
INCREASING OUTWARD MIGRATION – OPPORTUNITIES, HOPES AND LABOUR MARKET IMPACTS

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Outward migration from today's Hungary is a fact: it is one of the most worrying social problems, and although its extent is difficult to measure, it has been visibly increasing since 2010–11. Early in the decade, growing signs prompted a question in the Social Report about whether Hungary was following the regional trend in outward migration; by the middle of the decade the answer was clear (Hárs, 2012; 2016). Future trends can only be guessed at. For a long time, outward migration from Hungary was less pronounced than from most of the region's countries and its structure was rather different; thus its impact and implications are not yet known. This chapter investigates where Hungary stands in the growing tendency toward outward migration from the Eastern European region and looks at its specific features and its impact on the labour market.

1. The enlargement of the European Union and the free movement of labour

The mounting problems tend to obscure the fact that the free movement of labour was originally one of the fundamental goals of the European Union and still enjoys substantial support (Eurobarometer, 2017: QA17: 469). One of the anticipated advantages of the single European labour market stems from the obvious economic law that migrant workers are more mobile and resilient than local workers (Borjas, 2001; Kahanec et al., 2016; Guzi et al., 2018), which enhances the flexibility of the labour market. The consensus on the advantage of mobility is based on the assumption that there can be a more efficient allocation of labour between those regions with a labour shortage and those with a labour surplus (Zimmermann, 2016).

In 2004, sudden and rapid migration – exceeding previous expectations – began from the majority of the new Member States toward the more developed

ones.¹ The crisis of 2008 gave a further boost to the process, and the number of potential destinations also gradually increased. As predicted by the classical micro-models of migration, a significant difference in wage levels, expectations for the future and large-scale unemployment all boost outward migration (Harris and Toderò, 1970), and borders within the European Union no longer presented an obstacle. The ‘well-being gap’ is also increasingly cited as a reason (Skoglund, 2017). When assessing the motivations of the large numbers of new EU citizens arriving in the United Kingdom, Blanchflower and Shadforth (2009) found that one factor that influenced migration as much as (or possibly even more than) wages was discontentment with life and conditions in the home country.

Intensive migration has had a macro-level impact on the labour markets of both the host countries (the ‘old’ EU Member States) and the countries of origin (the new Member States). Confounding the initial fears, modelling estimates have confirmed the beneficial effects in most host countries (Kahanec et al., 2016). But as for the countries of origin, the findings are less conclusive. Early studies suggested a modest increase in wages and a decrease in unemployment in the short run and a neutral effect in the long run (Brücker et al., 2009). However, later research reported the worrisome demographic implications of the outflow of young, qualified workers and the ageing of the remaining population, coupled with problems in funding the welfare systems and the probable shortage of a qualified workforce in certain occupations (Kahanec, 2013; Zaiceva, 2014).

The impacts are contradictory and there may be imbalances. In the short term, unemployment may fall and the level of remittances may increase considerably (although it could fall after some time). However, in the long term, the working-age population and the number of qualified young workers are both likely to shrink, resulting in a labour shortage (Hazans, 2013; 2016; Kaczmarczyk and Okolski, 2008; Kaczmarczyk et al., 2016). Simulation modelling confirms the adverse effects: the significant outward migration of young professionals from those countries with weaker economies is permanent, and improvement depends on strengthening their economies (Fic et al., 2016).

The next section presents the features of outward migration of the active-age Hungarian population. We use descriptive statistics to compare Hungary

¹ The enlargement in 2004 included eight countries (the Czech Republic, Slovakia, Poland, Hungary, Latvia, Lithuania, Estonia and Slovenia); this was followed by Romania and Bulgaria in 2007. However, the free movement of labour was implemented only gradually in these countries. In what follows, these new Member States will be referred to as the EU-10 countries and the more developed, ‘old’ Member States as the EU-15. When examining intra-European mobility, we put EEA countries in a similar situation (Switzerland, Norway) into the latter group.

with the other new EU Member States; analyse the characteristics of the outflow of Hungarian workers and the impact on the Hungarian labour market through microdata; and finally summarize possible solutions to the problems and various ways of adaptation.

2. Figures and proportions – the emigrating population by European comparison

2.1 Interpreting data, trends and changes

Since the expansion of the European Union, migration from the new EU Member States –the EU-10 – has been rising steadily, influenced by the economic environment and by economic and labour market changes in the different countries. *Figure 1* presents the proportion of the active-age population (aged 20–64) of the new Member States living in another EU country, as well as its average yearly change a) in the period from EU enlargement to the economic crisis (2004–07), b) during the crisis (2008–11) and c) following the crisis and the lifting of restrictions on the free movement of labour (2012–17).

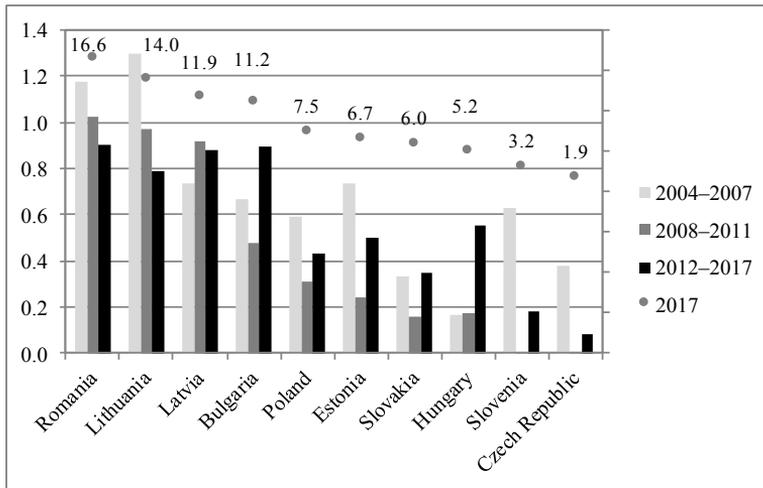
Outward migration is measured as the proportion of the population of an EU-10 country living in another EU Member State relative to the total population (those living abroad plus those who have stayed in the home country). The sample size does not allow reliable measurement of migration to be broken down by host country, and therefore the analysis includes EU Member States as a whole (also including, for the purpose of analysis, Switzerland and Norway from the EEA; henceforth this group is referred to as the EU-15+2). The data show changes in the population of citizens living abroad and registered by the interviewers of the EU Labour Force Survey (LFS), the source of the data. The majority of migrants move to the EU-15+2. The assessment does not include individuals who are hidden from the statistics in the host countries, stay there for a short time, commute or do not habitually live there.

