

Potential Directions of Labor Migration – The Case of Serbia

Mirko Savić^{*}, Svetlana Mihajlović Mihić^{*}

Summary: At the end of 2009 European Union abolished visa regime for the citizens of Serbia, but the access to the EU labor markets is still restricted for the workers from Serbia. On the other hand, in the following decade we can expect that migration regime will be more liberal not only for Serbia, but for all countries of the former Yugoslavia. This will cause significant consequences for the labor market of the region and for the EU labor markets, similar to the period when EU8 in 2004 and EU2 in 2007 joined European union. Because of these facts it is very important to predict the following migrational tendencies in the candidate countries and potential candidate countries for EU membership. The purpose of this paper is to evaluate the potential directions of labor migration from Serbia, with special attention to migration towards neighboring countries. At the end of 2009 the survey was conducted on the territory of Serbia in order to evaluate the potential directions of labor migration abroad, with special attention to migration towards neighboring countries. This paper represents the results of the survey and the consequences of migrational tendencies from Serbia and similarly affected countries in the Balkan region are discussed.

Key Words: Migrations, European Union, Serbia

JEL: F22

Introduction

In May 2004 eight Central and Eastern European countries (EU8), together with Malta and Cyprus, joined the European Union and three years later Bulgaria and Romania (EU2) made the same step. The population of these countries is significant and also the difference in income between countries from Central and Eastern Europe and old EU member states. Because of these circumstances large part of population from new member states is trying to migrate to west in hope of better life. This is why the free movement in Europe is not yet possible and East-West migration is under special attention.

The migrational pressure from new member states is significant and it has huge impact, both positive and negative, on the labor markets of source and destination countries. Because of that transitional periods were imposed in order to restrict access of citizens from the Central and Eastern Europe to the labor markets of Western Europe and to keep process of accession under control.

Three years after the last EU enlargement, five countries from former Yugoslavia (Serbia, Croatia, Montenegro, Bosnia and Herzegovina, and Macedonia) are on the threshold of European Union, going through long and complicated procedure and waiting to become new members of EU family. Some of them, like Croatia, are already candidate countries, and others are determined to achieve the same status in the near future. Generally, all five countries are expecting to join European Union in the following decade. This is the region with approximately 20 million inhabitants and with existing income differences between these countries and EU countries and more liberal visa regime we can expect potentially new

^{*} Associate Professor, Faculty of Economics in Subotica, Serbia: savicmirko@eccf.su.ac.yu

^{*} Associate Professor, Faculty for Legal and Business Studies in Novi Sad, Serbia: drmihic@eunet.yu

migrational flows towards EU. This will cause significant consequences for the labor market of the region and for the EU labor markets, similar to the period when EU8 in 2004 and EU2 in 2007 joined European union. Because of these facts it is very important to predict the following migrational tendencies in the candidate countries and potential candidate countries for EU membership.

Serbia represents the largest country in the region with approximately 7,5 million inhabitants. Since the beginning of the XX century Serbia is the source country of several migrant flows towards more developed countries, especially towards Western Europe, American continent and Australia. According to World Bank (2008), stock of emigrants from Serbia is more than two million (21,9% as percentage of population) and it is in the first 20 countries by the number of emigrants in the world. Top 10 destination countries are Germany, Austria, Switzerland, United States, Turkey, Croatia, Sweden, Italy, Canada, and Australia. Corridor Serbia – Germany is one of the largest migration corridors in the world with 0.9 million people. Serbia is also among top emigration countries of physicians, and among top remittance-receiving countries with 4,9 billions USD (14% of GDP).

Serbia underwent a complex process of deep transformation to a free society and market-based economy with final goal to become the member of EU. At the end of 2009 European Union abolished visa regime for the citizens of Serbia, but the access to the EU labor markets is still restricted for the workers from Serbia. On the other hand, while Serbia is continuing with social, economic and political reforms, in the following decade we can expect that migration regime will be even more liberal.

The difference in income between the EU member states and Serbia is still substantial. Also, in the EU, the unemployment rates are lower, the quality of public goods is higher, and the generosity of the welfare systems are by far more generous than in Serbia. These are the constant factors that are attracting significant number of people from Serbia to search the job and living opportunities across Europe.

Migration is very sensitive issue among general public and policy makers in all European countries, especially in Serbia, because of deep and long-term economic, social, cultural and political consequences.

