on neoliberal economy theories of human capital and almightiness of free trade. Second group is represented by the „discrimination“ theories, which explain the difference from feminist point of view.

### **„The human capital theory“ by Gary Becker**

The theory refuses any kind of discrimination, as majority of the neoliberal theories. According to it, in the competitive market environment the existence of any discrimination is impossible. It explains the difference in the salaries by different criteria of men and women when choosing the occupation. Men usually have the financial questions as very high priority. They expect the investment into the education and personal development will come back in the form of higher salary. According to Becker, women have another preference when choosing the future profession. They do not expect their education investment will come back in the financial form. They prefer the jobs, from which they expect the feeling of satisfaction. Financial questions are not at the top position of their priority list usually. According to Becker theory, it is mostly not the women’s priority to invest some time to the human capital development, because they are family oriented, and their priority is to get more

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<sup>378</sup> Despite of the EU member countries are in very different situation, for the needs of the article we can consider it to be one unit. Despite of family and gender stereotypes are all countries coming out from similar cultural standards, and therefore is the main point of the problem same in majority of the countries.

<sup>379</sup> Filadelfiová, J., Gyárfášová, O. a kol.: Aká práca, taká pláca?

<sup>380</sup> <http://glosar.aspekt.sk/default.aspx?ami=1&smi=1&vid=92>

time, they would be able to invest to the family activities and housekeeping, therefore mostly the jobs with lower education requirement are chosen by them. The discrimination itself is something very irrational on competitive labor market and therefore also very improbable. In the consequence of these reasons, Becker refuses any type of state involvement.

### **The choice theory according to Warren Farrell**

According to Farrell there are 25 key differences in women's and men's attitude to the work, that causes men earn more.<sup>381</sup> The theory is based on same principals as Becker's theory. He says women prefer quality of life, what in their understanding usually mean more time for family, more then higher incomes. He is bringing the idea, that when we speak about the women's financial appreciation, we should not take in consideration only the money woman earn on her own. He says, in almost 80% of American households it is the women, who is deciding about the family finance, that includes also the men's salary. According to this statement he says, that in reality woman has exactly more money she can decide about then men, when compare to the time they spend at work.

### **Theory of institutional economy according to David Colander a Joann Wayland-Woos**

Authors worked out the theory as an opposition to the human capital theory. They introduce the term „insiders rent“. As the organization of the society is in already very long time on the men's side, men are those, who did set up the criteria of success in the way that is advantageous for them and disadvantageous for women. In the institutional economy, also being a member of some group is important criteria of success. In this way it is question of being a male. There is no sensible economical explanation for such fact, but it is a reality. It is the same effect, as when we take in consideration e.g. somebody is of the same nationality or same religion. Next point is that salaries are usually counted according to time somebody spends at work. It is also advantageous for men. According to authors the fact, men are at work longer, does not mean they do more work. Many women try to work more effective, to be able to spend more time with their families. (Some feminist theoretic even say men try to spend more time at work to be able to avoid housework, not to increase their work performance)<sup>382</sup>. By using the theory of institutional economy we can analyze positions of power and methods used for their shifting and keeping.

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<sup>381</sup> Farrell, W: Why Men Earn More

<sup>382</sup> Barbara Steigler, german feminist theoretic

## Discrimination theory

According to discrimination theory, the pay gap is the consequence of discrimination attitude of employers, nor of the different acting of men and women at the labor market. There are two levels of discrimination according to them. First one is the direct discrimination. It means that women earn less on the same work position as her male colleagues. The second level is the hidden discrimination. It means the entire economy sectors that are traditionally feminized, or so called “women work” are being misjudged. According to authors this types of work are traditionally worse paid, even if there social value is same as the value of men’s work. Discrimination of women on the labor market is shown as direct and hidden, but also in forms such as<sup>383</sup>:

- horizontal segregation on labor market and sector segregation in private sector;
- vertical segregation – glass ceiling, it represents the amount of women who achieve the best and highest paid positions even in feminized sectors;
- structure of salaries – pay systems are made up by different components which are negotiated on individual basis and there is where women are often less successful and handicapped;
- systems of collective negotiations are characterized by mencentric attitude and by minimum representatives of women;
- inequality in responsibility for family and household – women spend more time in unpaid work oriented on family and domestic work;
- multiple discrimination – based for example on the age, family status, number of children and their age, ethnic and race background – which increase the pay gap;
- distinction in education based on approach to study but also on ideas and bias on “work suitable for women”;
- “men model” of labor market and its system of rewarding which is adapted on typical male life cycle and their needs;
- in consequence of historical development and stereotypical approach is women’s work usually regarded as a work of “lower value”.

Reasons which concern mencentric approach to economy, labor market and rewarding have became main objective of feministic criticism.

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<sup>383</sup> Filadelfiová, J., Gyárfášová, O. a kol.: Aká práca, taká pláca?

## **Feminist concept of work evaluation**

Feminist concepts are based on the fact that all the society and also economy is strongly influenced by stereotypes. According to these stereotypes is women's work judged as less valuable. Partly is for this responsible dividing economy sectors on productive (paid work) and reproductive (the work done outside of official economical sector). The second explanation are the old-fashion opinions from times, when women's labor was taken as a temporary solution until getting married, or to overcome the crises when men's salary is not enough high. Other trouble is according to feminist gender stereotypes that influence women when choosing the job. It means offering to women only traditional women jobs, and the prejudices to women working in the traditional men's positions.<sup>384</sup> Most important fact is, that many women do not realize, that they are not free in there choices, and they are limited by stereotypes.

## **„Care economy“ theory**

This theory is based on the fact that women are doing important part of their work inside of family, in household, taking care of men or children, outside of productive economy. The fact, this work is not included into GDP is according to it the proof, that all the economic system is concentrated on man (they called it mencentric). The part of economy in which are women doing the majority of their work is taken as the by-product, that stands outside of the system. Therefore the system is judged as not fair to women. The fact, they do big part of unpaid work make them dependant on men. Therefore the feminist point out, it is inevitable to find the way, how to move this “care” work to paid part of economy.

## **Conclusion or how are the theories can be applied on nowadays Europe?**

All the mentioned theories have also their critics. Almost every one has remarkable niches, when try to be applied on now a days Europe.

**The human capital theory:** The main failure of the theory is not reflecting the situation of nowadays European Union. In the EU is reaching master degree more women then men. E.g. in Slovakia are 53, 1% of university graduated people women. 93% of women have reached at least the high school level, and only 87% of men did. Also the statistics of all-life education are on the side of women, they are more interested in it then man. So, the fact, women do not want to invest their time in the personal development seems to be wrong.

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<sup>384</sup> Pierre Boudier: Nadvláda mužov

This theory is also based on assumption that women can willingly choose their life carriers, while in reality is influenced by their families and society where generic roles and stereotypes are being made. It is out of question that women are primary responsible of household and family, the real problem is whether is this acceptance of responsibility voluntary or is forced by stereotypes. But the theory of human capital do not distinguish between the restrictions which women put on themselves and the structural limitations and this is it's biggest failure.<sup>385</sup>

**The Farrell's choice theory** is also not reflecting the European reality very well. The statement that, in 80% of households' woman is money decision maker cannot be applied very well, as almost 40% of European marriages are being divorced. It means women can not automatically rely on the second men's income. In the European conditions such statistic would be very different. If woman is divorced, she only gets money for the children, if there are any, and not money for her own. The amount of money is counted from the needs of children only. So it is only source of money for bringing up children, not the compensation of the time she spends by bringing them up. Unfortunately, situation when woman is depending on husband's money is quiet common. Many women therefore can not decide to leave the men, even if they would like to. It leads to frustration on both sides, and has very bad influence on psychology of both of them usually.

Mascha Madörin, feministic economist, mentions the weak sides of Farrell's theory by pointing out two Swiss papers (Bauer, 2000; Fluckiger, 2000). There is stated that at same education level men are better paid. Some similarities are also shown in Slovakia. Mainly in private sector we can see that the higher education the higher is pay gap. These papers also show that the salary of married men is higher than the salary of single men. On the other hand the salary of married women is lower than the salary of single women. These papers show employers' prejudices against married women – mothers – and their preference of married men, where they expect more stability. Moreover results from these papers reveal that more than 60% of differences between men's and women's salaries can not be explained by the theory of human capital.

**Theory of institutional economy according to David Colander a Joann Wayland-Woos**, There is no significant obstacle for its application, but there are no real fact that can prove it. The strong factor supporting the theory is the fact, that according to many statistics it is very common that women earn less on the same position then men. The position of women is more difficult also because of the prejudice, that women have family and

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<sup>385</sup> Filadelfiová, J., Gyárfášová, O. a kol.: Aká práca, taká pláca?

household at the first priority. This stereotype is an obstacle also for the women with other priorities, who has e.g. carrier at the top.

What is most difficult in **feminist theory** is to proof, that choice of the occupation is a consequence of stereotype, and is not a natural choice of women. The discrimination from the side of employers can be proved easily, bud the fact that stereotypes influence the acting of women can not be proved by any numbers.

**Care economy** theory seems to reflect the EU situation very well, but the main problem is how to evaluate the work done in reproductive sphere of social life. The theory is not giving answer to this question.

## **Situation on European Union's labor market**

The principle of the equal rewarding for women and men is anchored in European Union's Treaty of Rome from 1957. Also Lisbon strategy engaged member states to half minimize pay gap till 2010.

Equal rewarding for women and men means that<sup>386</sup>:

- reward for the same work at job wage is counted by same job rate;
- reward for the same work at time wage is same for same work.

In 2007, the employment of women in European Union was at the level of 58,3%<sup>387</sup> which means increase of 1 percent point unlike the previous year. Least women are employed in Greece, Italy and Malta, where there is not employed half of the women in age of 15 – 64 years.

Differences between sexes in 2007 in European Union remain almost at the same level (14,2%) compared to year 2006 (14,3%). In Bulgaria, Denmark, Finland, three Baltic countries, France and Sweden, the pay gap was lower than 10%. On the other hand, employment of the women in Malta is half of the men's and moreover a lot of them work in part-time jobs.

Long-term unemployment is also more wide-spread between women in European Union than between men. In EU-27, long-term unemployment of women is at 3,3% level and 2,8% of men. Highest differences are in Greece, where 7% of active women opposite to 2,2% of working men was unemployed more than one year.

Statistics in entire European Union show that women earn 25% less than men and 14% less in public sector. In Norway, women at full-time job earn 14,5% less then men. This

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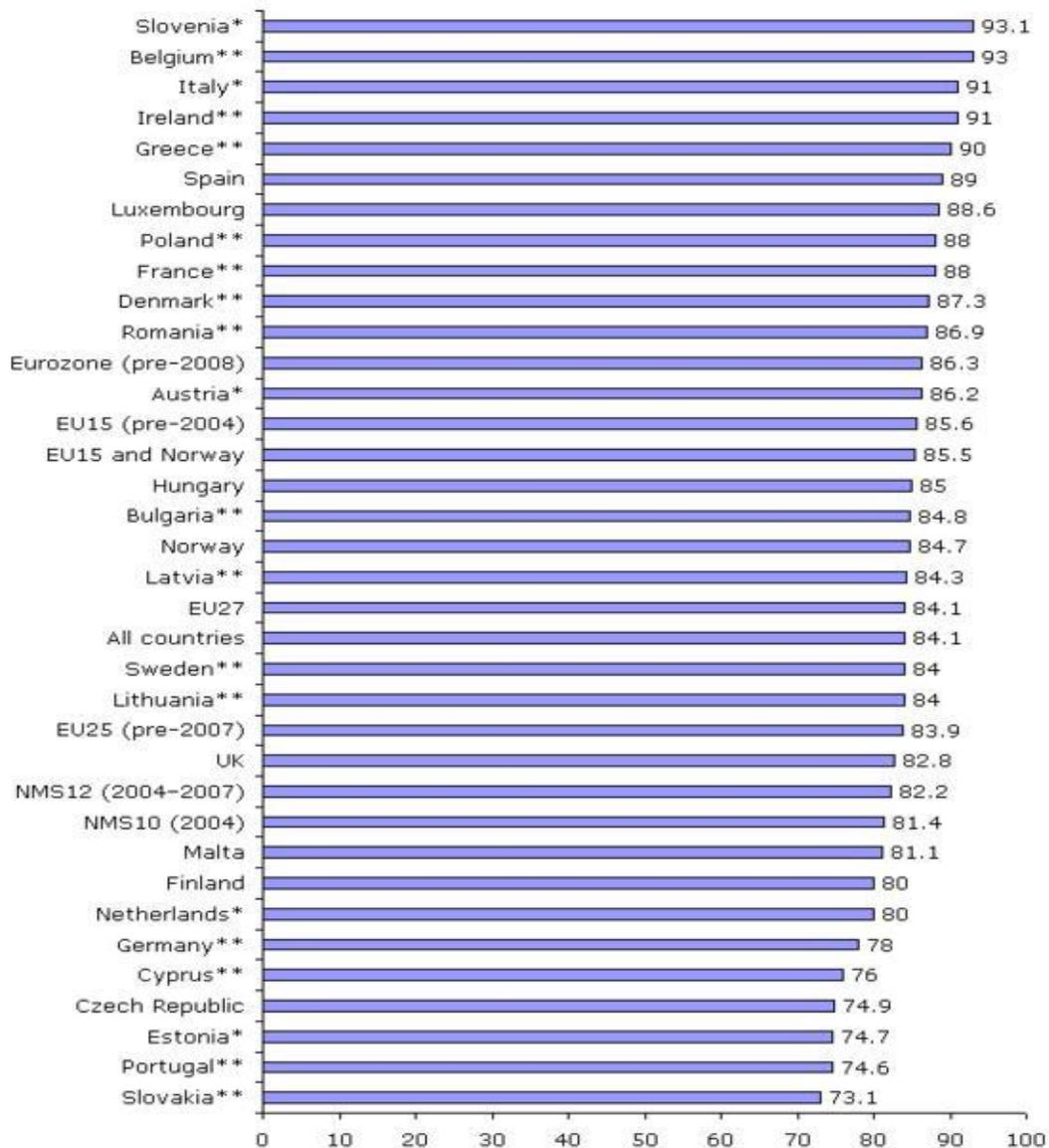
<sup>386</sup> Equal pay – Exchange of good practices

<sup>387</sup> Social Situation Report 2008

pattern repeats in all members states. Women earn 18% less in Denmark, 33% less in Austria and 19,4% less in Great Britain.<sup>388</sup>

European Union has forbidden pay gaps in 1976. This pay gap is getting bigger and bigger in spite of all legislative restrictions in all member states. Papers show that women earn circa 75%<sup>389</sup> of men salary. The major problem remains women sectors, because they are less paid than men sectors.

**Graph 1** Average women earnings as percent rate on average men earnings in European Union in 2006



Source: EIROOnline; 2007. Available at: <http://www.eurofound.europa.eu/eiro/studies/figures/m0804019s-fig06.jpg>

<sup>388</sup> Equal pay – Exchange of good practices

<sup>389</sup> Equal pay – Exchange of good practices

## **Situation in Slovak republic**

According to a paper of Statistics bureau about Development of structures and differentiation of wages in years 1997 – 2006, there was pay gap in Slovakia. Half of the women earned less than 13 716 SK, while men earned about 3 402 SK more. Moreover, paper shows that these inequalities are getting worse in time which is relative to the highest dynamics of men salaries. Their wage increased 102,5% in last 10 years meanwhile women's wage grew 14% less than men.

Results of Statistics bureau state, that even though women have in long-term higher rate of basic wage, their salary is minor because of highest bonuses men get in their jobs.

We can see bigger differences between wages of highly educated men and women. On the other hand the smallest differences are between employees with full high school education, basic general education and high school education without graduation.

Women between the age of 20 – 24 years earn 12,3% less than their men contemporaries. In the age of 35 – 39 years the difference is increasing to 35,3%. Again at the age of 60 and more there is an extension of pay gap between men and women.

Paper's data also show that women working as officials and senior managers earn 33,8% less than men at the same positions and this pattern repeats between skilled workers. Women concentrate mainly on service sector with lower work price.

The smallest pay gap is in sectors: education, health service and social services. On the contrary the highest pay gap appears in financial mediation, trade and industrial production.

Slovak Republic adapted to its law and orders all directives of European Union related to equality of opportunities for women and men, including directive of Council no. 75/11/EHS, which speaks about same reward for women and men. To assert this directive into praxis remains problem, because there are not any control or institutional mechanism at different levels.

**Chart no.1** Development of salaries of men and women in Slovak Republic (in SK)

		2001	2002	2003	2004	2005	2006
Senators, managers, control workers	men	36 889	39 257	40 177	46 552	52 126	51 682
	women	22 306	24 400	24 857	28 455	29 770	34 215
Scientific and specialist mental workers	men	19 000	21 358	22 948	24 913	27 725	29 511
	women	14 097	15 338	17 160	19 276	20 957	22 230
Technicians, medicals, teachers	men	16 608	19 253	20 103	23 224	25 408	25 826
	women	11 459	13 687	14 511	16 165	17 429	18 245
Clerks	men	12 754	14 961	15 502	16 777	18 020	19 042
	women	10 951	11 341	11 872	13 507	14 359	15 174
Employee in services and trade	men	10 192	11 995	11 784	12 838	14 287	15 086
	women	7 997	9 269	9 353	9 716	10 458	10 796
Skilled workers in agriculture and forestry	men	9 125	10 801	11 429	12 395	12 817	13 968
	women	8 320	9 346	9 373	10 722	11 198	11 940
Craftsmen and skilled workers in relative divisions	men	12 412	14 662	15 504	16 903	18 140	18 322
	women	9 016	9 851	10 702	11 010	11 507	12 229
Service of machines and equipment	men	12 569	14 868	15 781	17 030	18 046	18 515
	women	9 646	10 839	11 455	12 242	13 069	13 943
Subsidiary and unskilled employees	men	8 434	10 010	10 454	11 297	12 124	12 757
	women	6 315	7 429	7 760	8 189	8 941	9 706

Source: Statistical bureau, Ľuboš Jančík; in SME, June 8<sup>th</sup> 2007

# LABOUR MARKET CHANGES ACCORDING TO SLOVAK KNOWLEDGE BASED ECONOMY NEEDS<sup>390</sup>

**Miroslav Štefánik<sup>391</sup>**

**Abstract:** This paper deals with possible labour market development in Slovakia. Author begins with a reflection of knowledge society as a background for his work. Technological change and investments are considered to be crucial in shaping future demand for labour. Supply side is determined by present and expected spreading of tertiary education. A simple supply-demand analysis results into a formulation of scenarios of possible development.