The migration rate from some countries is extremely high, amounting to 11–16 per cent of the active-age population in 2017 – these are identified as *high-emigration countries* (Latvia, Lithuania, Romania and Bulgaria); meanwhile

countries with a 5–8 per cent rate are *low-emigration countries* (Poland, Estonia, Slovakia and Hungary). The order of the countries seems to be stable.²

Hungary ‘caught up’ with those countries with moderate outward migration rates quite late, after 2011, and the rate of outward migration is still low compared to the other new Member States. However, the intensity of the trend is revealed by the fact that between 2012 and 2017 the average yearly increase in outward migration was higher in Hungary than in any of the other three low-emigration countries, amounting to nearly 0.6 percentage points (*Figure 1*).

Figure 1 *The average annual change in the rate of intra-European outward migration of active-age (20–64) EU-10 citizens by periods (percentage points) and the rate of outward migration in 2017 (percentage)*



Note: left-hand axis: average annual change in the migration rate (percentage points). The figures above the columns indicate the migration rate in 2017 (percentage).

Source: author’s calculation based on the Eurostat European Union Labour Force Survey (EU LFS).

This is supported by everyday reality. Based on EU LFS data, the active-age Hungarian population (20–64) decreased by an average of more than 30,000 annually in the period 2012–17. In other words, the active-age population living abroad increased by more than 170,000 in five years.

² Slovenia and the Czech Republic are not characterized by increasing migration. At first, trends in Hungary were similar to those in the Czech Republic, and therefore changes are presented for the sake of comparison. Slovenia is excluded from the rest of the analysis.

2.2 Qualification and age

Migrants generally tend to be young, qualified and enterprising, prepared to seize the opportunity to move abroad. And recent Hungarian studies tend to confirm this profile (Blaskó and Gödri, 2014; Blaskó et al., 2014). Nevertheless, there are significant differences in the structure of outward migration between the new EU Member States. The characteristics of outward migration and the special Hungarian features are examined below in terms of qualifications and age.³

As is the case with those who remain in the home country, the majority of migrants have an upper-secondary qualification; thus the average migration rate is largely determined by the size of this group.⁴ Yet in the majority of countries, the migration rate among the low-qualified was also significant – considerably in excess of the average migration rate. In the *high-emigration countries*, the migration rate of the low-qualified was 20–25 per cent or more in 2017, and even in the *low-emigration countries* it exceeded 15 per cent in Estonia, Poland and Slovenia. The outflow of the low-qualified took off after 2004, suggesting (in line with theoretical assumptions) that outward migration significantly reduced unemployment in the labour market of the origin countries (see *Figure F1* of the Appendix). The migration rate of the very young was also high in most of the countries that joined the EU in 2004. The rapidly increasing rate was fuelled by high unemployment in the home countries after 2004; this corresponded to the outflow of the low-qualified.

The increase slowed down later on, but in 2017 the proportion of young people aged 15–24 was still over 10 per cent in the *high-emigration countries* and at or below 5 per cent in the *low-emigration countries*. The migration rate of the older population (aged 25–54) exceeded that of the young population in each country by the end of the period (in 2017), but the difference between the two groups is significantly smaller in the *high-emigration countries* (see *Figure F2* of the Appendix).

The expansion of the EU occurred in a favourable economic climate, when demand for labour was high in the host countries. It had a considerable impact on the young and the low-qualified – those sections of the population with especially high rates of unemployment. According to Kaczmarczyk (2013), to

³ The average yearly changes in the emigration rates of the countries in the periods concerned, as well as the emigration rates in 2017, are presented by qualification in *Figure F1* of the Appendix and by age group in *Figure F2* of the Appendix.

⁴ About 50 per cent of the population aged 20–64 that moved abroad had an upper-secondary qualification in 2017 the proportion was around 60 per cent in the population that stayed at home.

a hitherto unprecedented extent it became possible for superfluous labour to move from economically underdeveloped regions. The most important outcome of the rapid outflow was a decrease in the high unemployment in the countries of origin. This opened the way to market clearing (Kaczmarczyk and Okolski, 2008). Given the adverse labour market in the Baltic countries, the possibility of large-scale outward migration functioned as a ‘safety valve’ in the short term (Hazans, 2013).

Compared to other countries, in Hungary the migration rate of the low-qualified was modest: the unemployment rate was low and this group did not feel the need to migrate after 2004; indeed, the outflow was even lower than in the (similarly situated) Czech Republic. The youth migration rate also lagged behind after 2004. This may have been due to the relatively generous welfare system (cf. Hárs, 2016). The outward migration rate of the low-qualified increased slowly after 2011, but remained below the level of the other countries. The increase in youth migration from Hungary is similar to the very modest figures seen in the rest of the countries.

2.3 *Brain drain*

The proportion of graduates migrating from the new EU Member States grew rapidly after 2004; although the pace has since slowed, the trend has continued. In 2017, the migration rate was 5–10 per cent in the majority of the countries (even higher in Lithuania and Romania, though at a lower level in the Czech Republic). If we look at the *low-emigration countries*, the graduate migration rate was relatively high compared to the total migration rate in Slovakia and Hungary (as well as the Czech Republic).

Remarkably, Hungary is the only country where the *graduate* migration rate is highest – higher than the average rate and above the rate seen in any of the less-qualified groups. Between 2004 and 2007, the emigration of graduates rose sharply, by 1 percentage point annually on average; this was followed by a slowdown, but the relatively high rate has remained characteristic of Hungary. In the period 2012–17, when outward migration increased, the migration rate of graduates also rose, by an average of 0.7 percentage points annually.

