

Immigration – A New Challenge for Poland

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Recent economic and political changes in the European Union have created new labor migration patterns for countries with limited experience in managing international labor mobility. One of those countries is Poland. In this paper we seek to better understand the impact of current immigration trends on Poland's economy and society. To do so, we describe these recent immigrants (where possible) by country of origin, gender, education, profession and area of relocation. We then reveal the absence of a long-term strategy to match labor market demand with labor availability, and suggest an approach to bridge this gap consistent with labor market needs and migration patterns.

Field of Research: International Economics, Contemporary Issues in Economics

1. Introduction

Poland is a homogenous society that before 1990, experienced little external migration. Under socialism, most Polish migrants were tourists that overstayed their visas in Western countries. Few foreigners visited Poland, even fewer stayed there for prolonged periods, and those who did were mostly students from other socialist bloc or aligned countries. Polish marketization, which began in 1990, changed this situation dramatically. Because, until that point, Poland was a closed society it lacked institutions needed to address migration issues, and remains poorly positioned to do so, relying instead on ad hoc uncoordinated responses. This failure to articulate a long-term, coherent vision or implement supporting policies persists despite the rising numbers of immigrants, a changing labor market, and long-term demographics that suggest an aging population. This paper focuses on three recent immigration trends: 1) the return of Poles living abroad, 2) legal immigrants to Poland, and 3) illegal foreign migrants, mostly from Eastern Europe. We begin by examining who is coming to Poland

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and why, assess the economic and social policy challenges posed by Poland's labor market, and conclude by suggested a policy framework to help Poland overcome labor market challenges in the short and medium-term.

2. New Patterns Of Immigration

A. Returning Poles

From the late 1940s to 1990, Poles (with a few notable exceptions)¹ were not allowed to legally emigrate. Most emigration instead consisted of Polish "tourists" illegally overstaying their visas to work in the West. Obtaining a Polish passport was difficult, and Poles who overstayed their visas were routinely punished. Those permitted to travel to the West could, therefore either return to Poland after a brief period abroad or be effectively disowned by their homeland. Faced with that choice, many would be temporary emigrants opted to stay abroad indefinitely, with all the uncertainties that such a decision implies. It is difficult to assess whether, or to what degree, these older Poles (as well as more recent Polish emigrants to the West) will return to Poland. Their numbers are largely undocumented, existing international statistics fail to clearly define a "returning emigrant" (though most consider those abroad from more than one year as such), and official Polish immigration statistics only capture those seeking legal residency in Poland. Since most Poles who left Poland never renounced their Polish citizenship, they fall outside official immigration data. A few general themes are nevertheless supported by common sense and generally consistent with the limited available data. Specifically, it seems likely that returning Polish migrants seek family reunification, Polish culture, and the opportunity to realize economic returns from saved capital and acquired skills (Table 1).

Table 1 Causes of immigration to Poland, by countries, 2002

	Germany	US	Ukraine	France	Russia	Kazakh	Vietnam
Education	137	134	665	25	159	194	96
Work	683	293	1235	328	267	8	382
Family	1093	469	2364	212	625	93	147
Other	747	237	748	112	330	60	118

Sources: Based on Rocznik Demograficzny (Demographic Yearbook of Poland), GUS, Warszawa, 2006, p. 483.

The greatest number of returning Poles come from Germany, where some half million were granted legal status from the 1970s until the early 1990s, based on claimed separation from relatives due to post-war border changes². (Okolski 1998). Officially, about 23,000 Poles are estimated to have returned from Germany between 1992 and 2002 (Table 2), but this figure grossly underreports actual immigration for the reasons previously stated. Because average earnings in Germany exceed those in Poland by more than tenfold, this group was well-positioned to accumulate savings at a rate far outpacing Poles who remained in

Poland. These savings, coupled with the geographic proximity of these two countries (and corresponding diminution in the costs and risks of migration), suggest that some meaningful proportion of Poles in Germany have returned to Poland without being captured in any official statistics. And, indeed, anecdotal evidence indicates that Poles returning from Germany have concentrated in their "home districts," which are located in Western Poland, the coastal part of the country, and the Mazurian lake district (Iglicka 2002). The US ranks second as the country of origin for returning expatriates, subject again to the same statistical limitations referenced above (Table 2). These immigrants generally divide into: recent college graduates, who are often, the children of Polish emigrants who left Poland under the Solidarity (Iglicka 2003); Poles who left Poland before 1990 (Iglicka 2002); and Polish retirees.

