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Policy Note

Return migration and labour market outcomes of the returnees

Does the return really pay off? The case-study of Romania and Bulgaria

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Abstract

In this study we analyse the labour market performance of Romanian and Bulgarian return migrants and whether it really pays off to return home. We looked at the employment dynamics of returnees from the perspective of employment and occupational status switches to capture the effects of the work experience abroad on the upgrade in the home labour market. After predicting the wages and measuring the wage premium upon return, we apply an endogenous switching ordered probit model to estimate simultaneously the decision to migrate temporarily and the determinants of an upgrading of labour market performance upon return. The labor market performance of return migrants is analysed by using the 2005 World Bank Surveys in Bulgaria and Romania. The main conclusion is that the interdependence in the decision-making between return migration and labour market participation requires counting them simultaneously. While, the labour market participation upon return are strongly determined by the intentions of a permanent return and the expectation of return premiums for the skills and experience acquired abroad, the permanent intentions of return are determined by the experience abroad, the family ties and by intentions of other household members to migrate.

JEL Codes: F22, J24, J61

Keywords: return migration, wage premium, occupational upgrading

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POLICY BRIEF:

BULGARIAN AND ROMANIAN MIGRANTS IN THE
AUSTRIAN LABOUR MARKET
AND THE STRUCTURAL CHANGE BETWEEN
2000 AND 2009

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Policy and Research

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In this policy brief we present the profiles of Romanian and Bulgarian migrants participating in the Austrian labour market, i.e. their main socio-demographic and labour market characteristics in the years 2000-2009.

The purpose is to identify the attributes of Romanian and Bulgarian migrants participating in the Austrian labour market, examining whether there has been a change in the profile of the immigrants during this last decade and whether the free movement of Romanian and Bulgarian immigrants has modified the structure of migrants in Austria originating from these countries.

After the fall of the communist system, Bulgaria and Romania have experienced large outflows of migrants. Starting with January 1, 2007, Bulgaria and Romania became EU Member State and their citizens enjoyed free movement within the EU. With the membership in the EU the inflow of Romanian and Bulgarian migrants to EU Member States was expected to increase considerably. However, the old EU countries were allowed to impose labour market restrictions and Austria is among those EU Member States that opted to implement such restrictions. Austrian laws on migration foresee that citizens of Bulgaria and Romania are no longer required to obtain residence permits but they continue to require work authorization (EU, 2007).

The motivations offered in the public policy debate for imposing such restrictions, particularly in Austria, have been the concerns about the access of Bulgaria and Romania to the EU and its potential effects on host countries. One of the main concerns

has been the potential high migratory inflow from these countries, especially of those less skilled, which could be accompanied by undesirable effects on the host country labour market. To a certain extent the lack of free access to the host country labour market (in Austria expected to be abolished in 2011) is supposed to limit a vast inflow of migrants from these countries.

In this policy brief we will be using the AMDB (“Arbeitsmarktdatenbank”) between 2000 and 2009 with the aim of assessing the inflow of Bulgarian and Romanian immigrants in the Austrian labour market and their labour market profile, especially after the access to the EU in 2007.¹ The AMDB, which provides data about the demographic and employment characteristics of migrants from Bulgaria and Romania from 2000 to 2009, allows us to explore whether there has been a considerable structural change of immigrants from these countries as concerning age, gender, employment status, education, occupation, permanence in Austria and other indicators especially after the access to the EU in 2007.²

The profile of Bulgarian and Romanian migrants

According to AMS data the number of Bulgarian and Romanian migrants registered by the AMS from 2000 to 2009 more than doubled among the Bulgarians, from 4270 to

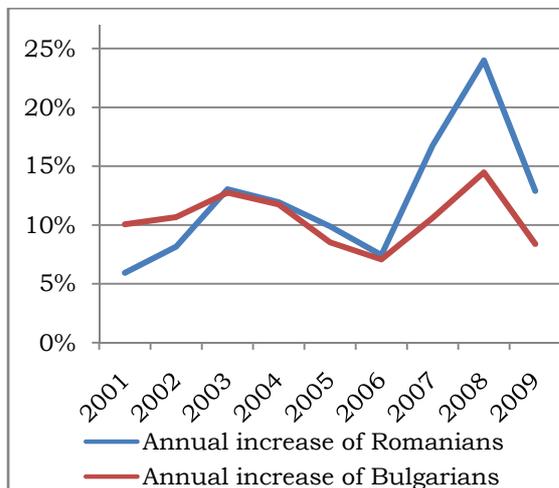
¹ For some data the earliest/latest year available is 2001/2007.

² <https://arbeitsmarktdatenbank.at/> The AMDB (Labour market database) is provided by AMS (Arbeitsmarktservice Österreich) and BMASK (Bundesministerium für Arbeit, Soziales und Konsumentenschutz).

10830 and almost tripled among the Romanians, from 16833 to 47071. However, as Figure 1 shows, during the last decade the peak of annual increase of migrants originating from these countries was reached in 2007-2008, which corresponds with the year of enlargement and joining of Romania and Bulgaria in the EU.