The purpose of this paper is to evaluate the potential directions of labor migration from Serbia, with special attention to migration towards neighboring countries. This paper represents the results of the survey and the consequences of migrational tendencies from Serbia and similarly affected countries in the Balkan region are discussed.

The organization of this paper is as follows: After the introduction where the statement of purpose of this paper is included, in the literature review the short summary of the relevant theoretical background is presented. In the following section is brief description of the datasets and implemented statistical methods. After the short description of sample and used statistical methods, main research results are presented and discussed. In the last section are concluding remarks.

Literature Review

East Europeans are generally unhappy with their lives, dissatisfied with their salaries and working conditions, concerned about the availability of good jobs and insecure about their current jobs, and all these factors further contributed to reasons to move abroad (Blanchflower

et al. (2007)). In the case of Lithuania, Kadziauskas (2007) reports that 90% of respondents in the survey name low salaries as the main motive to seek employment outside their country.

The average inflow (net immigration) from EU8 in the old EU15 is around 250.000 people per year since 2004, compared to 62.000 per year between 2000 and 2003 (Kahanec, Zaiceva, & Zimmermann, 2010). In 2007, the largest share of emigrants to the EU15 was from Balkan countries: Romania (7,2%), Bulgaria (4,1%), Croatia (7,1%), and from Albania fascinating 25,5% (Brucker and Damelang (2009); Brucker et al. (2009)). Because of wide spectrum of consequences (social, economic, cultural and political) East-West migration tendencies became very important issue in modern science and many authors gave their contribution in the research of this phenomena.

When we look at the destination countries, in recent years we can see some changes because Ireland and United Kingdom became the preferred destinations after enlargement. According to World Bank (2006), the main destination for emigrants from Lithuania in 2002 were Germany, Estonia, Russia, Ireland and USA, while in 2004 this is UK and Germany. The similar conclusion we can find in Kaczmarczyk and Okolski (2008) and Frelak and Kazmierkiewicz (2007) for emigrants from Poland, because the importance of UK and Ireland is increasing, while Germany remains the most important destination, especially for seasonal migration. According to Barrett (2009), the explanation for Ireland is in the rapidly growing economy and the limited numbers of countries who granted free access as of May 2004. Kahanec and Zimmermann (2008) concluded that although Germany and Austria have not opened their labour markets, they have also experienced significant inflows of migrants from new member states. Additional conclusion is that more open economies attracted more educated and younger migrants. For them the role of brain circulation is highly important.

When we look at the profile of migrants, in the case of Polish emigration Kaczmarczyk and Okolski (2008) are concluding that migrants are predominantly male, young, educated and they wish to stay abroad for less than one year. There is also a relatively large proportion of females. Bover and Arellano (2002) are saying that, in general, the younger the person the more mobile he is.

Large portion of migrants are in the EU on the temporary basis and they are working seasonal jobs intending to return to their homelands after several months. Pollard et al. (2008) researched the migrants in Germany and they concluded that Germany has a significant number of seasonal workers. According to Carletto et al. (2006), temporary migrants can be distinguished from permanent ones: Albanian migrants in Italy and more distant countries tend to be better educated than either non-migrants or migrants in Greece.

As for the effect of education, the more educated the more they are likely to move (Bover & Arellano, 2002). Educational level of immigrants in 2006 was the following: low educational level as percentage of the immigrant population (of working age) was 29% from Bulgaria and Romania and 17% from EU8, in comparison with 27% in EU15, while high education was 18% from Bulgaria and Romania, 22% from EU8, and 27% in EU15 (Brucker & Damelang, 2009). According to some authors, some countries, like Greece in the case of Albanian emigrants, attract less skilled and lower income migrants (Labrianidis & Lyberaki, 2004). According to some authors, the proportion of EU8 migrants in Germany after enlargement with low education is substantially larger than before suggesting a negative selection of migrants, while in the UK, the proportion of those with low education is smaller and of those with higher education is larger after enlargement (Kahanec, Zaiceva, & Zimmermann, 2010). Findings of Jurajda and Terrell (2007) are that low skilled workers migrate less often than high skilled workers. Not only that immigrants from East have occupational disadvantage compared to other immigrants and natives, but there is also the effect of downgrading, because large portion of newcomers are

willing to accept working places below their educational level. In the case of immigration in Ireland, immigrants from new member countries appear to have levels of education comparable to the existing labour force, but they are employed in occupations below what might be expected given their education.

