

# The Visegrad Four's Migration Dilemma:

## REASON VERSUS POPULISM?

**VISEGRAD** / **INSIGHT**



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Analysis

11/2018

[www.csm.org.pl](http://www.csm.org.pl)



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Many leading politicians of the Visegrad Four (V4) states of Poland, Slovakia, Czechia and Hungary firmly oppose accepting migrants. They have been keen defending their homelands identity against outsiders and multiculturalism. Yet, the V4's economies urgently need more people as their labour markets are increasingly characterised by labour shortages. Paradoxically, opposing migration has economic consequences for their homelands prosperity, and potentially the political support of those opposing it. Even more so due to changing demographics caused by low fertility rates, aging and emigration. With a choice between populism and reason, the latter for pragmatism might be the one needed to safeguard continued economic success, welfare spending and the populists' political fortunes.

Migration has been a favoured topic to exploit by ever more politicians in Europe. Those in the Visegrad Four (V4) have been the fiercest, if not outright hostile to immigrants, especially those with a Muslim background. Overall, they oppose the kind of multiculturalism in Western Europe that they consider a threat to their own countries' national identity.

The salience of the topic goes beyond Eastern Europe, as most EU countries have one or more ardent anti-immigration political parties. Migration is set to capture next year's European elections as well, with Hungarian PM Viktor Orbán recently calling for an anti-immigration alliance together with Italian's firebrand Deputy Prime Minister Salvini.<sup>1</sup>

### Anti-migration rhetoric and strategies

The rhetoric against migrants has been extreme at times with little room for political correctness. The epitome of migration hostility is the refugee relocation quota system agreed in 2015<sup>2</sup>, which has often been used as a punching bag. It helped propel the nationalist-conservative party Law and Justice (PiS) to power in Poland's Parliamentary Elections.<sup>3</sup> During the election campaign, PiS' leader Mr. Kaczyński went as far fearmongering refugees could spread "*dangerous diseases, parasites or protozoa*".<sup>4</sup>

Hungarian PM Viktor Orbán exploited the issue by holding a symbolic referendum on the quota system in 2016, with a campaign full of both anti-EU and anti-migrant propaganda.<sup>5</sup> He also spent close to 1 billion Euro on a high-tech border fence.<sup>6</sup> In this year's Parliamen-

<sup>1</sup> Euractiv (2018), *Salvini and Orbán launch anti-immigration manifesto ahead of EU elections*, [Link](#).

<sup>2</sup> European Commission (2015), *European Commission Statement following the decision at the Extraordinary Justice and Home Affairs Council to relocate 120,000 refugees*, [Link](#).

<sup>3</sup> The Guardian (2015), *Poland lurches to right with election of Law and Justice party*, [Link](#).

<sup>4</sup> Euractiv (2018), *Fortress Europe lives on in Poland*, [Link](#).

<sup>5</sup> Financial Times (2016), *Hungary referendum throws Brussels migrants plan into disarray*, [Link](#).

<sup>6</sup> Reuters (2018), *Hungary builds new high-tech border fence - with few migrants in sight*, [Link](#).

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tary Elections he seized the topic again in a similar fashion to realise his third consecutive victory.<sup>7</sup> Moreover, he launched a “Defend Hungary” campaign to deflect critique by the adopted European Parliament resolution against his government’s authoritarian drive, framing the resolution as a George Soros conspiracy to make the country accept migrants.<sup>8</sup>

Czech PM Andrej Babiš won Parliamentary Elections in 2017 with similar anti-immigration pledges.<sup>9</sup> He made headlines refusing to take in 50 Syrian orphans, stating “*I went into politics mainly to look after Czech citizens. Why should we be caring for Syrian orphans?*”<sup>10</sup>

Czech President Miloš Zeman secured his 2<sup>nd</sup> term in 2018 by playing the migration card as well.<sup>11</sup> One of his campaign slogans was “*Say no to immigrants and Drahos (his liberal opponent), this land is ours.*”<sup>12</sup>

Slovakia’s former PM Robert Fico also made it a key topic in 2016’s Parliamentary Elections. He won, albeit losing many votes to other anti-immigration parties.<sup>13</sup>

<sup>7</sup> The Guardian (2018), *Hungary election: Viktor Orbán declares victory - as it happened*, [Link](#).

