# Executive summary

The three Baltic countries, Estonia, Latvia and Lithuania, have seen constant net emigration over the past decade. Net emigration over the 2000s was equivalent to almost 6% of the population in Estonia, 9% in Latvia and 13% in Lithuania. While this served as a safety valve in a time of poor employment opportunities and led to high levels of remittances, the longer term implications appear less positive: smaller working-age population, loss of educated youth, and skills shortages. A substantial diaspora has formed abroad, and these countries are starting to develop policies for interacting with these recent emigrants, many of whom are not expected to return definitively, to allay the economic and social impact of their departure. Other European countries are facing similar circumstances, especially Poland and Romania; in Romania, population fell by 7% over the decade largely due to emigration. The negative demographic situation in these countries – low fertility and ageing populations – exacerbates the impact of emigration. The experience of OECD countries with longstanding diasporas points the way to some innovative responses, if not to large-scale return.

## Key findings

Emigration in these countries rose following their accession to the European Union in 2004 and again with the economic crisis which began in 2008. Outflows peaked in 2010 in the Baltic countries and have not yet fallen back to their pre-crisis levels. Poland, in contrast to the other countries, experienced return inflows in 2008-10.

The main countries of destination were the United Kingdom and Ireland for Poles, Latvians and Lithuanians. More recently Norway has emerged as a destination. Finland was the destination for Estonians; Italy and Spain for Romanians. Most went for employment. Germany has attracted more qualified migrants from these countries.

Emigration from the Baltic countries is increasingly comprised of youth, concentrated between 20 and 35 years old, of highly educated people and of entire families. Estonia is an exception as its emigrants are largely less educated single men. For students, work abroad is now a common post-graduation plan. In Baltic countries, emigrants are increasingly looking for permanent skilled employment abroad. It was not only the unemployed who went abroad to work: many emigrants were employed before they left – three-quarters in the case of Latvia. A large share were employed abroad in jobs for which they were overqualified – two-thirds of Polish migrants,

The economic impact of emigration has been notable and mostly negative, especially when seen in a long-term perspective. Remittances make a significant contribution – almost 5% of GDP in Lithuania, for example, and 3% in Romania – and emigration was an important safety valve for the slack labour market in times of crisis. Skills shortages are starting to be felt in these countries, however, and there is evidence of distortion of the wage structure for high and low skilled workers due to disproportionate emigration by the latter.

Those who return tend to be the less educated. Return migrants are more likely to be unemployed, although are working enjoy higher wages associated with their foreign experience. There is evidence that return migrants are more productive in Romania, and have higher rates of entrepreneurship in Poland.

Return policies have met with limited success, especially where underlying economic conditions are not favourable, or where the salary differential abroad is substantial. Job fairs aimed at emigrants from Romania did not lead to many returns. Polish programmes to bring back emigrants were stymied by insufficient planning, by negative economic conditions and by the requirement not to favour returnees over non-migrants.

Diaspora policies are developing. Diaspora bonds, used in Israel and India, for example, can attract lower cost capital from emigrants and give them a means to contribute to economic development when they no longer have family to which to send remittances. Political representation, as provided by Portugal and Mexico, is another means of ensuring that emigrants stay connected. Diaspora services such as those run by Ireland and Mexico advocate for communities abroad, defending their interests. Language and culture support are traditional activities that allow for stronger ties with the origin country. Symbolic initiatives such as prizes and recognition, or exclusive clubs, can support business networks with positive commercial return.

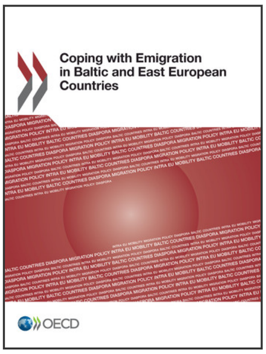
## Conclusion

Emigration continues to affect the labour markets of the Baltic countries and hinders the growth in the working-age population. Emigration appears to have become a structural feature in these countries and will continue, albeit likely at a lower level than in the crisis years, exacerbating emerging skills shortages.

Most recent migrants are unlikely to return soon. Targeted return policies providing information to emigrants about changing economic and social conditions in the origin country, and allowing employers to reach out to diasporas, may help promote some returns, but good opportunities and salary conditions remain determinant.

Networks can foster links with the origin country even if no return occurs. Smaller scale fellowships and youth mobility initiatives may be feasible. Economic and trade ties can be built on diaspora presence abroad, with more symbolic and emotional contribution than financial investment.

Policies to engage diasporas play a key role in ensuring that emigrants maintain ties with the origin country. Diaspora engagement is not cost-free, as it requires infrastructure, services and better knowledge of the characteristics and intentions of diaspora communities.

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