

### Box 1. Emigration from Lithuania: its directions and trends

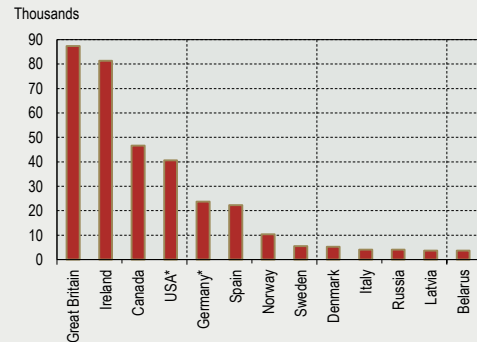
One of the largest problems of recent years in Lithuania is emigration from the country. In the short run, labour force emigration reduces unemployment and pressure on the country's public finances. However, in the long run, labour force emigration may have a negative effect on public finances and its social development, as well on a sustainable GDP growth.

According to the standard definition emigrants from Lithuania are persons departing to a foreign state in order to live there one year and longer. At the end of 2011 Statistics Lithuania announced that from the restoration of Lithuania's independence in 1990, 536 thousand of the population left the country<sup>1</sup>. In 1990–1993, the largest flows of emigration were to Russia, the Ukraine, Belarus and other republics of the former Soviet Union. Starting with 1994, these flows changed their direction to the states of Western Europe and North America, and with Lithuania's joining the EU in 2004, the main direction of emigration became member states of the EU. The Migration Department of the Ministry of the Interior announces a smaller number of emigrants at the beginning of 2011: 352 thousand citizens of the Republic of Lithuania lived in foreign states. Three-quarters of emigrants lived in the countries of Europe, one-quarter – in the states of the North America. The largest number of the citizens of the Republic of Lithuania departed to the states of the Western Europe, in particular to the United Kingdom (25%), Ireland (23%), Germany (7%), Spain (6%) and Norway (3% of the total number of emigrants from Lithuania). The main target countries in the North America were Canada and the US (emigrants to these countries made up 13% and 11% respectively from the total number of emigrants).

The majority of emigrants were persons of working age and leaving the country to work. Thus, the main reasons behind emigration from Lithuania are economic – to depart to more attractive states in terms of employment and wages. With the start of the recent economic downturn, unfavourable economic development prospects, poor wage rise possibilities and an increasing rate of unemployment in Lithuania might have influenced the decision to emigrate. Besides economic reasons to emigrate, institutional factors, cultural compatibility and a favourable geographical situation are also important. Among the most important institutional factors allowing the citizens of the Republic of Lithuania to emigrate from the country is the right of free movement of labour force in the EU states. After Lithuania joined the EU in 2004, three EU old member states – the United Kingdom, Ireland and Sweden – did not apply temporary labour market protection measures restricting this right. Other EU old member states were concerned that the flow of relatively cheap labour force from the Central and Eastern Europe would worsen possibilities of local inhabitants to be employed. Thus, in order to protect their labour markets, these countries set temporary restrictions for new EU countries that joined the EU in 2004. Finland, Portugal, Italy, Spain, Greece, Netherlands and Luxembourg abandoned these restrictions in 2006–2007, France, Belgium and Denmark – in 2008–2009, while Austria and Germany applied the longest transitional period until May 2011.

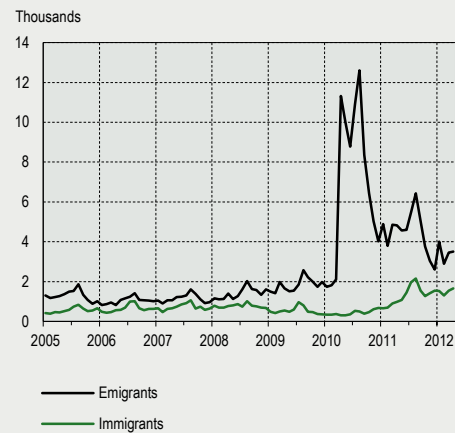
These economic and institutional factors determined the fact that the largest number of Lithuania's citizens live and work in the United Kingdom and Ireland. Declared emigration data announced by Statistics Lithuania at the end of 2011 suggest that from 2004 92.1 thousand Lithuania's citizens departed to the United Kingdom and 29.4 thousand – to Ireland. Among the other EU member states where the number of immigrants from Lithuania is the largest, are Germany and Spain – the countries which opened their labour markets later. In the period 2004–2011, 15.8 thousand and 10.9 thousand respectively of Lithuania's citizens emigrated to these states. As concerns other Western Europe countries, the largest flow of emigrating Lithuania's citizens was to Norway – in the period 2004–2011, 10.5 thousand persons from Lithuania departed to this country. Persons who departed to these five countries in 2004–2011 made up more than two-thirds from the total number of persons who declared emigration. In the period 2004–2011, the total of 233.2 thousand Lithuania's citizens emigrated to foreign states, the majority of them emigrated in 2009–2011. A part of persons who declared emigration in 2010–2011 had emigrated from Lithuania in earlier years but declared their departure after announcing the information that persons who did not declare their departure would be required to pay mandatory health insurance contributions on their own.