Between 2007 and 2009 the increase in the stock of migrants was, respectively, 15 percent among Bulgarians and 24 percent among Romanians. Thus, apart from the peak in 2007-2008, the rate of annual increase of Bulgarian and Romanian migrants in Austria has been characterized by moderate increases, fluctuating between 6 and 12 % from 2000 to 2009.

Figure 1: Annual rate of change of Bulgarian and Romanian migrants, 2000-2009



The gender decomposition of migrant stocks coming from Bulgaria and Romania indicates that while in 2000 the number of males was higher than the number of females, starting from 2003 the presence of Bulgarian female migrants is slightly higher than that of

males while among the Romanians, the number of males is still higher than the number of females.

Figure 2.1: Bulgarian migrants by gender, 2000-2009

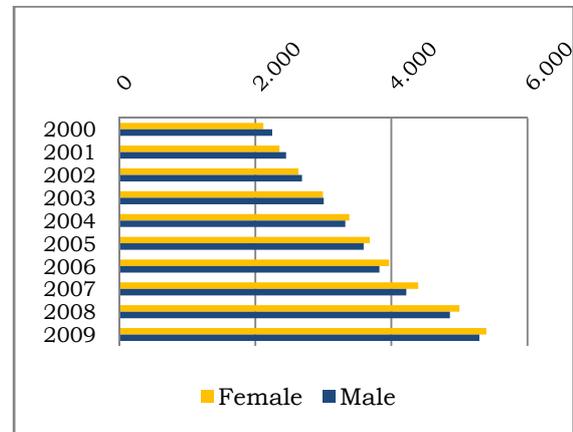


Figure 2.2: Romanian migrants by gender, 2000-2009

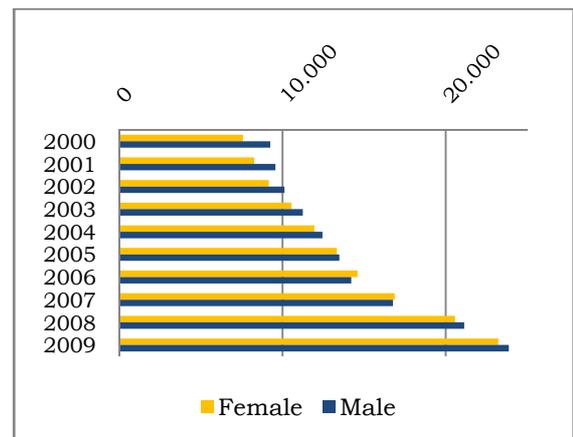


Figure 3.1: Age structure of Bulgarian migrants, 2000-2009

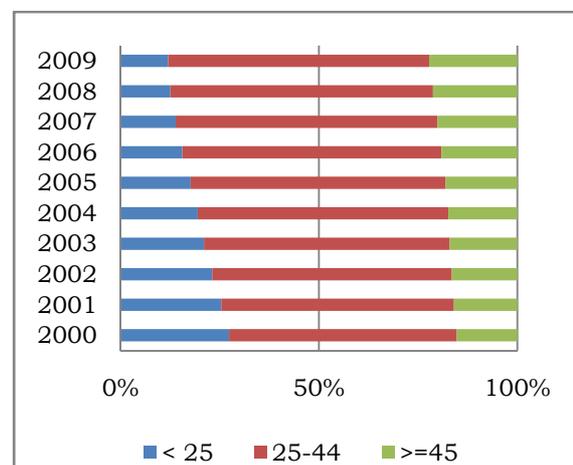
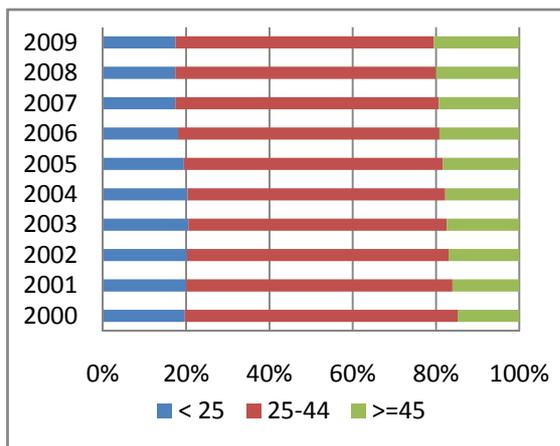


Figure 3.1 above shows the age distribution of Bulgarian and Romanian migrants, which is mainly dominated by the age group 25-45 indicating that immigrants of working age have a share higher than 60 percent.

Among the Romanian and Bulgarian migrants the number of those in young ages and below 25 has increased in absolute terms but their share among migrants has lowered especially among the Bulgarians, by almost 10 percent between 2000 and 2009.

Figure 3.2: Age structure of Romanian migrants, 2000-2009



Contrary to that, the share of the age group aged 45 or more has increased both among Romanian and Bulgarian migrants, especially among the Bulgarians.

Thus, the age breakdown indicates that the greater part of immigrants is in the working age between 25 and 44 and it demonstrates a stable trend between 2000 and 2009; the share of young immigrants is shrinking and on the contrary, the share of those aged 45 or more is growing.

Figure 4 below shows the regional distribution of Bulgarian and

Romanian migrants. As the graphical presentation indicates, more than 55 percent of Bulgarian migrants are concentrated in Vienna and the highest increase after 2007 is noticed in the regions of Tyrol, Lower Austria and Vienna. In particular, between 2006 and 2009, the increase has been characterized by a rate of 49 % in Tyrol, 14% in Lower Austria and 12 % in Vienna.