This is a significant increase compared to the other new EU Member States: only Latvia and Bulgaria (from the group of *high-emigration countries*) had similar rates, and only Romania exceeded that level. The high Hungarian graduate migration rate (relative to the other educational groups) and its above-average increase are consistent with everyday experience: the above-average increase in the outward migration of graduates presents a serious structural

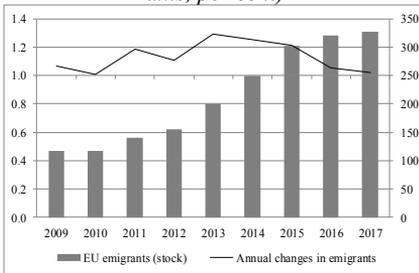
problem. In 2017, the rate exceeded 8 per cent; this is high for the *low-emigration countries* (although *high-emigration countries* may see a considerably higher rate) (see *Figure F1* in the Appendix).

3. Increasing outward migration – to what extent and for how long?

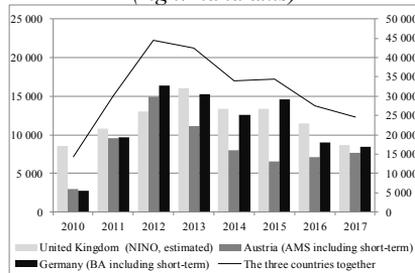
All data sources reveal increasing outward migration from Hungary after 2010. Between 2012 and 2017, the proportion of the active-age population leaving the country increased faster than elsewhere in the EU-10. The number of people aged 20–65 living abroad grew by over 200,000 between 2010 and 2017 – at an accelerating rate until 2013, and then at a slower pace (see part a) of *Figure 2*).

Figure 2 *The extent of and changes in the outward migration of those living abroad and those working abroad*

a) *The number of active-age (20–65) intra-EU migrants (right-hand axis, thousand persons) and its annual change (left-hand axis, per cent)*



b) *The annual changes in the number of employees (persons) in the major host countries (left-hand axis) and in total (right-hand axis)*



Source: part a) author’s calculations based on Eurostat EU LFS online data, part b) seasonal and regular work permits granted in Germany (BA permits) and in Austria (AMS permits), and estimations based on the number of NINOs granted in the United Kingdom.

If we examine those working abroad, the same tendency can be seen: the number of Hungarians working in the most popular host countries – the United Kingdom, Austria and Germany – increased rapidly after 2010 according to the statistics of those countries, and the figures for all three countries showed similar trends. In the United Kingdom, the number of Hungarians requesting a National Insurance (NINO) number accelerated until 2013 and then the rate

slowed down.⁵ In Germany and Austria, from May 2011 (when the labour markets of those countries opened up), the number of work permits granted to Hungarians increased sharply; and after 2012, the increase also slowed down (see part b) of *Figure 2*).⁶ The number of workers taking up employment in the three countries has grown by a total of 240,000 since 2010.⁷ The sudden and rapid rate of increase seen after 2011 may not continue in the future, but permanent outflow probably will. This is consistent with statistics indicating a slowing, but still continuous, increase in outward migration.

4. Who goes abroad to work and in which direction?

4.1 The outward migration rate, the return rate and the net migration rate relative to the number of employees

The data available limit the study of migration (Willekens et al., 2016). The sections above examine the stocks of those living or working abroad at a specific point in time or in a specific period. However, data on migration flows describe the process of migration more precisely – migration is a succession of exits and re-entries: outward migration is not necessarily final – and nor is return. Hárs and Simon (2018) analysed flows – that is, the migration abroad of those with a job in Hungary.⁸

In the period of rapidly increasing outward migration (2011–16), an average of 2 per cent of Hungarian workers left the country annually in order to

⁵ A National Insurance (NINO) number is obligatory for all activities in the United Kingdom; thus it indicates a higher figure than the number of employees. Of those who request a NINO, the number of those who return home is also significant: Blanchflower and Shadforth (2009) (in general) and Moreh (2014) (for Hungarians in particular) estimate a 50–60 per cent return, while the figure assumes a 60 per cent labour market presence, based on the increase in the number of NINOs granted.

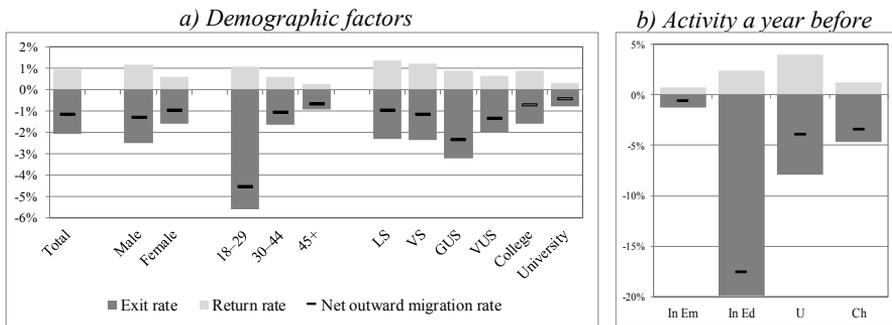
⁶ The sudden increase probably also reflects the fact that those already living in the country were able to regularize their situation.

⁷ The numbers for those living abroad and those taking up employment abroad are obtained from different data sources. The figures concern groups that partly supplement each other and partly overlap, and therefore it is not surprising that the increase in the number of those working abroad should exceed the number of the active-age living abroad. Not all of the latter group take up employment, while some employees are not included in the statistics on those living abroad (for example, seasonal workers and commuters).

⁸ The source of data is the labour force survey of the Hungarian Central Statistical Office, used to identify the corrected sample of the population working abroad, taking into account the number of workers who take up employment abroad provided in the mirror statistics. For details and weighting, see Hárs and Simon (2018: 95–96).

take up employment abroad. However, some of those later returned to the Hungarian labour market either permanently or temporarily (and possibly repeatedly). Taking re-entry into account, a net annual average of 1 per cent of Hungarian workers went abroad to take up employment between 2011 and 2016. Young workers aged below 30, those with a general upper-secondary qualification and those who had been working one year before the survey took up employment abroad in especially large proportions; their net migration rate is also high.⁹ By contrast, the migration rate of the low-qualified and of those who had been unemployed one year before is not especially high. Interestingly, they are less likely to take up permanent employment abroad and are more likely to return home (*Figure 3*).