Table 2. Permanent Immigrants to Poland, by country of previous residence 1990-2002

Country	Total number of immigrants
Germany	23173
USA	12157
Ukraine	5453
France	3277
Russia	2988
Kazakhstan	2157
Vietnam	788

Source: National Population and Housing Census as of May 20, 2002.

B. Legal Migrants

The same closed borders that prevented most Poles from leaving Poland during the Cold War also allowed the state to severely restrict immigrants who wanted to enter the country. This control was, in fact, virtually absolute; evidenced, in part, by the fact that substantially less than two thousand immigrants per year (Table 3) were allowed into Poland during most of the socialist period (Rocznik Statystyczny 1989, p.59). Foreign legal immigration to Poland remains quite low relative to both Poland's population and the immigration of most other Western European countries. In absolute terms, however, that figure has increased more than four fold since 1990 (Table 3).

Table 3. Poland's annual migration, in thousands, 1970-2005

Year	1970	1981	1990	1992	1994	1996	2000	2002	2003	2005
Emigration	14	23	18	18	25	26	27	25	20.8	22.7
Immigration	1.9	1.4	2	6	7	8	7.9	7.0	7.0	9.3

Source: Rocznik Statystyczny 1986, p. 56; 1995, p. 69; 1997, p. 112; 2001, p. 117; 2005, p. 212; 2004, p. 213.

Since legal migrants must obtain permission from various government offices, their composition is statistically well-documented. In 2006, almost 54% originated

from the East (Ukraine 42%, and Russia 11.5%), 22% from Germany, and 9.4% from the United States, followed by Vietnam -6%, France - 5.6%, and Kazakhstan - 2.9% (Table 4).³

Table 4 Work permits, by education, occupation and country of origin 1998-2000

	Germany	US	Ukraine	France	Russia	Kazakh	Vietnam
Post-secondary education	904	555	1588	942	420	55	261
Secondary education	300	75	1070	248	300	261	669
Vocational education	129	2	205	15	16	25	114

Sources: Based on Rocznik Demograficzny (Demographic Yearbook of Poland), GUS, Warszawa, 2006, p. 476, "Migration and Labor Markets in Poland and Ukraine", ISP, Warszawa, 2003, p.47.

Unsurprisingly, these legal migrants were relatively well-educated. Fifty-eight percent completed college or above, another 36 percent completed high school, and 6 percent had vocational degrees. About 43 percent of these migrants were permitted to work in the Trade (23.4%) and Industry (17.9%) sectors, followed by Real Estate (10.9%), Hotels (5.9%), Construction (4.8%), Transport (2.6%), Education (2.1%), and Farming (1.2%) (Table 5). However, the number of legal migrants remains quite small.

Table 5 Work permits granted, by economic sector, 2002, in percent

Industry	Construction	Farming	Transport	Trade&Food	Education	Real estate	Hotels
17.9	4.8	1.2	2.6	23.4	2.1	10.9	5.9

Based on "Popyt na Prace Cudzoziemcow," Stanisława Golinowska (ed). p. 154.

C. Illegal Migrants

Illegal immigrants pose a more significant challenge and opportunity for the Polish labor market. Though inherently imprecise, the Polish Ministry of Labor estimates that there were between 150,000-250,000 illegal workers from Eastern Europe in Poland in 2002. Geographic proximity, lower wages, and persistent unemployment rates that exceed 10 percent in Ukraine (Rocznik Statystyczny 2005, p.772) appear to be the primary drivers for these workers, who are concentrated, by gender, into particular employment sectors.⁴ Most of these illegal workers are immigrants from western Ukraine, young (18-40 years old), and educated beyond the high school level. The majority of male illegal immigrants work as skilled and unskilled forestry, farming, and construction laborers – with the latter sector accounting for between 30 and more than 50

percent of all illegal immigrants (Migrants in Poland's Labor Market, 2005, p. 66). Most female illegal immigrants work as domestic help, providing housekeeping, cleaning, babysitting, elder care, and related services. In 2001, at least 10 percent of Polish households employing domestic workers hired illegal foreign labor (Golinowska, 2004, p.189). In general, these domestic workers are less well educated than illegal immigrants in other sectors.

3. Immigration Policies– A Lack of Vision

Poland's current labor market conditions are a function of domestic and international labor imbalances. Key domestic issues include dynamic structural economic changes, a shift in the composition of Poland's labor demand, and persistent limitations on domestic labor mobility, which strongly inhibit workers' ability to meet fluid employment demand characterized by rapid job creation in some sectors and regions, and drastic reductions in others. Ideally, every country should deploy purposeful immigration policies designed to diminish current (and anticipated) shortages of human capital without unduly straining social institutions, while encouraging sustainable foreign investment in the domestic economy. To date, however, this has not occurred in Poland, which has instead chosen ad hoc, reactive responses to discrete events, small numbers of asylum seekers, EU related labor mobility regulations, and the rights of EU nationals. There appears to be no long or medium-term immigration strategy to anticipate or meet current labor shortages.

