

Economic Aspects of Migration

1. Introduction

The word “migration” is derived from the Latin word *migratio* and denotes movement of people, that is, of inhabitants of one country or region moving from one place to another¹. The causes of migration are usually different. They may have an economic character (job migration) or political (war, persecutions etc.).

The concept of migration is very closely related to the concept “emigration” – the latter also comes from the Latin (*emigratio*) and denotes a voluntary emigration from one’s homeland. A third concept very closely related with the previous two is the concept of immigration (Lat. *immigro*) and denotes arrival to a foreign country in order to settle there for good. Immigration results from emigration and they together constitute processes of human migration in the world.

Now the phenomenon of migration may be viewed, among other things, with regard to the time of duration, range, and form. In the first case we have internal migration, i.e. people moving inside one country, region, or external. External migration takes place when people move from one administrative or political unit to another. This migration may last for a definite time – then we speak about temporal or shuttle migration. It may also be permanent, i.e. a person or persons move places for good.

While analysing migration tendencies, Castels and Miller have arrived at a conclusion that the phenomenon of migration will soon increase, i.e. there will be more and more people willing to migrate and this will slowly cover the whole world.² This means that many countries will become both a source and a goal of migration. According to these authors, migrants will belong to various social and ethnic groups, so practically it will not be possible to define concrete waves of migration (e.g. job, political migration etc.). Moreover, the majority of migrants is composed of women.

The phenomenon of migration may be considered from the sociological, psychological, and economic points of view. The paper will focus on the economic aspects of

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¹ Tokarski J. (ed.). (1980), Słownik wyrazów obcych [A Dictionary of Foreign Words], PWN. Warszawa.

² Castels St., Miller M. (2003). The Age of Migration. International Population Movements in the Modern World. London: Palgrave Macmillan Press.

migration. It will outline briefly the gains and costs suffered now and in the future by the receiving countries; we shall also deal with the gains and losses of migration the Poland will suffer as a sending country.

2. Causes of migration in Poland

As a result of political transformations from the beginning of the 1990s onwards, Poland has changed its centrally-managed economy into a free-market system. Despite considerable successes in reforming economy, closing down big and unprofitable work places, mass redundancies – all these have contributed to a high rate of unemployment.³ For many years, in spite of a permanent growth of economy, the rate of employment in Poland did not increase. This was cause, among other things, by the entrepreneurs who sought to improve work output and to lower the costs in their firms mainly the reduction of employment.

Unemployment entails very negative effects both for unemployed persons and their families, and for all economy. A large rate of unemployment considerably impoverished a part of society and decreased the life standards of many homesteads. Other effects of unemployment include a growth in crime, deterioration of health, redundancy and its attendant sense of frustration, aggression, sense of resignation and withdrawal, inhibition of personality growth, decrease of educational aspiration, and fear about the future etc.⁴

In the macroeconomic scale a large number of unemployed persons entails draining public finances for unemployment benefits, welfare, and the programmes designed to counteract unemployment. Aside to this, the budget income of the state decreases because the unemployed do not pay income taxes, do not pay insurance fees, and buy much fewer goods. The result of a smaller internal consumption is on the one hand smaller receipts from indirect taxes (VAT, excise), and on the other a smaller development of enterprises because there is a lesser demand on their goods and services.

According to the Ministry of Work and Social Policy⁵ the most important properties of Polish unemployment are the following:

- Considerable differences in its intensity in relation to territory. In the Warmia-Mazury region the rate of unemployment equalled – 27.2%, whereas in Little Po-

³ The rate of unemployment in increased in Poland from 0,3% in 1990 to 20,6% in 2004. The unemployed registered in job centres at the end of 2006 made up 15,2% of the civil working population – the data from the Chief Central Statistical Office – <http://www.stat.gov.pl>

⁴ Cf. Chirkowska_Smolak T. (1992). Zaburzenia zachowania, ich interpretacja i przeciwdziałanie u bezrobotnych [Defects in Behaviour, their Interpretation and Prevention in the Unemployed], in: A. Bańka (ed.). Bezrobocie. Podręcznik pomocy psychologicznej. [Unemployment. A Manual of Psychological Support] Poznań: PRINT-B Publishers, p. 107-120.

⁵ <http://www.mps.gov.pl/index.php?gid=438>

land – 13.6%. A similar rate for smaller administrative units is several times higher.

- it concerns young people. At the end of September 2005 persons aged 25-34 constituted 27.9% of the general number of the registered unemployed.
- Among the unemployed people with a low level of education dominate. At the end of September 2005 the largest group of the unemployed had vocational secondary education – 32.3% of the general number of people registered in job centres, secondary school education and lower – 32.2%.
- A large contribution of long-term unemployment. At the end of September 2005 the total number of the registered unemployed was dominated by those who had been looking for a job more than 12 months – 51.6%.
- A high percentage of the unemployed living in a village. At the end of September 2005 there 1.154.000 unemployed villagers. They made up 41.8% of the total number of the unemployed (the percentage of those living in a village in relation to the total number was ca. 38%). The above percentages of unemployment do not take into account hidden unemployment in the village. It is estimated that hidden unemployment in the village equals 0.8 – 1.2 million people.