Figure 3 *The annual average outward migration, return and net migration rate of Hungarian employees by demographic and labour-market factors, 2011–16 (per cent)*



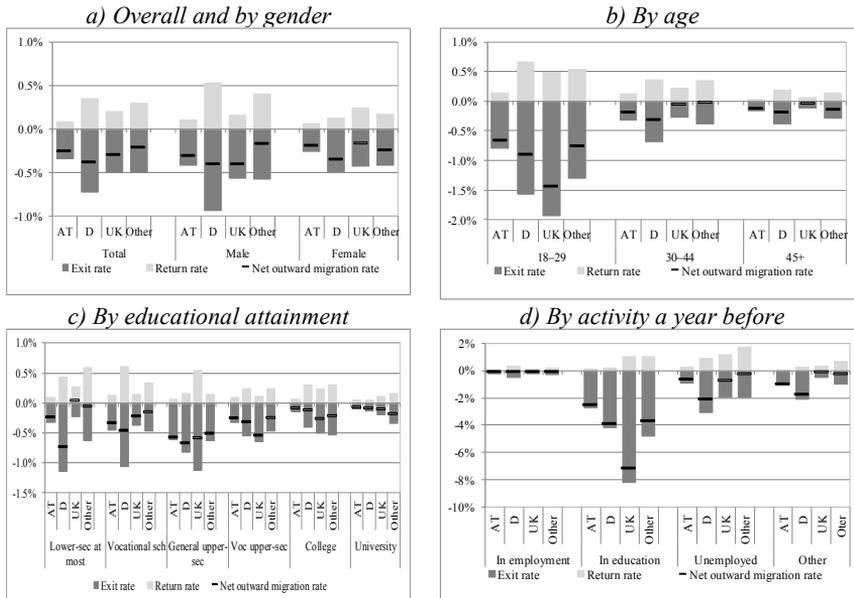
Note: Lower-secondary at most (LS), Vocational school (VS), General upper-secondary (GUS), Vocational upper-secondary (VUS). In employment a year prior (In Em), In education a year prior (In Ed), Unemployed a year prior (U), Childcare, other a year prior (Ch). Proportions are calculated relative to the mobile population and the population staying at home; annual average rates calculated from quarterly average changes. For more details on the calculation methods, see Hárs and Simon (2018: 96). Based on the standard errors calculated from the sample, the net outward migration rate of higher-education graduates is not significant. Source: Hárs and Simon (2018: 97; Figure 2.3.2).

⁹ Based on the sample, the migration rate of graduates in employment overall is modest. Hárs and Simon (2018) also analysed impacts independent of composition effects using regression models: in this case the marginal effect of taking up employment abroad was strongest in the group of higher-education graduates and was weaker in the group of general upper-secondary education graduates.

4.2 Differences across host countries

The composition of Hungarian migrant workers and the expected duration of stay varies by host country. Based on the method used in Hárs and Simon (2018), *Figure 4* presents the migration rates by host country.¹⁰

Figure 4 *The annual average outward migration, return and net outward migration rate of Hungarian employees by demographic and labour market factors and host countries, 2011–16 (per cent)*



Country codes: AT – Austria, D – Germany; UK – United Kingdom.

Note: see note below *Figure 3*. Based on the standard errors calculated from the sample, the following proportions are not significant:

- in part a) of the figure – the net outward migration rate of females to the UK;
- in part b) of the figure – the net outward migration rate of those aged 30–44 to the UK and to ‘Other’ countries; the return rate and the net outward migration rate of those aged over 45 to the UK;
- in part c) of the figure – the net outward migration rate of general upper-secondary graduates to the UK, of those with a lower-secondary qualification at most, those with a vocational secondary and those with a vocational upper-secondary qualification to the ‘Other’ countries, and of college (non-university higher education) graduates to all host countries; the return rate of general upper-secondary education graduates from Austria and the ‘Other’ countries; the return rate and the net outward migration rate of those with a lower-secondary qualification at most to the UK, of university graduates to all countries (also their outward migration rate to Austria);
- in part d) of the figure – the net outward migration rate to the UK of those unemployed or engaged in another activity a year before; the return rate of young people in education a year before from all countries, of those unemployed or engaged in another activity a year before from Austria and Germany; the return and net outward migration rate to the UK of those unemployed or engaged in another activity a year before.

Source: author’s calculations using the database of the Labour Force Survey of the Hungarian Central Statistical Office adjusted by mirror statistics.

¹⁰ Calculations are based on the database of the Labour Force Survey of the Hungarian Central Statistical Office adjusted by Hárs and Simon (2018) (see previous note).

Male workers who took up employment in the United Kingdom and (especially) in Austria were less likely to return to the Hungarian labour market. By contrast, those who went to work in other countries, including Germany, returned home in large proportions. Female workers were less likely to return home from any of the host countries. Among young people with work experience, the United Kingdom was the most popular and Austria the least popular destination; their rate of returning home was low compared to their outward migration rate.

Both the outward migration rate and the return rate of those with *lower-secondary* or *secondary vocational* qualifications to Germany and 'Other' countries were high. Among *general upper-secondary* education graduates, both the outward migration rate to the United Kingdom and the return rate were high. The outward migration of this group to Austria, Germany and 'Other' countries was more modest, but the net outward migration to all destinations was significant. *Vocational upper-secondary* graduates had a high level of migration to the United Kingdom and only a small proportion of them returned; thus their balance of migration (net outward migration) was significant. Meanwhile, they had a high rate of return from the other countries (and accordingly more modest net outward migration). The outward migration rates of *college graduates* were similar for all countries except Austria, and there was a significant return rate. As for *university graduates*, they had a significant level of migration to the United Kingdom and an even higher rate to 'Other' countries, but the sample size does not allow any further definitive conclusions.