Chart A. Number of Lithuanian citizens living in foreign countries at the beginning of 2011



Source: Migration Department.  
\* Year 2008

Chart B. Declared emigration from Lithuania and immigration to Lithuania



Source: Statistics Lithuania.

Immigration data to target countries suggests<sup>2</sup> that flows of emigrating Lithuanians were increasing in the environment of a slower growth of Lithuania's GDP and increasing rate of unemployment. In 2009–2010, the economic situation in Lithuania was relatively more complicated compared to other EU member states – the economic downturn, a high rate of unemployment, reduced social payments immensely stimulated emigration. A recovering Lithuanian economy and decreasing rate of unemployment in 2011 curtailed the number of emigrants somewhat, but emigration of 2009–2011 was the largest since the start of the immigration time series (2006).

The United Kingdom is the most attractive country for emigrating Lithuania's citizens. Throughout 2009, 21.7 thousand state social insurance numbers issued to the citizens of Lithuania were registered in the United Kingdom, and throughout 2010 – 37.7 thousand. Thus, the number of immigrants from Lithuania in 2010 was especially large compared to the average in 2006–2008 (20.9 thousand in a year on average). The United Kingdom immigration statistics indicate that 29.1 thousand new state social insurance numbers were registered in January–September 2011 – a bit more compared to 2010 year on year (27.7 thousand).

During the crisis period, the economic situation in Ireland, as in Lithuania, was relatively worse than in other EU member states. In 2009 Ireland's GDP dropped and the rate of unemployment soared. To this end, in 2009 the number of new state social insurance numbers issued to the Lithuanians was substantially less compared to the average in 2006–2008. Because of a sluggish economic recovery in Ireland in 2010 and a larger than the EU average rate of unemployment, the flow of immigrants from Lithuania was increasing insignificantly. The number of new social insurance numbers issued to Lithuanians in Ireland in 2011 curtailed again – it was by one-fifth smaller than in 2010. Similar trends as those in Ireland became dominant from 2009 in the labour market of Spain which was earlier attractive for emigrating citizens of the Republic of Lithuania. Immigration statistics of Spain suggest that in 2009 the number of the Lithuania's citizens who came to Spain exceeded the number of those departing from it only by 0.2 thousand. In 2010 this number was larger, however, this indicator was much smaller than the average in 2006–2008. In the environment of further aggravating economic development prospects of Spain and a further increase of the unemployment rate, data of January–September 2011 demonstrate that the number of departing Lithuania's citizens is larger than that of new arrivals. Thus, emigrating Lithuania's citizens show a decreasing interest in labour markets of Ireland and Spain.

Chart C. Immigrants from Lithuania to the United Kingdom, Ireland, Norway and Spain



Sources: UK Department for Work and Pensions, Ireland Department of Social Protection, Norwegian Directorate of Immigration and Spanish Ministry of Labour and Immigration.

A worse economic situation in labour markets of Ireland and Spain stimulated the emigration of Lithuania's citizens to economically stronger countries, for instance, to Norway. The number of new labour permits issued to Lithuania's citizens in Norway soared already at the end of 2009 and 9.1 thousand of permits were issued in 2010 (in 2006–2009 – 5.6 thousand on average). The number of Lithuania's citizens emigrating to Norway was smaller in 2011 – in January–September 2011 this number amounted to 6.3 thousand (7.4 thousand in the corresponding period of 2010).

A large flow of new emigrants from Lithuania to German and Austrian labour markets that opened in May 2011 was not observed. Although the German Migration Service indicates that the flow of immigrants from the newly joined EU member states doubled, this trend was more influenced by the immigration of Poland, Romania, Bulgaria and Hungary's citizens rather than Lithuania's citizens. However, the 2011 monthly immigration data reflect that in May the number of arrivals from Lithuania increased somewhat (432 persons arrived, whereas in April – 254 persons arrived), but this number shrank in subsequent months.

A look at immigration flows to Lithuania reveals an interesting observation on reverse migration. In the context of a growing Lithuanian economy and decreasing rate of unemployment from 2005, flows of general immigration and reverse migration at the same time were soaring. In 2005, 4.7 thousand of the Lithuanians returned to the country, in 2008 this number increased already to 6.4 thousand. In 2009 and 2010, it shrank to 4.8 thousand and 4.1 thousand respectively. The year 2011 is characterised by a large increase of declared immigration – 14.0 thousand of persons declared reverse migration to the country. Thus, in 2004–2010 on average seven from ten immigrants were returning Lithuania's citizens, while in 2011 this indicator increased to nine from ten. However, the declared migration balance throughout all years after Lithuania joined the EU was negative, and compared to other countries, the ratio of emigrants to population in Lithuania is one of the largest in EU.

<sup>1</sup> In 1990–2005, 334 thousand persons departed, in 2006–2010 – 148 thousand, and in 2011– 54 thousand persons.

<sup>2</sup> Data used by the United Kingdom and Ireland is the number of state social security numbers newly issued to the Lithuania's citizens. After the registration in the national social security system, a person has a right to participate in it and is obliged to pay taxes on labour related income earned in this country. Data for Norway is the number of new labour permissions for Lithuania's citizens, and for Spain– the balance of arrivals to the country and departures from it. Data for Germany reflects the number of new arrivals of Lithuania's citizens to the country.