

## Emigration from Latvia under economic crisis conditions

Elina Apsite<sup>1</sup>, Zaiga Krisjane and Maris Berzins

University of Latvia

**Abstract.** Latvia is one of the European Union member states since 1 May 2004. Emigration from Latvia increased with the free labour movement just after accession; furthermore another event increasing emigration was global economic recession which stroke Latvia and caused several changes in the economy and further population development.

**Keywords:** emigration, Latvia, the United Kingdom, economic recession

### 1. Introduction

Recent emigration trends from Latvia are usually evaluated within the context of the accession to the European Union in 1 May 2004 since then Latvia became part of the European Union open labour market. European Union states like the UK, Ireland and Sweden were three countries that opened their labour markets for the A8 (Latvia, Lithuania, Estonia, Poland, Hungary, Slovakia and Slovenia, Czech Republic) countries. This consequently resulted in considerable relocation of Latvian labour migrants, particularly to the UK and Ireland. According to Kahanec et al. (2009) almost 70% of the immigrants from the A8 have been absorbed by the UK and Ireland since 2003 [11]. According to Wadensjö (2007) Sweden as a destination after May 2004 experienced increasing immigration, especially from Poland and the Baltic States, even if not to the same extent as expected [18, 6,11].

Sequent wave of emigration from Latvia highlighted since year 2008 along with global economic downturn which stroke Latvia to a larger extent than any other EU state. Before the crisis low interest rates of mortgages combined with high growth of GDP and salaries together with the housing market caused the economy to overheat. The evidence suggests that many crisis emigrants left because of mortgage payments or inability to pay their monthly payments most often in combination with unemployment or decrease in income level. Thus, the desire to leave Latvia was strongly accompanied with the economic recession. As also found in other researches the Baltic States, as small and open economies, are being hit especially hard by declining exports and foreign capital inflows, as well as by sharp reduction of public spending and overall decline of domestic consumption. The crisis poses a significant challenge to demographic situation in Latvia. As small nation country Latvia is facing falls in fertility rates, strong labour emigration and ageing of the population. In addition, the high unemployment rate, which was close to twenty per cent by the end of 2010, is one of the factors leading many Latvians to consider moving abroad. The current evidence suggests that many mortgage borrowers cannot handle the monthly payments and chose to leave the country as they are not able to find an appropriate job in Latvia [9] or employment at all especially younger group having no practical experience in labour market.

The aim of the study is to describe differences between pre and post crisis migrants considering reasons for emigration, migrant networks and experience valuation. The observations confirm that the interest of out-migration because of the crisis was even higher than just after accession to the EU.

### 2. Empirical evidence

---

<sup>1</sup> Corresponding author, Tel.: 00371 2861 3939  
E-mail address: elina.apsite@lu.lv

The empirical evidence is based on a web – based survey with Latvian residents living in the UK and took place in March 2010 via social networking website which is widely used among Latvian population. Particular data gathering method was used in order to gain valuable data about emigrants because national statistics about volumes of emigrants are fragmented. This methodology was used however there are certain constraints of representativeness and bias occurring in the web- based survey methodology which is taken into account[4].

The sample consists of 1000 completed web-based questionnaires and closely replicates composition of Latvian residents in the UK by gender, motive, experiences and time spent in the UK. The main analysis is based on the two periods of emigration (1) emigration from 2004 – 2007; (2) emigration from 2008 – 2010. The composition of migrants groups are characterized using the binary logistic regression. In this model such variables as gender, age groups, regions of origin in Latvia, reasons for emigration (unemployment, mortgage payments and adventure seeking), information obtaining channels, activities with co – ethnics (living, entertaining and having business with other Latvians), existence of migrant networks abroad, need to earn and family creation appeared to be statistically significant for the two periods analysed in the model (0= period from 2004 to 2007; 1= period from 2008 to 2010).

### 3. Extent of Latvian emigration to the UK

According to the NINo registrations there are around 81 thousand immigrants from Latvia entered the UK in period from 2002 to 2010. Data in Figure 1 disaggregated from the UK official statistics show registered persons for WRS (Workers Registration Scheme) which is required for official work documentation and NINo registration which is compulsory for tax payments and benefit claims. Years 2005 and 2009 respectively represent events occurring in Latvia after accession to the UK and negative impact of the global economic crisis which affected economic and social conditions and Latvia.