As regards the Romanian migrants, their distribution across the Austrian regions is less disproportionate compared to that of the Bulgarians.

Figure 4.1: Regional distribution of Bulgarian migrants, 2004-2009

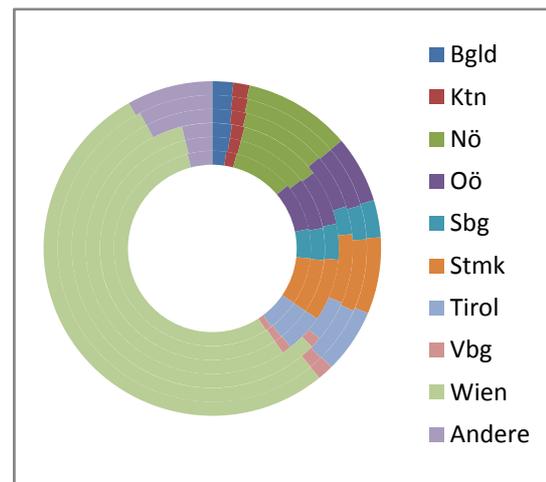


Figure 4.2: Regional distribution of Romanian migrants, 2004-2009

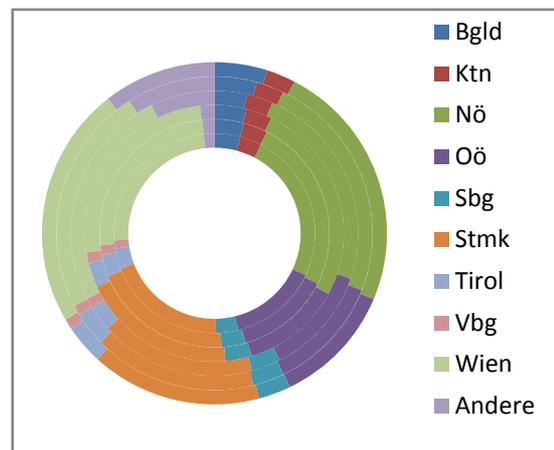


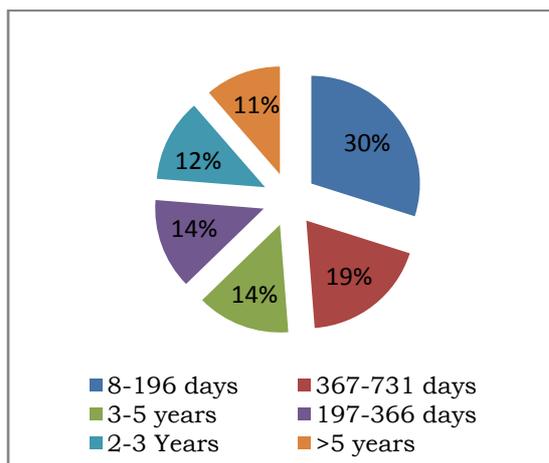
Figure 4.2 shows that more than 23% are concentrated in Lower Austria, 22 % in Vienna and 16 % in Styria and the remaining are distributed among other regions.

In addition, after the enlargement most of the regions experienced an increase in Romanian migrants of at least 20 percent but the most significant increase is still observed in Vienna, Tyrol, Lower and Upper Austria, which could be due to the particularly high preference for seasonal workers in these regions.

from 11% in 2000 to 21 % in 2009. Accordingly, these figures indicate a higher preference of Bulgarian migrants for a long-term stay in Austria.

Figure 5.2.a-b, which presents the duration of stay of Romanian migrants, shows a different picture from that of the Bulgarian migrants. Among the Romanian migrants, the share of those who stay less than 6 months was at 33 % in 2000 and continued to increase up to 36 % in 2009.

Figure 5.1.a: Duration of stay of Bulgarian migrants in 2000



It is interesting to observe that the duration of stay of migrants from Bulgaria and Romania between 2000 and 2009 has changed. For example, in 2000 one third of the Bulgarian migrants used to stay less than 6 months and almost 59 % used to stay less than 5 years. In 2009 the share of those that stay less than 6 months is reduced only by 1 % whereas the share of those that choose a short-term stay of less than 5 years lowered by 9 percent, changing from 59 to 50 %, and the category of those that choose a long-term stay of more than 5 years increased by 10 %, changing