**Keywords:** Knowledge society, skill biased technological change, labour market, scenario

## Introduction

This paper offers some ideas on future development in the realm of Slovak labour market. It tries to identify the basic determinants of this development and offers three brief scenarios. Submitted text is a discussion paper summarising the basic logic of my dissertation. It does not go into particularities neither brings any empirical discoveries, only describes the theoretical background of my reasoning. It is supposed to identify some basic determinants of future Slovak labour market development in the horizon of 20 years and put these determinants into a consistent and comprehensive scheme.

Concept of knowledge society presents a starting point defining the context of future labour market changes. Three aspects of knowledge society are highlighted giving a rough idea of this concept's relevance in the realm of labour market.

A simple supply-demand analysis is used to construct presented scenarios. Second section of this paper focuses on the demand side of labour market; particularly on observed international changes in labour demand. Technological change and international investments are considered to be crucial in shaping future demand for labour in Slovakia. Third section offers some figures on the supply side of Slovak labour market with special attention on tertiary education.

Fourth section draws down three scenarios of future development in this field.

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## **I. Knowledge society**

“Knowledge society” presents a term arching over the context of this analysis. It is a complex and ambiguous term referring to various aspects of contemporary societies. It attempts to characterize some of the main developments in societies in late twentieth and early twenty-first century.<sup>392</sup> Therefore it is not the ambition of this paper to offer a complete definition of knowledge society. Instead of this, it offers a focused partial definition based on the perspective of this paper. Knowledge based economy is understood as an organically interconnected part of a knowledge society. It offers a material basis for human existence, and is at the same time rooted in the broader phenomenon of knowledge society. Three main aspects of knowledge society can be identified as especially important:

### **A: Knowledge society as a following period in the process of societal development**

Gains from knowledge and innovation are as old as human history, but in the end of the twentieth century they become to be a dominant complement of overall human activity. Knowledge is fruitful in various forms and areas of human life. It was the economic sphere of our lives, which showed the best ability of utilising knowledge. New fruits of knowledge entered other spheres of human life mostly through this sphere. In economical terms, knowledge utilisation means increasing productivity. Politicians, but even well experienced experts in this field often tend to connect increasing productivity due to knowledge with the concept of human advancement in general. A thought of more profit with less labour lies behind this kind of reasoning. As a result, knowledge and its utilisation have become a major concern of firms, politicians and people in general. Social scientists are pointing<sup>393</sup> on the increasing importance of knowledge since the late sixties. As far as it still appears as an unfinished process, it is more appropriate to speak about a transition to knowledge society. Transition to knowledge society can also be put into a wider historical context. In this connection it seems to be a continuance of the previous (“late industrial”) stage of societal evolution. The idea that knowledge society

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<sup>392</sup> Handbook of Knowledge Society Foresight, European Foundation for the Improvement of Living and Working Conditions, 2003, p.: 5, Source: <https://eurofound.europa.eu/publications/htmlfiles/ef0350.htm>

<sup>393</sup> Most famous books are: Peter F. Drucker: The Age of Discontinuity: Guidelines to Our Changing Society (1969)  
Daniel Bell: The Coming of Post-industrial Society (1973)

presents actually a progress, a step ahead, makes it so attractive. Let us assume this to be the first essential feature of a knowledge society.

### **B: As an intention of decision makers all around the world**

Because of reasons mentioned above, knowledge society is a very attractive concept to believe in. Everyday experience provides enough evidence to support this statement. No need to look hard for it. Politicians use this concept to explain their visions. Strategies are built upon it; The Lisbon Strategy is a perfect example<sup>394</sup>. These kinds of documents show us how many expectations are connected with the transition to knowledge society, and gains from knowledge in general. It is supposed to be the source of sustainable economic growth, but also a solution of unemployment and social inequality. This idea at the first glance might seem a little naive; nevertheless it is worth to believe in; it is worth the effort. People are willing to sacrifice something for the vision of knowledge society, and they do so. This is considered as an important aspect of knowledge society's nature. It became a component of political and economical strategies as a priority and often also as a criterion to distribute sources. Therefore it has a point to think and speak about it. The definition of knowledge society used by decision makers should attract attention of social science because it is getting real in human action.<sup>395</sup>

### **C: The only path to prosperity in a globalized economic system**

Since decision makers adopted the concept of knowledge society and discovered the possible fruits of knowledge, an international trend occurred. It is a trend of moving to knowledge society. In the same time, globalised economy has put national governments into a rough competition for investment and workplaces distributed transnationally. The only way how to attract transnational economic activities is to improve schooling and innovation sector. Moving to knowledge society is a response to changing international environment, where capital gets more mobile in contrast with relatively immobile labour. Qualified workforce and a productive innovation sector, with functional basic research, means success in international competition for investment. Knowledge society for this reason became the only

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<sup>394</sup> This document declared a goal for Europe, to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. Find more: [http://www.europarl.europa.eu/summits/lis1\\_en.htm](http://www.europarl.europa.eu/summits/lis1_en.htm)

<sup>395</sup> The twist when a theoretical concept turns into a real intention of human action and therefore becomes a subject for a later theoretical analysis can be according to Anthony Giddens described as double hermeneutics. The concept of knowledge society seems to be a perfect example of a double hermeneutics in social sciences.

path to prosperity. If a country is lagging behind, the consequences are economical underdevelopment, unemployment and decreasing living standard.

Thinking about knowledge society in fact means thinking about an infinite process; therefore speaking about knowledge society means speaking about a transition to knowledge society.

The strongest force in shifting to knowledge society is economical. Knowledge, as well as innovation and technology can be used to increase productivity. This is probably the primary reason of their growing importance especially in last decades. Let us call this “The knowledge increasing productivity hypothesis”.

Two main pillars of knowledge society can be identified<sup>396</sup>. These can be used to operationalize the definition of knowledge society according to the needs of a supply – demand labour market analysis. Based on this reasoning transition to knowledge society can be reduced to:

- a) *Spreading of education*
- b) *Increase in innovation potential*

Within the frame of this paper innovation production and utilisation is constitutive for the demand side of labour market. Educational system with its output presents the supply side of labour market. National countries are in a competition for international investment. Success in this competition can be achieved by strengthening the two pillars of knowledge society; spreading of education and increase in innovation potential.

## **II. Transition effects in the demand side of labour market**

The main goal of this paper is to put down scenarios and describe the logic behind their creation. A supply–demand analysis is used as a basis for this reasoning. This section focuses on demand side of labour market. Presenting two key effects, which are expected to shape the future development in demand for labour internationally, and in Slovakia as well.

International trend of moving towards knowledge society can be observed also in Slovakia. Tertiary education was spreading and innovation sector was proclaimed to be a priority in almost every strategy in the last 15 years. The strategy of knowledge society transition is well formulated in declarations of decision makers since today. Slovakia is also in a competition for international investment not only with neighbourhood countries. In this situation two main effects of transition to knowledge society can be identified in the realm of labour market demand: *technological change effect and international competition effect*.

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<sup>396</sup> Van Vught, F.: Youth, Education and Labour Market, Group of Societal Policy Advisors, European Commission, Brussels, 2006

If the country is knowledge oriented, both of these effects are supposed to influence employment structure through demand shifts dominantly in the same direction, towards more skilled and educated workers. Within occupational as well as structural shifts can be expected in both cases.

### **A: Technological Change Effect**

Based on the knowledge increasing productivity hypothesis we can assume that fruits of new knowledge are used in the way to raise productivity. Economic subjects act to improve their productivity, as it is their primary goal. Increased supply of educated workers offers opportunities to use available qualification to increase work productivity. Qualified work in combination with technology brings more effective production.<sup>397</sup> This can be observed either in the adaptation of new technologies in existing economic activities or in disappearance and appearance of existing activities. In the first case it causes a within occupational shift in employment and in the later we can speak about a structural shift in employment.

Some long-term empirical studies<sup>398</sup> confirmed existing intuitive assumptions that technology on workplace favours skilled, thus more educated workers. This showed to be visible also on the macro level, analysing overall demand for labour. Authors formulated the basic statements as follows:

- i. *Computer technology substitutes for workers in performing routine tasks*
- ii. *Computer technology is complementary for workers executing non-routine tasks*

These statements raise several implications. Routine work can be to certain extent replaced by computer technology in combination with non-routine work. Because executing non-routine work puts higher expectation on qualification, the demand for qualified work will increase. As a result, the demand for skilled workers in the macro level is growing relative to the demand for unskilled workers. Literature identifies this movement as skill biased technological change (SBTCH). In praxis of early 21<sup>st</sup> century, the most effective criterion for distinction between skilled and unskilled is tertiary education attainment. Workers with tertiary education are considered as skilled.

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<sup>397</sup> Strategies using new technology and qualified labour can be explained as a response to profit incentives. See more in: Acemoglu, D.: Technical change, Inequality, and the Labor Market, Journal of Economic Literature, Vol. XL

<sup>398</sup> In the USA: Autor, D. H., Levy, F, Murnane, R. J.: The skill content of recent technological change: An empirical exploration, Quarterly journal of economics, 118 (4): 1279 – 1333, In Germany: Spitz, A.: Are Skill Requirements in the Workplace Rising? Stylized Facts and Evidence on Skill-Biased Technological Change, Discussion Paper No. 04-33, Centre for European Economic Research, 2004, Source: <http://ftp.zew.de/pub/zew-docs/dp/dp0433.pdf>

Not only the amount of education, but also the quality is significant. Educational system must according to change in demand produce graduates able to deal with non-routine tasks. A need to adjust the current curricula is emerging. This pays for tertiary, as well as for secondary and other forms of education. Changing the curricula is always a delicate operation; school should not be reduced only to a factory-producing workers.

Skill biased technological change can be observed at within occupational level. The effect of new technologies can be also observed at the beyond occupational – structural level. Technology is changing the nature of existing work, but it also enables possibilities for completely new economic activities. In accordance with knowledge increasing productivity hypothesis and the assumption of homo oeconomicus, these possibilities will be explored and utilised. In this process new economical activities are emerging, on the other hand some economic activities are vanished due to low profitability. Plenty of examples could be drawn in this field. Emergence and disappearance of economic activities in these terms is contributing to what is called structural change in economy. Structural change in economy has a direct effect on the structure of employment in considered economy.

The demand shift towards more educated work described above is visible in a long-term perspective. In short-term perspective market equilibrium problems like overqualification or structural unemployment can be observed. Short-term labour supply-demand interactions are complicated and hard to predict. Nevertheless some implication can be drawn even from the perspective of new technology adoption.

## **B: International Competition Effect**

As national countries and regions get into competition to attract international investment, this brings a second significant effect. Slovakia is a small country with an export-oriented economy within a strong and well-advanced community of EU countries. It is also still dealing with the consequences of post-communistic transition and birth of Slovak Republic. In this situation it is especially interesting to study international investment effects on the structure of economic activities, thus employment structure in Slovakia. The effect of international competition in this context means the effect of investments inflowing to Slovakia, but also domestic investment directed to stay in the country.

Investments are crucial primarily in shaping the employment structure defined by economic activities tied with applied investment. The relation between investments and employment is in this paper seen in the optics of labour demand movements. This area became a subject for various scientific studies. In central European region, most of those

analytical efforts were oriented on foreign direct investments (FDI). It would not be fruitful to go into particular findings; instead some general assumptions can be identified.

- i. *Character of created working places (demand for work) can be expected, according to the attributes of incoming investment.*
- ii. *Countries and regions are competing in order to attract investment creating the most valuable working places.*
- iii. *The value of a working place is determined by the extend it is utilising some kind of knowledge (education, technology, organisational knowledge).*

Investment means not only FDI, but also all kind of investment countries and regions are attracting. Investments in general are getting more mobile thanks to new information and communication technologies and globalisation of markets. A country or region has to compete even for domestic investment; for green field investment alike as for brown field investment. Different investments are more or less mobile, but the overall trend is that their mobility is rising.

Because investment brings capital mostly in combination with some kind of knowledge it can not only create new, but also change existing working places. It therefore brings not only structural change in employment, but also intra occupational change. If the strategy of a country or a region is successful<sup>399</sup> the change is again supposed to shift demand towards more skilled and more educated workers.

In the demand side of labour market two main effects can be identified. Technological change influences primarily the intra occupational demand bias towards more skilled, but consequently in longer perspective also the occupational structure is changing. International investment influences primarily the employment or occupational structure, besides this new investment brings also new technology and knowledge thus affecting labour demand also intra occupationally. If the country is successful in the transition to knowledge society, both these effects are shifting the demand for labour in favour of more skilled and educated workers.

### **III. Movement in supply of labour**

#### **(with some figures for Slovakia)**

A commonly accepted textbook definition can be used as a framework to describe supply side of a labour market. According to this definition, the supply of labour is determined by

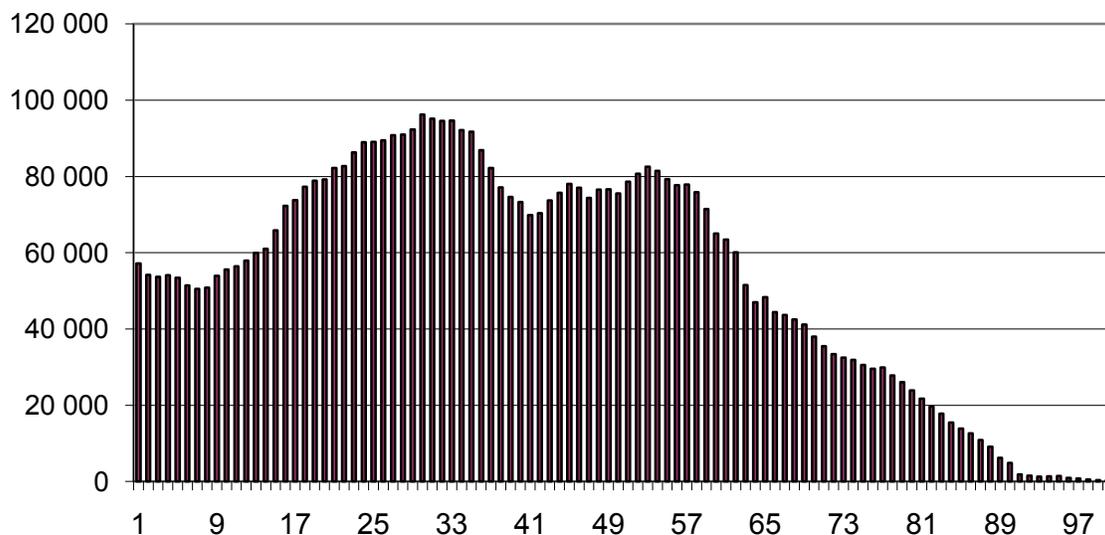
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<sup>399</sup> Orientation of a country strategy towards knowledge society is the only possible to avoid underdevelopment and decline in living standard.

the number of individuals willing to work – thus the size of population of working age and the proportion of this population that is willing to work<sup>400</sup>. In a long run perspective, a possible change of educational structure should be taken into account in the supply side analysis.

Slovak population in 2008 was 5 412 254, this number is going to stagnate in future 20 years mostly because of low birth rate. 2 691 200 people in 2008 were economic active. Approximately 230 000 Slovaks work abroad. Next graph presents the distribution of persons living in Slovakia in 2008 according to their age. Two peaks can be seen in this distribution. The most numerous year-classes are around the age of 30, the second peak presents their parents' generation in the age around 52. There is supposed to be also a third peak around the age of 10 to keep the continuity. Unfortunately, the parent generation have not become to be a grandparents' generation yet. A weak and late upturn among the youngest will insufficiently replace the strong age groups of the late Seventies. This is not only the case of Slovakia; several European countries are waiting for the third post war population wave.

