
Impact of Foreign Direct Investment on migration in the V4 countries

Gabor Lados, Zoltan Gal

6-7.10.2021

Linkage with a research project

„Micro, Macro-economic and Territorial Differentiating Effects of Foreign Direct Investment in Visegrad Countries: Challenges of FDI-driven economic policy models” (pr. nr.: K135185)

Lead researcher: Zoltan Gal

01.10.2020 – 30.09.2024

Focus of the research project:

- The role of FDI in economic growth and investments in Visegrad 4 countries (Poland, Czechia, Slovakia, Hungary) at macro and regional level
- **Spatial dimensions of FDI's productivity and labour market impacts**
- The role of FDI on the regional entrepreneurial activity
- Development alternatives to the FDI-driven model

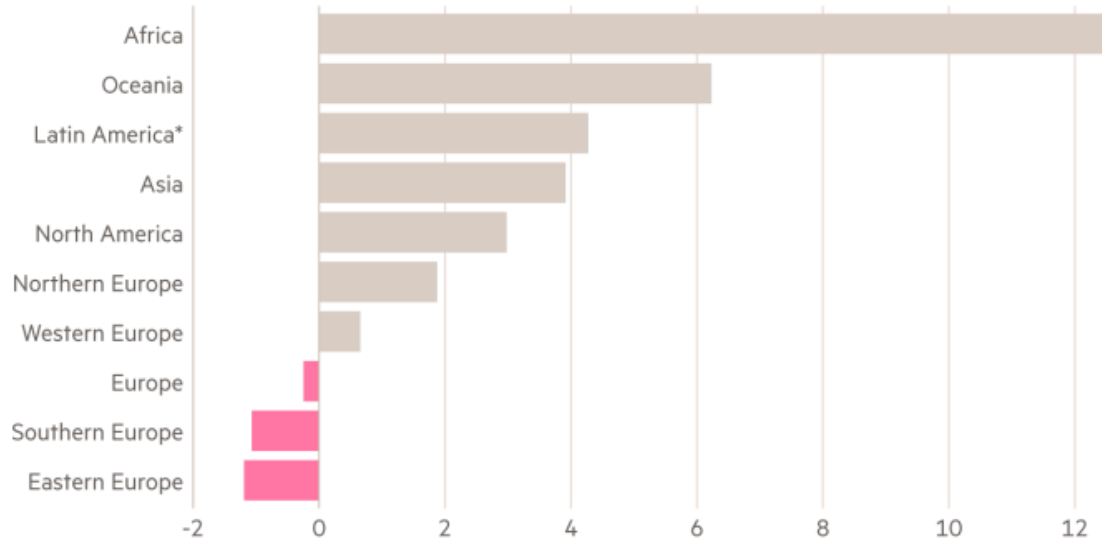
FDI and migration in the literature

- Globalisation increased labour migration, but as a contrary, home country was suffering from brain drain
 - In the long run, permanent out-migration could jeopardise the capacity of attracting FDI (Zhang & Liu, 2022)
- There is a strong correlation between the migration network and the FDI network (Garas et al., 2017; Javorcik et al., 2006; Mahler & Pessar, 2006)
 - Outward FDI is positively associated to inward migration
 - However, other findings state that migration reduces FDI in the *short-term*, but increases FDI in the *long-term* (Kugler & Rapaport, 2007)
- As Bang & MacDermott (2019) states, „one aspect of migration-FDI relationship remains relatively unexplored”: the role of geography
 - Core vs. periphery countries (regions?)
- Common results of these studies: negative impact of un-/low-skilled migrants and FDI, but positive correlation between high-skilled/tertiary educated people and FDI (Cuadros et al. 2019)

Eastern Europe has the largest population loss in modern history since 1990 out of 20 world regions

Europe shrinks as rest of the world grows

Projected population change 2020-2025 (%)



Source: Financial Times based on UN population projections

Population change by world region

Five-year change (%)