Figure 5.1.b: Duration of stay of Bulgarian migrants in 2009

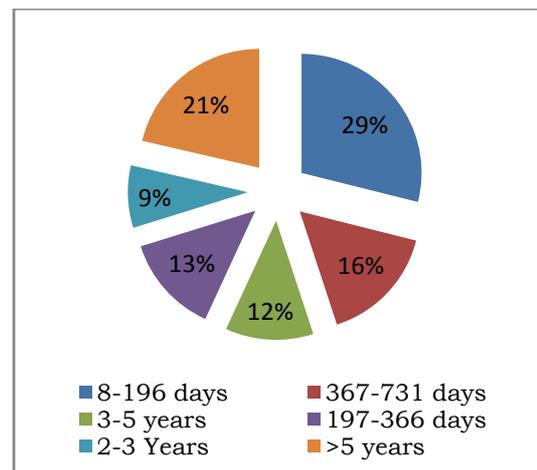
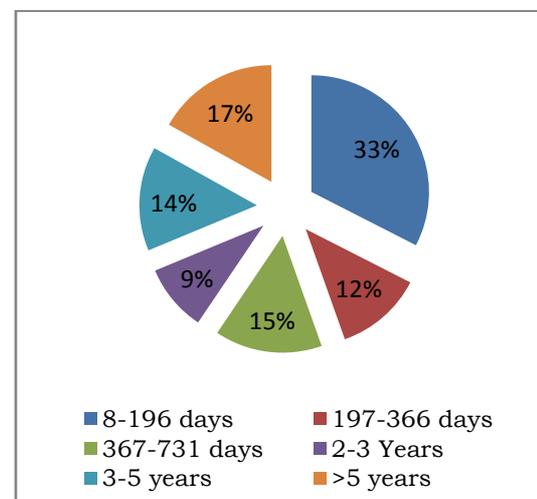
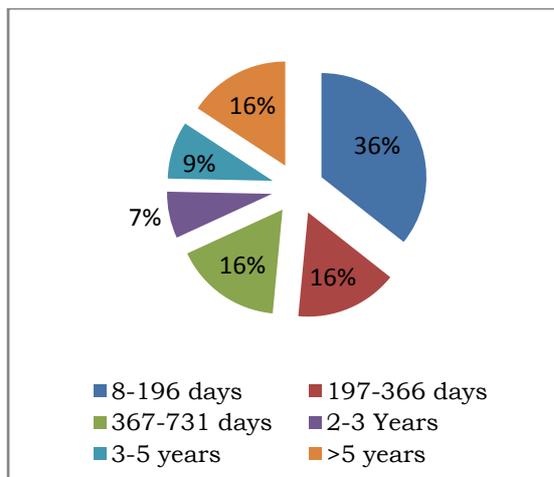


Figure 5.2.a: Duration of stay of Romanian migrants in 2000



Whereas the share of those with a duration of stay above 5 years decreased from 17 % in 2001 to 16 % in 2009 only marginally. Consequently, the trend among the Romanian migrants, contrary to the Bulgarian migrants, goes in the direction of short-term stays or seasonal migration in Austria.

Figure 5.2.b: Duration of stay of Romanian migrants in 2009



The employment status of Bulgarian and Romanian migrants as presented in Figure 6.1-2, shows similar patterns between 2000 and 2009. Most of the migrants are wage employees. However there is an increase in the share of those working as self-employed especially among the Bulgarians (after 2007 this share increased from 18 % to 22 %). This trend is also true for the Romanian migrants.

Concerning the share of those unemployed, we observe that after 2006 there is a decrease in the unemployment share, both among the Romanian and Bulgarian migrants, which is reversed in 2009 probably due to the wave of crisis that affects the immigrants first. Thus, the share of those unemployed in 2009 is higher

than in 2000, increasing from 7 to 9% among Bulgarians and from 9 to 12 % among Romanians.

Figure 6.1: Employment status of Bulgarian migrants 2000-2009

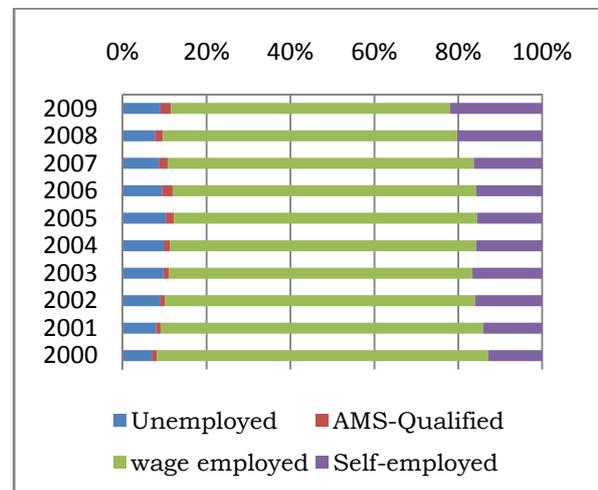
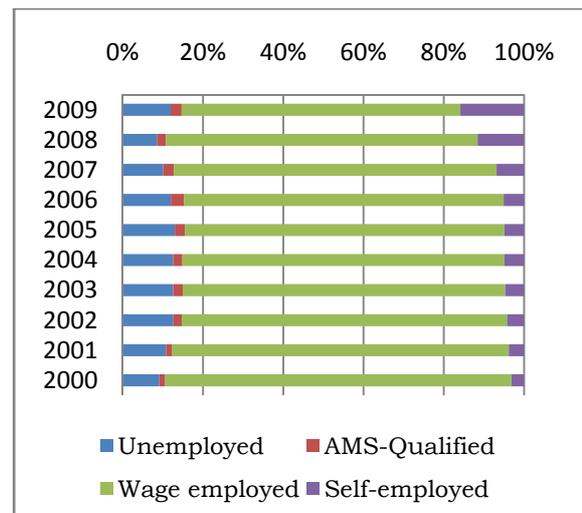


Figure 6.2: Employment status of Romanian migrants 2000-2009



Segregating the data by education level (in Figures 7.1a to 7.2b), we notice that among the Bulgarians only one fourth of the migrants have a high educational level, while more than 41% of them have a compulsory educational level. Nevertheless, the share of those with a university or academic degree has remained at the level of 25 % while the share of those with compulsory education level has

lowered from 41 % in 2001 to 35% in 2009. Accordingly, the share of those with a medium level of education has increased from 34 % in 2001 up to 40 % in 2009, indicating an improvement in the level of education of migrants coming from Bulgaria.