<sup>8</sup> Politico (2018), *‘Defend Hungary’ campaign launched after European vote*, [Link](#).

<sup>9</sup> Reuters (2018), *Czech president appoints Andrej Babis as new prime minister*, [Link](#).

<sup>10</sup> Radio Praha (2018), *PM Andrej Babiš: Why should we be caring for Syrian orphans?*, [Link](#).

<sup>11</sup> Reuters (2018), *Veteran Zeman wins last big battle in Czech presidential vote*, [Link](#).

<sup>12</sup> Deutsche Welle (2018), *Anti-immigration Czech President Milos Zeman attacks press in swearing in speech*, [Link](#).

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#### Populist contradictions

Interestingly, when comparing political stances of different populist and anti-migration political parties across Europe, many contradictions and incompatibilities can be found, despite their rhetoric on strengthening national sovereignty and keeping out the migrants.

For instance, the announced cooperation of Mr. Salvini and Mr. Orban: while the latter opposes migrants being redistributed, Mr. Salvini wants other European countries to take their fair share. Furthermore, whereas many populist politicians in West Europe complain about the EU's free movement of labour that prompted many Eastern Europeans coming, Eastern Europe's leading politicians have been keen to defend emigration motives of their populations. Therefore, it is hard to see how the policies of different anti-migration political parties across Europe could align, let alone unite on a single political platform or alliance.

#### The migration paradox

Despite the V4's shared ideology or strategy on fighting migration, an important paradox can be observed. While having been very vocal, the V4's states very much need workers for

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<sup>13</sup> Reuters (2016), *Slovak PM Fico wins election but faces tough task to form majority*, [Link](#).

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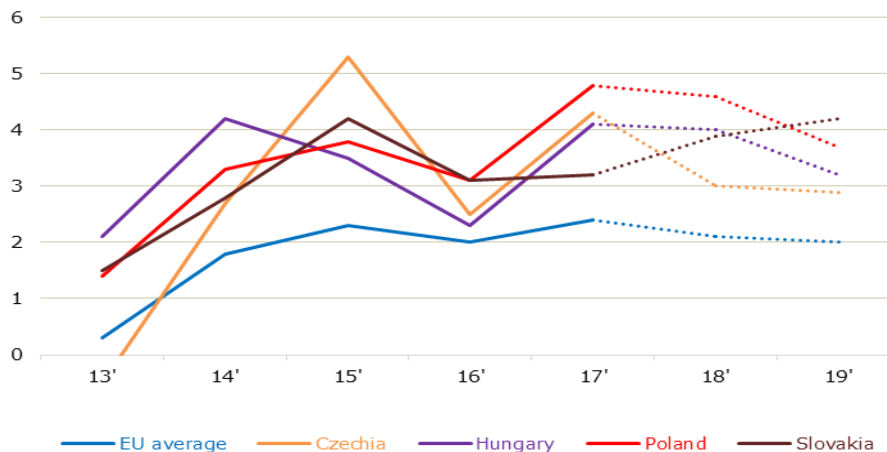
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their economies, that are booming. In the Euro crisis' aftermath, many V4 states kept economic growth rates relatively steady compared to fellow EU states.

Their economies performed strong in the last five years, during which average EU growth rate in GDP (%) has been 2% compared to the V4 rates of 2,9% (Czechia), 3,2% (Hungary), 3,9% (Poland) and Slovakia (4.2%). Figure 1 shows the different economic growth rates per V4 state compared with the EU average, whereas it also shows the forecasted economic growth rates of this year and 2019, that for now seem to continue the strong trend.

