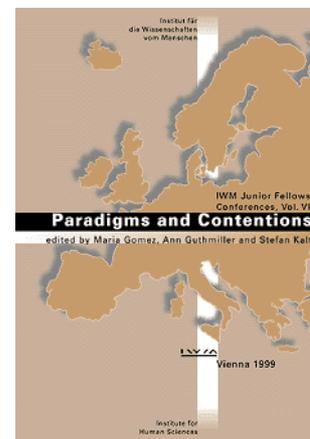


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Labor Migration to Austria Czech and Slovak Temporary Workers in Vienna

Jarmila Maresová

Mass migration influences the political, economic, social, demographic and cultural environment of the target countries. It changes not only quantitative, but also qualitative aspects of reality and that is why it is an important phenomenon of the present, as well as the future.

According to some estimates, approximately 125 million people are presently living outside of their native country. Nearly half of these migrants live in economically developed countries; one third is concentrated in the territories of the seven richest world states, i.e. Germany, France, Great Britain, USA, Italy, Japan and Canada (Drbohlav, 1997).

Although there is a wide spectrum of migration types which overlap each other or change over time, economically conditioned migration has been unambiguously dominant. Economic migrants represent the majority in many types of population movements such as traditional settlement migration and movements of highly qualified or contract workers, as well as illegal migration.

The present massive migration flows have occurred for many reasons and have had many consequences. Generally speaking, contemporary international migration can be characterized as the movement of people from the "poor South" to the "rich

North." In other words, the rich, industrialized states of Western Europe and the USA attract migrants from the peripheral, less-developed or developing countries. As a consequence, most of the world's economically advanced countries have become diverse, multiethnic societies.

To explain these international migration movements, a number of theories have been offered in recent years. From the *economic perspective*, international migration is viewed as a mechanism which redistributes labor. Consequently, international migrants are equated with workers and existing economic theories are limited to explaining labor migration. Perhaps the oldest theory seeking to explain the occurrence of labor migration is that of Adam Smith and other economists of his period. They suggested that the migration of workers is caused by differences in the supply and demand for labor in different regions.

Modern scholars (e.g. Sjaastad, Harris and Todaro) have modified the classical theory developing the *neoclassical theory of migration*. According to this theory, countries with a large endowment of labor relative to capital tend to have low equilibrium market wages, whereas countries with a limited labor endowment relative to capital are characterized by high market wages. The resulting wage differences entice workers from low-wage countries to move to high-wage countries. As a result of this movement, the supply of labor decreases and wages rise in the countries of origin and the supply of labor increases and wages fall in the countries of destination. This leads to a new equilibrium in which wage differences reflect only the costs of migration.

The neoclassical theory of international migration has some limitations, including its failure to take into account the international political and economic environment, as well as the effects of political decisions which influence individual decisions regarding migration. Furthermore, it assumes that there is a homogeneity of skills between the regions of origin and destination (i.e. that labor is completely interchangeable) and that full employment is maintained in both areas during the migration process.

Recognition of the limitations of neoclassical theory has led to the proposition of alternative theories. The most recent, known as the *new economics of migration*, focuses on the micro-level and assumes that migration decisions are not made by isolated individual actors, but by people who act collectively (typically within households or families) and seek, not only to maximize expected income, but also to minimize risks associated with a variety of market failures. According to this approach, households attempt to minimize risks to their economic well being by diversifying family labor. In other words, sending certain family members to work

in another country where wages and employment conditions are largely independent of local economic conditions is a form of insurance against the deterioration of the latter.

Besides arguing that households send family members to work abroad to improve their income in absolute terms, this theory also argues that an increase in income relative to other households in a reference group is also important. As the relative deprivation of households with lower incomes increases, the incentive to participate in international migration rises as well. On the basis of these assumptions, this theory implies that migration can occur even in the absence of wage differentials between the areas of origin and destination.

Both the neoclassical economic theory of migration and the new economics of migration assume that migration is mainly the result of rational choices made by individuals or families. In contrast, other economically-based theories take a macro perspective and argue that international migration is mainly the product of international forces which transcend individual choice and set constraints on it. Thus, the *dual labor market theory* posits that international migration is the result of a permanent demand for foreign labor which is inherent to the economic structure of developed countries. In accordance with this theory, wages not only reflect conditions of supply and demand, but they also confer status and prestige. The existence of a permanent structural demand for unskilled labor in advanced industrial societies is conditioned by the coexistence of a capital-intensive primary sector and a labor-intensive secondary sector, and thus by a segmented labor market. Workers in the primary sector usually hold stable, well-paid skilled jobs. In contrast, workers in the secondary sector generally hold unstable, unskilled jobs and may be laid off at any time with little or no cost to the employer.