Finally, young workers in education a year before had a particularly high migration rate to the United Kingdom, a lower rate to Germany and 'Other' countries and an even lower rate to Austria; the *net* outward migration rates showed a similar trend to the outward migration rates, being high for all host countries.

Among those unemployed a year before, the migration rate was highest to Germany, and there was a relatively low return rate, resulting in high net outward migration. Smaller numbers went to the United Kingdom and the 'Other' countries and many of them returned. Meanwhile, the proportion of those who took up employment in Austria was low, but those who did go there tended to stay.

Those who were caring for a child or relative or who were engaged in some other activity a year before and who then found employment went to work to Germany or Austria in small but measurable proportions, and only a small share of them returned.

Understandably, the migration rate of the most populous group – those who were in employment a year before – was substantially lower than among the other groups, and there were no major differences between the host countries. Overall, the net outward migration rate of employees was somewhat higher to Germany than to the other host countries, but there is no substantial difference between the host countries, although there is a difference in the nature of migration. The United Kingdom is the most popular destination for the highly qualified, the younger age groups and those in education a year before. Germany is more attractive for the low-qualified, those unemployed a year before and older age groups: both the outward migration rate and the return rate are high.¹¹ By contrast, those who found employment in neighbouring Austria were less likely to return to the Hungarian labour market: they took up permanent employment, either settling down or commuting.

5. Impacts and consequences

5.1 Labour shortage, unemployment, labour market adaptation

Having examined the large-scale Polish outward migration after 2004, Kaczmarczyk and Okolski (2008) report, along with a rapid decline in unemployment, the emergence of a significant labour shortage after a few years in certain sectors (especially in construction and manufacturing), which placed a limit on development. The Baltic states had similar experiences following massive outward migration (Hazans, 2013). Labour shortage has also been on the increase in Hungary since 2012, as witnessed in every shortage indicator (Köllő et al., 2018). According to popular belief, it is obvious that if there is outward migration and a shortage of labour, the latter is a result of the former. Köllő (2018) identifies outward migration as an important factor, but not the only one – and not even the most decisive one. However, it is generally one of the usual scapegoats.

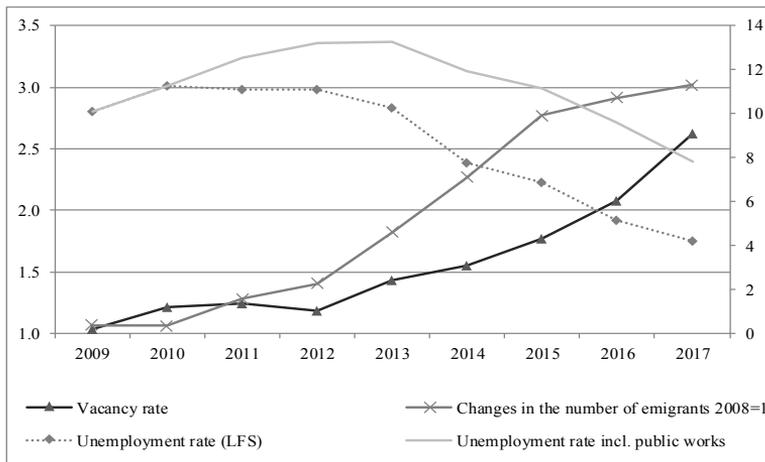
In line with theory, the high unemployment in the EU-10 as a whole declined as a result of outward migration and signs of labour shortage emerged soon after. But the Hungarian trend has been somewhat different.

The rise in outward migration and the increasing shortage of labour have had hardly any impact on unemployment: actual unemployment (counting those participating in public works, a supported-employment scheme that is

¹¹ Examining the preferences of Polish workers, Kaczmarczyk et al. (2009) report similar findings for the United Kingdom and Germany: demand in those host countries and the preferences of Polish job seekers coincided and the proportions seemed to be stable.

particularly extensive in Hungary and includes, in fact, the unemployed) has remained quite high; while unemployment has fallen in the regular labour market, the number of public works participants remains substantial and stable, due to the lack of labour market adaptation. As described by Köllő and Varga (2018): high unemployment and excessive labour shortages are both present in a Hungarian labour market that is distorted by public works; and structural tensions and frictions are associated both with the problems of qualifications and labour market adaptation and with the lack of market clearing, which should follow from outward migration. This is presented in *Figure 5*.

Figure 5 *Unemployment, labour shortage and outward migration, 2008–2017*



Note: left-hand axis: the proportion of vacancies relative to the total number of jobs (per cent) and changes in the number of migrants (2008 = 1), right-hand axis: unemployment rate (per cent).

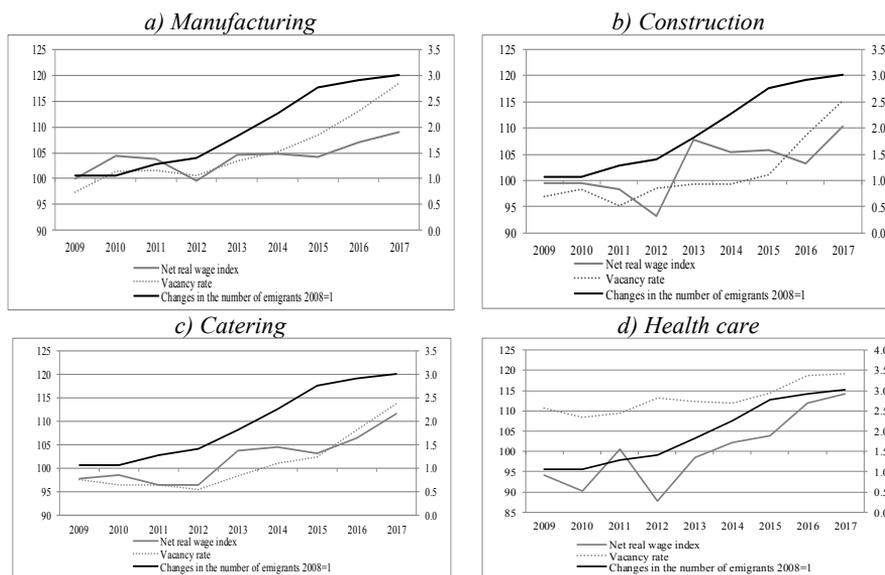
Source: vacancies: Hungarian Central Statistical Office; unemployment and the number of public works participants: LFS; the number of active-age migrants: EU LFS.