**Graph 1** Total Slovak population in one-year age groups (2008)



Source: The Statistical Office of the Slovak Republic

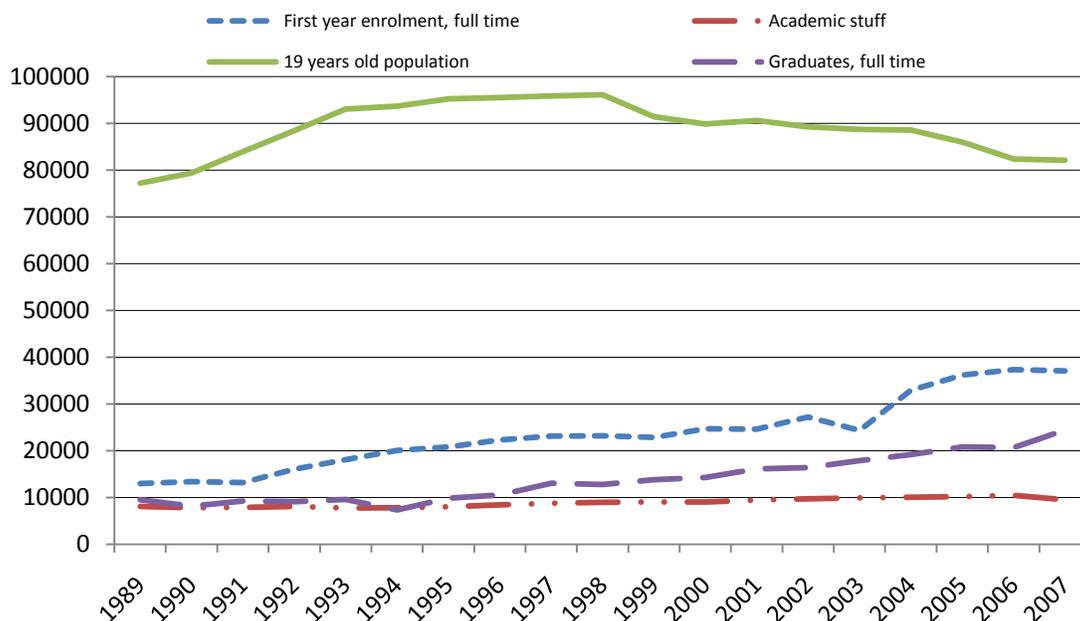
This has implications also for the future development of labour market participation rate. After 15 years the second peak in the age around 52 will retire. On the other hand, inflow of young people entering the productive age will be smaller than the retirement. This will push

<sup>400</sup> Elliott, R. F.: Labor economics (a comparative text), McGraw-Hill Publishing Co., 1990, p.: 25

the participation rate down and the dependency ratio up. Despite the slight increase of total population, the number of workforce will be lower in 2025<sup>401</sup>.

For reasons mentioned in the first two sections, tertiary education becomes especially important in the perspective of knowledge society transition. Almost 15 percent of economic active Slovak population had tertiary education in 2008. Future prospects in this field are positive. About 90 percent of Slovak population aged 15 – 64 achieved at least secondary education. Only 7 percent of economically active population declare their highest level of education to be primary education. Tertiary education is well compensated on the labour market; therefore the demand for it is constantly high<sup>402</sup>. Supply of tertiary education has been increasing during the nineties until today. Proportion of tertiary educated persons within the overall population is rising. This trend is in contrast with stagnation of research and development sector. Slovakia is going to make a significant move towards knowledge society opening tertiary education to wider numbers of people.

**Graph 2** Tertiary education, basic figures in absolute numbers



Source: The Statistical Office of the Slovak Republic

As can be seen from the graph above, the ratio between first year enrolment and the total number of 19 years old population was changing dramatically during last 10 years. (From 4,12 19 years old persons per one enrolled in 1997 to 2,22 in 2007) As a result of this, future increase in the proportion of population with tertiary education can be expected in the long

<sup>401</sup> According to the prognosis of Infostat, the total number of workforce will be 3 percent lower in 2025 than in 2004. In.: Prognóza pracovnej sily v krajoch SR do roku 2025, Infostat, Bratislava, 2006

<sup>402</sup> Based on the net earnings of different age and educational groups in 2007 a lifetime earnings of tertiary educated workers are 44 percent higher in comparison to workers with the most favourable type of secondary education.

run perspective. Besides positive prospects in quantitative performance of tertiary education, the importance of qualitative dimension of Slovak universities and colleges is going to grow. The question of quality of distributed tertiary education will be relevant also in the international level as a criterion for investment decisions.

Based on numbers of past development in tertiary education in Slovakia we can expect further increase in numbers of tertiary educated persons. The proportion of tertiary educated economically active persons among total economically active persons will also rise in next years. The question of quality of supplied education is emerging in this context. The fact, how labour market will appreciate the quality of Slovak tertiary education will be crucial for future labour market development.

### III. Scenarios of future development

With respect to these trends scenarios of possible development will be drawn. Optimistic scenario will offer also a normative view, trying to outline briefly the right actions that need to be done. Pessimistic or negative scenario will focus on threats arising from possible development. The realistic scenario will offer an earthbound view on the problematic.

Scenario drawing is based on reasoning described above. Supply-demand analysis offers an elementary framework for this action. Two effects in the demand side and one expected change in the supply side can be used as dimensions of future development. Various scenarios acquire various values in these dimensions.

Table 1: Three scenarios of future development

Demand side		Scenario	Supply side
International competition effect	Technological change effect		Tertiary education expansion
+	+	Optimistic	+
-/+	+	Realistic	+
-	+	Pessimistic	-/+

- + : shift towards tertiary educated workers
- +/- : indifferent change
- : shift towards less skilled workers

## **A: Optimistic scenario**

This scenario suggests demand strongly moving towards non routine, interactive and analytical labour, in favour of tertiary educated workers. This move is determined by a positive international competition effect as well as positive technological effect. Slovakia has established itself in international competition for high-tech and high value added investment, which would generate a substantial amount of work places and increase the demand towards tertiary educated workers. New technology spreading in economic activities has similar effect on labour demand in Slovakia. On the other hand, supply of tertiary educated workers in Slovakia will rise.

An important factor in the international competition has been the number and quality of work force, thus the quantity and quality of tertiary education outcomes. Tertiary education plays also a key role in innovation creation and utilization, which is a precondition to success. Basically, in the long term the increased supply of tertiary educated workers will satisfy the demand for skilled work. Numbers of graduates with tertiary education diploma will find appropriate jobs. They will utilise their education properly in non-routine and non-manual work.

A necessary precondition for this development is that investors evaluate Slovak tertiary education as attractive for high value investments. The extensive expansion of tertiary education must be realised with respect to quality of supplied education. Curricula must be adjusted to respond changes in demand for workers. To achieve this, Slovak government has to improve Slovak schooling so it can succeed in international competition. It needs a comprehensive and consistently applied strategy. Moreover this strategy must be based on an idea, which should give Slovak schooling a comparative advantage. This means a change in curricula, either according to employer's requirements, or based on a specialised analysis. For example a SWOT analysis of existing situation can offer a base for future decisions in this field.

## **B: Realistic scenario**

Demand for labour will move only slightly towards more skilled work. This will be determined only by new technology spreading. Slovakia will not gain significantly from international distribution of investment. It will not be able to offer any essential comparative advantage to get higher value added investment than today.

On the other hand, numbers of new university and college graduates entering labour market will show their abilities for clerical and administrative work. Access to this kind of production factor will attract appropriate economic activities. Demand and supply of labour market, as well as any other market, is in bilateral interaction. Therefore any country can partially change the demand for labour providing a certain type of workers. If Slovak schooling would produce graduates without analytical, interactive and problem solving skills, this would offer work force more suitable to perform routine than non-routine tasks. It will create a comparative advantage in attracting this kind of work.

This is partially happening today. International firms are relocating their accounting, sales and support activities to Slovakia. This means a lot of clerical and administrative work performed by graduates of Slovak tertiary education just because there is sufficiency of them, even if high school graduates could do the job the same. The amount of routine work is diminishing thanks to computerisation and managerial improvements. Orientation on this segment of labour is not sustainable and even if it will not totally disappear, problems concerning reduction and recession in this segment can be expected.

This development can be expected if there will be no significant improvement in the quality of Slovak tertiary education and labour market estimation on the existing quality will connect Slovak tertiary education with routine non-manual tasks.

### **C: Pessimistic scenario**

Demand for skilled workers will stay the same, when two contra effects on the demand side will neutralise total demand change to a minimum. Supply of tertiary educated will rise in the beginning but after drop down in market appreciation of tertiary education the supply will stagnate. So after the existing demand will be saturated, significant numbers of tertiary educated workers will be forced to take under-qualified jobs. This under-qualification will be harder than described in the realistic scenario. It could mean college graduates working manually as construction workers or machine operators. This is an example of ineffective investment into education.

In this scenario Slovakia not only loses in the international competition for the best working places, but it will not be able to keep the second tier jobs (routine non manual) because of relatively high wages and relatively low skilled work force.

Therefore Slovakia will stay behind the most advanced EU countries in living standard and quality of work opportunities.

Nevertheless the gap between Slovakia and other EU countries will be limited thanks to international market mechanisms and Slovak EU membership.

## **Conclusions**

Submitted paper tried to explain the basic logic of a more extended work in a nutshell. It assumes that future development in the realm of Slovak labour market could be grasped in a supply-demand analysis. Transition to knowledge society determines both sides of Slovak labour market. Changes in the demand side will be formed dominantly by new technology usage and by the nature of new investments. Supply side can be characterised by increasing numbers of tertiary educated workers. Based on this reasoning three scenarios of future development were briefly drawn.

Referring to presented scenarios some hypothesis for further analysis can be formulated. Asking about the consistency and probability of presented scenarios, several questions about identified effects arise. Further inquiry on the mechanisms of new technology and investment effects on labour demand would precise the forecast. Questions on the character of applied technology or investment and differences in their affections emerge. Regularities in various kinds of technology and investment in connection to area of economic activity, the size, or other features of the company can be interesting.

One question seems to be central in the relation to presented scenarios. It is the question about employer's assessment of Slovak tertiary, but also secondary education. According to the assessment of present labour's qualification, companies will decide whether to enter Slovak labour market and what kind of activities will they bring.

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# REFORMING SOCIAL POLICIES IN EUROPE – DANISH FLEXICURITY AS A BEST PRACTICE MODEL

Lena Thureau

**Abstract:** In order to secure competitiveness and social inclusion in Europe, sustainable social policy reforms are needed. Due to different European welfare traditions and a lack of EU social competencies, the concept of mutual *policy learning* gains relevance. By benchmarking Danish *flexicurity* achievements the paper analyses the best practice potential as well as the obstacles of this model. Finally, it is suggested to develop national *policy patchwork reforms* aiming at integrating individual welfare traditions and learning by best practice exchange.

**Keywords:** social policy, labour market, policy learning, best practice, *flexicurity*, Denmark

## Introduction

It is one of the welfare states' major objectives to contribute to a positive employment situation and economic development. As there is crucial need of innovative solutions meeting the social risks deriving from the transition to knowledge society the objective of this paper is to discuss how to combine deregulation with reregulation efforts in order to harmonize of social and economic performance.

In this context, European integration turns out to be janus-faced: It simultaneously compensates economic and social thrusts as it generates them. Advanced economic integration however leaves behind the stagnant social dimension, lacking European Union's (EU) competencies in social policy. The widening asymmetry between social and economic dimension of the EU entails societal fears and a critical tone towards further integration, a reconciling of national sovereignty and European harmonization also remains unsolved.<sup>403</sup>

We find differing "worlds of welfare capitalism" in Europe (*Esping-Andersen*), however, common trends can be spotted: Besides enhancing flexibility and individualization, we see a change from a reactive to a pro-active approach to risks and social problems.<sup>404</sup>

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<sup>403</sup> The EU agenda is about "optimizing the adjustment of social protection systems to market forces and fiscal constraints, and about facilitating 'recommodification' of the labour potential of persons who are threatened by social exclusion – which is understood primarily as exclusion from the labour market", S. Golinowska/P. Hengstenberg/M. Zukowski (Ed.), *Diversity and Commonality in European Social Policies: The Forging of a European Social Model* (Friedrich-Ebert-Stiftung, Representation in Warsaw, 2009), p. 299. Cf. also Fritz W. Scharpf, *The European Social Model: Coping with the Challenges of Diversity* (JCMS 2002 Volume 40. Number 4: 645-70, Blackwell Publishers Ltd, Oxford 2002).

<sup>404</sup> Peter Abrahamson, *Employment and Social Protection in Denmark: the Active Turn in Danish Welfare Policy* (University of Copenhagen and Instituto Centroamericano de Estudios Fiscales, paper presented at the conference "Employment and Social Protection: a New Relationship?" Bordeaux 2007), p. 20.

The paper assumes that processes of mutual *policy learning* will gain importance in the field of social policy reform. Besides the fact that there is no "one-size-fits-all" option, the exchange of best practices can be a feasible method to support a country's readiness for innovation. In the long run, high levels of employment cannot be maintained by increasing employment protection or restrictions on the free movement of services or labour. European countries cannot compete on the price of products or labour, but on the quality.<sup>405</sup>

The Danish *flexicurity* model has become a 'political celebrity' because it is characterized by the highest labour market participation in Europe and comparatively low marginalization.<sup>406</sup> By benchmarking Danish achievements the paper aims at presenting applicable reform options while also discussing the obstacles to simply 'imitate'. In how far the Danish labour market policy can thus serve as a role model for international policy learning shall be analysed in the following sections - conducted by the question how to cope with the apparent antagonism of providing labour market flexibility and comprehensive security schemes at the same time.

## **I. Social Policy Reform: The Relevance of Best Practice Exchange and Policy Learning**

During the last years the significance of policy learning approaches has increased steadily within the field of social policy research. These approaches claim to contribute either to the improvement of applied policies by providing scientific recommendations for a "better" (meaning more efficient or effective) political performance or aim at explaining policy changes.<sup>407</sup> A perspective that focuses on political actors and their actions is dominant when it comes to the explanation of learning processes. Policy learning can refer to changes in the decision-making structures, changes of actors' norms and objectives as well as improvements with respect to certain applied strategies to accomplish these objectives.

In the context of this paper, policy learning shall be defined as a deliberative attempt to adapt the objectives and techniques of policy in response to new information

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<sup>405</sup> T. Bredgaard/F. Larsen/Per K. Madsen, *The flexible Danish labour market – a review* (Centre for Labour Market Research (CARMA), Aalborg University 2005), p. 30.

<sup>406</sup> Bredgaard et al. 2005.

<sup>407</sup> Cf. especially Peter Hall *Policy paradigm, social learning and the state: the case of economic policy making in Great Britain* (Comparative Politics, 25-April) pp. 275-296. Nils C. Bandelow, *Lerntheoretische Ansätze in der Policy-Forschung* (in: Maier, M. L./Nullmeier, F./Pritzlaff, T. (Ed.): *Politik als Lernprozess?*, Opladen: Leske+Budrich 2003)

and past experience. Policy learning occurs when policy changes become visible as a result of such a process.

*Bandelow* states that policy learning (he also refers to the term “government learning”) occurs not only in view of existing suitable problem solving approaches but rather dependent on the chances of cognition and use of those. The potentials for policy learning will increase when political actors face uncertainty about particular consequences of policy choices and at the same time rely on scientific experts that are able to provide recommendations. These recommendations have to be compatible with prevalent political interests. As uncertainty constantly goes along with an increasing complexity of political situations, also the relevance of consulting increases. Today, this relates especially to the area of social regulative policies.

Policy learning occurs dependent on the interplay between political, economic and administrative variables as well as external conditions (e.g. crises as origin for learning).<sup>408</sup>

While conducting interviews with actors operating at different institutional levels around Copenhagen (academic experts, political representatives and advisors, job-consultants, unemployment lobby), it became again clear that the applicability of *flexicurity* in another domestic context arises more from wishful thinking than from feasibility.<sup>409</sup> Having said this, policy makers have to act very carefully when trying to learn from best practices.<sup>410</sup> The prerequisites for reforms crucially determine reform options (e.g. the allocation of sticks and carrots as instruments of reform) as well as their outcomes. The labour market is a social institution and changing ways of regulation and deregulation have consequences beyond its limits. This includes that labour market reforms "require parallel intervention in other crucial regulatory areas in order to be effective".<sup>411</sup> When discussing the applicability of best practices, policy makers have to ask if a certain model would actually work in a similar way under different circumstances. But even if we know that hidden determinants have contributed to a

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<sup>408</sup> Bandelow 2003: 8. In this context it is also interesting to ask for the preconditions that lead to sustainable paradigm changes instead of short-term political decisions, e.g. influencing the social transformation in Central and Eastern Europe.

<sup>409</sup> This is demonstrated by looking at the Danish society: "[...] the efficiency of the Danish *flexicurity* model is based on a strong public-spirited attitude that is largely absent in other European countries. Those attitudes are not easily influenced by policy or by the economic environment since they are usually the product of historical and cultural legacies", Luca Nunziata, *European Employment and the Flexicurity Option* (CESifo DICE Report 4/2008, p. 27.

<sup>410</sup> As shows the heavily discussed implementation of the Hartz IV reforms in Germany, inspired by Danish activation policies, the result of one policy can have different implications in one country or another.

<sup>411</sup> Nunziata 2008: 27.

country's labour market success there might still be found inspiration for the development of policy reforms in the framework of another institutional context.

Danish *flexicurity* has become a high profile concept in both policy and academic discourse. The European Commission, the Council of Europe, the European Trade Union, the ILO as well as national governments have taken the concept as a role model for policy reform. Still, most countries "have adopted reforms aimed mainly at increasing flexibility at the margin rather than reducing employment protection for insiders. This approach can be explained by political economy considerations: the European median voter is part of the insiders' pool, and the unemployed have less impact at the political level than the employed".<sup>412</sup>

Taken the welfare models as developed by *Esping-Andersen*, the *Mediterranean model* provides neither efficiency nor equity, the *Anglo-Saxon* and *Continental* show a trade-off between equity and efficiency and only the *Nordic model* combines both equity and efficiency. Well-performing countries as the Nordic countries (especially Denmark), but also the Netherlands, have some basic characteristics in common.<sup>413</sup> These countries tend to

- Have a tax-financed social security.
- Implement mixed financial solutions.
- Publicly subsidize social security for groups with lower income (thereby encouraging part-time employment).
- Invest in education and training as well as the conciliation of family and job life.
- Consolidate a flexible labour market, including job rotation and leave schemes, geared towards improving the employability of the employed and the unemployed.