The lower standard of life, difficult in finding a job, and lack of prospects for the future have become the reason of job migration, an event that is growing stronger at an unprecedented scale. This kind of migration is linked with a quest for a job indispensable to survive, to improve one's living standards abroad or outside the region of origin. The difficult situation on the labour market shows, as PBS DGA surveys for the daily *Gazeta Wyborcza* show, that every second Pole aged 18-24 considers to leave Poland within the next two year in the quest for a job.⁶ It follows from the research that as many as 40% of respondents has in their families someone who left to look for a job after 1st May 2004, whereas 24% of the subjects have knows such persons among their close friends. The polls indicate that job emigration concerns each social group and each region of the country. The subjects claim that the main reason of emigration is low salaries in Poland and unemployment. The polls conducted at 46 Polish universities, including AR, KUL, PL, and UMCS in Lublin, conducted by the International Association of Students AIESEC⁷, indicate that nine out of ten students from economic faculties intend to look for a job abroad, and as many as 60% students out of 4.000 (within the research "Employer of the Year) declare they are willing to look for a job or work experience abroad, mainly in the countries of the European Union, and one third of them still hesitate. Undoubtedly, the

⁶ See <http://www.pbsdga.pl/x.php?x=408/Praca-za-granica.html> (03. 09. 2007)

intention to leave does not guarantee that a person declaring it will actually leave. Nevertheless, as PBS DGA surveys show, the majority (69%) of young people thinking about emigration have already started some preparations, i.e. they are looking for job offers, check information about the country where they want to go, and learn a foreign language.

Not only young people consider emigration. According to the Interactive Institute of Market Research (Pol. IIBR), almost half of the workers (49.3%) from average-sized and big companies are ready to accept a job offer from abroad, at a similar position they have now.⁸ For almost all those (99,1%) who were willing to accept a job offer from abroad the most important motivating factor, when making a decision to leave the country, was a salary, higher than the one at home. The essential thing was also whether it was possible to develop the command of a foreign language, and gain work experience. According to 75% of respondents, the job abroad at a similar position would bring them greater satisfaction, for 39.1% it would be considerably more satisfactory.,

3. The Size of Emigration in Poland

The Poles and citizens of the new countries of UE have no obstacles to work in eight states of the new "15": Great Britain, Ireland, Sweden (since May 2004), Finland, Spain, Portugal, and Greece (since May 2006), and in Italy (since August 2006). Five states, i.e. Belgium, France, Denmark, Luxembourg, and Holland have made some steps to partly abolish limitations, and facilitated the procedures of job permits. Now Germany and Austria announced they would abolish limitations only after 11th May 2011.

It is difficult to estimate the number of Poles who have emigrated to work in the countries of the European Union. There are no data as to the number of Poles who have left for good and those who have left for a certain period of time. Various Institutions quote different numbers, from 0.5 million to 2 million.

As the European Citizen Action Service (ECAS) estimates 1.120.000 Poles have left Poland since the time of the UE enlargement to look for a job in the countries of the European Union⁹. This makes as much as 3 per cent of all Poles and almost 5 per cent of those in working age. Aside to Poles only Italians are so eager to work in other countries. In the countries of the European Union there are 1.863.000 working Italians.

The calculations of ECAS have been shown in table 1. The ECAS experts suggest that Germany is the main target of Polish job migration. More than half a million Poles

⁷ Lubelski Kurier (2006). Studencki exodus za pracą [Students' Exodus for a Job]. No 112 of 9th May.

⁸ Interactive Institute of Market Research - <http://www.institutbadan.pl/index.php> (04. 01. 2007)

⁹ See Traser J. (2006). European Citizen Action Service Who's Still Afraid of EU Enlargement. ECAS - http://www.ecas.org/file_uploads/1187.pdf

have found jobs in the western neighbour, whereas in England a half of that number. The ECAS estimates include both those who have permanent jobs and seasonal workers.

Table 1. *Number of Poles working in the countries of the European Union* *

Country	Number of Persons	Country	Number of Persons
Germany	534.990	Spain	6.118
England	264.000	Sweden	3.838
Ireland	100.000	Belgium	3.086
France	90.000	Denmark	2.656
Italy	72.229	Portugal	434
Holland	20.000	Slovakia	366
Austria	12.615	Hungary	1.575
Czechy	6.664		

* Estimates on 5th September 2006, the date from the period of July 2004 to December 2005

According to the ECAS specialists, Poles aged 25-34 are most willing to migrate. The main motive is their hope to improve working prospects. They are often ready to accept a job that is below their qualifications, but is still better paid than in Poland. Despite that, as Sullivan and Barney say in the Financial Times, more and more people from Poland work at better paid positions in the sector of financial services, thereby filling the personnel shortage of qualified workers not only in the financial City of London, but also in the whole country¹⁰. Since the moment Poland joined the European Union in 2004 ca. 240.000 Poles have been registered in Great Britain, and 60.000 in London itself. The polls conducted by Joslin Rowe's recruitment agency show that almost 6 per cent out of them work in accountancy. The largest size of Poles' employment is in Ireland, where their number in job centres has risen by 190 per cent in comparison with 2005. In 2004 there were practically absent there. In Scotland the process has taken a slower course, but it has begun to speed up.