FT graphic Source: UN population statistics

FT

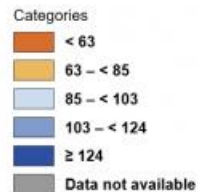
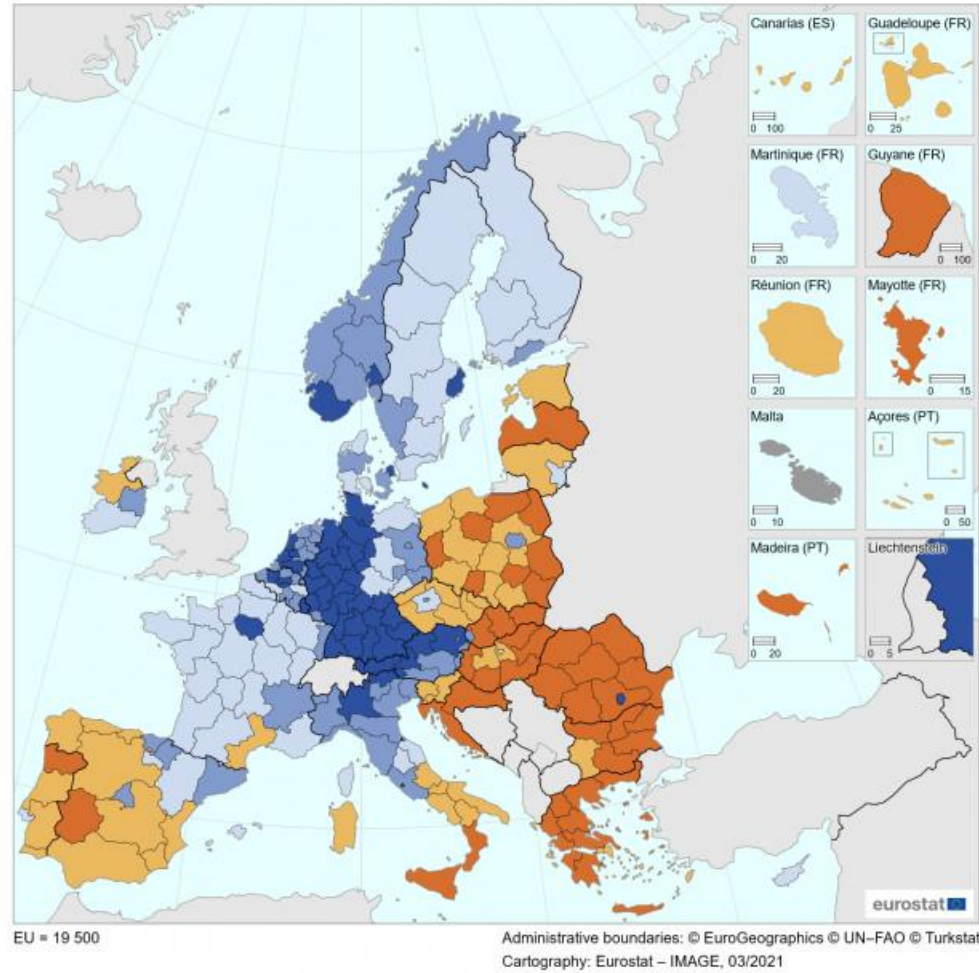
TOP 10 NUTS 2 regions in the European Union suffering from out-migration (2004-2016)

	NUTS 2 region	Countrycode	Out-migration rate (annual, %)
1	Lithuania	LT	-9,78
2	Latvia	LV	-7,74
3	Severozapaden	BG	-7,21
4	Észak-Magyarország	HU	-5,22
5	Severen tsentralen	BG	-5,05
6	Île de France	FR	-3,77
7	Attiki	GR	-3,67
8	Nord-Pas-de-Calais	FR	-3,28
9	Észak-Alföld	HU	-2,77
10	Opolskie	PL	-2,63