Obviously new EU member states in recent years suffered significantly because of current migration tendencies, especially when it comes to the brain drain phenomena. Bonin et al. (2008), Kahanec and Zimmermann (2009), and many other authors are arguing that broader positive effects of immigration may overwhelm the potential negative effects in source countries because the migrants often act as agents of knowledge transfer and international trade, and pools of skilled immigrants may attract high-tech investments. Bems and Schellekens (2008) argue that labor mobility speeds up the convergence process, helps boost economy-wide capital-labor ratios, supports aggregate demand through remittances, and may contribute to skills augmentation through the reintegration of returning migrants in domestic labor markets.

What are the main factors that slowing down East – West migration? According to Fourage and Ester (2007) and Bonin et al. (2008), language and cultural barriers have main influence. Also, worries about finding a proper job and the potential loss of social contacts with friends and relatives also plays significant role.

Because of significant importance, it is necessary to assess the volume and directions of migrations to and from all European countries in the future. Many authors are emphasizing that official emigration data are not entirely accurate. For example, Kadziauskas (2007) is warning that official emigration data for Lithuania might be severely understated. Dermendzhieva and Filer (2010) are stressing that evidence from data regarding stated intentions to migrate is largely consistent with the evidence based on data on actual migration.

In the case of the countries of former Yugoslavia, during the war in the last decade of XX century we have witnessed the large emigration towards Europe, American continent and Australia and we do not have official data from that period. The similar situation is even today, when these countries are preparing themselves for the EU membership. This is why we have tried to evaluate emigrations from Serbia towards European countries from different angle, through analysis of potential migration tendencies.

Results

At the end of 2009 the survey was conducted on the territory of Serbia in order to evaluate the potential directions of labor migration abroad, with special attention to migration towards neighboring countries. The field work was conducted in the December 2009, in the 21 municipality in Serbia. Data were gathered through questionnaires. The size of the sample was 2.000 respondents aged between 15 and 65 years. The questionnaire had 21 questions about different aspects of migration.

After the data collection, methods of descriptive statistics were used for grouping and graphical presentations. Analysis of variance (ANOVA) and Chi-square test were used for testing the hypothesis and the difference among different characteristics.

Among other questions in the survey we have asked respondents to answer the following questions:

- On the scale from 1 to 10, how strong is your wish to leave the country and work and live somewhere else (1 – no wish; 10 – the strongest wish).

- On the scale from 1 to 10, evaluate what is the real probability for you to leave the country (1- probability is 0; 10 – highest probability).

The average grade for the first question is 5,08 and for the second 3,74. There are statistically significant differences between desire and real probability to leave the country ($p = 0,0000 < \alpha = 0,01$). The results are showing that in Serbia exist significant number of people potentially ready to leave the country, but the same respondents are much more pessimistic what are the real chances to migrate.

In comparison of age groups, the results are showing that desire to leave the country is declining with age. The most prominent is the youngest cohort aged 15-24 years, than 25-34, etc. There are statistically significant differences among age groups ($p = 0,0000$).

There are also statistically significant differences in the case of marital status ($p = 0,0000$). Unmarried respondents are much more ready to leave the country in comparison to married ones. The average desire to emigrate for unmarried is 5,8 and for married 4,24. We have also discovered the connection between the desire to leave and the number of members in respondent's household. The bigger the household, the higher is desire to leave the country.

In the case of education, there are statistically significant differences among different levels of education. Desire to leave the country is low for the respondents with low level of education (maximum 8 years – elementary school). For other levels with more than 8 years of education the desire to emigrate is almost the same and there is no difference among people with high school diploma, graduate students and respondent with post graduate education.

There are also statistically significant differences among groups when it comes to the question "What is the real probability for you to leave the country?". Distribution of probability according to the levels of education is displayed in the Figure 1. It is obvious that persons with highest levels of education (postgraduates, with MBA or PhD diploma) are the most optimistic about their chances to migrate.