This may be a function of circumstances, rather than intent, in that the wage and employment disparities driving Ukrainian migration are not present for most western workers, who tend to be skilled and employed by large firms in Poland. Because most Eastern European migrants do not (as yet) have employer sponsors they face the full panoply of bureaucratic and financial obstacles imposed on foreigners by the Polish authorities, which include high processing costs and lengthy wait times. A window into this "on the ground" dichotomy is provided from a top line comparison of the construction and trade/food sectors. Most construction jobs are temporary, and hiring is done on an individual, itinerant, basis. Accordingly, there is little incentive to navigate the hurdles of legal employment and, despite persistent sectoral labor shortages, relatively few legal work permits are issued in this sector (see Table 5). Contrast this with the trade/food sector, which is increasingly characterized by large, enduring "big box" stores with predictable labor requirements and sufficient capital. In this highly visible sector hiring illegal workers is more difficult and, critically, less consistent with the needs of participating businesses than it is in the construction sector. One result is that the highest numbers of legal work permits are issued to trade/food sector labor.

The government's response to short-term labor shortages in construction and home care is emblematic of its generally reactive, ad hoc approach. In July 2007, employers seeking foreign workers were permitted to apply for three month work

visas for those workers. After three months these workers are required to return to their home countries. Predictably, the time and costs involved in obtaining these permits, coupled with their short duration, discouraged both employers and workers, and this program has had no impact on the number of illegal workers or labor market shortages. The desirability of increasing human and financial capital inflows to Poland is self-evident but difficult to quantify in terms of cause and effect. Two things are apparent, though. One is that the many Poles now having lived abroad for varying periods of time represent a meaningful source of both types of capital. Another is that Polish policymakers have done little to facilitate these inflows. To date, no incentives to persuade Poles to return to Poland have been proposed, and there is no indication that such incentives are even being considered. Because Poland has not yet meaningfully grappled with migration we write, in effect, on a clean slate that seeks to match basic goals and policy directions. The basic objective is uncomplicated; to facilitate domestic economic growth by matching labor demand with supply, and encouraging individuals with high skills, investment capital, or both to reside in Poland.

As applied to legal migrants, we focus on two groups - foreigners employed by established firms for discrete periods, and returning Poles. Presumably, most foreign firms entering the Polish market can overcome bureaucratic obstacles to obtain the employee skill sets they require. Even so, there is little reason to not lower fees, lengthen the time periods covered by work permits, and reduce paperwork to encourage greater investment of foreign labor and capital. And there is ample room for improvement. A recent World Bank Doing Business Report ranked Poland 129 (out of 178 countries) in terms of bureaucratic obstacles to business, behind Bulgaria and Moldova. One of the criteria measured was hiring and recruiting domestic and foreign labor (World Bank 2007). Regarding professionals, the migration policy focus to date has been on securing the ability of Poles to work outside Poland. That focus should be changed to attract professionals to come to Poland by, for example, offering graduate students in selected fields subsidies and/or the promise of relevant work experience if they complete their education in Poland.

Returning Poles represent a larger group of potential "migrants" and a significant opportunity. Although Poland's marketization has been rapid, it remains incomplete. Basic credit instruments, such as mortgages, are just now becoming available, the entrepreneurial ranks (though growing) remain thin, and state of the art training in high technology, medicine, and other rapidly evolving fields continues to mature. Many Poles now living abroad have needed skills, and their return to Poland should be purposefully encouraged. Obvious ways to do so include targeted tax breaks, loan guarantees, and similar initiatives widely employed in the United States and Western Europe. These same basic strategies should also be deployed to facilitate capital inflows by encouraging Poles with liquid assets to return to Poland.

A more complex picture is presented by illegal migrants, who are typically less skilled and bring little or no capital, but pose relatively few absorption challenges. Several studies suggest that geographic proximity, a shared post-war experience, and language similarities have allowed Ukrainians and other East European migrants to move easily into Polish society (Bienicki, 2006). Indeed, Poland's underground economy, which likely employs as many (or more) illegal Polish workers as foreign workers (UNDP Report of Social Development 2004), is widely accepted. By working in construction or as domestic help exhibiting a high degree of labor mobility, these immigrants also rarely compete directly with Poles for jobs or lower the market wage. For example, in 2005 the average pay for a Ukrainian construction worker was between 6 and 10 Polish zlotys per hour (\$2-3), which is lower than that paid to Polish construction workers, but not substantially so.