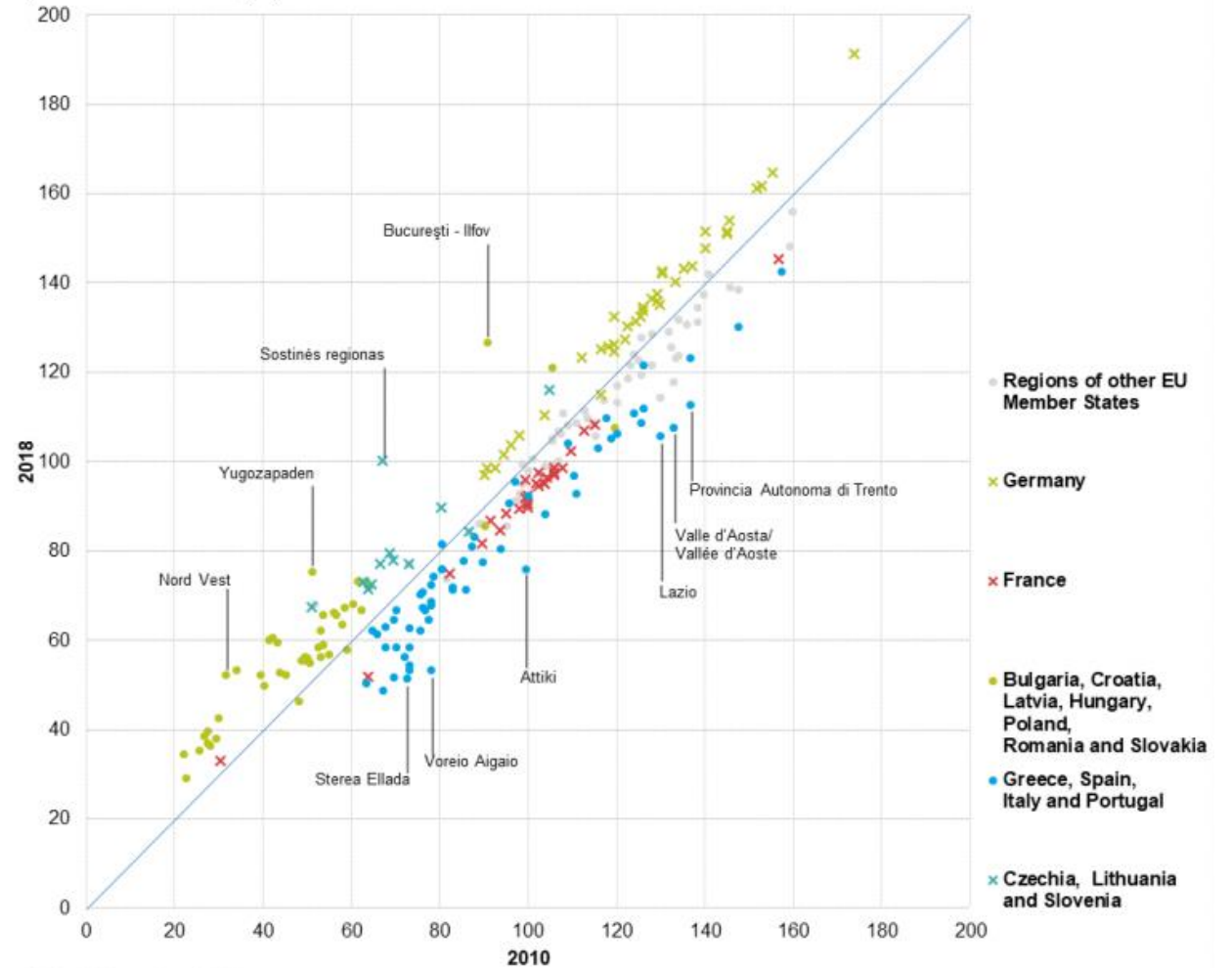
Source: own calculations based on Eurostat

Changes of income level in EU NUTS2 regions

Map 1: Household primary income per capita in PPS, 2018
(% of the EU average)



Net primary income per capita in PPS of NUTS level 2 regions, 2010 and 2018
(% of the EU average)



Note: Malta, not available.

Source: Eurostat (online data code: nama_10r_2hhinc)

Migration from East-Central-Europe

- Massive and permanent out-migration from A8 (+A2) countries since 2004
- Main motivation: higher wages
- Return migrants: high shares (e.g. RO: 80%; PL, LT: ~55%)
- Returnees:
 - Transfer of professional skills and knowledge, better language skills, international work experience
 - Entrepreneurship: investment and innovation

Central and Eastern European emigrants living in another EU country and in the UK (2004-2021)

	stock numbers					per 10.000 inhabitants				
GEO/TIME	2004-2007	2008-2011	2012-2015	2016-2019	2020-2021	2004-2007	2008-2011	2012-2015	2016-2019	2020-2021
Romania	835.798	1.773.209	2.397.712	3.261.462	3.555.557	392	870	1200	1665	1.846
Lithuania	86.297	175.410	242.533	349.578	406.255	260	557	819	1233	1.454
Croatia	334.236	246.698	327.372	466.246	555.319	775	573	770	1128	1.372
Bulgaria	182.839	301.176	476.473	785.914	914.427	239	405	656	1111	1.319
Latvia	25.640	55.913	131.452	186.407	199.233	114	262	653	959	1.048
Slovakia	120.308	180.520	252.425	338.840	361.821	224	335	466	623	663
Poland	772.232	1.314.903	1.796.518	2.438.491	2.485.726	202	345	472	642	656
Estonia	28.678	43.555	67.010	83.742	86.779	212	326	508	635	653
Hungary	87.148	101.100	254.445	428.170	456.022	86	101	257	437	468
Slovenia	34.991	28.038	44.372	63.263	71.276	175	138	215	306	339
Czechia	61.463	71.873	110.738	159.570	168.915	60	69	105	151	158
CEE	2.569.628	4.292.394	6.101.048	8.561.683	9.261.330	242	410	588	833	906