**Figure 1: Annual GDP (real, %) growth rates from 2013 onwards**



Source: Eurostat & EC (forecast data used for 2018/2019)

The V4's steady economic growth translated in sharply decreasing unemployment, which can be seen in Figure 2. In 2013, unemployment was well above the natural unemployment rate of 5% for all V4 states. Slovakia's was the worst (14,2%), whereas Czechia's rate was

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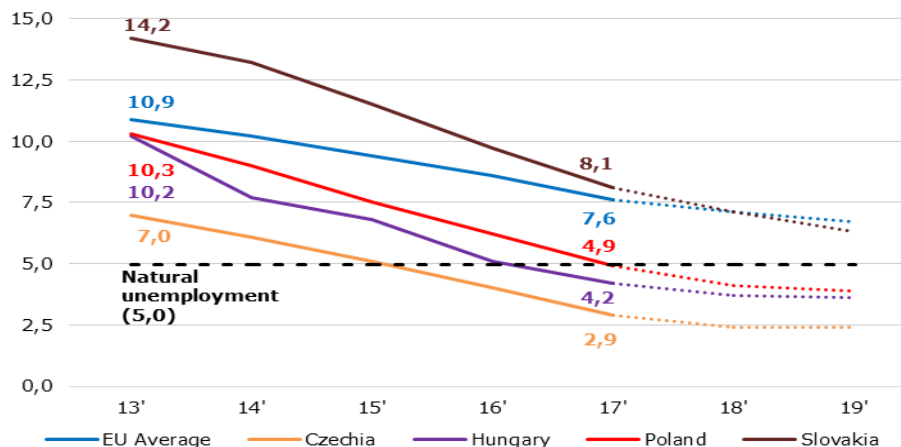
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half of that (7,0%). Fast forward to 2017 and three out of four V4 states had unemployment below natural unemployment<sup>14</sup>, which is projected to decrease further until 2019.

Figure 2: Unemployment rates in % from 2013 onwards



Source: Eurostat & European Commission (forecast data)

A symptom of the V4's economic success and declining unemployment has been a rise in unfilled vacancies. These have picked up sharply since 2013, driven by Czechia in particular, followed by Poland. This can be seen in Figure 3, in which the amount of job vacancies is shown, comparing this year's second quarter results versus earlier years.

<sup>14</sup> Natural employment refers to the unemployment rate of 5% considered normal for "full employment", as workers always come and go, and look for better jobs. Read more here: Amadeo, Kimberly (2018), *Natural Rate of Unemployment, Its Components, and Recent Trends*, The Balance, [Link](#).

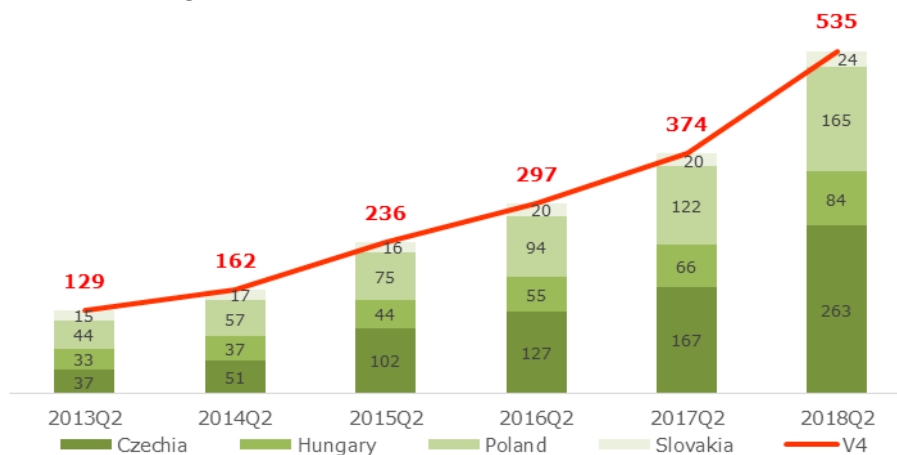
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Figure 3: Job vacancies (in thousands) between 2013-2018