There are no indications that the scale of emigration among Poles has slowed down. The IIBR polls show that 38% of the subjects think to change their job. 47% of them declared they were willing to change their employer, if they should receive a comparable proposal of work. Some of them have already started looking for a new employer. Three fourths of the subjects, considering changing their job, have recently been looking for job offers in the Internet, a little more than half of them have been looking for offers

¹⁰ Sullivan R., Jopson B. (2006). Polish accountants multiply in Square Mile as red tape adds up. The Financial Times. Published: Oct 06, 2006

in the press, whereas 17% have gone to job agencies, or job centres. 42% of them have sent their documents (CV, motivational letters), whereas one fourth of those considering changing their job have met a potential employer. Theoretically speaking, they are all potential emigrants. The more so because according to other polls – this time from CBOS, the decisive majority of respondents have been very critical about the Polish labour market¹¹. Namely: every fourth respondent (24%) describes this situation as very bad, every second (47%) says it is bad. Only few (6%) have said it is positive, whereas 18% are of the opinion that the situation is moderate. The respondents under study are also critical about the local labour market, two fifths of the respondents (41%) say that it is difficult to find any job on the local labour market, and almost every fifth (18%) claims that there is no employment there. Only one in a hundred says that in his dwelling place or in the vicinity he can easily find a proper job, in accord with his aspirations and needs, whereas two fifths (37%) think that some (although not necessarily appropriate) is attainable.

According to estimate data of the Lublin Statistical Office the population of the Lublin region in the end of September 2006 numbered 2.173.800 and it was less numerous by 0,3% in relation to the end of September 2005¹². This means that during one year the number of inhabitants dwindled by 6521 persons. Taking into account that in the same period there 16.400 alive births 17.000 deaths, ca. 6.000 people have permanently notified the authorities about their change of address and left the Lublin region somewhere else in Poland, or permanently left the country.

The World Bank report on migration shows that Poland is among the leading countries that receive or send most emigrants¹³. With regard to the number of the received foreigners Poland has been ranked 10 in the world. The first place fell to the United States, then Russia, Germany, and the Ukraine etc. According to the experts of the World Bank, the phenomenon of migration will most likely be increasing not only within the group of the countries going through the period of transformations in Middle and East Europe, but also in the global scale. The British Institute for Public Policy Research, analysing the emigration of the British, has arrived at the similar conclusions. Only in 2005 198.000 educated Britons emigrated from England¹⁴. The most popular country to which they emigrated was Australia, Canada, New Zealand, and the Republic of South Africa.

¹¹ Wciórka B. (2006). Zmiany opinii o rynku pracy i bezpieczeństwie zatrudnienia. Komunikat z badań. CBOS.

http://www.cbos.pl/SPISKOM.POL/2006/K_143_06.PDF (04. 01. 2007).

¹² Urząd Statystyczny w Lublinie - http://www.stat.gov.pl/urzedy/lublin/nowe/komunikat_11.pdf

¹³ See Report: Labor Migration Likely to Grow in Europe and Central Asia – <http://www.worldbank.org>

¹⁴ Sriskandarajah D., Drew C. (2006). Mapping the scale and nature of British Emigration. IPPR. <http://www.ippr.org.uk/publicationsandreports/publication.asp?id=509> (20. 12. 2006)

Wanting to know what economic effects are entailed in migration one should analyse this phenomenon from the point of view of:

- macroeconomy, i.e. costs and gains of the sending and receiving country and
- microeconomy, that is, profits and costs for the migrating person and his family.

4. Economic consequences of migration for the receiving country

Emigration may be useful for the receiving country and the influx of immigrants may be the cause of economic, social, and political problems. The scholars differ as to the characterisation of immigrants and their influence on the labour market. Let us take an example. According to professor George Borjas from Harvard, immigration is harmful to Americans¹⁵, whereas professor David Card from the University of California in Berkeley thinks that it exerts a small but positive effects, whereas the real economic value, contributed by immigrants, is contained in the dynamism, innovation, and the motor of growth¹⁶.

The differences in the evaluation of migration depend on the temporal perspective that one takes into account (it may be analysed in a short or long period), the scale of the phenomenon itself, the amount and quality of variables considered in the analysis. According to Martin Wolf, the influx of educated people will most probably bring the English economy more profits (also in terms of taxes) than the influx of uneducated people¹⁷. Wolf says that the immigration of educated people is likely to change the distribution of incomes in favour of the indigenous and uneducated inhabitants. Now the influx of people without education will certainly cause a contrary phenomenon. Wolf is sure that entrepreneurs are in favour of immigration as a remedy to the lack of workforce.