Because native workers have no incentive to take the unstable jobs characterizing the secondary sector, shortfalls in the labor supply in that sector are often filled by foreign workers. This is most likely to happen in societies where other sources of labor for the secondary sector, namely women and teenagers, are in short supply (e.g. because of social constraints, declining cohort sizes, etc.).

The fourth approach, known as the *world system theory*, presumes that the origins of migration can often be traced to institutional and sectoral imbalances. The world's labor is seen as divided into three geographically distinct zones: core, semi-periphery, and periphery. In core countries, the demand for migrant labor is not uniform since it usually reflects the relative scarcity of persons who are prepared to work for low wages. In sectors that cannot rely on productivity increases to maintain profit levels, the demand for cheap labor rises.

In peripheral countries, the commercialization of agricultural production generally leads to land consolidation, to the intensive use of modern technology, to mechanization, and to the consequent decline of the demand for labor. Such changes result in the displacement of labor from the countryside and an increase in rural-urban migration that contributes to the production of a surplus labor force in urban areas. The coexistence of such developments with the permanent demand for low-cost labor in core countries results in the international migration of workers from the periphery to the core countries. According to this theory, migration is more likely to occur between past colonial countries and their former colonies because it is facilitated by the cultural, linguistic, administrative, transportation, and communication links existing between them.

In addition to economic theories of international migration, there exist some other theories based on different considerations. Among them, the best known are those which have emerged from a sociological approach such as *network theory*, which is based on the assumption that functional ties exist between migrants already established in the area of destination and persons remaining in the area of origin. Another example is *institutional theory*, which emphasizes the role of certain institutions which promote the international movement of persons and profit from it simultaneously.

Nevertheless, it is worth pointing out that none of the above-mentioned theories consider the role of the *state* in determining international migration flow. To allow or to restrict economic immigration is always a political decision, which rises out of the problematic question of whether foreigners are beneficial to the economy and the society - whether the welfare of the society which receives them increases more rapidly and more durably than it would have if the society remained closed.

Recently, the increasing international mobility of workers and their dependents has had a dramatic impact on relations among states. The major immigration countries have found ways to consult and coordinate policies for controlling migration. These new dynamics in international relations are particularly evident in Europe, where the relaxation of international borders (associated with the Single Market initiative) is pushing states to harmonize their migration policies.

This effort has also been intensified on account of the prospect of the Eastern enlargement of the European Union. After this enlargement, migration restrictions for people from the newly accepted countries will apply only for a limited, transitional period since policy measures such as migration restrictions or quotas are not compatible with the principles of the European Union. The potential for migration

movements between present member states and the newly accepted ones,¹ as well as estimates of the consequences of these movements to the developed economies, have become main points of recent debates and speculations among policy makers and experts of different countries, including Austria.

Thanks to its geopolitical position, Austria has always attracted a great many migrants from different countries. In the 1960s and early 1970s, due to its rapid economic development followed by an increased demand for labor, the intensity of the labor migration to Austria grew considerably.

As a result of a restrictive immigration policy, the period from the second half of the 1970s to the middle of the 1980s marked an ever-decreasing number of foreign workers in Austria. In the second half of the 1980s and particularly after the collapse of the communist regimes in the countries of Central and Eastern Europe and the USSR, the number of foreigners in the Austrian labor market started to rise again.

In 1997 foreigners represented 9.1 percent (or 733,000) of the total Austrian population. Approximately 320,000 of this total number were foreign workers. The share of foreigners in the Austrian workforce thus reached nearly 10 percent (9.8 percent). The majority of foreign workers present in Austria came from the classical "*Gastarbeiter*" countries, i.e. from the former Yugoslavia and Turkey. Since the beginning of the 1990s, this traditional migration flow has also been followed by immigration from Central and Eastern European postcommunist countries (CEEC).

According to official data², in 1997 a total of 160,000 workers from the former Yugoslavia were registered in Austria. The second largest group was composed of Turkish nationals with 50,000. A total of 38,000 workers were citizens of CEEC, with Poles (9,500), Czech and Slovak nationals (9,100)³ and Hungarians (8,700) representing a majority.

Among foreign workers, males clearly dominate, amounting to almost two thirds of the total number. The proportion of males is even higher among Hungarians and Poles, while in the case of Czechs and Slovaks, it fluctuates around the average percentage (i.e. two thirds). Foreign workers in the Austrian labor market are

¹ The Czech Republic, Hungary, Poland, Slovenia and Estonia should be awarded membership in the first round.

² Austrian Federal Ministry of Labor, Health and Social Affairs

³ Data come from social security records. It is not possible to distinguish between Czech and Slovak employees because some of them were employed in Austria before the split of the Czechoslovak Federation (i.e. before 1993) and they are registered as Czechoslovak nationals.

concentrated in several main branches. They work mainly in restaurants and hotels, agriculture and forestry, the textile, clothing and leather industry, and construction. However, the distribution of foreigners from CEEC by economic sectors deviates from that of the total foreign population.