Source: Eurostat

The rise in vacancies is also reflected in the job vacancy rates<sup>15</sup> recorded by Eurostat:

- Czechia: increased from 1,0 in 2013's second quarter to 5,6 in 2018's second quarter.
- Hungary: increased from 1,2 in 2013's second quarter to 2,7 in 2018's second quarter.
- Poland: increased from 0,4 in 2013's second quarter to 1,3 in 2018's second quarter.
- Slovakia: increased from 0,5 in the 2013's second quarter 1,2 in 2018's second quarter.

<sup>15</sup> The job vacancy rate (JVR) is the number of job vacancies expressed as a percentage of the sum of the number of occupied posts and the number of job vacancies.

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It shows employers increasingly struggle to find people, as many of the V4 labour markets have become or are becoming demand focused. This is particularly the case for Czechia, which has the highest job vacancy rate in the EU, whereas Hungary also belongs to the top countries. Poland and Slovakia's rates also increased, albeit in a slower pace.

Therefore, as much as the V4 oppose migration, they very much need migrants for filling in the many open vacancies in their booming economies.

### It's the labour shortages, stupid

The mentioned rise in vacancies reflect serious problems of labour shortages. Especially in recent years this has limited business expansion and production.<sup>16</sup> The European Commission's latest Spring Forecasts<sup>17</sup> highlights the risks of tightening labour markets for each V4 state, as employment increases are expected to stagnate by 2019 in all except for Slovakia.

The dire situation of labour shortages in Czechia<sup>18</sup> and Hungary<sup>19</sup> have been mentioned explicitly as a factor undermining long-term growth. In Czechia, the EC warns of the econ-

<sup>16</sup> Darvas, Z. Goncalves Raposo, I. (2018), The ever-rising labour shortages in Europe, Bruegel, [Link](#).

<sup>17</sup> European Commission (2018), *Spring 2018 Economic Forecast*, [Link](#).

<sup>18</sup> European Commission (2018), *Spring 2018 Economic Forecast, The Czech Republic: Soft landing amid capacity and labour constraints*, [Link](#).



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omy's overheating. For Poland<sup>20</sup>, there are doubts whether Ukrainians can continue filling these shortages. Slovakia's problems are less serious for now, due to having more unemployed and returning Slovaks.<sup>21</sup>

When looking at the industry, construction and services sectors, the problem becomes clearer. According to business surveys<sup>22</sup> (seasonally adjusted), also illustrated in Figure 4, the V4's companies are experiencing serious problems:

- **Industry:** data from 2018's third quarter shows companies mentioning labour as a factor for limiting production, being 43,7% for Czechia, 83,3% for Hungary, 49,9% for Poland and 34,9% for Slovakia. These are all far above the EU average of 20.2%.
- **Construction:** data from September 2018 shows companies mentioning labour shortages as a factor for limiting building activity, being 37,8% for Czechia, 64,4% for Hungary, 49,0% for Poland and 30,3% for Slovakia. These are all far above the EU average of 23.5%.

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<sup>19</sup> European Commission (2018), *Spring 2018 Economic Forecast, Hungary: Rapid growth is facing increasing capacity constraints*, [Link](#).

<sup>20</sup> European Commission (2018), *Spring 2018 Economic Forecast, Poland: Positive economic conditions expected to continue*, [Link](#).

<sup>21</sup> European Commission (2018), *Spring 2018 Economic Forecast, Slovakia: Growth strengthens thanks to investment and exports*, [Link](#).

<sup>22</sup> Eurostat (n.d.), *Euro-Indicators/PEEIS, Business and Consumers Surveys*, [Link](#).