Figure 7.1.a: Education level of Bulgarian migrants, 2001

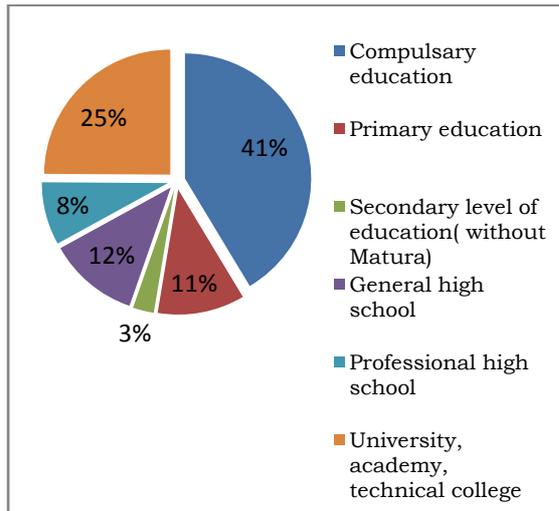
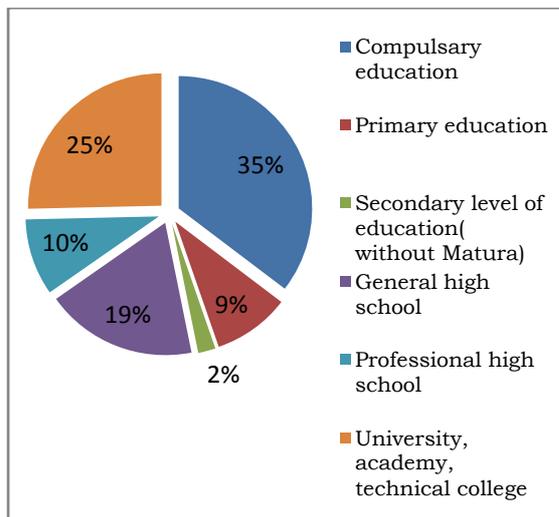


Figure 7.1.b: Education level of Bulgarian migrants, 2007



Compared to the Bulgarian migrants, the sample of Romanian migrants has a different disaggregation by the level of education. In 2001 more than half of the Romanian migrants used to have a compulsory education and in 2007 their share increased up to 59

%. Concerning the immigrants with a university or academic degree the share is two times lower than among the Bulgarians, even though between 2000 and 2007 it increased from 9 to 12 %.

Figure 7.2.a: Education level of Romanian migrants, 2001

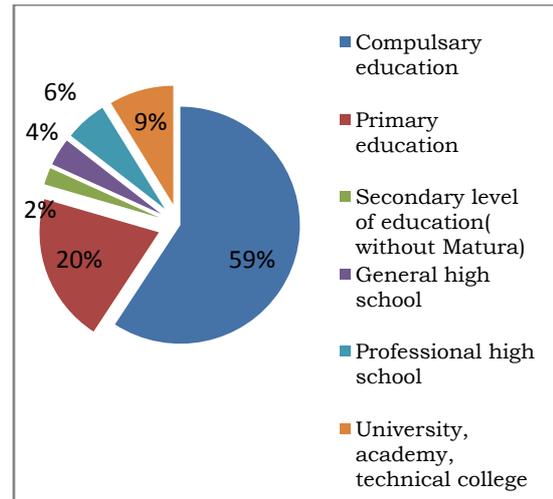
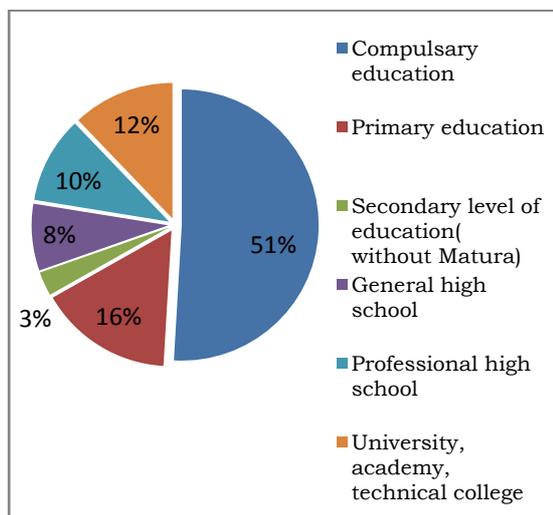


Figure 7.2.b: Education level of Romanian migrants, 2007

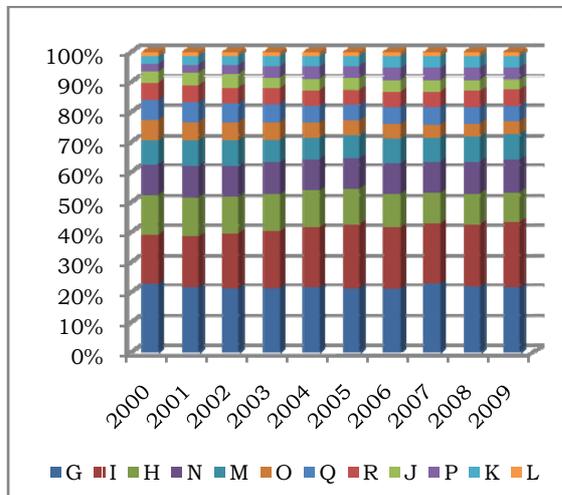


These data indicate that on average the education level of Romanian migrants in Austria is relatively lower than the education level of Bulgarian migrants.