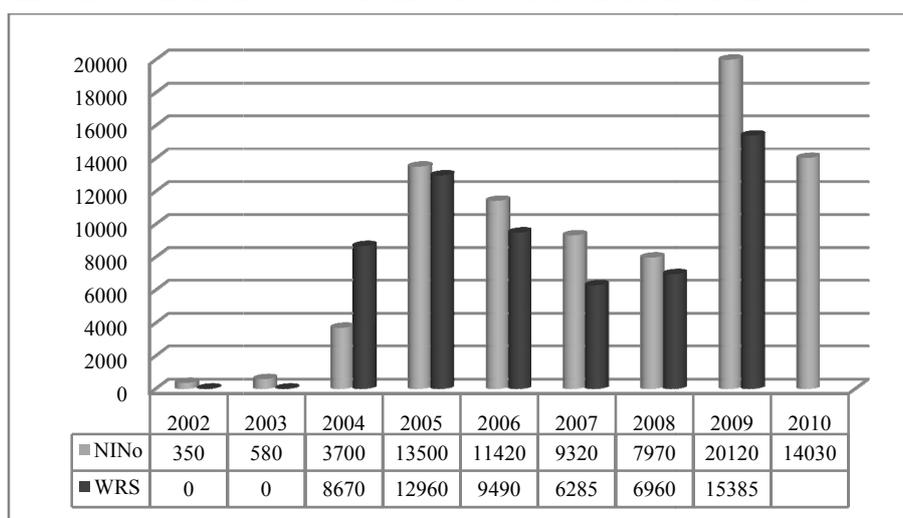


Fig 1. Registered National Insurance numbers (NINo) and registered immigrants from Latvia in the UK with Workers Registration Scheme (WRS) from year 2002 to 2010. Source: UK’s Home Office.

The United Kingdom due to the open labour market, established and reliable migrant networks as well as English language skills is one of the main destinations for immigrants from Latvia. It has been recognised from other researches and stated in year 2008 that over the five years since the enlargement of the European Union the UK has experienced what might be one of the most concentrated voluntary migrations in the world today [16]. Potential migrants more often chose Ireland and the United Kingdom due to easier access to the labour market in those countries and not least that English is the language of those two countries [18].

Increasing numbers of Latvian and Lithuanian registrations may be associated with increased immigration from these countries due to their current economies. Among the European Union member States, the highest unemployment rate was recorded in Spain (20.9 %), Lithuania (16.3 % in the first quarter of 2011) and Latvia (16.2 % in the first quarter of 2011) - all are well above the EU 27 average of 9.3% (May 2011) [17]. There is a correlation between unemployment in Latvia caused by economic downturn and increase of persons

registering in the UK when linking numbers of persons migrated to the UK. Unemployment rate in years 2006 – 2008 being the lowest rapidly increased along with the economic recession up to nearly 20 per cent in some regions of Latvia in year 2009. Another evidence is GDP per capita which has changed considerably in this period from 2000 - 2010. Starting from 2000 there has been gradual increase from 1987 Lats (around 2820 EUR) per capita to 7098 Lats (around 10086 EUR) per capita in 2008 which is the highest value and corresponds to the booming years in Latvian economy. Years 2009 and 2010 showed sharp decrease and corresponds to similar level of GDP per capita before the rise in booming years.

#### **4. The Boom and the crisis**

In the course of 2008 the financial crisis and the subsequent economic recession spread from the United States of America to almost the entire world [2]. Latvia as one of the Eastern European countries showed relatively fast economic burst since 2000. However, since the crisis most severely affected countries within the region were the three Baltic republics with small, highly liberalized, and externally oriented economies, depending on importing capital and energy supplies. In addition to GDP grows, all three had experienced a large credit-fuelled bubble in the real estate market [14]. In October 2008 the second largest bank (Parex) in Latvia faced serious liquidity constraints. Latvia's 2009 financial crisis and near full-scale banking sector collapse occurred on the back of the collapse of a euro-driven housing market bubble that threatened high levels of property repossession and large-scale financial losses for the main Swedish banks that owned large stakes in the Latvian mortgage market [14]. Although all three Baltic States have always shared similar development trends this time according to Stenning et al. (2010) experienced first "post-transition" recession after they have had economic growth for sustained period of 21<sup>st</sup> century during which individuals became increasingly financialised under crisis conditions Latvia is the only that show increasing emigration with the beginning of crisis [15]. Latvia, with annual decline of 18% of GDP in 2009 and highest unemployment rates in the EU, is experiencing strong economic recession. The effects of the financial crisis in Latvia were particularly severe because before the crisis country enjoyed large-scale capital inflows and rapid expansion of mortgage market propelled by low interest rates and the entry of foreign banks. Latvia had the most significant economic imbalances and vulnerabilities at the end of the boom period [10]. The global economic crisis started as housing crisis then turned into a general financial crisis and now the world was confronted with an employment crisis [7]. Even though rate of unemployment is still high in year 2011 emigration from Latvia maintains to countries where employment situation comparing to Latvia is better. Thereafter often even those emigrants from Latvia who have certain qualifications and education often in the UK are employed as 'low-skilled and low-paid labour' [12; 1].