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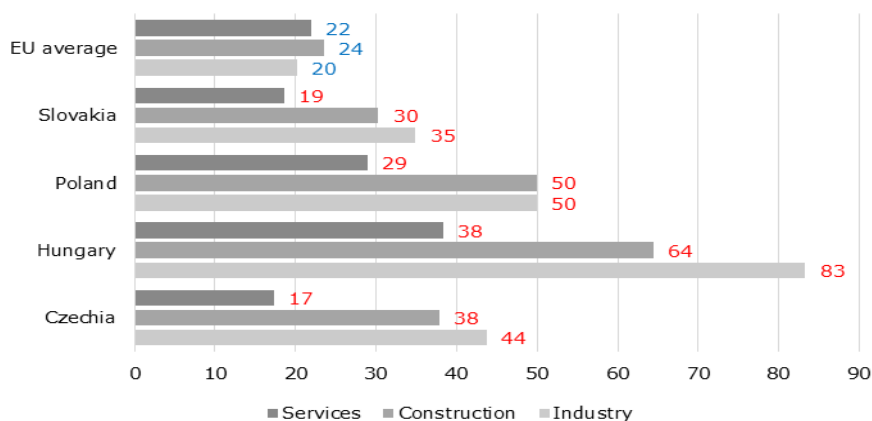
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- Services: data from 2018's third quarter shows companies mentioning labour as a main factor limiting the business, being 17,3% for Czechia, 38,3% for Hungary, 28,9% for Poland and 18,6% for Slovakia. The EU average is 21,9%, showing these problems are less serious in the case of Czechia and Slovakia, but more so for Poland and Hungary.

Figure 4: labour as factor limiting production mentioned by companies (in %)



Source: Eurostat

Therefore, labour shortages are widespread in nearly all sectors of the V4. This has led to some successful strikes and increases in wages as a result. For instance, stronger worker negotiation power in Slovakia and Hungary forced Volkswagen and Kia to significantly increase wages. While good for workers, there are serious downsides: they undermine the economic models of V4 and Eastern Europe that are based on low wages. Even more, it

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could spell trouble in the longer-term if wages continue rising much faster than productivity, as it would lose out on essential foreign investment that helped drive growth.<sup>23</sup>

What many ruling V4 anti-migration politicians seem to neglect is that part of their support relies on economic expansion. This is needed to increase or least keep welfare spending as promised and delivered, such as PiS in Poland, which lowered the retirement age and introduced children benefits.

### V4 demographic troubles

However, more is at stake. While increasing vacancies and job vacancy rates could be perceived as luxury problems, they expose the V4's, as well as Eastern Europe's problems of demographic decline and aging populations. These changes took place in the 90s' economic and political transitions. In this period of hardship and change, people had fewer children.

The fertility rates reflect this.<sup>24</sup> Figure 5 shows the V4 were either at the 2,1-replacement<sup>25</sup> level (Slovakia, Poland) or close (Czechia, Hungary) to this in 1990. Upon joining the EU,

<sup>23</sup> Financial Times (2017), Labour shortages put central European growth under threat, [Link](#).

<sup>24</sup> The Total Fertility Rate (TFT) refers to which is the average number of children a woman would give birth to (often in a given country or other unit) over her lifetime, under certain conditions.

<sup>25</sup> A rate of 2,1 children per women is often considered as the replacement level for developed countries, to keep a population the same size. Read more [here](#).