## **II. Danish *Flexicurity* as a Best Practice Model?**

The Danish arrangement shows consistent welfare reform to keep the so-called "golden triangle" running: We find a *flexible labour market* with high job turnover aligned by low job security, *generous welfare schemes* with relatively high unemployment benefits and an *ALMP* aimed at enhancing employability and thereby employment security especially through education and training. This combination of "liberal" and "social democratic"

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<sup>412</sup> Nunziata 2008: 22. Looking for instance at younger workers, more than 40 percent of young employees on average have been employed under a temporary contract in 2006.

<sup>413</sup> Cf. André Sapir, *Globalisation and the Reform of European Social Models* (bruegel policy brief, Issue 2005/01, Brussels 2005), cf. also Flemming Larsen, *Active Labour Market Policy in Denmark as an example of Transitional Labour Market and flexicurity arrangements – What can be learnt?* (tln.net: Managing Social Risks through Transitional Labour Markets, Amsterdam 2005), p. 5.

elements, when seen from a welfare typology perspective, makes the Danish model to be a "hybrid".<sup>414</sup>

The basic contours of the Scandinavian welfare model have not changed very much. The late 1980s witnessed, however, a paradigm shift in economic thinking. Initiatives include complementary elements of both social disciplining and social integration and have moved away from their social security paradigm towards an inclusion-through-work paradigm. The conservative-liberal government today emphasizes principles of conditionality, of "making work pay", and on protecting the welfare state against social tourism.<sup>415</sup>

The Danish model altogether demonstrates an understanding of a high level of social security as the very precondition for a flexible labour market; its main features shall now be discussed.

### **Tax-financed Universalism**

The general principle of social citizenship in Denmark is still that of universalism: It has maintained a tax-financed welfare state without social contributions or payroll-taxes, and it has followed a generous flat-rate universalism. This includes e.g. universal child benefits, generous benefits for students and participants in vocational training, universal home help services and a generous maternity leave. Both marginal and average taxes on labour are surprisingly moderate in Denmark, as compared to other European welfare states.

Since 1985 there have been efforts to lower taxation on labour, this holds particularly for marginal taxes, which were at that time up to 73 percent but subsequently lowered to a maximum of 63 percent. At the same time, the VAT increased to 25 percent and "green taxes" were introduced. When taxes were lowered in 2003 and 2007, interestingly only about 20 percent preferred tax relief, whereas 70 percent preferred improved welfare.<sup>416</sup> Even if financing remained public and high priority is given to welfare services, the organization of public services is moving towards a public-private competition. At this point, the municipality is strongly consolidated at the level where the citizen meets the welfare state.

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<sup>414</sup> The development of the Danish welfare state and labour market points out towards a "hybrid" between the flexible, free-market welfare states characterized by high numerical flexibility (liberal hiring-and-firing rules) and the generous Scandinavian welfare regimes of high social security (relatively high benefit levels). Bredgaard et al. 2005: 6 and 24.

<sup>415</sup> Danish governments have rarely feared a "social dumping", but in some occasions have feared "social tourism", especially connected to the EU enlargements to the East. Cf. Golinowska 2009: 94.

<sup>416</sup> Golinowska et al. 2009: p. 90-92. Taxes include municipal taxes/health contributions: 32.6 percent, income taxes have only two levels: 5.48 and 26.48 percent (since 2009). Finally, every employee pays a labour market contribution of 8 percent.

## Labour Market Flexibility and Unemployment Insurance

Danish employment protection legislation is more liberal than in most other European countries.<sup>417</sup> Between 25% and 35% of the Danish workforce change their employers each year. The level of job creation and job destruction is quite high as well, hence every year new places of work equivalent to 10-15% of total employment are created – and a corresponding number is destroyed.<sup>418</sup> There seems to be a close correlation between the degree of job protection and the scope of numerical flexibility and we can assume that flows in and out of employment appear to be affected by the level of employment protection and thus, long-term unemployment tends to increase with increasing protection.<sup>419</sup> Danish mobility is high, including also the instrument of job rotation, but it is rather secure and eased.

The Danish unemployment insurance is a voluntary social insurance scheme administered by the unemployment insurance funds.<sup>420</sup> Contributions are the same across all unemployment insurance funds and entitlements depend upon obligations to participate in various job training and educational activities. The maximum period of unemployment benefit is four years within a period of six years. The amount of benefits – defined as the gross replacement rate – as well as the benefit period may be called generous seen in international perspective.<sup>421</sup> But gradually, there has been a conversion of the ALMP towards a "work first" strategy with increasing obligations and incentives for the unemployed; some might even see features of a "workfare" approach. In cases where the recipient rejects an offer to work or activation without reasonable course, the local authorities may discontinue payment of the assistance. Additionally, in 2002, a start help for refugees and immigrants introduced up to 30 to 50% lower benefits - compared to cash benefits for Danes.<sup>422</sup>

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<sup>417</sup> This is dating back to the September Compromise of 1899: The trade unions recognized the rights of the employers to manage and distribute work in return for the employers' acceptance of the workers' right to union organisation.

<sup>418</sup> Bredgaard et al. 2005: 9. Cf. also Danish Ministry of Employment, [www.bm.dk/sw6490.asp](http://www.bm.dk/sw6490.asp) (22.5.2009).

<sup>419</sup> As many a close to a quarter of employees are each year affected by unemployment and receive unemployment or cash benefit. Cf. Bredgaard et al. 2005: 5.

<sup>420</sup> The benefits are however up to 70 percent financed by the state. Danish Ministry of Employment, [www.bm.dk/sw6498.asp](http://www.bm.dk/sw6498.asp), 22.5.2009.

<sup>421</sup> It shows to be that in 2004 the compensation from unemployment insurance in percent of an average income was 60 percent, without insurance 41 percent, paid as social assistance. W. Ochel/O. Röhn/A. Rohwer/T. Stratmann, *Reduction of Employment Protection in OECD Countries: Its Driving Forces*, (CESifo DICE Report 4/2008), pp. 32. The authors also show that in terms of trust, ALMP and participation in form of union density, the Nordic states succeeded most.

<sup>422</sup> Some authors say that these measures were de facto directed mainly against immigrants. Admittance of refugees and immigrants from outside the EU has been tightened a lot and there are tendencies towards a "dual" welfare state or "welfare for the Europeans". Golinowska et al. 2009: 84.

Concerning the administrative framework, the local authorities in charge are primarily financed by the state. The system was until recently administered by the trade unions and their unemployment funds and this system functioned as the main channel for recruitment for the unions and led to a union membership of 80 percent of the population. By 2008, the unions lost their administrative function and it could be that this development turns out to be threatening the corporatist institutional set-up in the future.

### **Active Labour Market Policies: Activation and Training**

Activation will be defined as "social policies and programmes aimed at promoting the (more or less obligatory) participation of people dependent on unemployment benefits or social assistance in work. Work usually means regular paid work, although activation may also be aimed at promoting participation in voluntary work, community activities and other forms of unpaid work".<sup>423</sup> Activation measures mostly aim at making income support conditional upon unemployed people's conduct and efforts with respect to labour-market integration. In this context it is important to define whether the individual's reasons for unemployment are more related to the *ability* (lack of qualifications/work experience) than to the *willingness* (financial incentives) to work. The same goes for situations where unemployment is caused by lack for *demand* for rather than lack of *supply* of labour: "A growing mismatch between the labour market policy's 'medicine' and the patient's 'illness' can thus emerge, which will diminish the possibilities of (re)integrating the marginal groups of the labour market".<sup>424</sup> ALMP in Denmark includes the following basic objectives:

1. To support jobseekers in finding a job,
2. To offer services to employers to find labour or help to retain their workforce,
3. To support persons who are receiving social assistance or "start help" to find a job quickly so that they will be able to support themselves,
4. To assist persons with reduced working capacity and special need for assistance.

The principle of activation was already introduced in 1979 and has been intensified during the 1990s. It focuses on individualised measures in order to qualify (and motivate) the individual person to seek employment on the ordinary labour market. Unemployed recipients of daily cash benefits are entitled to and obliged to accept activation after no later than one year of unemployment by way of education, job training etc. Recipients of

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<sup>423</sup> R. Van Berkel/V. Borghi, *Introduction: The Governance of Activation* (Social Policy & Society, Cambridge University Press 2008), p. 332.

<sup>424</sup> Bredgaard et al. 2005: 32

daily cash benefits under the age of 25, who have not completed a vocational training, are, after no later than six months of unemployment, entitled and obliged to receive an offer of education or training for a minimum of 18 months. Between 1995 and 2004, at any given time three to four percent of the Danish labour force was in activation. *Abrahamson* has analyzed activation measures taken in Denmark, stating that there "exists quite a large discrepancy concerning whether the claimants had a number of offers to choose from when they were asked themselves and the municipalities were asked".<sup>425</sup> Participants said that they did not see any aim of going through activation other than they had to in order to keep their benefits. Still, they pointed to issues such as improvement of their every day life and self confidence – more than being qualified for regular employment.<sup>426</sup> Successful activation thus requires new "technologies" concerning the shift from "people-sustaining" activities towards "people-changing" services. This change has far reaching consequences for the tasks and skills of the involved staff and it requires the ability to provide tailor-made services in order to take individual circumstances into account.

### **Social Dialogue and Collective Bargaining**

Some Danish researchers say that the key to *flexicurity* is to be found in the trust-based relationships between employees and management within companies.<sup>427</sup> Although corporatist influence on legislation is declining, the Danish labour market is only thinly regulated by the political system. For instance, we find no legal minimum wage in Denmark, but it certainly has a *de facto* minimum wage negotiated by the social partners. There is a long established tradition within which the social partners to agree on labour market regulation through joint agreements. Historical results in conjunction with corporatist steering arrangements have, taken together, early contributed to an increase of consensus-forming resources in labour market policy. The policy style stresses a broad participation and a collectivist culture.<sup>428</sup> *Flexicurity* thus cannot be understood independently of the role played by the collective bargaining system. Researches at the FAOS speak of a "centralised decentralisation" that provides positive opportunities for *flexicurity* trade-offs in companies, they emphasize the trust-based relationships between employees and management within companies and even go so far as suggesting that it

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<sup>425</sup> Abrahamson 2007: p. 5 and 16.

<sup>426</sup> This was also confirmed by Professor Iver Hornemann Møller during an interview in March 2009.

<sup>427</sup> Interviews with Professor Mikkel Mailand and Professor Tim Knudsen.

<sup>428</sup> Flemming Larsen 2005: 6.

could be these factors that lie at the core of the Danish *flexicurity* model.<sup>429</sup> Having said this, the obstacles respectively weaknesses of *flexicurity* as an applicable best practice become visible.

### **Importing *Flexicurity*? Obstacles and Weaknesses**

There exist historical and institutional conditions behind the Danish *flexicurity* model, based on practical policy making, power struggles and it is "evident that this model is the result of a long evolutionary development, and is supported by relatively stable institutions and class compromises".<sup>430</sup> It is thus a sort of by-product of a long historical and institutional evolution and social compromises in a number of different policy areas. Even if there have been some path-breaking reforms, Denmark is an example of a social policy transformation through incremental change, e.g. through layering of new schemes or through conversion of for example liberal institutions to social democratic ones. Seen historically, "once institutions have been established which influence the orientation and behaviour of actors, feedback mechanisms emerge which in turn strengthen institutional regulation".<sup>431</sup>

Significant features stabilise the Danish model, but they are obstacles when it comes to its 'exportability': Trust relationships between the social partners developed over a long period of time, we find an average high skill level of workers combined with a dominance of small and medium sized companies. At the same time, Danish policies imply high budgetary costs.

It might have to deal with fundamental difficulties in the near future facing the challenge to combine a politically loosely regulated labour market with common European labour market regulations. Because the Danish system of collective agreements does not cover all wage earners, opening the labour market to foreign workers was feared to put pressure on Danish pay- and employment conditions. The enlargements exemplified a weakness of the Danish model, being under financial pressure facing increasing international labour market mobility, questioning also the future of the system of unemployment insurance funds.<sup>432</sup>

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<sup>429</sup> Cf. FAOS <http://faos.sociology.ku.dk>, 23.3.2009.

<sup>430</sup> Bredgaard et al. 2005: 24.

<sup>431</sup> Larsen 2005: 9.

<sup>432</sup> The case of intra-European social security rights is another example of conflict with the Danish model: The government presumes negative consequences for public spending if foreigners not contributing through taxes were recognized as legitimate recipients of Danish social security, cf. Bredgaard et al. 2005: 27.

Looking at the European level, "[s]ecuring the rights of European migrant workers has long been a top priority in EU treaties. At this point, the social insurance model of the Continental welfare state is better than the Nordic tax financed universal model to handle the rights of migrant workers and their families. Implicitly, the Nordic model of welfare is based on the assumption of a largely immobile workforce. This is basically in opposition to the EU-rationality of enhancing mobility across borders".<sup>433</sup> Another question is how the current financial crisis will affect Danish unemployment and the future balance between flexibility and security. Researchers at the FAOS research centre in Copenhagen assume that the Danish model will be moving towards a multi-level system of regulation, reflecting the complexity that characterizes the labour market of the future.<sup>434</sup>

### **III. Policy Recommendations**

It is important to stress that the complexity of the security-flexibility relationship allows countries to choose different regimes to design their own individual policy-mix. *Flexicurity* as "the golden triangle" can have different faces and must be regarded within a multidimensional conception. National governments can successfully uphold their national social policy model despite the effects of EU membership. Denmark has largely supported the idea of a common *European Social Model* with room for country-specific systems and traditions.

This section focuses on the potential to inspire reforms in other countries. Altogether the Danish example shows that labour market policy comprises both economic and welfare policy goals and there need not be a conflict between the two. The central role played by labour market organisations, both in terms of political consultation and as agents of implementation in administrative corporatism reveals social policy as the flip side of labour market policy.

### **Financing of Social Security**

A combination of tax-financing, pay-as-you-go financing and funding components seems to be the most suitable answer the complex interactions between transitional employments, the demographic factor and open labour markets today. There is agreement

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<sup>433</sup> Golinowska et al. 2009: 99.

<sup>434</sup> FAOS Research Programme 2009-2013 on "Open Markets and the Danish Model", [www.faos.sociology.ku.dk](http://www.faos.sociology.ku.dk) (23.3.2009), interview with Professor Mikkel Mailand in March 2009.

that the cost of labour in most European countries is too high. Financial strategies targeted at lowering earnings-related contributions seem to have positive effects on employment dynamics, because they charge the employer less. It is therefore advisable to introduce tax or funding elements, which has in some countries already be attempted by increasing the VAT or introducing "green taxes". Universal financial solutions through tax or parafiscal contributions generally attain reduced levels of contributions within employment relationships. Through these strategies, as we find them in Denmark, the employer is involved to a reduced degree.<sup>435</sup> The effects also improve international competitiveness by lowering the general labour cost while promoting private consumption since the net income increases. On the other hand, social security strategies that treat different forms of employment not unequal relating to selective principles, but rather comparably, show positive effects.<sup>436</sup> Universal systems are successful in this regard, because the processes of adjustment to the employment system or changed economic situation are smoothened for the individuals.

### **Subsidizing Social Security for Low-Income Earners**

In Europe, non-standard forms of employment (e.g. part-time employment) are increasing steadily and new forms of security have to address the market's changing conditions. In Bismarckian systems, the decision for part-time employment heavily affects monetary entitlements and can therefore lead to social risks, since they are credited proportionally to the income. Positive effects are by contrast achieved through Beveridgian solutions that favour equal social security benefits for low income earners (low-skilled and part-time employed). Here, variations in working time do not affect entitlements, contributing to increased acceptance of part-time and time variable employment and increasing the differentiation on the labour market. It is above that important that the state puts into place public provisions or financing of day care facilities to ease the possibilities of combining work and family life. If people's income capacity is restricted for instance due to family obligations, the state could provide in-work-benefits, including tax credits. As a coping strategy, leaves from work due to social obligations should be compensated. Denmark and Sweden already dispose of such schemes. These approaches increase the

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<sup>435</sup> Diether Döring, *Sozialstaatsstrategie und Beschäftigung im europäischen Vergleich* (Gutachten im Auftrag der Friedrich-Ebert-Stiftung für den Sachverständigenrat, Bonn 2005), p. 21.

<sup>436</sup> Döring 2005: 18.

employment rate and women's participation on the labour market, thereby financially supporting the social system as a whole.

### **Employment Protection and Unemployment Benefits**

Historically, employment protection was attempted to increase job stability by reducing job destruction. However, employment protection bears the risk to restrict a firm's ability to adopt optimal employment levels and thereby realizes a not-intended labour market selection. On the other hand, low employment protection and high flexibility may generate inequality levels that may not be compatible with the political feasibility of these reforms. Therefore, policy makers should focus on employment insurance instead of unemployment insurance. Income loss during unemployment has to be compensated through adequate benefits (as it is the case in Denmark) to allow the unemployed to search for new job opportunities without having to fear a poverty trap. The European Commission has already proposed enhancing income security by providing higher unemployment benefits. According to the *flexicurity* strategy, flexibility is supported by generous income security.<sup>437</sup> This strategy could lower the employees' resistance against lowering the employment protection in general, knowing that they will not be confronted with substantial financial problems. At the same time, comprehensive insurance schemes support the job matching: "High matching efficiency through unemployment insurance is for instance reflected in longer job tenures after the rematch of insured unemployed compared to uninsured unemployed".<sup>438</sup>

### **Active Labour Market Policy**

The objective principle of ALMP has changed from securing workers against income loss in the event of unemployment due to unfavourable business cycles to trying to make workers more employable. The challenge for public authorities is to strike a balance between the dynamism of the market and the need to fulfil political goals (such as avoiding inequality): Many European countries experience problems that are paradoxically caused "by the model's inability to actually work in accordance with its own premises. The problems include high transaction costs; little tailoring of initiatives for the individual unemployed person; lenient reporting on the unemployed, few new and

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<sup>437</sup> Ochel et al. 2008: 29.