Beets and Willekens (2009) after investigation of crisis impacts conclude that:

- Of all types of migration, labour migration will be affected most;
- Political and environmental refugees, marriage migration and family reunion will not be much affected;
- Migrants employed in sectors that are most affected by the economic recession are more likely to lose their jobs than migrants employed in other sectors of economy;
- Low-skilled immigrants are among those most affected by the worsening of the labour market conditions;
- Migrants who invest heavily in migration and settlement in the country of destination are not likely to return to their countries of origin but to stay;
- The recession reduces the remittances sent by migrants and foreign workers to their families in their home countries [2].

However not all of the points found here can be applied to the case of Latvia because even though also other EU countries as Ireland and the UK suffer from the crisis prospects to succeed in labour market in those countries are still higher than in Latvia. Therefore destination for Latvian migrants can change Ireland has been changed to Germany and the Nordic countries, but the pattern of increasing emigration from Latvia since crisis remains high.

#### **5. Results**

Binary logistic regression analysis allowed finding differences in migrant compositional characteristics for persons who emigrated from Latvia to the UK after the EU accession until crisis and starting from crisis till year 2010.

Firstly, there are some gender differences for pre and post crisis migrants. More male in comparison to female have emigrated from Latvia in years of economic downturn. This corresponds to acceleration of labour out migration also for persons who previously worked in Latvia, but then with the worsening of economic conditions were 'pushed' to look for employment abroad. In this case migrant social networks were used as instruments to find information and practical support for moves.

Secondly, in all younger age groups in comparison to persons over 45 are more persons moving to the UK since the crisis. This again corresponds to both young persons who after education have been unable to find employment and older persons who moved because of job loss or need to gain more finance.

Following interestingly all regions in Latvia except Riga suburbs show higher emigration before crisis. Statistically significant result is for Vidzeme and Latgale regions in comparison to capital Riga from where persons moved more before the crisis. Even though Riga suburbs in comparison to Riga does not show statistically significant differences for emigration period, but the trend is opposite. And this is characterized by the category of persons who suffered from consolidation measures and sequent urgent need for financial resource to cover monthly payments.

There are two main differences when describing channels migrants have used in order to get information about working and living opportunities and conditions. In pre crisis period significantly more persons used official recruitment agencies if to compare with unofficial ways of getting information. However, in the second period of analysis from 2008 to 2010 persons have used informal channels to receive support they require. This confirms the crucial importance of social networks in the migration flows from Latvia and Eastern Europe in general.

The main reasons for emigration in this study are unemployment in Latvia before emigration, monthly mortgage payments and interest in adventure seeking. It means that persons who had employment in comparison to those who were unemployed show higher probability to have left before crisis. Similarly monthly mortgage payments for housing, cars and short term loans for private consumption. Despite the economic aspects there are also wish to explore and experience adventures but this reason has diminished with the crisis as those persons who moved because of the free options to move and work abroad have done it just after Latvia joined the EU.

In term of social relations and social circle maintained abroad those who in the UK are with their children and/or parents show higher probability to have left since the crisis. If before only one person from the household left for work abroad then since crisis many have left with their families and have settled for permanent stay. Furthermore those who have left prior crisis do not spend as much time entertaining or having common business with other Latvians in comparison to those who left with the crisis conditions. Group who are so called crisis migrants more often than others share accommodation with other co-ethnics, because they need to lower the costs.

And the last two variables in the model with the significant value were experience valuation like family creation and earnings. In both cases those who left in years 2008 – 2010 do not value these experiences as important, but that is to with the time span they have been abroad. As time increases they might be able to create a family and earn substantial amount of money for the set aim they had in the first place.

All in all analysis of the Latvian residents currently living in the UK show several aspects of their lives changed since the change in economic conditions.