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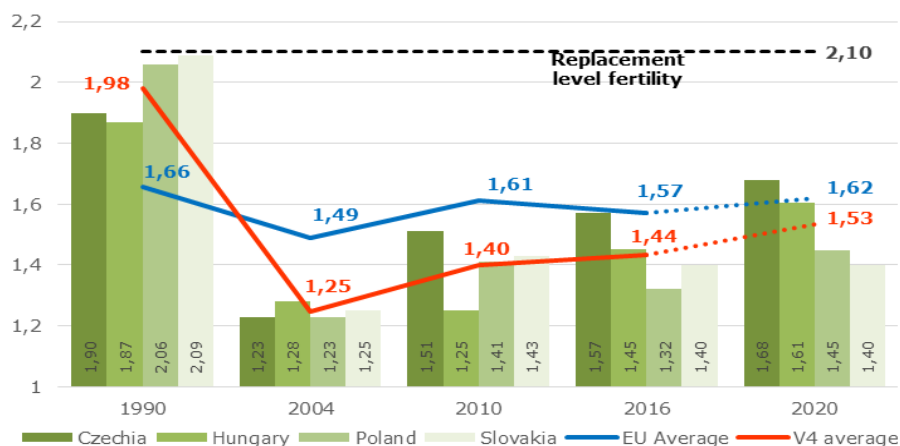
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**Figure 5: Total Fertility Rates: past, present and projected**



Source: Eurostat, including forecast data for 2020

In addition, many people (especially the young) decided to pursue their fortunes abroad, which has been mostly to other EU member states from the moment the V4 acceded the EU in 2004.<sup>28</sup> While remittances these immigrants sent are a positive boost for private investment at home, brain drains, and the outflow of high-skilled labour has led to increased social spending and less growth friendly budgets.<sup>29</sup>

<sup>28</sup> Atoyan, Ruben et al. (2016), *Emigration and Its Economic Impact on Eastern Europe*, International Monetary Fund, IMF Staff Discussion Note July 2016 DN/16/07, [Link](#).

<sup>29</sup> Ibidem

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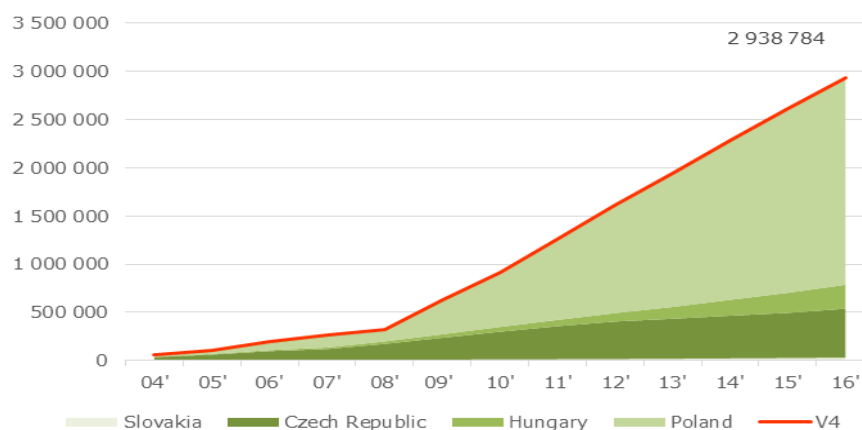
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While precise figures are difficult since not everyone registers and government authorities do not always keep accurate statistics,<sup>30</sup> almost 3 million people have left the V4 countries between 2004 and 2016, which can be seen in Figure 6.

**Figure 6: Cumulative emigration flows 2004-2016**



Source: Eurostat

The V4's demographic decline, however, already took place much earlier, shown by the fact their total population did not increase between 1990 (64,1 million) and EU accession in 2004 (63,9 million people), their home populations either stagnated or declined. Last year in 2017, the total V4's population still stood at 63,8 million people.

<sup>30</sup> For instance, in 2016 an expert estimated actual emigration figures could be double in the case of Slovakia. Read more here: The Slovak Spectator (2016), *Many Slovaks still migrate for work*, [Link](#).