<sup>438</sup> Günther Schmid, *Transitional Labour Markets: Managing Social Risks over the Lifecourse* (Wissenschaftszentrum Berlin für Sozialforschung, Berlin 2007), p. 14.

innovative methods, and a continual re-regulation and bureaucratisation to make the model function".<sup>439</sup> Activities must be organized in a way that they consciously and explicitly aim at the goal (employment) and that the activated person experiences this as meaningful. Consequently, job placement services need reforms that increase case-oriented and tailor-made approaches. Most EU members still underinvest in these services because they predominantly see the short-term costs. If employment protection is further lowered, this could lead to a situation that employers may be more reluctant to retain certain groups of employees or to upgrade skills and qualifications of their staff. The public sector has to step in to assure investments in education and training, and to encourage firms to retain employees who are at risk of being excluded from the labour market.<sup>440</sup>

Above that it is worth considering what the Danes call a "spatial" labour market, which means that the labour market is spacious enough to include people that are not considered a hundred percent productive. Denmark has created "flex-jobs" which are jobs under regular conditions of pay but adjusted to the individual's reduced work capacity. Finally, high income countries will never be able to win a wage dumping against less developed countries and therefore depend on high qualification of their labour force.

Three further trends intensify the importance for investing in education and training:

1. Vocational qualifications once acquired will not be sufficient for a whole working life.
2. Women's participation on the labour market increases, meaning changes between family and working life and a higher need of continuous vocational training.
3. Because of demographic reasons, the pension age has to be increased, leading to the need of adjusting elderly people's skills to the labour market.

It shows that Beveridge welfare states tend to have lower employment protection but higher investments in the employability of individuals.<sup>441</sup> The latter can only be ensured through continuous education and training - this could be a field of bargaining, including the possibility of an establishment of branch specific collective training funds, maybe also at the European level.<sup>442</sup> *Schmid* suggests private or collective insurance systems targeted at qualification instruments as life-long-learning accounts or time-savings

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<sup>439</sup> Bredgaard/Larsen 2007: 297.

<sup>440</sup> Bredgaard et al. 2005: 26.

<sup>441</sup> Döring 2005: 18.

<sup>442</sup> Schmid 2007: 16.

accounts.<sup>443</sup> Facing increasing transitions during a working life, periods of employed and self-employed work will alternate more often. Systems focusing on employment in general, but not differentiating between the different forms, improve the possibility to manoeuvre between various forms of work since transitions only refer to *internal* shifts (*functional flexibility*) without affecting the general objective of social security and financing, as is it the case in Denmark.

### ***Supranational and National Level of Governance***

There is a challenge to reconcile the requirements of the principle of subsidiarity on the one hand and the overlapping of competencies and mutual influences on the other. Finally, the preconditions on the supranational (EU) and national (national states) level of governance shall be mentioned with respect to the reform approaches discussed above.

### **European Union**

The EU-Dilemma is demonstrated by the need to approve the existing social policy diversity while simultaneously finding a constitutional balance with the rules of economic integration and solutions that show features of European legislation.<sup>444</sup> During the 50 years of European integration economic policy has been more and more Europeanized, while social policies remained at the national level.

Referring to a *Social Europe* the objective cannot be the legal standardization, but rather the rapprochement of these rules so as to ensure that economic integration within the common market goes hand in hand with the social security needs within the member states. This is true for the European Employment Strategy (EES) and also for the OMC. The aim of the underlying Lisbon Strategy is to generate a new *European Social Model* within a system of multi-level governance. In this context, the EU plays a significant role in advocating change, but its bargaining power is still limited to the domestic political culture of member states and the following preconditions seen from a policy learning perspective: A government more likely adopts EU rules if the benefits of rewards exceed the domestic costs. Above that, a government tends to adopt EU rules if it is persuaded that these rules are appropriate (legitimate, possible identification with rules, positive

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<sup>443</sup> He suggests that governments can join with tax subsidies or co-financing, cf. Schmid 2007

<sup>444</sup> Fritz W. Scharpf 2002

domestic resonance). Finally, rules are more likely to be adopted if these rules have a potential to solve domestic policy problems.

Consequently, different involved actors tend to form advocacy coalitions sharing similar interests (*Scharpf*).<sup>445</sup> This is partially due to the member states' and EU institutions' inability to agree on more binding forms of regulation than the OMC. It is suggested here that the OMC has to focus much stronger on its task of fostering mutual learning about successful policies and promoting policy transfers by recommending best practices (*top-down approach*) while the assertive decisions are then taken in the member states themselves referring to a *bottom-up concept*. Despite of many institutional barriers to Europeanization, the OMC has already contributed visibly to substantive reforms. *Mailand* says that the impact of EU policy on countries depend on their labour market performance, lack of consensus among the main actors in the labour market, the degree of Europeanization, understood as domestic impact of the EU, or strong economic or political dependence on the EU.<sup>446</sup>

The EU can support investments in education and job training for instance through an extension of the ESF. Finally, the "revitalisation of the social dialogue, in other words negotiated *flexicurity* at all levels – firm, branch, nation and Europe – is [...] of utmost importance for giving the Lisbon Strategy and the European Social Model flesh to the bones".<sup>447</sup>

### **Member States**

In most member states, there is resistance to the extension of EU competencies in the area of social policy. As already discussed, countries deal with similar social problems of differing magnitude, but are only gradually arriving at common policy solutions. Financial sustainability of social policies seems to be a main objective. This has been approached in most member states through comparable measures, including a decrease in the generosity of benefits, moves towards private solutions, and the introduction of activation,

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<sup>445</sup> Various players already have formed coalitions across the main groups of actors, having generated a "regulation coalition" around a core including the General Directorate for Employment and Social Affairs and a number of Continental member states; and a "minimalist coalition" including a number of Scandinavian, Anglo-Irish and Atlantic countries as well as some of the new member states, Mikkel Mailand, *Coalitions and the European Employment Strategy – is the strategy genuine multi-level governance?* (FAOS research paper, 2007, [http://faos.sociology.ku.dk/default2.asp?lan=en&active\\_page\\_id=345](http://faos.sociology.ku.dk/default2.asp?lan=en&active_page_id=345)).

<sup>446</sup> Mikkel Mailand, *The uneven impact of the European Employment Strategy on Member States' employment policies – a comparative analysis* (FAOS research paper, 2007 (II), <http://faos.sociology.ku.dk>).

<sup>447</sup> Schmid 2007: 16.

Especially activation measures must meet certain conditions, namely be well-paid following the motto "making work pay", and they require the introduction of a minimum pay, taxed in a way as NOT to engender the traps of inactivity and poverty. Reforms should focus more on Beveridgian than on Bismarckian solutions and combine them with Danish activation approaches. These strategies should consider an emphasis on "influencing the institutionalization of social dialogue between the actors in the labour market if TLM and *flexicurity* arrangements successfully are going to be integrated into the labour market policies of individual European countries".<sup>448</sup> It is of vital importance that the corporatist structure keeps the channels for social dialogue between the parties open.

There is growing appeal of new service provision models across Europe due to an increasing disfunctioning of the state: The slowness and inefficiency of the state bureaucracies, an increasing trust in the market as well as an increasing liberal outlook on the role of the state lie at the basis of these new models. Current transformation processes will most likely lead to complex mixes of various service provision models. Policy learning will not generate one paradigm, but maintain the co-existence and interaction of different market based and collaborative frameworks for coordinating service delivery.

Bringing together both levels of governance, there is need of EU-guidance to foster the self-transformation of the EU members' social policies. Within this transformation, the *European Social Model* that could best emerge from learning processes is described by *Scharpf* as a model of 'competitive solidarity'.<sup>449</sup> As a result of interdependence, partnerships of local welfare systems could be feasible, combining differentiated framework directives that are implemented by country groups with similar welfare regimes respectively need for reform.

## Conclusion

The paper started by emphasizing common challenges on European labour markets, requiring crucial reform. Moreover, partially common objectives are found, on the one hand based on common European values and principles, on the other hand inflicted by similar economic and social thrusts. The challenge is to combine more flexibility with sufficient levels of security. At this point, the Danish experience can indeed inspire

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<sup>448</sup> Larsen 2005: 26.

<sup>449</sup> Scharpf 2002: 658.

policy reform, even if the idea of ‘imitating’ the Danish *flexicurity* model proves to be unrealistic.

Coming back to the initially presented concept of policy learning, we can state that European societies widely agree on basic challenges and objectives as one precondition for the initiation of learning processes. But when it comes to the definition of instruments and techniques, there is a remarkable deficit of consensus and coordination on the national and supranational level.

The question of how far EU instruments of regulation shall intervene into national sovereignty cannot be answered at this point. But it shall be emphasized that there is need of clearer coordination on the EU level, taking into account national preferences while referring to best practice models and learning experiences. The Danish example shows that it is impossible to simply copy successful strategies – a fact that has not been clearly communicated on the EU level yet – but *flexicurity* still has a potential to inspire sustainable reform designs when the overall idea is taken into account. In many countries, we face merely flexibilization.

The paper suggests a growing significance of policy learning processes because of increasing complexity and interdependence of political and economic realities. Future welfare reforms will be designed as *policy patchworks*, combining best practice experiences with path-dependent features (this is evident regarding the social transformation in CEE). The EU could regain political legitimacy by taking the role of a moderator for (member-) networks in helping to define feasible reform strategies for similar challenges. Activating social policies and enabling social securities aiming at transitional labour markets and *flexicurity* currently best prevent social risks as they guarantee stable financial measures. They contribute to providing planning reliability and encouraging people to take chances without jeopardizing his or her subsistence, a situation that has been relatively successfully achieved in Denmark.<sup>450</sup>

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<sup>450</sup> A concluding remark shall point to need of further research and comparative analyses of how European countries are affected by the same internationalisation processes, in order to find out whether there is a tendency of convergence into one or more European models for regulating the interaction between flexibility and security. Cf. Bredgaard et al. 2005: 36.

# THE REGULATION OF EUROPEAN LABOUR MOBILITY: NATIONAL POLICY RESPONSES TO THE FREE MOVEMENT OF LABOUR TRANSITIONAL ARRANGEMENTS OF RECENT EU ENLARGEMENTS

**Chris Wright**

**Abstract** This paper analyses the reasons for variation in policy responses of the older member states of the European Union with respect to free movement for workers from the new member states that joined in 2004 and 2007. A combination of domestic political pressures and economic institutional factors, as well as the policy positions of other member states, can explain differences in the policies adopted. Particular attention is paid to the UK, which was only large EU-15 state to allow nationals from the eight states that joined the EU in 2004 to freely work in its labour market, but prevented Bulgarians and Romanians from being able to do so three years later.

**Keywords:** labour immigration, labour mobility, labour market regulation, European Union

## I. Introduction

The principle of free movement of labour, which allows nationals from member states of the European Union (EU) to work without restriction in any other member state, is enshrined in the Treaty of Rome. However, when 10 Central and Eastern Europe states joined the EU in 2004 and 2007, the 15 existing Western European member states of the EU ('the EU-15') were permitted to restrict nationals from the new member states from freely working in their labour markets for up to seven years. The stated rationale behind these measures was to protect the EU-15 states against the prospect of increased unemployment, in the event of large inflows of workers from the poorer Central and Eastern European states.<sup>451</sup> But as van Selm and Tsolakis assert, such measures were driven as much by 'domestic political concerns in the context of slowing economies, high unemployment, and anti-immigration sentiment' (emphasis in original).<sup>452</sup> Whatever the reason for their introduction, the transitional measures used by EU-15 states towards workers from the new EU members were mixed and varied. On the accession of the eight

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<sup>451</sup> Christian Dustmann, Maria Casanova, Michael Fertig, Ian Preston and Christop M. Schmidt, *The impact of EU enlargement of migration flows*, Home Office Online Report 25/03, 2003, available at: [www.homeoffice.gov.uk/rds/pdfs2/rdsolr2503.pdf](http://www.homeoffice.gov.uk/rds/pdfs2/rdsolr2503.pdf).

<sup>452</sup> Joanne van Selm and Eleni Tsolakis, 'EU enlargement and the limits of freedom', Migration Information Source, 1 May 2003, available at: <http://www.migrationinformation.org/Feature/display.cfm?ID=224>.

states that joined in on 1 May 2004 – the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia and Slovakia (the ‘A8’ states) – Ireland, Sweden and the United Kingdom were the only three EU-15 states to allow free movement from the outset. When the EU further enlarged three years later to include Bulgaria and Romania (the ‘A2’ states), only Sweden and Finland opened their labour markets from the date of accession. This paper analyses the reasons for the varied policy responses of EU-15 states to these two EU enlargements.

That member states adopted different transitional measures is perhaps not surprising. Different migration pressures, such as historical links with and geographical proximity to likely source countries, existing migrant communities, language, and labour market dynamics, as well as varying capacities to accommodate increased populations, will make some destinations more attractive to prospective migrants than others, thus meaning that policies regulating the entry of immigrants will differ across states.<sup>453</sup> Nonetheless, there are no obvious reasons for the varying responses of EU-15 states to the free movement provisions of the 2004 and 2007 enlargements. While offering some important insights, previous studies that have highlighted the differing strategies used to combat far-right parties, or the protection of national welfare regimes, to explain the varying policy responses of EU-15 states have lacked sufficient explanatory value.<sup>454</sup> This paper argues that a combination of domestic political pressures and economic institutional factors, as well as the policy positions of other member states, can explain the policies adopted by EU-15 states with respect to free movement for A8 and A2 nationals. Particular attention is paid to the case of the UK to illustrate this argument. The UK is a curious case as it was only large EU-15 state to allow A8 nationals to freely work in its labour market, but subsequently prevented A2 nationals from being able to do so. Drawing on over 40 interviews with UK government ministers, policy advisers, civil servants and lobbyists, as well as press reports and policy documents, it examines the reasons for why the Blair government opted for a policy of free movement for workers from new member states in 2004, but not in 2007. It argues that Blair government allowed free movement for A8

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<sup>453</sup> Fraser Duncan and Steven Van Hecke, ‘Immigration and the transnational European centre-right: A common programmatic response?’ *Journal of European Public Policy*, vol. 15 (2008), pp. 435-436.

<sup>454</sup> Katarzyna Gajewska, ‘Restrictions in labor free movement after the EU-enlargement 2004: Explaining variation among countries in the context of elites’ strategies towards the radical right’, *Comparative European Politics*, vol. 4 (2003), pp. 379-398; Jon Kvist, ‘Does EU enlargement start a race to the bottom? Strategic interaction among EU member states in social policy’, *Journal of European Social Policy*, vol. 14 (2004), pp. 301-318.

workers because the economic case doing so was stronger than in other EU-15 states, and the institutional strength provided by the UK state apparatus enabled the government to override domestic political pressures opposed to such a policy. However, a lack of political will – underscored by increased domestic opposition and less compelling economic reasons – deterred the Blair government from adopting free movement for A2 workers.

## **II. Policy responses of EU member states to the 2004 enlargement**

The terms of 2004 and 2007 enlargements of the EU – as agreed in the Treaties of Accession of 16 April 2003 and 25 April 2005 – specified that the existing EU member states were permitted to restrict the right of nationals from the A8 states acceding on 1 May 2004, and the A2 states acceding on 1 January 2007, to work freely in their labour markets for up to seven years. The Treaties established that the existing EU member states would be allowed to review their stances on the second and fifth anniversaries of the dates of accession. Similar transitional measures had been imposed when Greece, Spain and Portugal joined the European Economic Community in the 1980s.<sup>455</sup> In contrast to these earlier membership enlargements, when existing member states imposed similar labour market restrictions,<sup>456</sup> the response of EU-15 states to the 2004 enlargement were mixed and varied. Belgium, Finland, Germany, Greece, France, Luxembourg and Spain adopted restrictive policies whereby essentially no or very limited scope was provided for A8 nationals to work; Austria, Denmark, Italy, the Netherlands and Portugal introduced quotas or work permit schemes for A8 nationals, often to work in specific or shortage sectors; while Ireland, Sweden and the UK allowed unrestricted access, though Ireland and the UK did impose restrictions on welfare provision. A number of the states that imposed restrictions subsequently removed them after the second anniversary of accession, either in part or entirety.<sup>457</sup> These contrasting policy positions were products of strategic interactions among the EU-15, their institutional state structures, as well as domestic political pressures and structural economic factors.

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<sup>455</sup> Elena Jileva, 'Visa and free movement of labour: The uneven imposition of the EU *acquis* on the accession states', *Journal of Ethnic and Migration Studies*, vol. 28 (2002), p. 691.

<sup>456</sup> Tito Boeri and Herbert Brücker, 'Why are Europeans so tough on migrants?' *Economic Policy*, vol. 20 (2005), p. 637.

<sup>457</sup> Boeri and Brücker, *op. cit.*, p. 638; Gajewska, *op. cit.*, p. 380.