Source: Own calculations based on Eurostat database (see ‘Immigration by age group, sex and citizenship’; ‘Population on 1 January by age and sex’)

The proportion of returnees in Central and Eastern Europe

	%					per 10.000 inhabitants				
GEO/TIME	2004-2007	2008-2011	2012-2015	2016-2019	2020	2004-2007	2008-2011	2012-2015	2016-2019	2020
Lithuania	68,8%	79,9%	84,1%	56,0%	48,3%	14,9	23,3	62,7	54,1	74,5
Romania	91,2%	92,1%	90,5%	82,4%	78,7%	59,4	64,6	66,8	72,6	59,2
Slovenia	9,1%	12,8%	17,7%	15,0%	31,5%	8,5	14,2	12,5	17,2	54,2
Estonia	39,1%	50,0%	56,0%	45,1%	36,4%	6,1	13,2	27,7	58,3	44,4
Bulgaria	96,0%	35,2%	35,3%	54,3%	64,3%	2,0	3,5	10,3	21,9	34,5
Hungary	8,1%	9,7%	49,7%	43,8%	42,0%	2,1	2,9	23,3	32,8	32,4
Latvia	72,0%	72,0%	60,9%	46,1%	48,1%	21,9	19,1	31,3	23,9	22,3
Croatia	92,8%	60,7%	49,4%	36,6%	25,3%	34,8	16,7	12,1	20,7	20,8
Poland	87,0%	70,3%	54,6%	54,6%	24,8%	2,5	23,8	31,5	30,8	13,7
Slovakia	15,4%	18,8%	49,4%	59,2%	58,2%	1,7	2,2	5,2	7,9	7,2
Czechia	2,9%	28,3%	18,0%	6,2%	5,2%	2,0	17,6	5,3	4,2	3,1
CEE	55,8%	62,5%	61,4%	53,1%	41,4%	16,1	25,9	31,7	34,6	27,4

Source: Own calculations based on Eurostat database (see 'Immigration by age group, sex and citizenship'; 'Population on 1 January by age and sex')

Research question

- Is there any connection between FDI and (return) migration in V4 countries?