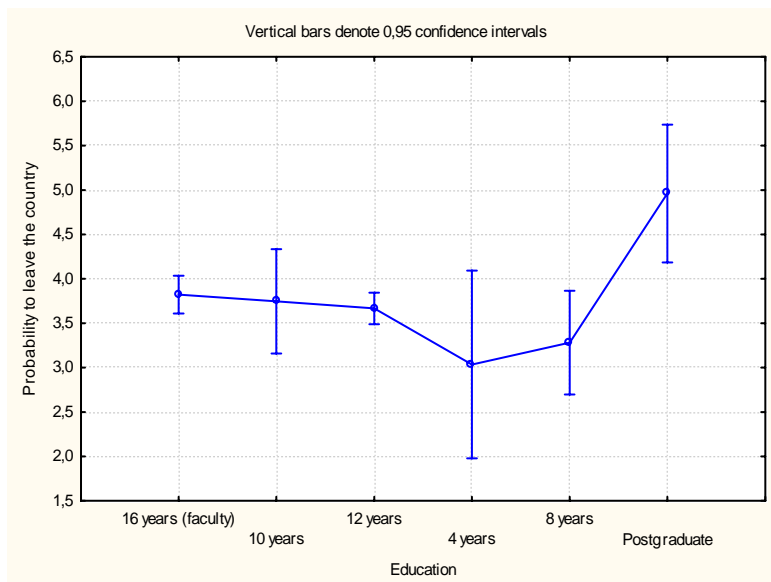


Figure 1: Probability to leave the country according to the levels of education

In order to evaluate the most preferred destinations we have formed the following groups:

- Neighboring countries (Hungary, Romania, Croatia,...)
- Southern Europe (Italy, Spain, Greece,...)
- Northern Europe (Norway, Sweden, Finland,...)
- Central Europe (Germany, Holland, Austria, Switzerland, ...)
- Eastern Europe (Czech Republic, Poland, Slovakia, ...)
- Other continent.

Figure 2 is showing the main destinations for the different levels of education. For the respondents with maximum elementary school education, the most preferred destinations are neighboring countries and countries in the Central Europe. We have much more similarities between people with high school and faculty diploma. Their favorite destination are Southern Europe, Central Europe, and other continents.

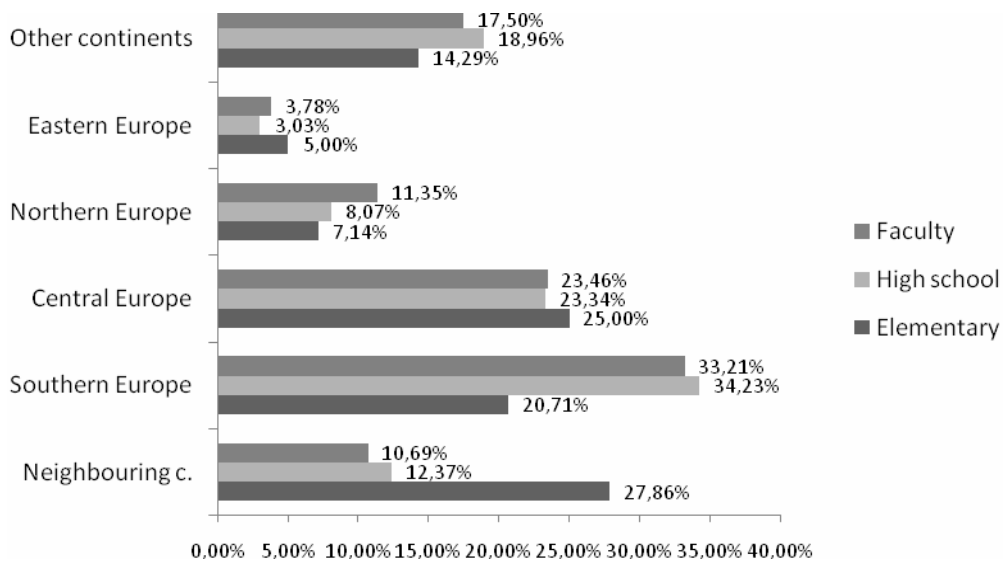


Figure 2: Comparison of most preferred destinations for three levels of education

When we look at the gender, females have the stronger wish to leave the country, but the real probability to migrate is larger for the males. In both cases there are no statistically significant differences (wish to migrate: $p = 0,19$; probability: $p = 0,84$). Figure 3 is showing the box plots for both questions and both genders.