According to Thornton, the influx of workers from the new countries of UE has stimulated the British economy, supplementing the shortage of qualified workforce¹⁸. The increase of labour supply has inhibited the growth of salaries and inflation. Despite that, as it is suggested by scientific research in the countries where immigrants are welcomed, much fewer persons remain unemployed and the immigrants do not lower the level of

¹⁵ Borjas G. (2006). Native Internal Migration and the Labor Market Impact of Immigration. *Journal of Human Resources* 41.2, p. 221-258.

¹⁶ Card D. (2005). Is the New Immigration Really So Bad? <http://www.phil.frb.org/econ/conf/immigration/card.pdf> (20. 10.2006).

¹⁷ Wolf M. (2006). Immigration can no longer be ignored. *The Financial Times*. Published: Sep 28, 2006

¹⁸ Thornton P (2006). Polish builders filling skills gap and helping to hold down inflation. *The Independent*, 24 May 2006, <http://news.independent.co.uk/business/news/article570969.ece>

salaries for local workers¹⁹. As a rule, immigrants have only filled the gaps on the labour market, but have not replaced the local workers. The Financial Times quotes findings from the polls conducted from British Home Office. The polls show that immigrants pay by 2.5 billion pounds of taxes more than their social welfare. One of the reasons why immigrants have their net contribution is pensions. Most immigrants are professionally active, therefore – in the ageing western economies – they considerably support the fragile state pension systems. According to The Financial Times, immigrants bring new ideas and stimulate competition. Indeed, it is difficult to measure but immigrants turn the scales of economic balance in favour of immigration.

According to Brittan, the official statistics, of which there is a common opinion that they are understated, say that net 250.000 immigrants arrive in Great Britain each year, out of which number 25.000 or less apply for asylum. The economic effects of the growth of immigration are, at first glance, neutral. More workers serve for a larger population. The gross domestic product per capita is almost unchanged. In total, the British economy in 2004 and 2005 increased by 5.3 per cent. The October bulletin of the Institute of Economic Research says that 0.9 of percentage point may be attributed to immigrants²⁰.

Immigration has also another, less beneficial face. It causes a pressure on transport and dwelling conditions: it may cause traffic jams and because of a greater demand on flats the costs of their rent or purchase may rise. Depending on the size of migration, it may force the local authorities to raise financial outlays on safety, since some immigrants, as will not be able to find a job, there may be conflicts between them and the local people. Another unfavourable phenomenon of migration may be a growth of the number of the homeless²¹. The phenomenon and size of migration force to change not only the way in which one interprets the sources of economic growth, but also the role of social welfare in the developed economy. According to Field, the growing and elastic labour market does not fit in the existing system of social welfare in England²².

In conclusion, as the instance of Great Britain shows, the balance of the gains of migration with its appropriate management will be positive for the country receiving migrants.

¹⁹ See Migrants mean money. The Financial Times. Published: Jul 31, 2006

²⁰ See Brittan S. (2006). A few home truths on immigration. The Financial Times. Published: Nov 17, 2006

²¹ As the Polish Press Agency quote after the Financial Times there are ca. 3.000 homeless Poles in Great Britain. See: Great Britain: three thousand Polish homeless – PAP (2006-12-23) and Pszczółkowska D. (2006). Homeless Poles live not only in the streets of London but also Dublin, Paris, Rome, and other European cities. Gazeta Wyborcza. (2006-12-28).

²² See Field F. (2007). The influx of workers demands welfare reform. The Financial Times. Published: Jan. 15 2007.

5. 5. Costs and gains of migration for the sending country

Citizens of a country leave it for many reasons. Some of them do it because they need adventures, others wish to develop, and the country of their origin does not offer respective conditions. Still others want to improve their own and their families' standards, that is why they decide to change their dwelling place in the hope that in another country they will find a job they want, i.e. and their payment will provide them and their families with an appropriate standard of living.

The kind of consequences emigration has for the sending country depend to a large extent on its scale, and on still other conditions, such as: who is living, for how long, how his departure affects family members etc.

If one wants to analyse the effects of migration for Poland and the Polish economy, one should take into account these variables, or at least their majority. As it has been presented above, emigration in Poland has a mass character, i.e. since the moment Poland joined the European Union each day some people have left for various countries, mainly European. The nature of those emigrations is chiefly economic and it is caused by the absence of prospects, opportunities for a rapid promotion, or the desire to raise one's living standards. Additionally, the difficulties in solving daily problems become an impulse to leave one's homeland.

The migration processes are principally affected by the level of economic growth in particular countries, especially the so-called phenomenon of convergence, i.e. making the standard of life and the level of prices equal in various countries²³. The relationship between the salaries in e.g. Poland and Germany is at the moment very unfavourable for Poland. Most certainly people consider migration when their payment for a similar job varies. Making the standard of life equal and, what follows, the payment relations in the two countries will not happen soon. Assuming that the annual growth of the gross domestic product in Poland will still be three times faster than in our western neighbours, we stand a chance to accomplish a similar level of growth in more or less 30 years²⁴. Similarly unfavourable is the relation between the wages in Poland and in other European countries. As Wagstyl reports, if installers earning in Poland on the average 1.500 zlotys

²³ Duszczyk M. (1999). Swoboda przepływu pracowników – dylematy związane z integracją Polski z Unią Europejską. [The Freedom of the Movement of Labour – Dilemmas Connected with the Integration of Poland with the European Union] Studia Europejskie. No 2, p. 91-104.