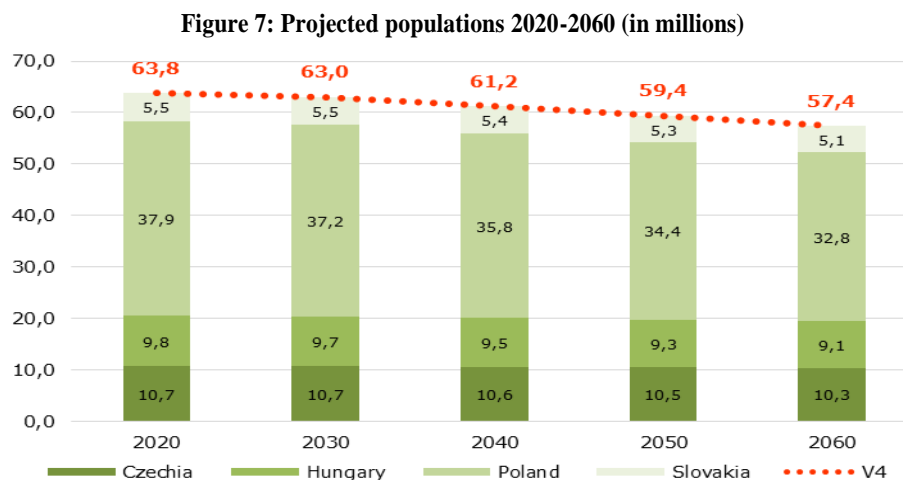
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The demographic decline and aging population has been dubbed an existential threat<sup>31</sup> and expected to continue: baseline projections generated by Eurostat for 2020 up to 2060 indicate the population might decrease with several millions, as can be seen in Figure 7.



Source: Eurostat

More worrying is that there will be relatively fewer people of working age (16-64). This could constrain economic growth and the V4's governmental budgets in the long term, as there will be fewer people contributing (potentially) with their taxes. The dependency ratios illustrate this in Figure 8,<sup>32</sup> which are expected to go beyond the EU average after 2050.

<sup>31</sup> Mazurczak, Filip (2014), *The V4's greatest existential threat*, V4 Insight. [Link](#).

<sup>32</sup> The dependency ratio refers to the number of dependents aged zero to 14 and 65+ to the total population aged 15 to 64.

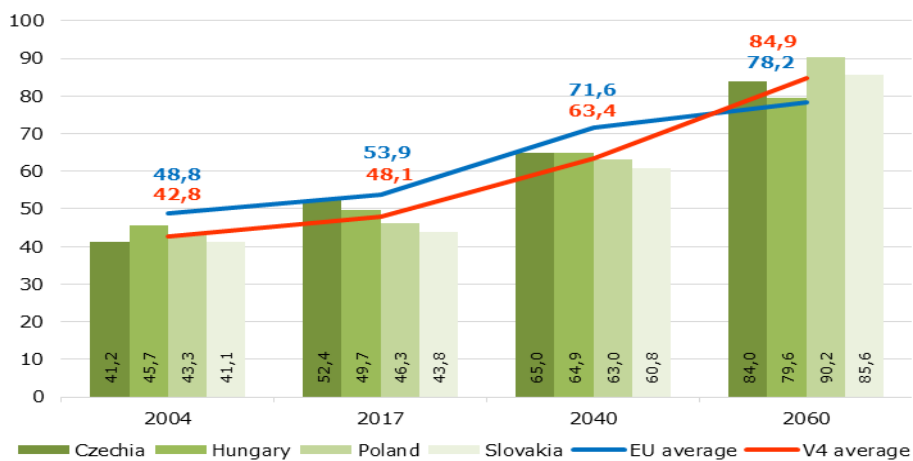
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Figure 8: Dependency Ratios: past, present and projected



Source: Eurostat

## Ukrainian labour

Poland managed its labour shortages to some extent by granting many Ukrainians first residence permits for employment reasons. In 2017, this reached a record of 596,916, due to which Poland also was the country having issued the most first residence permits in general (683.228) in the EU, followed by Germany (535.446).<sup>33</sup> Most (85.7%) were issued to

<sup>33</sup> Eurostat (2018), First residence permits issued in the EU Member, [Link](#). States remain above 3 million in 2017