### ***Strategic interactions between member states***

As Kvist demonstrates, a number of states adopted their respective policy stances in reaction to those taken by other states, a process he terms ‘strategic interaction’.<sup>458</sup> The likely terms of accession for the 2004 enlargement had become apparent by late 2002. At that stage, Denmark, Greece, Ireland, the Netherlands, Sweden and the United Kingdom indicated that they would permit free movement, while the remaining EU-15 states suggested they would impose restrictions of varying degree.<sup>459</sup> Of those in the latter category, Germany and Austria were the most vocal. Both states were the instigators behind the allowance by the European Commission (EC) for member states to use transitional measures. The German and Austrian governments had successfully persuaded the EC that their shared borders and close economic, historical and cultural ties with a number of the accession states meant they would be the most likely destinations for A8 nationals, which their labour markets would struggle to accommodate.<sup>460</sup> In fact, there were many A8 nationals already working in Germany and Austria prior to accession, partly the result of bilateral agreements established after the fall of the Iron Curtain to fill labour shortages, particularly for low-wage and seasonal occupations in the construction, service and agricultural sectors.<sup>461</sup> Table 1 shows the high numbers of A8 nationals living in Austria and Germany prior to the 2004 enlargement, both in absolute terms and relative to other EU-15 states. Moreover, a 2001 report on behalf of the EC, which factored in ‘the impact of the wage differential, employment rates and some institutional factors’ on migratory movements, had predicted around 335,000 A8 and A2 nationals would move to the EU-15 within 12 months of accession, around 65 per cent of which would go to Germany and some 12 per cent to Austria.<sup>462</sup>

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<sup>458</sup> Kvist, *op. cit.*

<sup>459</sup> *The Independent*/Stephen Castle, ‘UK lifts bar on workers from new EU countries’, 11 December 2002, p. 12; Anatole Kaletsky, ‘Why Britain needs more people like me’, *The Times*, 12 December 2002, p. 22; Kvist, *op. cit.* p. 311.

<sup>460</sup> Jileva, *op. cit.*, pp. 693-695.

<sup>461</sup> Adrian Favell and Randall Hansen, ‘Markets against politics: Migration, EU enlargement and the idea of Europe’, *Journal of Ethnic and Migration Studies*, vol. 28 (2002), pp. 589-590; Georg Menz, ‘Patterns in EU labour immigration policy: National initiatives and European responses’, *Journal of Ethnic and Migration Studies*, vol. 28 (2002), pp. 734-737.

<sup>462</sup> Tito Boeri, Herbert Brücker, *et al.*, *The impact of eastern enlargement on employment and labour markets in the EU member states*, European Integration Consortium (2001), available at: [ec.europa.eu/employment\\_social/employment\\_analysis/report/part\\_1.pdf](http://ec.europa.eu/employment_social/employment_analysis/report/part_1.pdf), pp. 126-127; A later follow-up study for the EC came to similar conclusions. See Patricia Alvarez-Plata, Herbert Brücker, Boriss Silivers and DIW Berlin, *Potential Migration from Central and Eastern Europe into the EU-15 – An Update*, Report for the European Commission (DG Employment and Social Affairs) (2003), available at: [ec.europa.eu/employment\\_social/employment\\_analysis/report/potential\\_migr\\_update.pdf](http://ec.europa.eu/employment_social/employment_analysis/report/potential_migr_update.pdf), pp. 44-46.

**Table 1** Stock of A8 nationals resident in the EU-15 member states prior to accession (most recent year)

EU-15 member state	Year	Persons	% of national population	% of A8 residents in EU-15
Austria	2001	56,930	0.70	7.16
Belgium*	2001	13,208	0.13	1.66
Denmark	2003	9,551	0.18	1.20
Finland	2001	12,804	0.25	1.61
France*	2001	25,869	0.04	3.25
Germany	2001	470,892	0.57	59.24
Greece*	2001	23,671	0.22	2.98
Ireland*	2001	235	0.01	0.03
Italy	2002	38,399	0.07	4.83
Luxembourg	2003	1,865	0.42	0.23
Netherlands	2002	55,591	0.35	6.99
Portugal*	2001	963	0.01	0.12
Spain*	2001	16,249	0.04	2.04
Sweden	2001	22,868	0.26	2.88
United Kingdom*	2001	45,858	0.08	5.77
<b>Total</b>		<b>794,953</b>	<b>0.21</b>	<b>100.00</b>

\*Figures for these states also include nationals from Bulgaria and Romania.

Source: Kvist, Jon (2004) 'Does EU enlargement start a race to the bottom? Strategic interaction among EU member states in social policy', *Journal of European Social Policy*, 14(3): 308

Boeri and Brücker support the notion that EU-15 states engaged in a process of strategic interaction in devising their policy positions, claiming that the early decisions of Austria and Germany to restrict access 'fuelled fears' among other member states that 'migration flows could be diverted' into their labour markets. 'Decisions to apply transitional periods in individual member states were carefully reviewed by other EU members and affected decisions elsewhere'.<sup>463</sup> Indeed, in the months immediately leading up to the accession, a number of EU-15 states that had previously committed to free movement changed their positions. Despite its advocacy for membership expansion when holding the EU Presidency in 2002, Denmark decided to revise its position in order to prevent "unintended use of social security benefits" and "undue pressure on wages". The Greek and Dutch governments then followed suit,<sup>464</sup> with the latter citing the reversals of other EU-15 states, as well as prospective labour market burdens, to justify introducing a

<sup>463</sup> Boeri and Brücker, *op. cit.*, pp. 668-669.

<sup>464</sup> *The Times*/Anthony Browne, 'Only Britain and Ireland welcome eastern influx', 28 January 2004, p. 16.

system of work permits and quotas for A8 workers. The about-face of the Netherlands in turn prompted the Swedish government to review its earlier pledge. Prime Minister Goran Persson claimed his government “would be naïve if we didn’t see the risks if we were to be the only country welcoming people from Eastern Europe to work for peanuts and giving them access to our social benefits”. However, the minority government failed to get majority support from the Swedish legislative assembly to overturn its previous commitment, and was thus forced to maintain provisions for free movement.<sup>465</sup>

The policy reversals of other EU-15 states forced the Blair government in the UK to reconsider its earlier pledge in support of free movement. The week after the Swedish government had sought to impose transitional measures, the Immigration Minister Beverly Hughes said the government would impose restrictions “if an influx of workers poses a real threat to UK jobs”.<sup>466</sup> In light of calls from the Conservatives and sections of the tabloid press to follow the lead of other EU-15 states, Blair pondered introducing a work permit scheme for A8 nationals.<sup>467</sup> A senior government official says that the decisions of the larger EU-15 economies to impose restrictions ‘certainly made some people nervous and we knew as a consequence that we would get more than we otherwise expected, but we still thought that it would be a good thing’. Indeed, another senior civil servant says that the government decided to maintain its pledge to free movement, despite the reversals of other states ‘because we thought it was the thing we wanted to do’.<sup>468</sup>

Ultimately the government confirmed that A8 nationals would be allowed to work unrestricted in the UK, but in order to prevent the possibility of ‘benefit tourism’, access to welfare benefits was prohibited during the first 12 months of employment. Somerville claims the creation of the scheme was ‘a knee-jerk reaction to tabloid pressure’; an assertion verified by various senior government officials, one of whom says it was ‘put together on a wing and a prayer’.<sup>469</sup> In justifying the hastiness of the measures, Home Secretary David Blunkett told the House of Commons: ‘when we first set out our position, only those countries with high levels of unemployment were planning to introduce restrictions on work for accession nationals. Since then, other countries have

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<sup>465</sup> Boeri and Brücker, *op. cit.*, p. 637; Kvist, *op. cit.*, pp. 301-302, 310-312.

<sup>466</sup> *Daily Mail*/Matthew Hickley, ‘Labour u-turn on migrants from countries joining EU’, 2 February 2004.

<sup>467</sup> *The Independent*/Nigel Morris, ‘Blunkett backs labour influx as EU grows’, 10 February 2004, p. 15; interview with government official.

<sup>468</sup> Interviews with government officials.

<sup>469</sup> Will Somerville, *Immigration Under New Labour* (Bristol: Policy Press, 2007), p. 136; interviews with government officials.

changed their stance. It clearly makes sense for us to ensure that our approach does not leave us exposed'.<sup>470</sup> The Blair government's stance had a strong bearing on the decision of the Irish government to also allow free labour movement but with similar restrictions on access to welfare.<sup>471</sup> This was not the first time, however, that Ireland followed the lead of the UK on EU immigration policy matters, a trend largely due to the difficulties in policing the border in shares with the UK.<sup>472</sup>

### ***Domestic state structures and political pressures***

The transitional measures imposed by other member states was thus a factor influencing the policy stances of various EU-15 states on the question of free movement. Another ingredient, which goes further in explaining why some states adopted greater restrictions than others, was states structure, which shaped the response of governments to domestic political pressure. Key to understanding why the Blair government was able to pursue a policy of free movement, vis-à-vis other EU-15 governments, is the strong nature of the UK state, which meant that political obstacles – be it opposition from other parties, organised interests, or the broader public – were more easily surmounted in pursuing desired policy objectives. As Schmidt and Westrup explain, the UK's 'unitary institutional structures, combined with statist policymaking and adversarial majoritarian politics that made of the government an "elective dictatorship" also made the imposition of reforms relatively easy, so long as the government had ideas it wanted to implement and *the will to do so*' (emphasis added).<sup>473</sup> The first-past-the-post, majoritarian nature of parliamentary democracy in the UK makes it difficult for fringe parties to gain representation and rarely results in coalition governments. In the absence of a strong second chamber, governments face few barriers to implementing their legislative agendas. While the divide between Labour and the Conservatives over immigration issues has at times been rather stark, as was the case in 2004,<sup>474</sup> Conservative criticism of the governing Labour Party's position of free movement therefore did not diminish the

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<sup>470</sup> Hansard, House of Commons Debates, vol 418 (23 February 2004), columns 23-24.

<sup>471</sup> Jonathan Portes and Simon French, *The Impact of Free Movement of Workers from Central and Eastern Europe on the UK Labour Market: Early Evidence*, Working Paper No. 18 (Leeds: Department of Work and Pensions, 2005), p. 3.

<sup>472</sup> Georg Menz, *The Political Economy of Managed Migration: Nonstate Actors, Europeanization, and the Politics of Designing Migration Policies* (Oxford: Oxford University Press, 2009), p. 201.

<sup>473</sup> Vivien A. Schmidt and Jonathan Westrup, 'Taking the state seriously: Policy, polity, and the politics of ideas and discourse in political economy', Paper prepared for presentation to the American Political Science Association, Boston, 28 August-1 September 2008, p. 16.

<sup>474</sup> See Christina Boswell, Meng-Hsuan Chou and Julie Smith, *Reconciling Demand for Labour Migration with Public Concerns about Immigration: Germany and the United Kingdom* (London: Anglo-German Foundation for the Study of Industrial Society, 2005), pp. 20-21; also Gajewska, *op. cit.* p. 391.

Blair government's capacity to implement such a policy, save for the restrictions on welfare access.

Gajewska has emphasised the role of state structure in shaping the responses of EU-15 states to free movement, specifically arguing that those operating in federal systems were more accountable to localised concerns about immigration than those operating in unitary states.<sup>475</sup> While there is a correlation in this respect – federal states such as Germany imposed restrictions, whereas unitary states such as the UK, Ireland and Sweden did not – this does not necessarily mean there was causation. Looking further a field, a number of federal states, such the United States, Canada and Australia, have among the most liberal immigration policy legacies. However, Gajewska is correct in highlighting the importance of state structure in conditioning the resilience of governments against or their susceptibility to localised domestic pressures. In this respect, the strength of its unitary state, rather than external pressures or interests, has tended to define the parameters of immigration policy in the UK. As Statham has argued:

The strong British state executive power that is manifest in the institutional framework and policy approach is also strongly expressed in the public debates about immigration and asylum... The public understanding and subsequent mobilisation about immigration politics is shaped very much from the top-down. The nation state, and in particular the political elite actors, have the leading role in shaping the debate and defining the axis of conflict around which it is constructed.<sup>476</sup>

Indeed, according to those involved in policy deliberations – leaving aside the issue of welfare restrictions – the decision of UK to allow free movement for A8 nationals was very much an initiative of executive government, and not in response to interest group or broader public pressures. As Blair himself had claimed, successive UK governments – both Labour and Conservative – had staunchly advocated EU membership for Central and Eastern European states.<sup>477</sup> Various government officials and ministers claim that in light of the energy invested in building support for enlargement, views across Whitehall and around the Cabinet table were strongly informed by the possibility that the positive bilateral relations fostered with A8 states would be undermined if their nationals were not afforded the same rights as those from the EU-15, an argument forcefully promoted by

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<sup>475</sup> Gajewska, *op. cit.*

<sup>476</sup> Paul Statham, 'Public debates, claims-making and the visible extent of 'Europeanisation' within British immigration and asylum politics: An empirical analysis', Paper presented at ECPR symposium, Marburg, 19 September 2003, p. 11.

<sup>477</sup> Tony Blair, 'How ten new members can help us change Europe', *The Times*, 30 April 2004, p. 24.

Foreign Secretary Jack Straw and supported by Blair and Home Secretary David Blunkett.<sup>478</sup> It is not exactly clear why such relations were considered more important by the UK government than its EU-15 counterparts, particularly if Schimmelfennig's arguments are accepted:

Central and Eastern Europe is neither geographically close nor economically important to Britain. The early and strong British commitment to enlargement is generally attributed to the "europhobia" of the Conservative governments. It appears to have been based on the calculation that an extensive "widening" of the [European] Community would prevent its further "deepening" and might even dilute the achieved level of integration.<sup>479</sup>

But the importance of diplomatic considerations become more apparent in the context of the economic motivations for allowing free movement, which again was largely the consequence of executive action. The championing by UK governments of widening rather than deepening the EU was not simply a product of *schadenfreude*; its leaders also saw the economic opportunities that would arise from an enlarged common market.<sup>480</sup> When confirming the government's decision to allow free movement to the House of Commons in February 2004, David Blunkett said it was because 'the accession of new countries into the European Union opens up new opportunities for trade and labour market flexibility'.<sup>481</sup> The Treasury was particularly influential in promoting this view within the government, asserting that free movement would allow the economy to further grow without wage inflation.<sup>482</sup> According to a senior business lobbyist:

The Treasury – and with the benefit of hindsight, rightly – were picking up ... that the labour market was tightening, that companies were beginning to struggle to get the labour they needed, and that to continue the flexible labour markets which Gordon Brown knew were pivotal to British economic success ... a new intervention was needed, that we would need labour from Eastern Europe.<sup>483</sup>

One senior civil servant says that this logic extended beyond Treasury across the government to translate into 'a general view that the British economy would grow faster with less inflation with this group [of A8 workers]'.<sup>484</sup>

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<sup>478</sup> Interviews with government officials and government ministers.

<sup>479</sup> Frank Schimmelfennig, 'The community trap: Liberal norms, rhetorical action, and the eastern enlargement of the European Union', *International Organization*, vol. 55 (2001), p. 53.

<sup>480</sup> Vivien A. Schmidt, 'Adapting to Europe: Is it harder for Britain?' *British Journal of Politics and International Relations*, vol. 8 (2006), p. 28; see also Gideon Rachman, 'The death of enlargement', *The Washington Quarterly*, vol. 29 (2006), pp. 51-56.

<sup>481</sup> *Hansard*, *op. cit.*, columns 23-24.

<sup>482</sup> Interviews with business official and government minister.

<sup>483</sup> Interview with business official.

<sup>484</sup> Interview with government official.

The influence of state executive power was also evident in the pragmatic considerations that underpinned the decision. Earlier in the decade, the buoyancy of the UK labour market combined with a restrictive immigration policy resulted in high numbers of people entering and working illegally, overstaying their visas, and falsely claiming asylum, which had created political problems for the government. Through its policy of ‘managed migration’, the Blair government sought – as it turned out, rather successfully – to minimise illegal immigration and false asylum claims by widening the scope for people to legally enter, settle and work in the UK by opening up various channels for labour migration. In this context, the David Blunkett and the Home Office promoted the view that if the government imposed restrictions on A8 nationals in a climate of high demand for labour, it risked undermining its managed migration policy.<sup>485</sup>

Weaker state structures can explain why other EU-15 governments were more impressionable to domestic pressures seeking restrictions against A8 free movement than the Blair government. Three types of domestic political pressures are relevant in this respect: party politics, interest groups, and popular pressures such as public opinion and press coverage. The role of opposition parties in thwarting the plans of the Swedish government to introduce transitional measures was seen in the discussion above, a consequence of the consensus-based politics of numerous Western European democracies. However, the reason why the Swedish government had reneged on its earlier commitment to free movement was due to pressure from the trade union movement, an influential interest group in Swedish politics.<sup>486</sup> Despite the increasingly liberal attitudes of European trade unions on immigration policies over recent years,<sup>487</sup> this trend did not bear out in a universal manner in 2004. While trade unions in states such as the UK and Ireland supported free movement, unions voiced opposition in a number of other states – often citing concerns that it could increase unemployment, drive down wages and undermine collective bargaining. For instance, trade union pressure was a factor influencing the restrictions sought by governments not only in Sweden but also in Germany and Austria.<sup>488</sup>

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<sup>485</sup> Interviews with government officials.