5.2 Outward migration, labour shortage and wage adjustment

Hárs and Simon (2018) concluded that the number of employees declined by an average of a net 1 per cent annually between 2011 and 2016 as a result of outward migration, and this contributed to the labour shortage: the net outward migration rate was especially high in the catering, construction and manufacturing sectors. In addition, health care is badly affected: strong outward migration is coupled with an acute labour shortage (Hárs and Simon, 2016;

Varga, 2016). Based on the literature, the expectation is that severe shortage will be followed and offset by an increase in wages in the sectors and professions concerned. *Figure 6* presents the changes in outward migration, labour shortage and wages in some of the sectors where migration has been excessive.

Figure 6 *Labour shortage and wages in sectors with excessive outward migration, 2009–2017*



Note: left-hand axis: real wage index, right-hand axis: the proportion of vacancies relative to the total number of jobs (per cent) and changes in the number of migrants (2008=1). Changes in outward migration in individual sectors are not specified. The figures indicate the overall outward migration in order to show trends, while labour shortage and net real wages are specific to the sectors.

Source: vacancies, net real wages: Hungarian Central Statistical Office; the number of active-age migrants: EU LFS.

It is not known what proportion of the labour shortage is caused by outward migration, but migration-sensitive wage adjustment is assumed in sectors with significant migration. In 2016 and 2017, there was a big increase in the statutory minimum wage, with a general impact that can be seen in all four graphs (*Figure 6*).

Before that, real wages increased slightly in the *manufacturing* sector, independently of the sharp increase in the shortage indicator. In *construction*,

the rapid increase in the shortage indicator was followed by fluctuating real wages, while in *catering* after a lengthy stagnation and decline, real wages started to grow slowly – first of all independently of the changes in the shortage indicator, and then following the shortage indicator.

In *health care*, in spite of a permanent and large-scale labour shortage, net real wages did not increase until after a wage settlement in 2013, following stagnation and long-term shortage. The graphs illustrate the fact that changes in migration and labour shortage do not have an impact on wage adjustment even in the most acute cases. The general wage increases resulting from the increase in the statutory minimum wage do not respond to the skills mismatch associated with outward migration, and therefore can only be considered as a partial, belated and vague answer. Labour shortage is intensifying further; complaints are being aired more frequently; and the labour market situation is deteriorating. Outward migration is often mentioned as one reason for the labour shortage, but belated wage increases are being introduced only slowly.

6. Opportunities and hopes

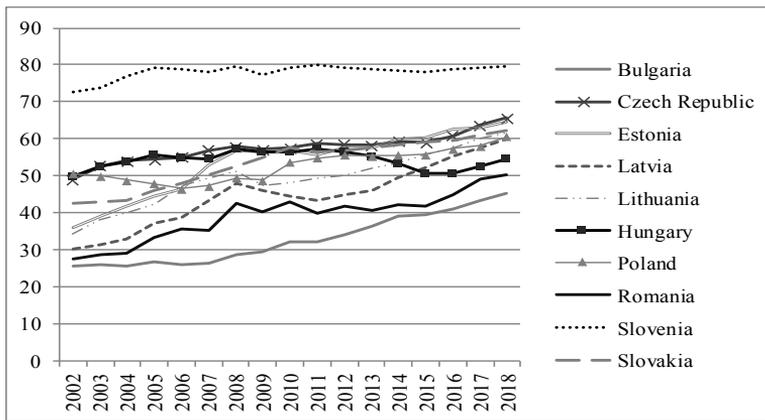
Outward migration in Hungary is intensifying and is having an impact on the economy and society. The adverse effects are becoming increasingly visible. The migration rate of higher-education graduates is constant and high, even compared to the other countries in the region. The impact of ‘reforms’ to the school education and higher-education systems is now being felt, and the migration rate of graduates is not expected to decrease. Can this tendency be halted, reversed or countered?

6.1 Economic factors driving and increasing migration

Following 2004, demand for labour in the more developed regions of the EU sparked strong migration from the new Member States, where a rapid decline in unemployment was accompanied by labour shortages. The two trends took place in parallel and reinforced one another, especially in the construction and service sectors. The recession in 2008 greatly affected the majority of the new Member States: unemployment soared, migration intensified and labour shortage ceased to be a major issue. With recovery starting after 2012, similar, mutually reinforcing and overheated trends may be seen. The pull of labour demand from the developed European countries generates increasing labour shortages in similar sectors and professions in the old and the new Member States (Batsaikhan et al., 2018). Business cycles can be predicted, and Hungary might be hard hit, as has been the case since 2011.

Wage differences between Hungary and the EU-15 are considerable (which encourages migration), while the supply of would-be migrants is constant. Hungary is in a particularly unfavourable situation: the relative level of nominal wages has remained basically unchanged (this stagnation is not found in other countries). Once regarded as a country with among the highest relative wage levels in the EU-10, it now has among the lowest: the Hungarian relative wage level barely exceeds 50 per cent of the average of the EU-15+2. After 2011, stagnation was followed by a striking drop in the relative wage level, finally giving way to a slight improvement in recent years (*Figure 7*).

Figure 7 *The nominal wages of employees as a proportion of the EU-15+2, in terms of purchasing power parity (EU-28=100 per cent)*



Source: AMECO database.

The significant and long-standing relative shortfall in Hungarian wages may fuel steady outward migration, which may be reinforced by a further wage gap opening up. The increase in the statutory minimum wage and the overall rapid increase in net real wages in recent years have had little impact on the relative wage gap. However, a rapid and permanent increase in wages without a similar increase in economic growth is unsustainable, and therefore the factors driving migration are not going to go away.