²⁴ The calculations were made by the experts of the International Monetary Fund. Cf. „Schody do Europy” [Steps to Europe], „Polityka”, special addition, November 1998 quoted after Duszczyk M., opt. cit. p. 99.

monthly may earn in the West from four to five times more, then this is a sufficient motive to make many people emigrate²⁵.

A high rate of unemployment and an opportunity to earn more money with similar amounts of effort make it that mainly mobile, entrepreneurial, and qualified persons emigrate who would also have a chance to find a job in Poland. One of the consequences of the Poles' mass job emigration to the countries of UE is that Poland is experiencing a shortage of workforce in many basic occupations. The companies functioning in Poland and planters have difficulties to find people ready to seasonal work. This is most marked in the building sector which goes through a period of prosperity²⁶ because, among other things, banks have introduced hypothetical credits to cover the costs of a flat purchase or to simplify the procedures of its grant. Even foreign investors where work was most desirable begin to have problems to find people in Polish factories. A Korean company in Mława has problems to find 200 workers²⁷. Foreign companies located in the Goleniów Industrial Park near Szczecin have similar problems. The German Optical Disc Service, the Korean Lucky Union Foods, the Belgian Spin Group and several others are looking for workers²⁸. The difficulties in finding workers are caused for two reasons, namely: some people professionally active prefer to go abroad to work, whereas local unemployed living on unemployment benefits prefer to do nothing than to work for the offered pay²⁹.

Thus emigration deepens the maladjustment of work resources to the needs of business, both in the spatial (in the country those stay who in general are not willing to leave to find a job abroad) and professional sense (new blanks on the maps of sought after specialisation). The research of the National Bank of Poland suggests that as many as 10% of Polish entrepreneurs as one of the barriers of growth indicate difficulties in finding new workers³⁰.

Reducing costs in the years of 2001-2004, restructuring, planning how to sell their products, analysing the market, taking advantage of the elastic forms of employment, Polish entrepreneurs made it that Poland took the UE by storm, with high export and rapid growth of the GDP. Their competitiveness, however, was to a large extent based on

²⁵ See Wagstyl S. (2006). Labour market: Where have all my workers gone? The Financial Times. Published: Dec 19 2006

²⁶ Maćkowski D. (2006). Brakuje chętnych do pracy na budowach. Gazeta Wyborcza, 2006-11-22.

²⁷ See Cienski J. (2006). EUROPE: Employers struggle to fill factories as Polish workers go west. Financial Times. Published: Oct 25, 2006.

²⁸ Kraśnicki A. (2006). Goleniów: 1800 miejsc pracy i brak chętnych. [Goleniów: 1800 workplaces and no candidates] Gazeta Wyborcza. 2006-09-11.

²⁹ Cf. Brzezińska M. (2006). 170 zł dziennie to za mało dla bezrobotnego? [170 zł a day too little for the unemployed?] Gazeta Wyborcza of 14 Jul and Wojciechowski M. (2006). Nie ma pracowników, truskawki będą zaorane? [There are no employers, strawberries will be ploughed] Gazeta Wyborcza of 28 June.

³⁰ Morawski I. (2007). Polskie firmy pracują pełną parą. [Polish companies work at full steam] Rzeczpospolita. No 19 (7616), B 1.

maintaining low wages. Emigration and its attendant problems to find workers make it that further relying on cheap labour – in order to keep Polish companies competitive – is a thing of the past³¹.

Once the labour markets in the UE became open to Polish workers the employers must raise wages and offer a better pay to keep their workers and employ new. A pressure on pay rise may additionally become stronger because more and more people emigrate to find a job and it is more and more difficult for entrepreneurs to find workers with appropriate qualifications in the country. In the market economy a growth of pay usually results either from better work output or motivational steps. In the case of Polish companies the reason for a pay rise was to a large extent due to the supply difficulties on the labour market. IN consequence, the offered higher pay will not affect the increase of work output which is not too high in Poland. As the Conference Bard estimates, in 2005 a Pole within one hour produced commodities and services of almost 20 dollars worth (19.9\$), whereas in the same time an average American produced commodities for 48.2 dollars, a Luxembourger for 61.5\$³². This means that within the same amount of time the output of Polish workers in comparison with Americans equals 41,3%, while in comparison with Luxembourgers 32,4%. If Polish companies raise wages, there competitiveness will diminish – they must incur higher costs with the same incomes. This will also affect the pace of their development because of lower profits, and at the same time lower means for investment. All the more so that higher wages will not act as a motivational factor. Should companies raise wages without increasing their work output all over the country, will on the one hand raise inflation – there will be more money on the market with the same amount of goods and services, whereas on the other hand the incomes of the budget will diminish because of smaller companies incomes. This will partly be compensated by higher incomes from income taxes from natural persons.