Preliminary hypotheses

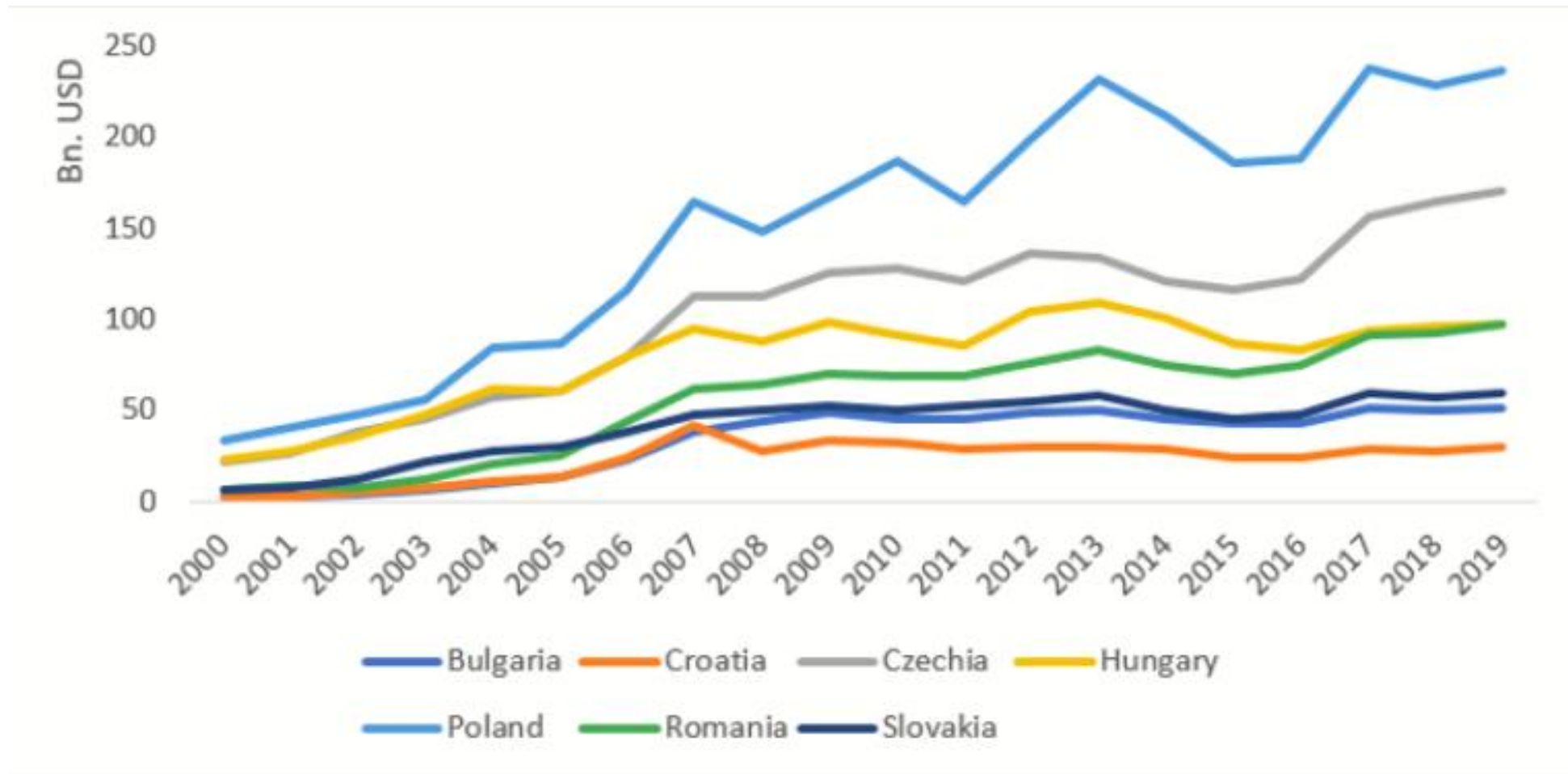
- H1) FDI and its economic potential could retain potential migrants;
- H2) Regions with no or relatively low level of FDI could significantly lose labour force; (Grieveson et al., 2021)
- H3) Regions with relatively high level of FDI could attract more returning (international) migrants; (Horobet et al., 2021)
- H4) Low level of embeddedness of FDI projects (and weakness of domestic enterprises) increases outmigration

Scenarios for CEE up to 2030

	Average annual GDP growth rate	Average annual population growth rate	up to 2050	Average annual manufacturing employment growth rate	Average annual service employment growth rate
EU27	1.89	0.31	1.58	1.38	1.63
Old 15	1.88	0.47	1.53	1.48	1.54
New 12	1.93	-0.38	1.90	0.98	2.33

Source: ESPON

Evolution of FDI stocks, 2000-2019, bn. USD



Source: Horobet, et al. 2021.

Discussion

- Keep in mind that the migration decision-making process is complex, subjective and varies among groups of people with different socio-demographic patterns
 - (e.g. high- vs. low-skilled; marital status; age; gender)
- The economic profile of migrants and FDI should meet
- International and returning migrants prefer the economically stronger regions (Kincses, 2015; Klein-Hitpass, 2016)
- The growing numbers of skilled outmigrants might modify the future trends of FDI
 - (e.g. decreasing the stock numbers; future projects might be cancelled)




Further steps

- Steps towards such gravity models
- FDI stock/flows in NUTS 2 regions
- Number of out-migrants and returning migrants in NUTS 2 regions
 - National Census gives opportunity to get small level data
- Wage differentials in host and home regions of migrants
 - Other factors close to living conditions
- Examining the correlation between HDI – (return) migration - FDI in Visegrad 4 countries
- Considering the role of other economic factors in international migration (e.g. average salaries, GDP/capita in PPS)
- Micro-scale cases (interviews with returned migrants)?
 - Careful methodology: country-profiles?; sectorial-profiles?; demographic-profiles; other?

Thank you for your attention!

 Gabor Lados

 lados.gabor@krtk.hu

 7.10.2022