6.2 Opportunities for, and the reality of, returning home

Some migrants return home – and then leave for abroad again: the process of migration is not unidirectional and is not permanent. Some of those who find

employment abroad return home, but the return rate is considerably below the exit rate, and also there is no certainty how lasting their return is. The process could only be reversed by a significant reduction in the population living abroad: that is, if the return rate were to exceed the outward migration rate. Analysis of returns following the earlier mass migration wave yields inconclusive results. Polish and Baltic studies found that while migration reduced excessive unemployment in the short run, those positive effects later backfired, since returnees were mainly those who had previously been unemployed or marginally employed. There was also tension, because the returnees claimed higher wages on account of their experience abroad: this distorted the wage structure, to the benefit of the returning low-status employees. In addition, the cyclical nature of early migration was replaced by long-term migration after the economic crisis (Hazans, 2013; Kaczmarczyk, 2013; Zaiceva and Zimmermann, 2016).

Because of the weak appeal of the economies of the home countries and the still substantial differences between wages in the new Member States and the more developed regions, resettlement programmes have not been successful (OECD, 2013). Romania experimented unsuccessfully with job fairs; the Polish programmes failed because they were not well prepared, the favourable economic environment was missing and preferential treatment for returnees was rejected by the general public; and it is uncertain how efficient the Estonian measures taken to encourage resettlement have been – how much deadweight there was and whether it was really the support that influenced returnees (Mereuta, 2013; Kaczmarczyk, 2013; Kaska, 2013).

When there is low willingness to return, Engbersen and Jansen (2013) consider innovative networking with diaspora communities to be one possibility. The most important connection with these communities involves remittances, which are often regarded as the most significant tool countering the negative macro-economic impacts of migration. However, the use to which the remittances will be put is uncertain, and indeed the remittances themselves may decrease over time (Hazans, 2016). Admitting the failure of the resettlement programmes in the Baltic countries, Engbersen and Jansen (2013) suggest reinforcing connections with the diaspora and introducing a modernization programme for the more targeted utilization of human capital and remittances in order to counteract the negative economic impacts of migration.

Neither the permanence of outward migration from Hungary nor the selectivity of returnees has really been assessed. When analysing the migration of medical doctors, studies have reported a low willingness to return (Hárs and Simon, 2016; Varga, 2016). The findings of Hárs and Simon (2017) indirectly indicate the negative selection of returnees. Resettlement programmes may be

initiated after thorough analysis of the results of countries with significant experience of migration; however, the success (and actual impact) of these programmes is uncertain, and therefore further instruments may have to be implemented.

6.3 Is immigration a constraint or an opportunity?

Is it a solution to replace workers who have gone abroad with foreigners? Literature on migration has assumed – ever since Ravenstein (1885) – that immigrants take the place of emigrants. However, substitution is not automatic: outward migration is followed by a transitional period. The process may even be reversed and substantial immigration may ensue if the appeal of the country or region is strong enough to attract both return migrants and immigrants (as was the case in the Mediterranean region) (Peixoto et al., 2012).

But such changes have barely been observed in the new EU Member States, although both outward migration and labour shortages are increasing. The ability of the region to retain its population and attract foreigners seems to be weak. Surprisingly, the ability of a country to retain its professionals is associated with the ability to attract foreigners: a country that can retain its professionals also successfully attracts foreign professionals, whereas a country that is unable to retain its workers has difficulty in attracting workers from abroad. Based on the World Economic Forum Global Competitiveness Index, in terms of their ability to retain and attract professionals, most of the new EU Member States rank among the weakest European countries. Nevertheless, there are some promising exceptions, such as Poland, Estonia and the Czech Republic. However, Hungary is near the bottom of the rankings and both indicators deteriorated between 2014 and 2017 (Batsaikhan et al., 2018: 64, Figure 26).

In this adverse environment, it is difficult to envisage a successful immigration policy that can attract foreign workers to Hungary in order to significantly counteract outward migration and reduce labour shortages in the short run. As a result of the increasing labour shortage, the Hungarian government has been trying since 2017 to encourage the employment of foreign workers from neighbouring non-EU countries in specific occupations where there is a labour shortage, through short-term work permits issued via a simplified administrative procedure. In spite of appreciable demand, the restricted opportunity has brought little success: it increased the number of foreigners employed by only a few thousand (Putnoki, 2017). Nevertheless, circumstances may in future dictate the more widespread employment of foreign workers, as has already been seen in Poland, with its more favourable economy and more flexible labour market. In addition to the labour market need, differences in the lengths of the borders and in the historical and political situation also, of

course, play a role in the increasing demand for short-term work permits in Poland (Kaczmarczyk and Górny, 2017).

7. Conclusion

By the second decade of the 2000s, Hungary had obviously become a country of emigration. The trend started later, but it intensified and expanded rapidly. The factors driving outward migration seem to be strong and stable, and thus the intensity of migration is likely to be lasting. Migration networks are developing: they support and stabilize the spread of migration. With the acceleration of the trend, the culture of migration has also spread rapidly (Hárs, 2016), encouraging and consolidating a rapidly stabilizing outward migration: there is no reason to believe that this trend will come to an end. This provides little cause for optimism that Hungary – where migration started late – might learn from the experience of countries that inevitably had to modernize after outward migration.