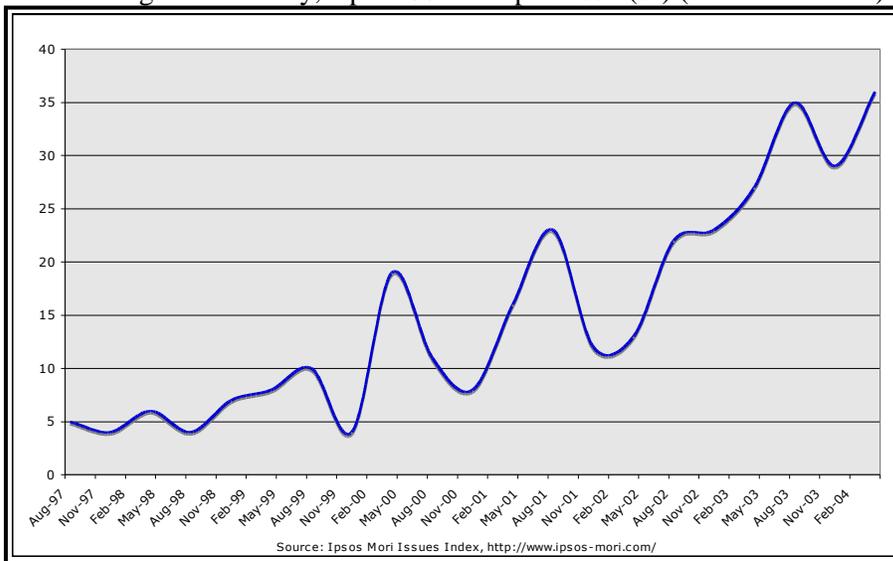
<sup>486</sup> Kvist, *op. cit.* pp. 311-312.

<sup>487</sup> See Leah Haus, *Unions, Immigration and Internationalization: New Challenges and Changing Coalitions in the United States and France* (New York: Palgrave Macmillan, 2002); Julie R. Watts, *An Unconventional Brotherhood: Union Support for Liberalized Immigration in Europe* (San Diego: Centre for Comparative Immigration Studies, 2000).

<sup>488</sup> Jileva, *op. cit.*, p. 694; Torben Krings, ‘A race to the bottom? Trade unions, EU enlargement and the free movement of labour’, *European Journal of Industrial Relations*, vol. 15 (2009), pp. 55-63.

The weakness of other EU-15 states compared with the UK was also seen in the influence of public and media hostility over government decisions on free movement. As Boswell, Chou and Smith have asserted, ‘the nature of anti-immigrant sentiment will determine, at least in part, the sorts of constraints that policy makers will face in their attempts to liberalise labour migration’.<sup>489</sup> It is therefore no great surprise that public hostility was a factor influencing the decision of a number of EU-15 governments to impose restrictions. This was not the case, however, in the UK, where public opposition to free movement, augmented by hostility from prominent tabloid newspapers such as the *Daily Mail* and *The Sun*, had little influence. As seen in Figure 1, immigration and related issues became increasingly salient from the election of the Blair government to the period preceding enlargement. Nonetheless, a longstanding and strong tradition of Euro-scepticism, and similar levels of public hostility to states like Austria and Germany that unequivocally opted for transitional measures,<sup>490</sup> did not deter the Blair government’s resolve in allowing A8 nationals to freely work in the UK.

**Figure 1** Respondents citing immigration and race relations as one of the three most important issues facing Britain today, April 1997 to April 2004 (%) (selected months)



### **Structural economic factors**

If the relative strength of the UK state better equipped the Blair government to override domestic political constraints to implement a policy of free movement, economic considerations were the primary motivations behind such a policy. As seen above, there

<sup>489</sup> Boswell, Chou and Smith, *op. cit.*, p. 12.

<sup>490</sup> Gajewska, *op. cit.*, p. 381.

were multifarious considerations that prompted the UK government to open its labour market to A8 nationals from the date of accession, but the likely economic returns from such a policy was a fundamental factor. Labour shortages arising from low unemployment fuelled by 15 years of sustained economic growth meant that the competition for jobs between A8 and UK residents was likely to be far less of a problem than in other EU-15 labour markets.<sup>491</sup> But whereas most EU-15 governments saw free movement as having a potentially adverse economic impact, the Blair government saw the comparative advantages it could gain from opening its labour market to A8 nationals.

Government ministers justified the UK's response in terms of the prospective economic opportunities that would be delivered, similar to the way that both Labour and Conservative governments have championed labour market flexibility as a key component of the UK's comparative advantage.<sup>492</sup> When announcing the Blair government's intention to allow A8 nationals to work freely in December 2002, Foreign Secretary Jack Straw said such a move was "in the UK's interest" because it would "attract workers we need in key sectors".<sup>493</sup> By contrast, the language used by leaders of the EU-15 states that imposed restrictions was often couched in terms of the potential risks that would otherwise be posed to their more protectively regulated labour markets. For instance, German Chancellor Gerhard Schröder said that domestic labour markets, particularly those in areas bordering the accession states, would not be able to accommodate a large inflow of workers.<sup>494</sup> This was also evident in the way that interest groups and the broader community responded to the prospect of free movement. While business groups and trade unions were hostile to such a position in states such as Germany and Austria, in the UK these groups were supportive. And although public opinion and press coverage towards immigration was similarly ambivalent in the UK and Germany, concerns about labour market impact were more apparent in the latter.<sup>495</sup> This

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<sup>491</sup> This was also the case in Ireland, where the rates of employment growth and unemployment at the time of enlargement were the strongest in the EU. See Nicola Doyle, 'The effects of Central European labor migration on Ireland', in Jen Smith-Bozek (ed), *Labour Mobility in the European Union: New Members, New Challenges* (Washington DC: Center for European Policy Analysis, 2007), pp. 38-39.

<sup>492</sup> See Karl-Orfeo Fioretos, *How and Why Institutional Advantages are Preserved in a Global Economy: A Comparison of British and Swedish Multilateral Preferences*, Discussion Paper FS 1 96-320 (Berlin: Wissenschaftszentrum Berlin für Sozialforschung, 1996), p. 22; Martin Ruhs, 'Greasing the wheels of the flexible labour market: East Central European labour immigration in the United Kingdom', in Jen Smith-Bozek (ed), *Labour Mobility in the European Union: New Members, New Challenges* (Washington DC: Center for European Policy Analysis, 2007), p. 9.

<sup>493</sup> *The Independent*/Stephen Castle, 'UK lifts bar on workers from new EU countries', 11 December 2002, p. 12.

<sup>494</sup> Jileva, *op. cit.*, p. 694.

<sup>495</sup> Boswell, Chou and Smith, *op. cit.*, p. 27.

is consistent with Boeri and Brücker's suggestion that 'negative perceptions of migrants are larger in countries that have more generous social welfare systems and more "rigid" wage setting institutions'.<sup>496</sup>

This was not simply a question of job vacancies and unemployment; there are also structural explanations for why free movement was a more appealing prospect in the UK rather than other EU-15 states. Rates of unemployment and/or labour market inactivity were in fact lower in a number of other EU-15 states that adopted restrictive policies at the time of accession, such as Austria, Denmark, Luxembourg and the Netherlands, than in the UK.<sup>497</sup> But the more flexible nature of the UK labour market meant that it was better placed than other EU-15 states to absorb more workers without an accompanying increase in unemployment.<sup>498</sup> Moreover, various 'system effects' of the UK's economic institutions had eroded the capacity of the government and employers to respond to labour shortages through orthodox strategies such as such as increasing wages, investing in labour-saving technology or training resident workers. As Anderson and Ruhs have argued, the UK was less equipped to respond to labour shortages than its EU-15 counterparts, because the self-reinforcing nature of its lightly regulated financial and labour market institutions meant that many employers were 'unable or unwilling to train' new staff, in part due to 'a fear of poaching, the rise of self-employment and the consequent importance attached to on-the-job training and learning by doing'.<sup>499</sup>

The responses to the 2004 enlargement appear to be consistent with broader developments in the political economies of EU-15 states over the past few decades. As Hall and Soskice have argued, the stance of nation states toward multilateral regulations will accord with whether such initiatives are 'likely to sustain or undermine the comparative institutional advantages of their nation's economy'.<sup>500</sup> Compared with its continental counterparts, the more liberal nature of its economic institutions helped the UK use the pressures of globalisation to its advantage, with its less regulated markets,

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<sup>496</sup> Boeri and Brücker, *op. cit.*, p. 662.

<sup>497</sup> OECD, *Employment Outlook* (Paris: Organisation for Economic Cooperation and Development, 2005), pp. 237-239.

<sup>498</sup> Will Somerville and Madeleine Sumption, *Immigration and the labour market: Theory, evidence and policy* (Equality and Human Rights Commission/Migration Policy Institute, 2009), available at: [www.migrationpolicy.org/pubs/Immigration-and-the-Labour-Market.pdf](http://www.migrationpolicy.org/pubs/Immigration-and-the-Labour-Market.pdf), p. 13.

<sup>499</sup> Bridget Anderson and Martin Ruhs, *A need for migrant labour? The micro-level determinants of staff shortages and implications for a skills based immigration policy*, Paper prepared for the Migration Advisory Committee, September 2008, available at: [www.ukba.home.office.gov.uk/mac](http://www.ukba.home.office.gov.uk/mac), pp. 38-42; see also David Finegold and David Soskice, 'The failure of training in Britain: Analysis and prescription', *Oxford Review of Economic Policy*, vol. 4 (1988), pp. 21-53.

<sup>500</sup> Peter A. Hall and David Soskice, 'An introduction to varieties of capitalism', in Peter A. Hall and David Soskice (eds), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001), p. 52.

low costs of production and flexible exchange rate attracting the foreign investment that enabled its economy to grow consistently over the decade preceding the global financial crisis.<sup>501</sup> The decision of EU-15 states that imposed barriers to A8 nationals in the form of restrictions or quotas can therefore be interpreted as measures of protection consistent with the regulatory characteristics of their labour markets, whereas the UK's liberal stance was compatible with its more *laissez-faire* approach to market regulation.

The size of flows of A8 nationals to the UK and Swedish labour markets reinforces the explanatory importance of structural economic differences. Despite also adopting an open labour market policy with similarly low levels of unemployment – and, as noted above, more generous welfare provision for A8 nationals than offered by the UK – the inflow of A8 nationals into Sweden was much smaller. In the years after enlargement, over 200,000 A8 nationals came to work in the UK each year, compared with over 120,000 to Ireland, but only around 5,000 to Sweden.<sup>502</sup> While strong demand for labour in the UK and Ireland was one reason for these disparities,<sup>503</sup> weaker labour market regulation in both states enabled business to employ migrant workers on relatively lower wages and conditions, particularly compared with Sweden, where much stronger regulation afforded no such scope.<sup>504</sup>

### **III. Policy responses of EU member states to the 2007 enlargement**

When the membership of the EU was further enlarged on 1 January 2007 through the inclusion of Bulgaria and Romania, similar transitional arrangements applied with respect to free movement of labour for nationals of the new members states. In contrast to their positions on the 2004 enlargement, the UK and Ireland restricted A2 nationals from freely working in their labour markets. The Blair government introduced annual quotas for some 20,000 Romanians and Bulgarians to work, but only in low-skilled food processing and agricultural jobs, with self-employed workers exempt from restrictions. Finland and again Sweden were the only EU-15 states to adopt an open labour market policy from the date of accession, though they were also joined by a number of the states

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<sup>501</sup> Peter A. Hall, 'The evolution of varieties of capitalism in Europe', in Bob Hancké, Martin Rhodes and Mark Thatcher (eds), *Beyond Varieties of Capitalism: Conflict, Contradictions, and Complementarities in the European Economy* (Oxford: Oxford University Press, 2007), pp. 66-67.

<sup>502</sup> Catherine Drew and Dhananjayan Sriskandarajah, 'EU enlargement in 2007: No warm welcome for labor migrants', Migration Information Source, 1 January 2007, available at: [www.migrationinformation.org/feature/display.cfm?ID=568](http://www.migrationinformation.org/feature/display.cfm?ID=568).

<sup>503</sup> Krings, *op. cit.* p. 54.

<sup>504</sup> Ruhs, *op. cit.* p. 24.

that had acceded in 2004: the Czech Republic, Cyprus, Estonia, Latvia, Lithuania, Poland, Slovenia and Slovakia. However, as with the 2004 enlargement, a number of other member states fully or partly introduced free movement provisions after the second anniversary of the A2 accession. Drew and Sriskandarajah argue that because the economies of Bulgaria and Romania were weaker than those of the A8 states, ‘the incentive to migrate toward higher wages could be greater’, and thus the labour market and welfare concerns that had prompted many EU-15 states to introduce restrictions three years earlier were only more apparent on this occasion. These considerations were often ‘thinly veiled by justifications of consistent policymaking or diplomatic fairness’.<sup>505</sup> Given the UK’s earlier position, however, such excuses were not available.

### ***The fallout from A8 enlargement and ‘policy spillovers’***

In 2003, a report commissioned by the Home Office was published indicating the size of migration inflows to the UK would most likely be modest. Its authors estimated that the average annual net immigration to the UK from the new member states from the date of accession until 2010 would range from 5,000 to 13,000 persons, but placed strong caveats on the validity of this estimation, saying that methodological shortcomings – particularly an absence of reliable statistics on net migration flows to the UK and from the A8 states – introduced ‘a large potential error in the analysis’. This ‘lack of good data’ meant the estimates were made ‘using an entirely different set of sending countries’. The report concluded that ‘any study, no matter what approach it chooses, and on what data it is based, suffers from this serious caveat’.<sup>506</sup> This warning proved prophetic, as the scale of the inflows was significantly greater than the report anticipated. One year after the 2004 accession, some 200,000 A8 nationals were recorded as working in the UK labour market, and by October 2006, this figure had increased to almost 500,000.<sup>507</sup> Ministers conceded that the scale of the inflow was “unpredicted”.<sup>508</sup>

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<sup>505</sup> Drew and Sriskandarajah, *op. cit.*

<sup>506</sup> According to the report, ‘in the period after WWII, hardly any migration took place from the [A8 states] into Western Europe. This implies that studies which attempt to make predictions on the future migration from these countries have to use historical data on countries other than the [A8 states] in the estimation stage... [Therefore] one needs to assume that migration decisions will respond to the same factors in the same way as reflected by data on historical migration countries. Note that two assumptions are implicit here. First, an assumption of invariance across countries. Second, an assumption of invariance across time. The latter assumption means that future migrations react to changes in economic factors in the same way as past migrations. It is most unlikely that these assumptions hold’. See Dustmann *et al.*, *op. cit.*, pp. 29, 58.

<sup>507</sup> Border and Immigration Agency, the Department for Work and Pensions, the HM Revenue & Customs and the Office of the Deputy Prime Minister, *Accession Monitoring Report A8 Countries May 2004 – June 2007 (2007)*, available at: [www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/reports/accession\\_monitoring\\_report](http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/reports/accession_monitoring_report), Table 1.

<sup>508</sup> Liam Byrne, “Business isn’t the only voice” – Key immigration reforms over the last 12 months’, Minister of State for Immigration, Citizenship and Nationality, Speech to KPMG, 4 June 2007, London.

However, the Migration Advisory Committee (MAC) – an autonomous economic advisory body established by the government in 2007 – claims that the report’s estimation of the total emigration flows of A8 workers was in fact correct.<sup>509</sup> Where it erred was on the assumption that all EU-15 states would open their labour markets simultaneously; the possibility that there would be variation in the transitional arrangements adopted was not factored in. One of the authors later told a House of Lords committee inquiry that he was ‘absolutely sure that if Germany had opened its labour market to the accession countries we would have seen lower inflows to the UK’.<sup>510</sup>

The experience over the 2004 enlargement made the Blair government much more wary of the ‘policy spillovers’ that could eventuate from the decisions of other EU member states. When it later evaluated the UK government’s restrictions on A2 workers, the MAC noted:

Perhaps the most relevant factor in determining the magnitude of immigration flows is also the most unpredictable: we cannot be certain what actions other EU countries will take in relation to the A2 restrictions ... If migrants’ preferred destinations were fixed irrespective of restrictions, the impacts of other member states’ decisions would be more limited. However, an important lesson from the 2004 accession is that preferences are partially constructed in relation to restrictions and opportunities in different countries.<sup>511</sup>

This uncertainty had a strong influence on the announcement by the Blair government in October 2006 to restrict labour market access to A2 workers. As one senior civil servant says, the magnitude of the error in predicting the inflow of A8 workers, combined with ambiguity over the positions of other EU-15 states, deterred the government from allowing free movement for Bulgarians and Romanians because ‘we couldn’t say on the second accession ... “well, there won’t be all that many, it will be fine”. That [option] wasn’t really open to us’.<sup>512</sup>

### ***Domestic political pressures***

The significant media attention garnered by the erroneous predictions amplified the government’s reservations for free movement for A2 workers, as it fuelled broader perceptions that the government had lost control of the UK’s borders. This was not

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<sup>509</sup> Migration Advisory Committee, *The labour market impact of relaxing restrictions on employment in the UK of nationals of Bulgarian and Romanian EU member states*, December 2008, available at: [www.ukba.homeoffice.gov.uk/mac](http://www.ukba.homeoffice.gov.uk/mac), 5.3-5.4.

<sup>510</sup> House of Lords Select Committee on Economic Affairs, *The Economic Impact of Immigration: Volume I – Report*, 1st Report of Session 2007–08 (London: The Stationery Office, 2008), p. 74.

<sup>511</sup> Migration Advisory Committee, *op. cit.*, 6.10-6.11.