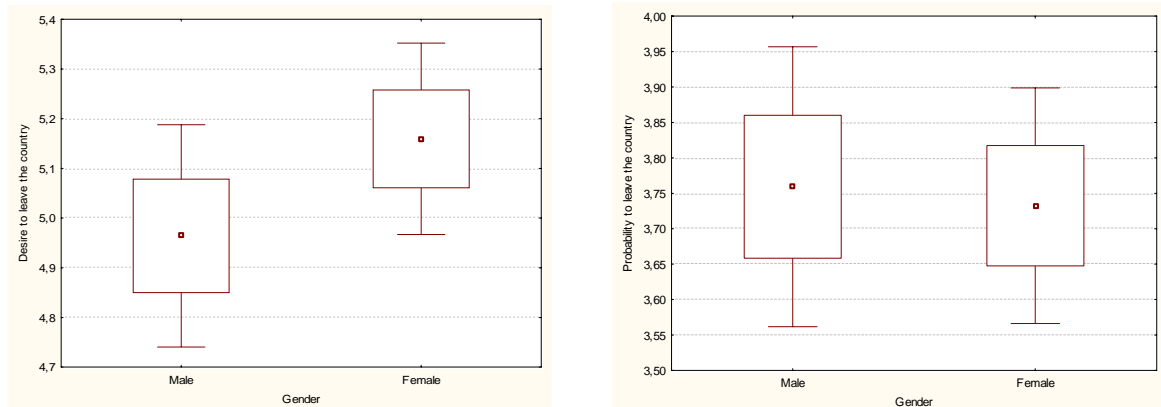


Figure 3: The desire to leave the country and the real probability to migrate for both genders

If we look at the place of living as the potential migration factor, there are no statistically significant differences between respondents from rural and urban areas when it comes to the desire to leave the country ($p = 0,95$) and real probability to migrate ($p = 0,32$).

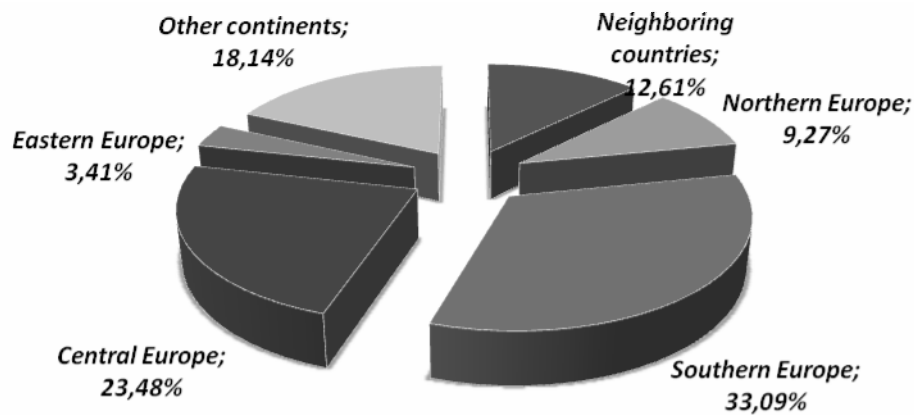


Figure 4: Most preferred migration destinations according to survey

Figure 4 is showing the most preferred destination for potential Serbian migrants. The differences among destinations are highly statistically significant ($p = 0,0000 < \alpha = 0,01$). We can conclude that the most preferred destinations are Southern and Central Europe. During the last century, Central Europe was the first choice for Serbian emigrants, especially Germany. We can see that the most preferable destination today are the countries of Southern Europe, most of all Italy and Spain, which is similar to the tendencies from Romania and Bulgaria.

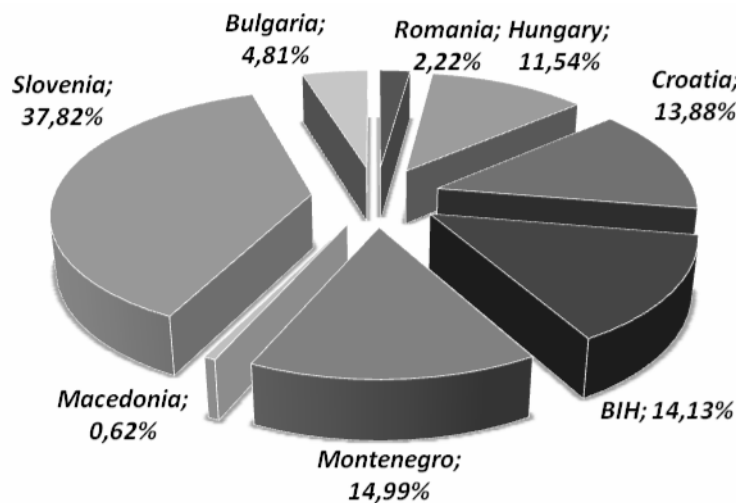


Figure 5: Most preferred destinations among neighboring countries according to survey

Figure 5 is showing the most preferred neighboring countries for potential Serbian migrants. Slovenia is not the neighboring country but it is included because it was one of the countries of former Yugoslavia. The differences among destinations are highly statistically significant ($p = 0,0000 < \alpha = 0,01$). We can conclude that the most preferred destination is Slovenia by far. Although Romania and Bulgaria are the members of EU it is not realistic to expect significant migration towards these two countries.