Further disaggregating the data by occupational choice, we observe that at least one fourth of Bulgarian migrants are employed in trade and maintenance. However, their share in these sectors has slightly decreased by 1 % between 2000 and 2009. The second group of occupations where more than 22 % of the Bulgarian migrants are engaged in, is the hotel and gastronomy sector where a relatively high increase is observed, from 16 % in 2001 up to 22 % in 2009.

Other relevant occupations where Bulgarian migrants are hired, but at relatively lower shares, respectively 11, 10 and 9 % are economic service sector, transport and the scientific and technical services.

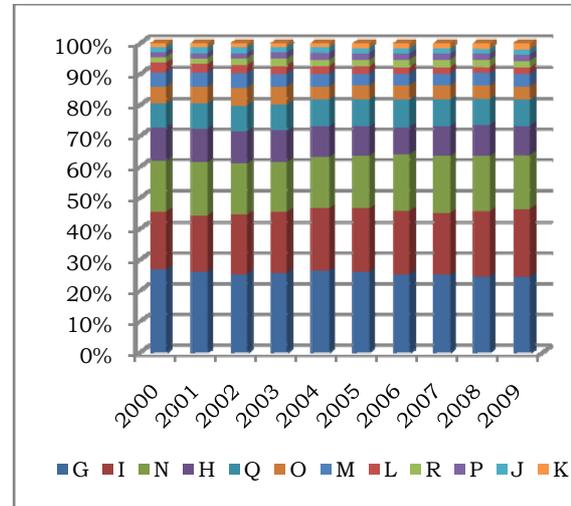
Figure 8.1: Occupational distribution of Bulgarian migrants, 2000-2009



Similar to the Bulgarian migrants, the distribution of Romanian migrants by occupational choice indicates that one in four migrants is employed in trade and maintenance. However, differently from the Bulgarians, the share of those working in these sectors has

decreased from 27 percent in 2000 to 25 percent in 2009.

Figure 8.2: Occupational distribution of Romanian migrants, 2000-2009



The share of those employed in the hotel and gastronomy sector, similar to the Bulgarians migrants, has increased from 19 % in 2001 to 22 % in 2009. The other group of sectors that occupies more than 35 % of the Romanian migrants comprise the economic service sector, the health sector and the transport sector. These findings indicate that the majority of Bulgarian and Romanian migrants are engaged in occupations that are not classified as highly qualified.

The AMS data concerning the weekly hours of work performed by the Bulgarian migrants indicate that more than two thirds of them work more than 36 hours per week. However, compared to 2001, the share of those working full-time in 2009 decreased by 7 percent. Contrary to that, the share of those working part-time has remained stable at 9 percent, while that of those working less than 12 hours per week increased from 10 to 14 percent. Even though, a choice of weekly working hours corresponding

to full-time employment is predominant, the data indicate a trend towards the category of less than 36 weekly hours of work.

Figure 9.1.a: The distribution of weekly working hours of Bulgarian migrants, 2001

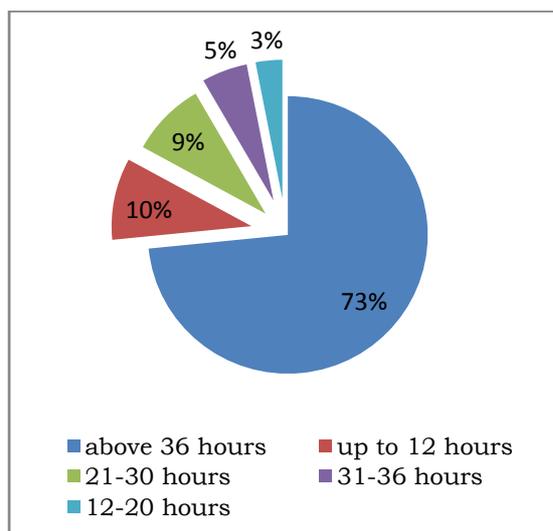
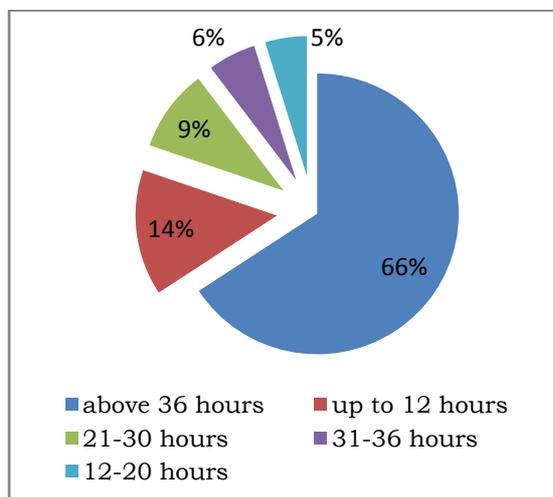


Figure 9.1.b: The distribution of weekly working hours of Bulgarian migrants, 2007



The AMS data concerning the weekly hours of work performed by Romanian migrants, compared to Bulgarians, demonstrate a much higher share of those working more than 36 hours per week. Among four Romanian migrants, three work more than 36 hours per week.