## **6. Conclusions**

There are several differences in results regarding period of emigration - pre and post crisis emigrants. Contextual analysis and previous research confirms existence of particular group of crisis migrants who have left Latvia for the UK because of unemployment and mortgage payments in Latvia. Crisis migrants can be characterised as young male labour migrants from Riga and suburbs of Riga who have found ways to emigrate through their friends and relatives. One of the main tools and support mechanisms for crisis migrants

is migrants' social networks. Crisis migrants often live and work together with co-ethnics. But pre crisis migrants have settled in and most often live with their families created in the UK or previously in Latvia. Despite some indication of other aspects like adventure seeking, family reunion crisis migrants from Latvia are still dominantly characterized by economic disadvantages – unemployment in origin and fiscal needs for monthly payments.

## 7. Acknowledgment

The research was promoted with support of the European Union Social Fund project “Support of Doctoral Studies at the University of Latvia”.

## 8. References

- [1] Apsite, E. 2011. „Will they return? Latvian immigrants in the United Kingdom”. European Integration and Baltic Sea Region: Diversity and Perspectives. Conference proceedings. Riga. pp 11 – 24.
- [2] Beets, G. and Willekens, F. (2009) “The global economic crisis and international migration: An uncertain outlook”, Vienna Yearbook of Population Research, 2009, pp. 19 – 37. DOI: 10.1553/populationyearbook2009s19
- [3] Bohle, D., “East European Transformation and the Paradoxes of Transnationalization,” in J. DeBardeleben and A. Hurrelmann, eds., *Transnational Europe*. Houndsmills, UK: Palgrave Macmillan, 2010
- [4] Bradley N. (1999) Sampling for Internet Surveys. An examination of respondent selection for Internet research. University of Westminster. <http://www2.wmin.ac.uk/~bradlen/papers/sam06.html>
- [5] Central Statistical Bureau Latvia, 2011
- [6] Drinkwater, S., et al. 2009 “Poles apart? EU enlargement and the labour market outcomes of immigrants in the United Kingdom”, *International Migration*. 47(1): 161–190.
- [7] Gamble, A. (2009) “The Spectre of the Feast: Capitalist Crisis and the Politics of Recession”. Palgrave Macmillan, pp. 208.
- [8] Kahanec, M., Zaiceva, A., Zimmermann, K., F. 2009. Lesson for Migration after EU enlargement. IZA Discussion Paper No. 4230, June.
- [9] Krisjane Z., Berzins M., Apsite, E. Post Accession Migration from the Baltic States: the case of Latvia. In: Glorius, B., Grabowska-Lusinska, I. (eds) *Post accession migration: Flows and patterns*. Amsterdam: Amsterdam University Press
- [10] Martin, P. (2009). Recession and Migration: A New Era for Labour Migration? Center of Migration Studies of New York. IMR Volume 43 No.3. P.671 – 691.
- [11] Olofsson, J., Malmberg, G. 2010. When will the Russians Come? On Post- Soviet Immigration and Integration in Sweden. *International Migration, Journal Compilation, IOM*.
- [12] Parutis, V. (2011.) „Economic Migrants’ or ‘Middling Transnationals’? East European Migrants’ experiences of Work in the UK”. *International Migration*, ISSN 0020-7985. Published by Blackwell Publishing Ltd.
- [13] Ryan Louise, Sales Rosemary, Tilki Mary, Siara Bernadetta. Social Networks, Social Support and Social Capital: The Experience of Recent Polish Migrants in London. *Sociology* ( 2008). Volume 42 (4): 672 – 690.
- [14] Smith A. and Swain A, 2010, “The Global Economic Crisis, Eastern Europe, and the Former Soviet Union: Model of Development and the Contradictions of Internationalization”, *Eurasian Geography and Economics*, 2010, **51**, No. 1, pp. 1–34. DOI: 10.2747/1539-7216.51.1.1
- [15] Stenning, A., A. Smith, A. Rochovksá, and D. Świątek, “Financialisation, Exclusion and Everyday Household Financial Practices: The Changing Landscapes of Finance in Post-Socialist Cities,” *Economic Geography*, 2010
- [16] Sumption, M., 2009. Social Networks and Polish Immigration to the UK. Institute for Public Policy Research. Economics of Migration Working paper 5. P.27
- [17] The UK, Statistics Office [http://statistics.dwp.gov.uk/asd/asd1/niall/nino\\_allocations\\_aug11.pdf](http://statistics.dwp.gov.uk/asd/asd1/niall/nino_allocations_aug11.pdf)
- [18] Wadensjö, E. 2007. Migration to Sweden from the new EU Member States, IZA Discussion Paper No. 3190, Institute for the Study of Labor, Bonn, Germany.