The necessity to pay higher wages may also discourage foreign investors from locating their firms in Poland, for it will become unprofitable.

Some solution of this problem would be to activate those persons who are active, lowly qualified, and above all those who have remained out of work for a long time, to open Polish borders for immigrants from the east. In the first case, however, this entails additional and fairly high costs because training workers usually takes about three years, and besides no one knows whether they will want to work as they have been unemployed before for long. Now opening Polish borders for workers from the east does not mean

³¹ Cf. Białkowska A. (2007). Koniec rynku pracodawcy. [The end of the employer] Nowy Przemysł, No 1/2007. http://www.wnp.pl/nowyprzemysl/3158_2_118_0_0.html (07. 01. 2007).

³² Bińczak H. (2006). Polak lepszy od Koreańczyka. [A Pole is better than a Korean] Rzeczpospolita, no 15 (7309), B 1.

that they will want to work in Poland. It is likely that they will choose as their workplace the same countries that Poles are choosing. They can earn much more there. Poland is not a very attractive country for them with regard to employment³³.

It is very desirable for our economy that emigrants return to the country. Poles' trips abroad have many positive aspects for them. The emigrating persons get to know the world, learn languages, acquire new qualifications, knowledge and experience – such is the valuable capital. Gains, however, are potential and they can be seen when emigrants return home. If Poles do not decide to come back, our economy will suffer losses, for it will not retrieve its outlays on education and also it will not have appropriate workers. It is generally qualified people who leave, very often university graduates. This is certainly very unfavourable for the Polish labour market³⁴. A pay rise might keep the present employees in the country, but it will not rather make those who are abroad in the west return, at least not until wages in Poland rise from ca. 25% of the west European rate to over 50%³⁵. The polls presented at the conference on emigration of 17th May 2006 in the Polish Embassy in London suggest that only 20% of Poles in Great Britain say they will certainly go back to Poland; those who are sure they will stay abroad number 14% of those under study. The remaining part of them say they will consider it later³⁶. This means that the Poles abroad do not say they will return after time to their country.

Poles going to work in the UE countries and, possible, settle there permanently may be very unfavourable for the state of social insurance, which is even now not best. In 2007 it was subsidised from the state budget at 26 billion Polish zlotys. According to Director Teresa Guzelf from the Ministry of Labour and Social Policy, the reason why the financial situation of social insurance is getting worse is because the relation between the working people, those who pay social insurance fees and pensioners is getting worse³⁷. The data of the department suggest that as much as 13.5 million Poles (without farmers) pay fees, and as many as 7 million receive pensions. The financial condition of our system of social welfare is very unfavourably affected by demography. Fewer and fewer children are born, and baby boomers come to their retirement age. Therefore fewer and fewer persons will be employed. The state of our insurance finances is also made worse by job emigration because people working abroad pay their insurance fees there.

³³ Brzostek D. (2007). They do not want to work in Poland. *Gazeta Wyborcza*. 2007-01-16.

³⁴ Marczuk B. (2006). Emigrants will come back, if there are reforms. *Gazeta Prawna*. 12. 07. 2006

³⁵ See Cienski J. (2006). *EUROPE: op. cit.*

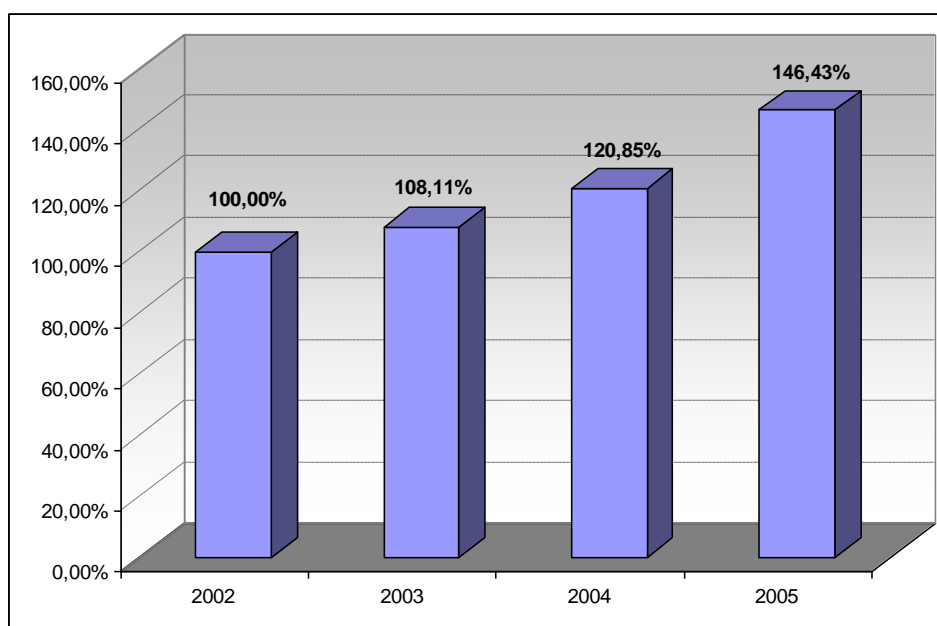
³⁶ Piński A., Trębski K. (2006). Poles in England: will they ever return? <http://www.polishexpress.co.uk/> (16.11.2006)