Nevertheless, in analogy to the Bulgarian migrants, the data show an increasing trend towards other alternatives of labour supply.

Figure 9.2.a: The distribution of weekly working hours of Romanian migrants, 2001

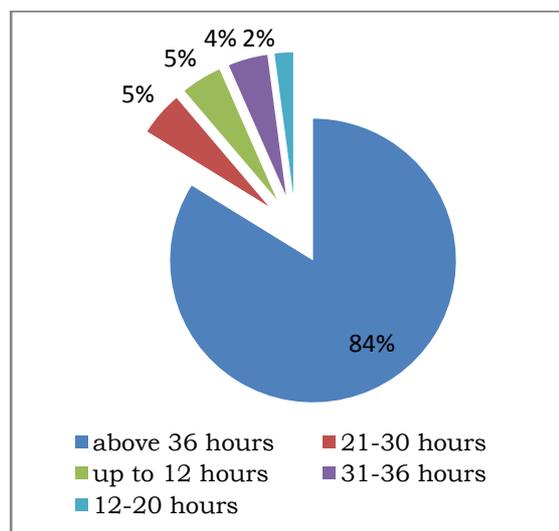
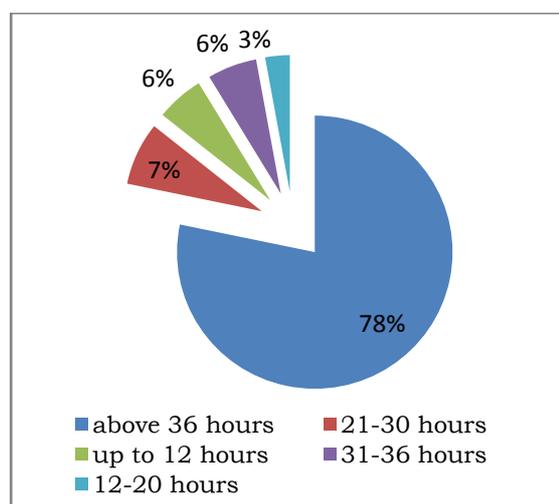


Figure 9.2.b: The distribution of weekly working hours of Romanian migrants, 2007



The available statistics concerning the earnings and, in particular, the daily earnings of Bulgarian migrants by level of education show that those with a high educational level – e.g. university, academy or technical college – have experienced the highest increase in daily earnings.

Figure 10.1: Daily earnings of Bulgarian migrants by level of education, 2001-2007 (Euro/day)

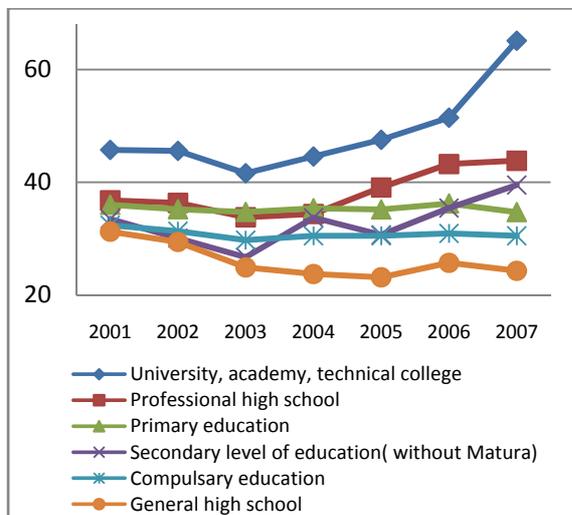
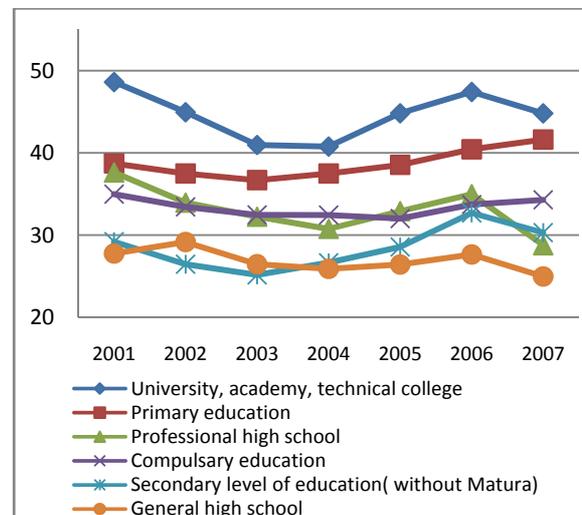


Figure 10.1 shows that while between 2001 and 2006 the trend was relatively stable, within the interval of 45 to 50 Euros per day, in 2007 the highly-educated migrants experienced a noticeable increase in this amount, from 51 to 65 Euros per day in one year. On the contrary, the migrants with primary and compulsory education level have experienced a reduction in their daily earnings. Figure 10.2 presents the picture of Romanian migrants and we can see that their daily earnings by level of education seem different compared to the Bulgarians. The statistics show that on average, the highly-educated Romanian migrants not only earn much less than the highly-educated Bulgarian migrants but between 2001 and 2007 they have experienced a decrease in amount, from 48 to 45 Euros per day, which is equal to the daily amount earned by the Bulgarians in 2001. Thus, the daily amount earned by the highly-educated Romanian migrants in 2007 was equal to the daily amount earned by the highly-educated Bulgarian migrants in 2001.