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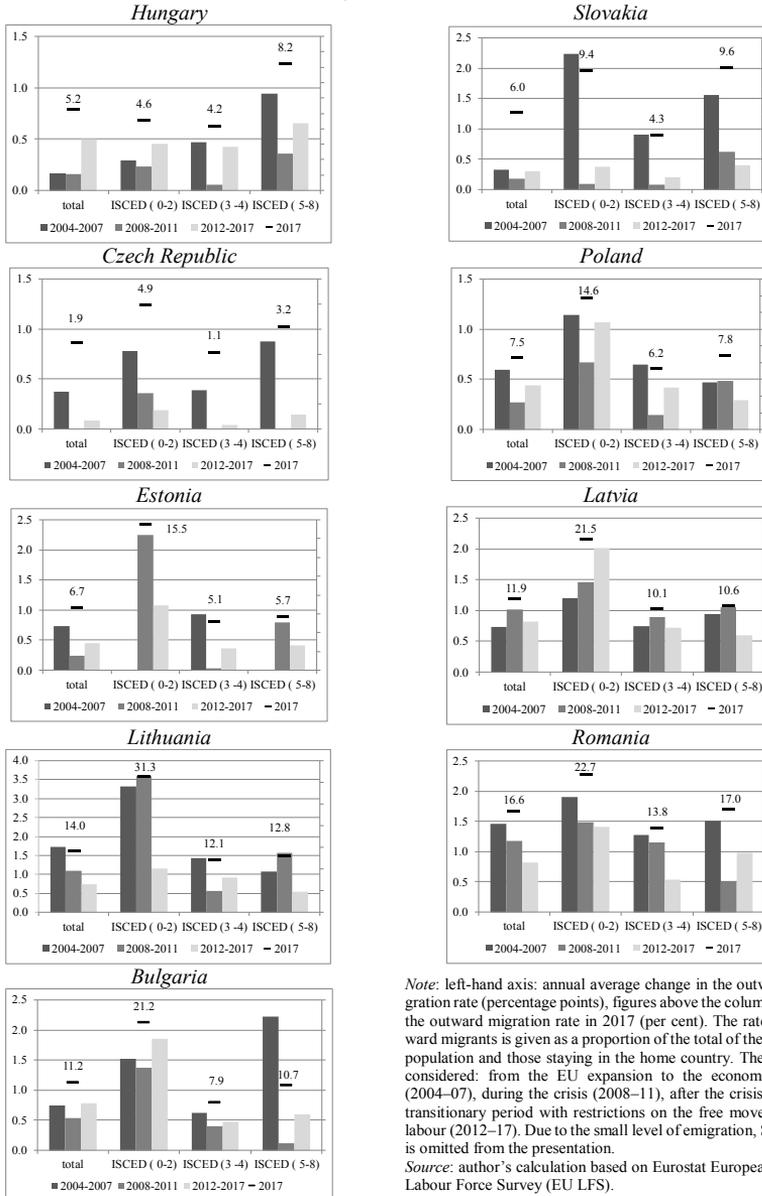
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ANNEX

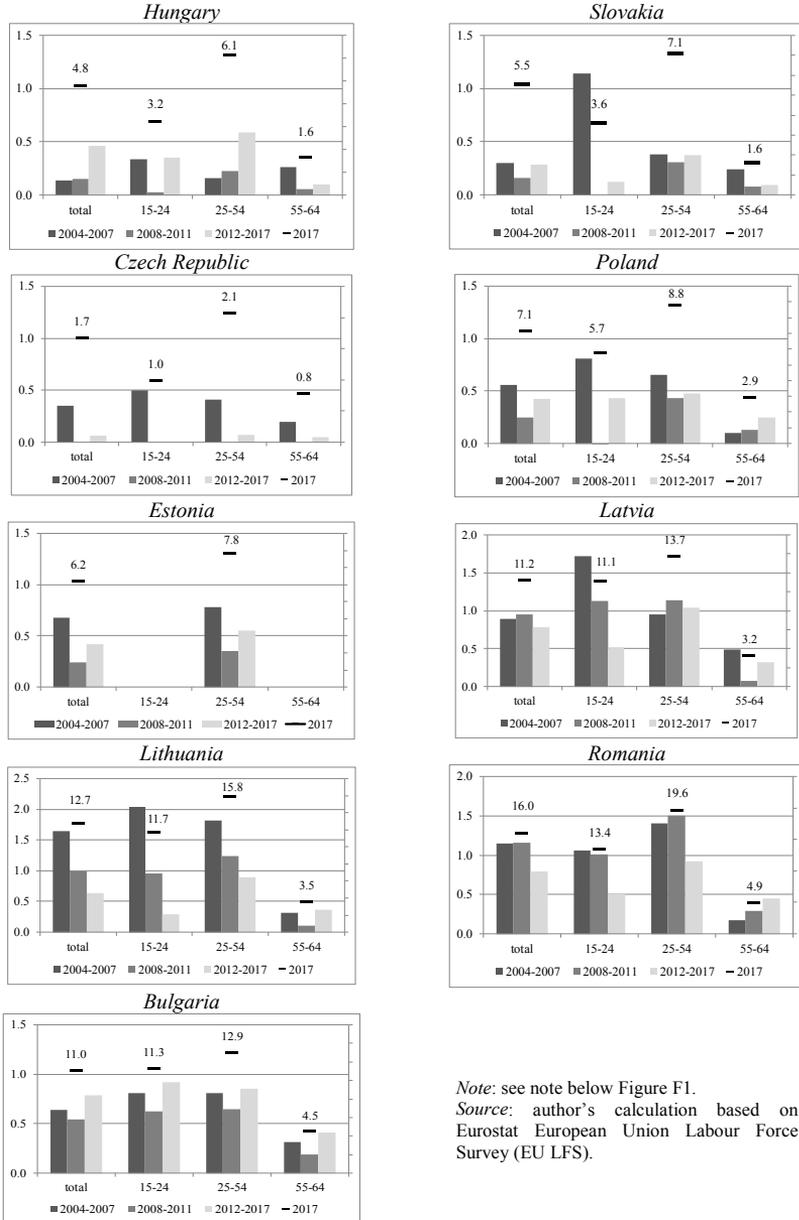
Figure F1 Average annual changes in the intra-European outward migration rates of active-age (20–64) EU-10 citizens in the periods considered and the rate in 2017, by educational attainment



Note: left-hand axis: annual average change in the outward migration rate (percentage points), figures above the columns show the outward migration rate in 2017 (per cent). The rate of outward migrants is given as a proportion of the total of the migrant population and those staying in the home country. The periods considered: from the EU expansion to the economic crisis (2004–07), during the crisis (2008–11), after the crisis and the transitional period with restrictions on the free movement of labour (2012–17). Due to the small level of emigration, Slovenia is omitted from the presentation.

Source: author's calculation based on Eurostat European Union Labour Force Survey (EU LFS).

Figure F2 *Average annual change in the intra-European outward migration rates of EU-10 citizens aged 15–64 by age group and country in the periods considered and the rate in 2017*



Note: see note below Figure F1.
 Source: author's calculation based on Eurostat European Union Labour Force Survey (EU LFS).