In the case of duration, 39,1% of respondents would like to permanently leave the country and 60,9% temporary. There are statistically significant difference between potential permanent and temporary migration when it comes to the choice of destination country ($p = 0,0000$).

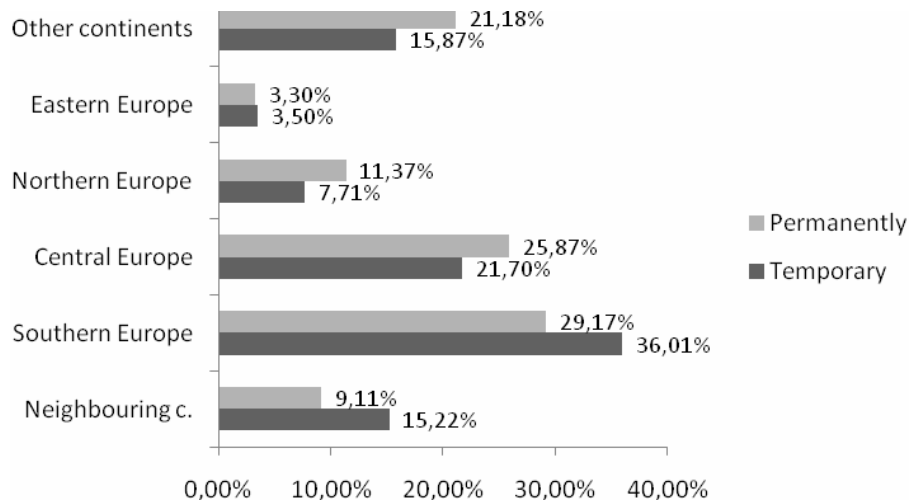


Figure 6: Comparison of most preferred destinations for permanent and temporary migration

If we compare potential permanent and temporary migrations, temporary migrants are more oriented towards Southern Europe and neighboring countries than permanent migrants, while permanent migrants are more oriented towards Central and Northern Europe and Other continents.

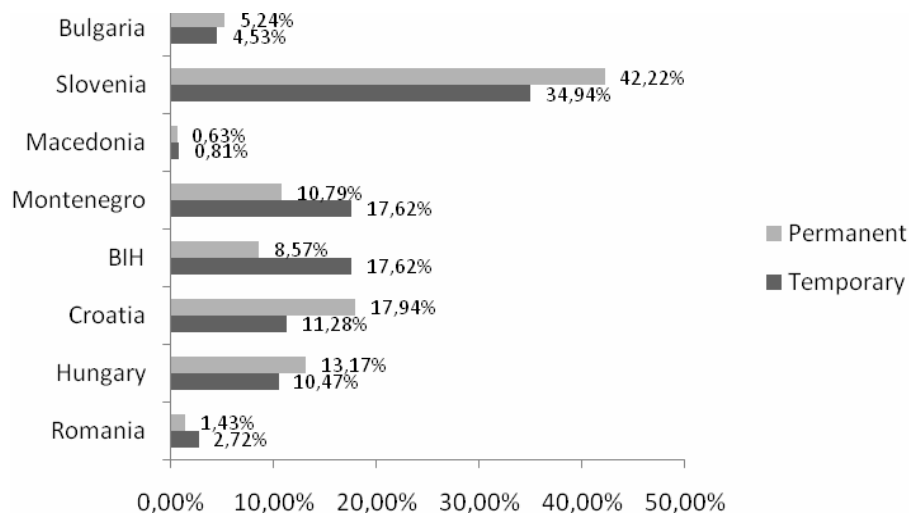


Figure 7: Comparison of most preferred neighboring destinations for permanent and temporary migration

In the case of neighboring countries as destinations, if we compare potential permanent and temporary migrations, temporary migrants are more oriented towards Montenegro and Bosnia and Herzegovina than permanent migrants, while permanent migrants are more oriented towards Slovenia, Croatia, and Hungary. There are statistically significant difference between potential

permanent and temporary migration when it comes to the choice of neighboring destination country ($p = 0,0000$).