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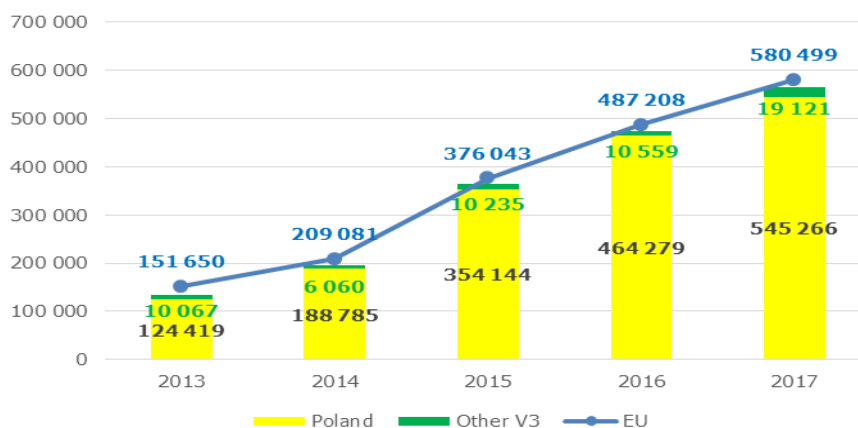
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Ukrainians according to Eurostat data. For this reason, the current Polish government could be ironically considered the most supportive of migration in its history.<sup>34</sup>

Former years show Poland has managed to fill labour shortages with Ukrainians for quite some years already: between 2013 and 2017 (5 years) it issued a total of 1.676.893 permits for working reasons only, out of the EU's 1.804.481 total. The other V3 were less successful with 56.042. Figure 9 illustrates the increase over time, year by year, clearly showing most Ukrainians went Poland, followed by the other V3, rather than other parts of Europe.

Figure 9: residence permits for employment reasons issued to Ukrainians



Source: Eurostat

<sup>34</sup> Tilles, Daniel (2018), Poland's 'anti-immigration' government is overseeing one of Europe's biggest waves of immigration – but doesn't want to admit it, *NotesFromPoland*, [Link](#).

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#### Reason versus populism

Based on the V4's legacy of demographic decline and the expected continuation of this, action is needed. Even more so as their troubles will be much more profound than the rest of Europe. Labour shortages already affected economic potential, as capacity problems limited production expansion in different sectors. Additional limitations could cause the V4's economies to slow down further. Even more so if labour wages continue rising too rapidly.

This implies the current hostile stance towards migrants and nationalist desires to keep the V4's societies monocultural is not an economic wise one. Many more migrants are needed to fill labour shortages as well as to pay taxes to sustain welfare spending and keep economies running in the pace it has done so far.

Rather than attempting to maintain anti-migration rhetoric or pretend no migration or "bad migration" is going on, the V4 countries and their government need honest and open public debates about migration. The pros and cons of migration need to be discussed together with V4's wider demographic problems, especially as it is expected to worsen: dependency ratios will continue to increase, and the number of taxpayers to decrease.

Ukrainian labour managed avoided worse problems of labour shortages in Poland. However, as mentioned, it is unclear how many more will come, and for how long. Despite their

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objection to having migrants from certain countries, the other V3 would be wise to keep this in mind as well if they would opt for selective migration from just Slavic countries.

The hard truth is that the V4 need more migrants. Moreover, additional effort will be needed to promote people have more children and attract former emigrants back home. In addition, it should to its best keeping current migrants, especially Ukrainians in the case of Poland. In the end, any slowdown of the economy as well as less overall taxpayers to contribute to the government budget will mean losses for those citizens as well.

Current populist politicians must realise that the same citizens supporting them now, could end up turning their back on them when the economy goes bad.

A shorter version of this analysis was published earlier on 15 November 2018 at [Visegrad Insight](#) under the name *Migration's Double-edged Sword*.

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