³⁷ Information Radio Agency (2006). The number of Poles to maintain pensioners is decreasing. 2006-11-03

The worsening relation between the working people and pensioners will make the non-pay costs of labour, high in any case, remain high. In consequence, if Polish companies raise wages, then instead of motivating the employee (to work better) or the employer (to be wiser in managing the human capital) it will not bring about the desired effect because a considerable part of the rise will fall to the state.

Aside to its negative effects, emigration may also exert some favourable influence on economy. This positive factor which can essentially affect the economic growth is money sent from migrants for their families in the country. The data of migration from the Report of the World Bank suggest that the officially registered payments of money earned abroad in Europe (including the former Soviet republics) excelled 19 billion USD³⁸. This made 8% of the global sum of money orders from migrants equalling 232.3 billion USD. The largest receipts (ca. 207 billion USD), calculated as a percentage of the GDP, were noted in Moldavia. In 2004 the money sent from emigrants corresponded to 27% of its GDP. Much was received by families in Herzegovina (21% GDP – 1.83 billion USD), Albania (respectively 16% and 1.6 billion USD), and Armenia (9%; 226 million USD).

Drawing 1 *Dynamism of the increase of current private transfers in particular years*



Source: personal conclusions from the data of the National Bank of Poland (2006). Poland's balance of payments for the second quarter of 2006 -

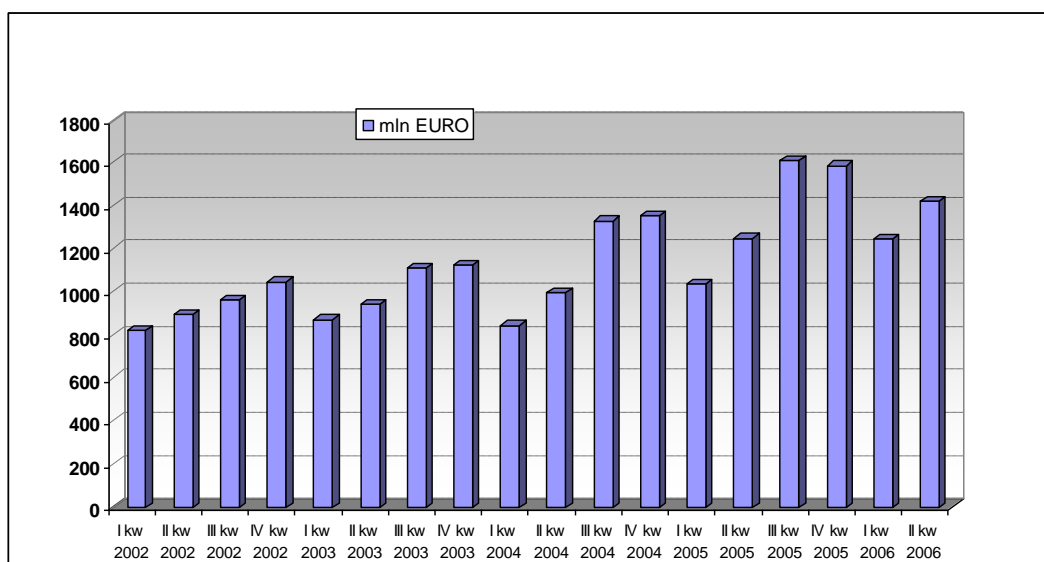
http://www.nbp.pl/Publikacje/Bilans_platniczy/bilans_platniczy2006_2.pdf

³⁸ Mansoor A., Quillin B. (ed.). (2006). MIGRATION AND REMITTANCES Eastern Europe and the Former Soviet Union. The World Bank, p. 57.

The same is happening in Poland where for several year the official statistics have been noting an increase of private money receipts from abroad, from both the UE countries and from outside the UE, as it is illustrated by drawing 1. In 2006 there was a clear increase of private transfer incomes both in the first and in the second quarter, if compared with the previous year. The private transfers on the part of incomes in the first quarter of 2006 increased by 19,81% and in the second quarter by 13,7% in comparison with analogous quarters in 2005. The private transfers (on the part of incomes) were mainly sent by people working abroad, payments for non-investment goals, pensions received by residents from foreign national insurance, and some means received from Poles' forced labour during the Second World War.

Analysing the data concerning the payment private transfers for each quarter in particular years (see drawing 2) one may notice that their value increases, especially in the third and fourth quarters, which is likely to be connected with the employment of a larger number of seasonal workers in the UR countries. One should presume that this trend will grow deeper, i.e. in successive years the dynamism of the increase of private transfers will rise. This is due to the fact that more and more countries open their labour market for Poles, and that probably still more Poles will go abroad to work.