Polish workers are typically concentrated in construction (almost one third of Polish nationals worked in this sector in 1996). A relatively high proportion of Poles also work in the sectors of retail trade and restaurants and hotels. A similar structure (i.e. with construction occupying the dominant position, followed by hotels, restaurants and retail trade sectors) is characteristic of Hungarians. The representation of Czechs and Slovaks in the construction sector is less significant compared to the previously mentioned national groups; it does not amount to one fifth of their total employment. An equal share of Czech and Slovak nationals (i.e. one fifth) work in hotels and restaurants. However, in contradistinction to Poles and Hungarians, a significant percentage of Czechs and Slovaks are employed in the health sector, in social work, and public administration.

The main sectors that employ foreigners also differ by gender. Construction firms employ mostly men coming from the CEEC. On the other hand, the tourism industry is the largest employer of women from this region, followed by trade and health services.

The regional concentration of foreign workers differs according to their nationality. An average of 35 percent of all foreign workers in Austria were employed in Vienna in 1997; this share has been relatively stable. The share of Yugoslavs is a little above this average, while the representation of Turks is somewhat below it. Considering Austria as a whole, Yugoslavs tend to concentrate more in the South (in Styria and Carinthia) and in the West (in Salzburg and Upper Austria). Given their occupational specialization in textiles, clothing, and leather, Turks are more than proportionally represented in Vorarlberg, Tyrol and Lower Austria (Biffel, 1998). The highest numbers of CEEC nationals are registered in Vienna and northern and eastern borderlands.

Over time, a highly differentiated system of work permits, related to the status of foreigners and issued for different purposes, has developed in Austria. Since 1994, work permits, which are issued only to foreigners from non-member states of the EU and the EEA,⁴ have fallen into two categories: those which allow foreigners to work only for a single employer and those which allow workers greater flexibility to change their employers.

⁴ European Economic Area

There are three types of employer specific work permits: *first entry, re-entry and extensions*. In all these cases, the permit is granted to the employer for a particular job, initially allowing up to one year of employment. After a one year period of work, the employer-specific permit may be transformed into *work entitlement*, issued to the person rather than to the firm, allowing for free movement within regional state boundaries. After five years of work, a *permanent license* may be issued to the foreigner which allows him free movement in the Austrian labor market.

In earlier years, the supply of foreign workers in the Austrian labor market correlated strongly with the number of first and re-entry permits. However, since the early 1990s, there has been a decline in the number of these permits, although the growth in the supply of foreign employees has continued. This fact is connected with the development of the labor market situation: only in periods of rising demand for foreign labor does the issuance of first permits increase. As the employment of foreign workers stabilizes, other forms of permits begin to dominate and regulate employment.

The number of work permits (i.e. first entry, re-entry and extensions) totaled 36,561 in 1997. 6,922 (or 19 percent) were given to foreigners who came from Central and Eastern European countries: in particular, from the Czech Republic and Slovakia (2,190), Hungary (1,914), and Poland (1,382).

The other type of permit issued to foreigners is called *work entitlement*, which may be obtained after one year of work for a particular firm. In 1997, a total of 67,318 work entitlements were issued to foreigners in Austria. The national composition of foreigners with work entitlements reflects the migration wave in the beginning of the 1990s. The majority (70 percent) were issued to citizens of the former Yugoslavia. This was followed by nationals of Central and Eastern Europe (12,542) and Turkish citizens (7,502).

More than half of the 143,387 *permanent license holders* in 1997 were former Yugoslavs (64 percent, or 91,290). The second largest national group was Turkish nationals, with 23 percent (33,200). The share of citizens from Central and Eastern European countries has been increasing recently (up to 13 percent or 18,870 in 1997) as the latest wave of foreign workers originating from this region has reached the eligibility criteria for obtaining this type of work authorization (Biffl, 1998).

In accordance with the recent, rigid trend in Austrian immigration policy, annual immigration quotas for foreigners from "third-world countries" have been introduced. Privileged groups are asylum seekers and family members of migrants

already living in Austria.⁵ For other categories of migrants, legal entry into the Austrian labor market is more difficult. Thus, it is not surprising that many foreigners work in Austria illegally without any authorization. It is to be expected that as long as the incentives of higher income and better living conditions are present, the problem of illegal employment in the Austrian labor market will continue.

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⁵ In August 1997, new legislation regulating the residence and employment rights of persons of the third country of origin came into effect. This new legislation, dubbed the "integration package," is supposed to facilitate integration of family members into the Austrian labor market.