In the case of wage level, all the respondents were asked the following question: “What is the lowest acceptable wage for you to work and live abroad?”. For the respondents with lower level of education the average minimum wage is 1955 euro. The average minimum acceptable wage for the respondents with high school education is 2309 euro. The average minimum acceptable wage for the respondents with faculty or higher level of education is 2766 euro. 71,9% of respondents is willing to change the original occupations in order to work abroad.

Conclusion

Kahanec et al. (2010) are stressing that free mobility of people is a cornerstone of the European Union. A major policy task for the present and future is to ensure that it is upheld in all aspects, that it contributes to economic prosperity as well as the well-being of the individual and the society, and that it helps to alleviate economic and financial disturbances such as the economic crisis.

In 2008 European Commission announced that further increase of labor mobility from the new member states is not seems unlikely (European Commission, 2008). On the other hand, in the following decade we can expect that migration regime will be more liberal for the countries of the former Yugoslavia. EU is removing some of the institutional migration barriers and it is new boost to the migration potential in Europe. With potentially new surge of labor mobility this will cause significant consequences for the labor market of the region and for the EU labor markets, similar to the period when EU8 in 2004 and EU2 in 2007 joined European union. Because of these facts we have tried to analyze and predict the following migrational tendencies from Serbia towards European Union.

On the receiving side, according to reports from World Bank (2006) and European Commission (2009), fears of massive immigration of workers towards old EU members and devastating impacts on receiving labor markets were unfounded, because inflows of foreign workers mainly supplemented rather than replaced domestic labor and helped sustain solid economic growth, while at the same time keeping local wages stable. The consequences of East-West mobility in recent years were non-negative on average and have not led to any serious disturbances in the labor markets. Moreover, immigrants from East even helped to improve labor market efficiency by alleviating shortages on labor markets in sectors and occupations with the excess demand for labor that could not be satisfied by the native labor force.

From the aspect of sending countries, many of them experienced significant outflows of skilled labor force in their prime age. These countries, like Serbia, are still in the process of structural and institutional transition and negative economic impact coming from strong brain drain tendencies in the future will be even larger. Emigration may increase structural weaknesses in labor markets, because of shortages of highly skilled specialists in a number of sectors (World Bank, 2006). On the other hand, Kahanec et al. (2010) consider that investing in language skills, expanding professional networks and learning other new skills abroad implies transferring these skills back home on returning. Also, migrants may bring back home a migrant partner who is also likely to be well educated, suggesting brain circulation in the long run. World Bank (2006) argues that there was no incidence of massive “brain drain” from the new member states, although in some sectors (like health care) the emigration of highly skilled specialists was relatively large.

In the case of migration from Serbia we can conclude that importance of geographical distance is declining because of increased availability of low-cost airlines in the Balkan region. According to survey, the average migrant from Serbia is young (around 25 years old), single, with at least high school education, probably male, willing to permanently stay abroad and to change his original occupation.

While the overall numbers of migrants from the countries of former Yugoslavia towards European Union will increase in the following years, this increase will be probably unevenly distributed across countries, both source and destination countries. The largest proportion of potential migrants from Serbia are oriented towards Southern and Central Europe.

The gaps in earnings and employment between Serbia and EU countries continue to be large, implying that migration patterns of previous years will continue in the future. The drain or mainly young and skilled people could pose additional economic and demographic challenges on country experiencing significant outflow of people. It appears, however, that the migration trajectory will be of a temporary nature if scenario of EU2 accession in 2007 repeats itself. There is hope that these people will return with not only accumulated human capital and new skills, but also financial resources, and the anticipated brain circulation may actually help solve demographic and economic problems in Serbia. It is unrealistic to expect that significant return migration will occur in the near future, particularly among the economically active population abroad, as long as the large income gaps between Serbia and developed countries persist.

That means that in the following years, while Serbia waits in line for EU membership, the problems caused by migration will continue to grow. This will be the case until this country become the member of EU family, and only then, during the first few years of membership, we can expect that current tendencies start to slow down and positive effects of migration start to grow.