Drawing 2. *The values of quarterly current private transfers in particular years.*



Source: personal conclusion of the basis of NBP data (2006). Balance of Poland's payment RP for the second quarter of 2006.

- http://www.nbp.pl/Publikacje/Bilans_platniczy/bilans_platniczy2006_2.pdf

Obviously, privates transfers are not all money earned outside Poland. The majority of people bring cash. As Leszek Balcerowicz says, in the first half year of 2006 in

there were by 56% more British pounds in currency exchange bureaux than in the analogous period of 2003³⁹.

Each economic phenomenon may cause many different effects. It is similar in the case of financial means sent to the country. The polls of the World Bank suggest that ca. 85% of financial aid from the relatives working abroad is sent mainly for the daily needs of their families in the country, such as: food, clothes, purchase of various things etc. A little more than 10% of the means is aimed at education and savings. Only a small part of the means sent to families (less than 5%) that can affect the economic growth is sent to economy in the form of investment in agriculture or industry.

If in Poland the structure of expenditures sent from abroad will be similar, then – as we learn from the example of Salvador, where 16% of GDP is transferred from families working abroad – this will not influence the economic growth of the country in any significant way. All this depends on how many means will be provided for consumption, and how many for savings and above all investment, including education. The more percentage of the money sent from abroad will be destined for investment, the greater is likelihood that they will essentially contribute to improve the situation of households, and first of all to the permanent growth of Polish economy. Otherwise the money can increase a little consumption demand⁴⁰, but through its influence on the increase of the value of Polish currency it can make it difficult for exporters to develop. In consequence, this may in the long run cause a downturn in the economy. Receiving money from abroad can make the families living in the country reduce or give up employment, as it is happening in Mexico and in other countries of Latin America⁴¹.

Summing up, the balance of emigration at the moment is still favourable for Poland. One may, however, observe some unfavourable economic trends. In effect we shall have a negative balance, so sending even much greater means from emigrants to their families will not change.

The first unfavourable phenomenon, already observed in the end of 2006 is a strong pressure on the increase of payments due to a shortage of workers on the labour market. As a result inflation can grow very rapidly, an effect of greater wages on the one hand, and necessary price increases of goods and services on the other. Together with the rising inflation the conditions of economic activity become worse because it is difficult for entrepreneurs to predict possible costs and gains in the long run. Consequently, they

³⁹ Gadomski W. (2006). Kto wypędza Polaków - rozmowa z Leszkiem Balcerowiczem. [Who is expelling Poles – a conversation with Leszek Balcerowicz] *Gazeta Wyborcza* of 15. 09. 2006.

⁴⁰ Bińczak H. (2006). Sami napędzamy gospodarkę. [We ourselves stimulate the economy] *Rzeczpospolita* (28. 12. 2006).

will be less willing to make decisions with regard to new investments, so that their companies can develop, and to create new workplaces. The increase of inflation will also affect the decision of the Board of Monetary Policy as regards the increase of interest rates by the National Bank of Poland. Now together with the increase of interest rates in the NBP the interest of credits, both mortgage, consumptive, and investment credits. Many firms, seeing that credits have become more expensive, will not decide to make new investments or will reduce their present investments, households will take fewer consumptive and mortgage credits, hence consumption will diminish – households will buy less, firms will have a smaller profit. This will influence the size of economic growth. Additionally, the influx of means from migrants on the one hand and means from the European Union from the other will affect the increase of the value of Polish currency. The export companies will find it more difficult to manage, which in turn will be negative for economic growth, the development of companies and new workplaces. This again will encourage people to emigrate.

Obviously, whether this nightmare scenario is fulfilled depends still on many other factors like the costs of energetic resources such oil, gas, global economy etc. As it has been presented in this paper, the phenomenon of migration causes many consequences. The basic problem is how to manage it, so that it could bring more gains than negative effects. The World Bank estimates that if migration is supposed to bring some gains to the receiving, the sending countries and emigrants themselves, those countries must better co-ordinate their migration policy⁴². According to experts from the World Bank, the most favourable solution of the problem of migration could be to combine a short-term emigration with some encouragement to return to one's homeland, or to propagate the mechanism of the so-called cyclical emigration. An effect of the cyclical emigration would be the following gains:

- the receiving countries could supplement their shortage of workforce, raise the level of incomes, and relieve social tensions caused by uncontrolled immigration,
- the sending countries could accumulate human capital which otherwise would be lost,
- the emigrants could have an opportunity to raise their incomes, develop their human capital, increase savings, and at the same time maintain family relations.

⁴¹ Mitraszewska A. (2006). Migracja za chlebem niewiele pomoże gospodarce. [Job emigration can help little the economy] *Gazeta Wyborcza*. 19. 11. 2006.

⁴² Migration Could Yield a 'Triple Win' For Migrants And Sending And Receiving Countries, Says World Bank Report - <http://www.worldbank.org>

** Translated by Jan Kłós.