Figure 10.2: Daily earnings of Romanian migrants by level of education, 2001-2007 (Euro/day)



Concerning those migrants with secondary education level, the trend of earnings appears to be similar to the trend that characterized the earnings of Bulgarian migrants, i.e. that of a reduction in daily earnings.

Summary

This policy brief reviews the profile of the Bulgarian and Romanian migrants and some employment patterns characterizing their participation in the Austrian labour market between 2000 and 2009.

The AMDB database used for this study is the one provided by the AMS, which allows observing the profile of immigrants from Bulgaria and Romania between 2000 and 2009. It provides data about the demographic and labour market characteristics of migrants from Bulgaria and Romania, during the last decade and especially after the unification with the European Union in 2007.

The statistics show that:

- Between 2000 and 2009 the number of Bulgarian migrants

more than doubled while the number of Romanian migrants more than tripled.

- This increase is characterized by a stable trend except for the peak in 2007, which coincides with the EU enlargement.
- The gender disaggregation shows that in 2000 the number of men, both among the Romanian and Bulgarian migrants, was higher than the number of migrant women, but in 2004 the pattern was reversed.
- More than 60 percent of the Romanian and Bulgarian migrants are in the age group 25-44 but the share of the younger ones is decreasing and the share of those aged 45 or more is increasing.
- The regional distribution of the migrants shows that more than 55 percent of Bulgarian migrants are located in Vienna whereas the distribution of Romanian migrants across the Austrian regions is more balanced.
- In 2009 the share of Bulgarian migrants that stay less than 6 months is reduced by 1 %. While the share of those that stay more than 5 years has almost doubled.
- Romanian migrants, in contrast to Bulgarian migrants, seem to prefer short-term durations of stay or seasonal migration in Austria.
- Most of the Bulgarian and Romanian migrants are wage employees but there is an increase in the share of those working as self-employed. The share of those unemployed decreased after 2006 but this trend was reversed in

2009 reaching a level higher than in 2000.

- Among the Bulgarians only one fourth of the migrants have a high education level while the share of those with a medium level of education is increasing.
- The average education level of Romanian migrants is moderately lower than the education level of Bulgarian migrants.
- One fourth of the Bulgarian migrants are employed in trade and maintenance whereas the sectors signalling a rapid increase are hotel and gastronomy.
- Similar to the Bulgarians, one fourth of the Romanian migrants are employed in trade and maintenance but the share of those working in these sectors is decreasing while the sector of hotels and gastronomy is expanding. The rest of the Romanian migrants are occupied in the economic service sector, the health sector and the transport sector.
- These findings indicate that the majority of Bulgarian and Romanian migrants are engaged in occupations that are not classified as highly-qualified.
- Even though full-time employment is dominant both among the Romanian and Bulgarian migrants, there is a trend towards less than 36 weekly hours of work.
- Bulgarian migrants with a high education level have experienced the highest increase in the daily amount of earnings, while the opposite is true for the highly-educated Romanian migrants. The highly-educated Romanian migrants in 2007 earned a similar

amount to the one earned by the highly-educated Bulgarian migrants in 2001.

- Romanian and Bulgarian migrants with a secondary education level appear to experience a reduction in their daily earnings.

Main conclusions and policy recommendations

- After the enlargement, the flow of migrants from Romania and Bulgaria (apart 2007-2008) has been modest. The regional distribution of the migrants has been balanced, especially among the Romanian migrants. Consequently the regional labour market development has not been considerably affected by enlargement. Moreover, the improved education level of the migrants could produce a favorable effect on the Austrian labour market but the declining trend of average earnings by level of education indicates a weakening position in the Austrian labour market in particular of the Romanian migrants.
- The Romanian migrants seem to choose short-term duration of stay indicating a preference for temporary and circular migration. Thus, labour market policies that facilitate and incentivize the circular migration for those who do not aim the permanent migration would contribute to better matching between the labour supply and labour demand both for host and sending country.
- According to the OECD (2007) EU Member States, including Austria, have a high labour demand not only for services in health and

care, sciences and information technology and financial services, but also for agricultural, transportation, construction, hotel and restaurant industries. Thus, the increasing share of Bulgarian migrants in particular in the sectors mentioned above has contributed to satiate the labour-market shortages in sectors such as trade, transport and hotel services. In addition, the Bulgarians have contributed to highly qualified working sectors such as sciences and information technology. Consequently, labour market policies that facilitate the free access in the labour market would be beneficial especially for the host country.

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