References

1. Barrett, A. (2009). *EU Enlargement and Ireland's Labour Market*. Bonn: IZA DP No. 4260.
2. Bems, R., & Schellekens, P. (2008). *Macroeconomics of Migration in New Member States*. New York: IMF WP/08/264.
3. Blanchflower, D., Saleheen, J., & Shadforth, C. (2007). *The Impact of the Recent Migration from Eastern Europe on the UK Economy*. Bonn: IZA Discussion Paper No. 2615.
4. Bonin, H., Eichhorst, W., Florman, C., & al., e. (2008). *Geographic Mobility in the European Union: Optimising its Economic and Social Benefits*. Bonn: IZA Research Report No. 19.
5. Bover, O., & Arellano, M. (2002). Learning About Migration Decisions From the Migrants: Using Complementary Datasets to Model Intra-Regional Migrations in Spain. *Journal of Population Economics* (15), 357-380.
6. Brucker, H. (2009). *Labour Mobility within the EU in the Context of Enlargement and the Functioning of the Transitional Arrangements*. Nurnberg: Final report (IAB, CMR, fRDB, GEP, WIFO, wiiw).
7. Brucker, H., & Damelang, A. (2009). *Labour Mobility within the EU in the Context of Enlargement and the Functioning of the Transitional Arrangements. Analysis of the Scale, Direction and Structure of Labour Mobility*. Nurnberg: IAB, Deliverable 2.

8. Carletto, G., Davis, B., Stampini, M., & Zezza, A. (2006). A Country on the Move: International Migration in Post-Communist Albania. *International Migration Review* (40 (4)), 767-785.
9. Dermendzhieva, Z., & Filer, R. (2010). The Case of Albania. In M. Kahanec, & K. Zimmermann, *EU Labor Markets After Post-Enlargement Migration* (pp. 305-334). Berlin: Springer.
10. European Commission. (2009). *Five Years of an Enlarged EU - Economic Achievements and Challenges*. European Economy, No. 1/2009.
11. European Commission. (2008). *The Impact of Free Movement of Workers in the Context of EU Enlargement*. Brussels: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.
12. Fouarge, D., & Ester, P. (2007). *Determinants of Migration Intentions in Europe. Exodus or Bounded Mobility?* Tilburg: Institute for Labour Studies, Tilburg University.
13. Frelak, J., & Kazmierkiewicz, P. (2007). Labor Mobility: The Case of Poland. In J. Smith-Bozek, *Labor Mobility in the European Union: New Member, New Challenges*. (pp. 60-79). Washington DC: Center for European Policy Analysis.
14. Jurajda, Š., & Terrell, K. (2007). *Regional Unemployment and Human Capital in Transition Economies*. Prague: CERGE-EI.
15. Kaczmarczyk, P., & Okolski, M. (2008). *Economic Impacts of Migration on Poland and the Baltic States*. Oslo: Fafo-Paper 2008:1.
16. Kadziauskas, G. (2007). Lithuanian Migration: Causes, Impacts and Policy Guidelines. In J. Smith-Bozek, *Labor Mobility in the European Union: New Members, New Challenges* (pp. 80-100). Washington DC: Center for European Policy Analysis.
17. Kahanec, M., & Zimmermann, K. (2009). International Migration, Ethnicity and Economic Inequality. In W. Salverda, B. Nolan, & T. Smeeding, *The Oxford Handbook of Economic Inequality* (pp. 455-490). Oxford: Oxford.
18. Kahanec, M., & Zimmermann, K. (2008). *Migration in an Enlarged EU: A Challenging Solution?* Bonn: IZA DP No. 3913.
19. Kahanec, M., Zaiceva, A., & Zimmermann, K. (2010). Lessons from Migration after EU Enlargement. In M. Kahanec, & K. Zimmermann (Eds.), *EU Labor Markets After Post-Enlargement Migration* (pp. 3-46). Berlin: Springer.
20. Labrianidis, L., & Lyberaki, A. (2004). Back and Forth and in Between: Returning Albanian Migrants from Greece and Italy. *Journal of International Migration and Integration* (5 (1)), 77-106.
21. Pollard, N., Latorre, M., & Sriskandarajah, D. (2008). *Floodgates or Turnstiles? Post-EU Enlargements Migration Flows to (and from) the UK*. London: Institute for Public Policy Research.
22. World Bank. (2006). *International Migration, Remittances and the Brain Drain*. Washington DC.
23. World Bank. (2008). *Migration and Remittances Factbook 2008*. Washington DC: The International Bank for Reconstruction and Development/World Bank.