There is also no evidence that illegal migrants have contributed to Poland's growing crime rate. To the contrary, in the Opole vojevodship (which is a major destination of foreign labor), of 37,989 crimes reported in 2006, only 88 involved foreigners. In 2005, the numbers were 55 of 24,150 crimes reported. ("Ocena Stanu" 2006). And, since illegal migrants are outside Poland's social welfare system, their impact on public services is quite limited. Welfare benefits, vacations, and pensions are unavailable to this group, while publicly funded medical care is limited to emergency cases. We do not mean to suggest that illegal immigration is a wholly benign phenomenon in Poland. Certainly, significant health, public safety, national security, and other issues are raised whenever a substantial number of individuals live and work in a society without legal status. However, the societal impact of this group appears small, and the economic impact generally positive. For Polish policy makers, this suggests some flexibility when formulating migration policies that are unavailable in countries where the societal and economic issues commonly associated with illegal immigrants are more acute.

Most demographic projections indicate that in the next 10 to 15 years Poland, along with much of the EU, will experience a significant decline in the working age population. Whether that broader problem should be addressed by encouraging permanent or long-term legal immigration is beyond the scope of this paper. From a strictly economic perspective, though, one way to meet fluctuating labor sectoral demand is through a guest workers program that meets each stake holder's needs, is transparent, and (in fact) temporary. The primary stakeholders are employers, employees, and the government, as the recipient of tax revenues and provider of social welfare benefits. Longer work visas (e.g., three years) that cost less, are easier to obtain, allow migrants to make multiple entries, accord visa holders a renewability preference (tied to labor market conditions), and issued for sectors experiencing labor shortages are consistent with these diverse needs. Employers would achieve greater workforce stability, lower costs, and business planning predictability, but at a price; the imposition of a tax per employee in an amount sufficient to defray a portion of the costs of

allowing legal migrants to participate in the national health care system while working in Poland.

For foreign migrants the benefits, and cost, would be similar. Stability, legal status, access to health care, and the probability of continued access to the Polish labor market could be “purchased” by having each immigrant’s employer withhold a portion of their salary in an interest bearing account, which would be paid to migrants if they returned home on time and had not been convicted of a crime. The government would benefit by having migrants become visible in the tax and health care systems, which better protects the population from contagious disease. A portion of migrants’ direct health care costs would be paid by employers, and costly emergency room care, which is the only health care now available to illegal migrants, would undoubtedly be reduced. Labor market imbalances would also diminish, and the likelihood that migrants would go home when their visas expire would dramatically increase. Of course, a guest worker (and any other) migration policy require sufficient flexibility to adjust to market needs. For example, if the withholding and taxes suggested here unduly discouraged migrants or employers, then the government could adjust the interest rate paid on migrant deposits upwards to increase labor participation.

4. Conclusions

Poland is particularly well positioned to benefit from targeted migration policies. Membership in the EU provides ready access for skilled labor and professionals to enter the Polish marketplace, if appropriate incentives to do so are put in place. There are millions of ethnic Poles living abroad, many of whom are fluent in the Polish language and culture, whose skills and capital could have an immediate beneficial effect on Poland’s economy. And Poland is bordered by less well developed Eastern neighbors with a motivated, mobile, and available labor pool that can be effectively developed to diminish domestic labor shortages. Admittedly, migration policies are politically charged. Most societies struggle to balance labor needs with often elusive voter support, and there is no reason to suppose that Poland will be an exception. As Poland’s economy (and population) continues to mature, however, purposeful, targeted, and effective migration policies will no longer be a luxury. They will be a necessity.

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Notes

End-Notes

¹ During brief periods in 1956, 1968, 1970, and also in connection with the Aussiedler program (more fully described, infra) a number of Poles were permitted to emigrate.

² Since Germany's unification, that policy has come under increased scrutiny and, with Poland's entry into the EU, is largely outdated.

³ More recently, Poland has also admitted small numbers of legal migrants from China and South Korea. A number of these migrants have followed their companies' investment in Eastern Europe, tend to stay in Poland temporarily, and work at large firms funded with Asian capital.

⁴ As appears below, the temporary nature of these jobs strongly suggests that these workers do not remain in Poland indefinitely. Insofar as Poland's EU membership has resulted in the tightening of that country's eastern border, the most likely means of entry is to obtain a tourist visa, and then remain in Poland without legal status. Once inside Poland, these same workers can more easily travel to other EU countries in search of jobs.