<sup>512</sup> Interview with government official.

helped by scandals and ministerial resignations over other immigration issues earlier in 2006.<sup>513</sup> A consequence of the unanticipated size of A8 inflows was that local public service providers were ill-equipped to accommodate new settlers that had not been planned for. In mid 2006, complaints surfaced from the Local Government Association that the influx had placed pressure on public services, hospitals and schools.<sup>514</sup> The opposition Conservative Party echoed these concerns,<sup>515</sup> as did a number of interest groups, including the media-savvy MigrationWatchUK – a self-styled think-tank that had been consistently critical of the Blair government’s immigration policies – and various peak-level business organisations. The Director-General of the British Chambers of Commerce said that while A8 workers had “higher-level skills and a far better attitude to work than local people”, their “vast” number risked creating “significant social problems”. He pondered whether “enlargement fatigue” made it wise to impose working restrictions on A2 nationals.<sup>516</sup> The Director-General of the Confederation of British Industry also claimed it would be a mistake to for the government to:

Throw open our doors to these new member states immediately... The question is about the numbers, the sheer numbers. This is by far the biggest wave of immigration in the history of these islands. It has implications for the social fabric, for housing and education, for the way we live in this country... We should have a pause for breath before the next wave of new comers.<sup>517</sup>

Given business community’s support for the Blair government’s previous liberal immigration initiatives, it is curious that the peak-level business groups supported restrictions on Bulgarian and Romanian workers. One explanation offered for this response is the complaints from local businesses that the economic benefits from A8 immigration were not compensating for the ‘social’ costs. Added to this was a concern among business groups that the government had lost control of immigration. In the words of one business lobbyist, ‘the business mood shifted because the public mood shifted... The government had appeared to have lost control. It appeared that the government didn’t have the faintest how many people were in the country’.<sup>518</sup>

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<sup>513</sup> Drew and Sriskandarajah, *op. cit.*

<sup>514</sup> *Sunday Telegraph*/Robert Watts, “‘Migrants are more enthusiastic, more punctual and better prepared’”, 27 August 2006, p. 7.

<sup>515</sup> *Sunday Times*/Steven Swinford, ‘How many others can we squeeze in?’ 27 August 2006, p. 12; see also Julie Smith, ‘Towards consensus? Centre-right parties and immigration policy in the UK and Ireland’, *Journal of European Public Policy*, vol. 15 (2008), p. 424.

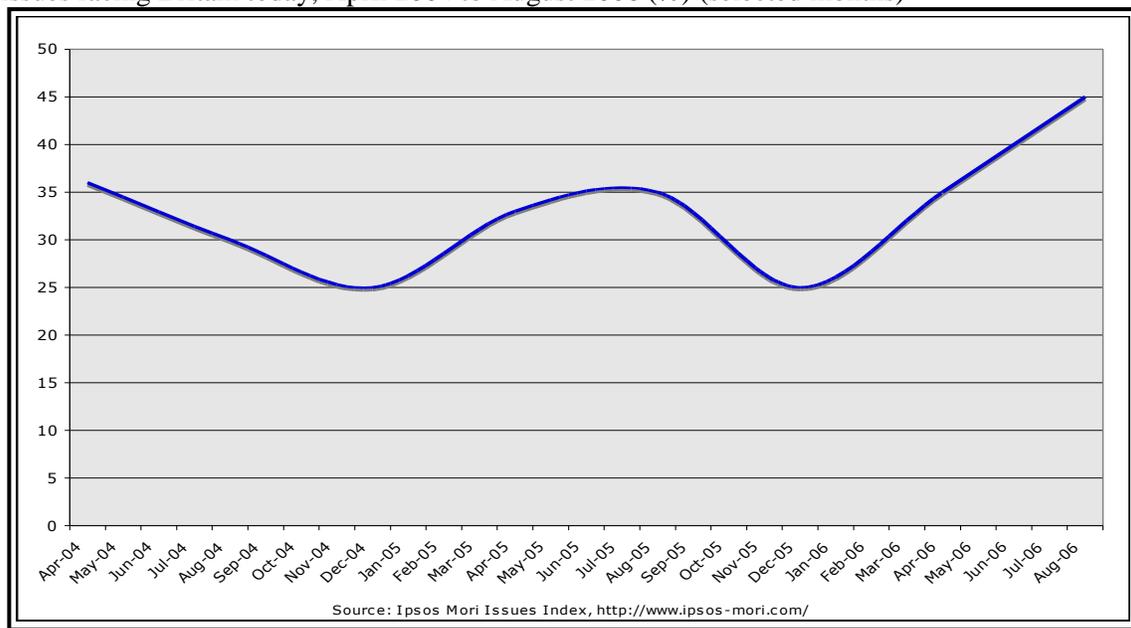
<sup>516</sup> *Financial Times*/Jean Eaglesham, ‘Business warns of migration diversion’, 24 July 2006, p. 2.

<sup>517</sup> *Daily Mail*/Becky Barrow, ‘Britain needs a rest from immigration, warns new CBI chief’, 6 September 2006, p. 17; *The Guardian*/Larry Elliott, ‘Migrants threaten social fabric, says CBI chief’, 6 September 2006, p. 21.

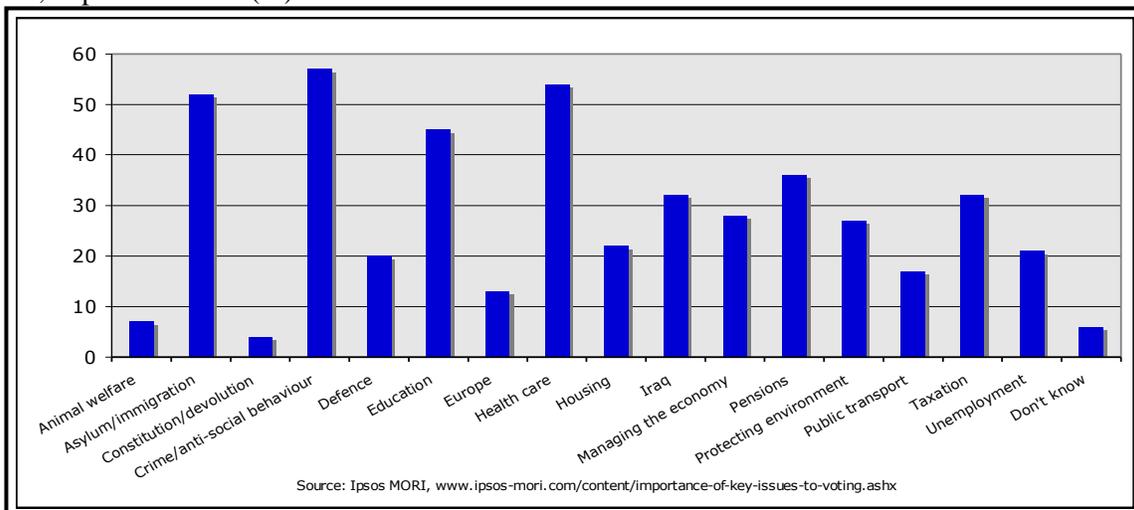
<sup>518</sup> Interviews with business officials.

Opinion polling in the lead up government's decision reflected unease in the broader community. As seen in Figure 2, immigration became a more salient policy issue throughout 2006 leading up to the government's announcement that September, coinciding with sustained press coverage of the increasing number of A8 workers entering the UK. Figure 3 shows that in the month of the A2 decision, 'asylum and immigration' was the third most important issue shaping voting intention, while Figure 4 demonstrates that the issue was not clearly galvanising electoral support for the governing Labour Party.

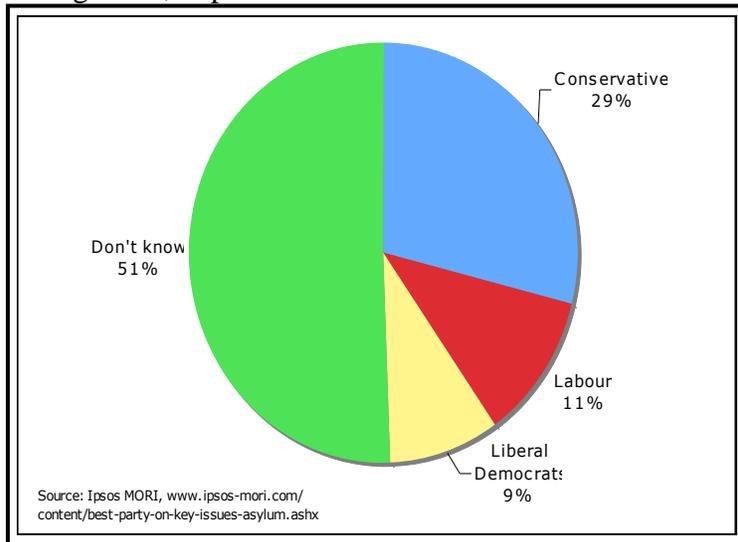
**Figure 2** Respondents citing immigration and race relations as one of the three most important issues facing Britain today, April 2004 to August 2006 (%) (selected months)



**Figure 3** Importance of key issues to in helping respondents decide which party they would vote for, September 2006 (%)



**Figure 4** Respondents citing the party they believe has the best policies on asylum and immigration, September 2006



The disquiet among opposition parties, interest groups and the broader community about the unanticipated inflows of A8 workers and the impact on public services was a major factor in the government's decision to impose restrictions.<sup>519</sup> In announcing the restrictions, Home Secretary John Reid acknowledged they were partly in response to such concerns.<sup>520</sup>

### ***Economic factors***

If the strength of the UK state had been able to withstand opposition to free movement in 2004, its inability to do so on the 2007 enlargement warrants explanation. There had been a solid economic case for granting A8 workers unfettered access to the UK labour market. Despite the size of inflows, the impact of A8 workers on the UK economy and labour market was seen within the government as positive and a reason to consider continuing a policy of free movement.<sup>521</sup> There was a view – supported by various studies both at the time and subsequently<sup>522</sup> – that these workers were having little if any negative affects on the wages or employment prospects of UK residents, and in any case were having a positive fiscal impact, contributing to growth and productivity and helping

<sup>519</sup> Interviews with government officials.

<sup>520</sup> *Guardian Unlimited*, 'UK to limit EU entrants' working rights', 24 October 2006; *The Independent*/Nigel Morris and Jonathan Brown, 'Reid accused of pandering to media pressure with curbs on immigrants', 25 October 2006, p. 6.

<sup>521</sup> Interviews with government officials.

<sup>522</sup> See Nicholas Gilpin, Matthew Henty, Sarah Lemos, Jonathan Portes and Chris Bullen, *The Impact of Free Movement of Workers from Central and Eastern Europe on the UK Labour Market*, Working Paper No. 29 (Leeds: Department of Work and Pensions, 2006), p. 1; Somerville and Sumption, *op. cit.* p. 14.

to fill labour and skills shortages across the economy.<sup>523</sup> However, there was a view that the economic case for opening the labour market to A2 workers was not as compelling. According to one business lobbyist:

The economic cycle was different [with] the decision on A2 as against [A8]. Unemployment was going up, growth had slackened, the skill set of Romania and Bulgaria was not the same as the skill set of Poland, there was less use of the English language, less traditional connection with the UK. So most of our members, particularly the ones interested in skilled labour, didn't see as big an opportunity with Romania and Bulgaria as they had with Poland and the Czech Republic.<sup>524</sup>

Moreover, Drew and Sriskandarajah claim that compared to their A8 counterparts, nationals from the A2 states were 'less favourably perceived' by policymakers in Whitehall: 'Publicly held beliefs about Bulgaria and Romania's inclinations toward organized crime and corruption were reinforced by the EU Commission's delay in confirming the 2007 accession date for those very reasons'.<sup>525</sup> Despite the unfair and prejudicial connotations of these attitudes, they were indeed cited by ministers and senior civil servants as factors underpinning the government's decision to restrict free movement to A2 nationals.<sup>526</sup> The government's political will to replicate its earlier position was thus diminished by the view that the economic advantages likely to be delivered by A2 workers were less clear-cut.

## Conclusion

The UK government allowed free movement for workers from new EU member states in 2004 because the economic case was more apparent than in other EU-15 states, and the institutional strength of the state enabled it to override domestic opposition to such a position. However, opposition was more widespread and vocal to the prospect of free movement when the EU further expanded, and although the institutional capacity of the UK state to abrogate such opposition was no weaker, the economic benefits were less obvious than they had been three years earlier, thus moderating the government's political resolve. While political imperatives therefore overshadowed the economic imperatives that underpinned the A8 decision, there appeared to be less at stake for the

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<sup>523</sup> Migration Advisory Committee, *op. cit.*, 5.31.

<sup>524</sup> Interview with business official.

<sup>525</sup> Drew and Sriskandarajah, *op. cit.*

<sup>526</sup> Interviews with government minister and government official.

Blair government in terms of foreign policy considerations, and the introduction of a more stringent system of border control and migration management in 2006 also meant the pragmatic reasons for allowing free movement for A2 workers were not as strong as in 2004.

However, one cannot overlook the importance of ‘events’ in shaping the course of policy; had the size of the A8 inflows been more consistent with expectations, the government may have had greater determination to grant free movement to Bulgarians and Romanians. It has indeed been shown that inaccurate information about the size of immigration flows is likely to amplify negative public attitudes.<sup>527</sup> Moreover, as Freeman points out, ‘it is obvious, of course, that the politics of immigration in liberal democracies fluctuates, that its salience ebbs and flows, and that it exhibits a tendency to go through predictable cycles’. In the ‘good times/bad times dynamic’ of such cycles, periods of immigration expansion often precede popular backlash, during which immigrants ‘are targeted as scapegoats for conditions they may have no part in causing’.<sup>528</sup> Despite evidence that A8 workers were making a positive economic contribution with minimal negative consequences, the emergence of vague concerns about the capacity of public services to cope perhaps should be unsurprising, particularly given the longstanding sensitivity of immigration politics in the UK.

The immigration politics of many other Western European states came to be marked by sensitivity, division and restriction after they ended their guest worker programs in the 1970s. A recent work by Adrian Favell notes the refreshing absence of such politics in relation the generation of ‘free movers’ within Western Europe that have become increasingly prevalent in recent years:

[While] Britain remains fixated on more “exotic” forms of cultural difference as a threat ... nobody notices or complains about the well-spoken French, Italian or German kids working in cafes, trains, hotel lobbies, or bargain airlines. They are unproblematic, and no politician or policy maker need ever make a fuss... They are also more often than not temporary and short-term migrants, who will not be looking for childcare benefits, schools, medical treatment, or retirement care in the long run... The British economy gets an almost free ride on the back of the superior state school systems and cheaper universities of its neighbours. These well brought up, highly educated young Europeans come to Britain with degrees in hand only to work in snack bars and menial office jobs. They are motivated,

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<sup>527</sup> John Sides and Jack Citrin, ‘European opinion about immigration: The role of identities, interests and information’, *British Journal of Political Science*, vol. 37 (2007), pp. 477-504.

<sup>528</sup> Gary P. Freeman, ‘Models of immigration politics in liberal democratic states’, *International Migration Review*, vol. 29 (1995), p. 886.

dynamic, and ideal employees; but they are willing to take a cut in pay and quality of life, just to be in London. The city and the national economy pockets the difference'.<sup>529</sup>

These characteristics have been echoed in the appraisals by UK businesses of the Central and Eastern Europeans that came to work after 2004.<sup>530</sup> Unfortunately, despite such praise and despite the more enlightened position taken by the Blair government in 2004 compared with many of its EU-15 counterparts, the UK ended up returning to the old politics of immigration three years later. Drew and Sriskandarajah claim that 'the restrictive decisions of the majority of the EU-15 member states are reminders of the broader challenges of balancing free movement and national labour market protection'.<sup>531</sup> However, it appears that many nationals from the new EU member states did not go the EU-15 states after 2004 as 'immigrants' seeking permanent settlement, but rather as circular free movers contributing to a new European economic dynamism.<sup>532</sup> It has been estimated that around half of the roughly one million A8 nationals that arrived in the UK between 2004 and 2008 subsequently departed for their home countries or other destinations.<sup>533</sup> Given that EU-15 states have to phase out all restrictions on A8 workers by 2011 and on A2 workers by 2014, they will be forced to regard these workers not as immigrants but as free movers. It can be only hoped that this with this transition, the old divisive politics of immigration is also left behind.

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<sup>529</sup> Adrian Favell, *Eurostars and Eurocities: Free Movement and Mobility in an Integrating Europe* (Oxford: Blackwell, 2008), pp. 35-36.

<sup>530</sup> See Bridget Anderson, Martin Ruhs, Ben Rogaly and Sarah Spencer, *Fair enough? Central and East European migrants in low-wage employment in the UK* (York: Joseph Rowntree Foundation, 2006).

<sup>531</sup> Drew and Sriskandarajah, *op. cit.*

<sup>532</sup> Adrian Favell, 'Immigration, migration and free movement in the making of Europe', in Jeffrey C. Checkel and Peter J. Katzenstein (eds), *European Identity* (Cambridge: Cambridge University Press, 2009), pp. 167-189.

<sup>533</sup> Naomi Pollard, Maria Latorre and Dhananjayan Sriskandarajah, *Floodgates or Turnstiles? Post-EU Enlargement Migration Flows to (and from) the UK* (London: Institute for Public Policy Research, 2008), p. 5. Although it should be noted that there is evidence that this trend has slowed since the onset of the global financial crisis. See Will Somerville and Madeleine Sumption, *Immigration in the United Kingdom: The recession and beyond* (Equality and Human Rights Commission/Migration Policy Institute, 2009) available at: [www.migrationpolicy.org/pubs/Immigration-in-the-UK-The-Recession-and-Beyond.pdf](http://www.migrationpolicy.org/pubs/Immigration-in-the-UK-The-Recession-and-Beyond.pdf), pp. 41-42.