

**DIASPORAS, REMITTANCES AND ECONOMIC DEVELOPMENT:  
A CASE STUDY OF THE BARDEJOV REGION IN SLOVAKIA**

by

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## ABSTRACT

### **Diasporas, Remittances and Economic Development: A Case Study of the Bardejov Region in Slovakia**

The principal aim of this study is to analyse the migratory patterns in the Bardejov district in Slovakia, with a special emphasis on the job search mechanisms of emigrants. The study also examines the impact of migrant workers' remittances on economic development. The study is primarily based on data obtained during the survey conducted in the Bardejov district in Slovakia in February - March 2009.

The study found out that social networks with its beneficial externalities turn out to be the most effective job search mechanism of emigrants from the Bardejov district. The study also reveals that the emigrants' choices of particular job search mechanisms are preconditioned by their socio-economic characteristics, especially by level of their education. Secondly, the study also found that worker remittances in the Bardejov district are used for investment in human capital rather than in physical capital and this indirectly enhances economic development of the region.

**Key words:** *migration, development, remittances, social networks.*

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## **ABBREVIATIONS**

<b>CIS</b>	Commonwealth of Independent States
<b>CMEA</b>	Council for Mutual Economic Assistance
<b>EC</b>	European Commission
<b>EU</b>	European Union
<b>FDI</b>	Foreign Direct Investments
<b>GDP</b>	Gross Domestic Product
<b>HDI</b>	Human Development Index
<b>HPI</b>	Human Poverty Index
<b>IMF</b>	International Monetary Fund
<b>IOM</b>	International Organization for Migration
<b>NATO</b>	North Atlantic Treaty Organization
<b>NBS</b>	National Bank of Slovakia
<b>NGO</b>	Non - Governmental Organization
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>UNDP</b>	United Nations Development Programme
<b>UNIDO</b>	United Nations Industrial Development Organization

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## CHAPTER I: INTRODUCTION

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Migration and its impacts have attracted a global attention in recent years. The estimates provided by the United Nations reveal that nearly 740 million people are internal migrants and nearly 200 million people or 3 per cent of the world population live outside their countries of birth and are international migrants (Ratha and Xu, 2008; UNDP, 2009). Europe is presently absorbing 2 million migrants each year – more as a proportion of its population than any other part of the world, including North America (Brady, 2008)<sup>1</sup>.

In Europe, two patterns of labour mobility are observed: labour flows within the European Union (EU) countries and immigration from outside of Europe (Boswell, 2005). The free movement of labour<sup>2</sup> is an important aspect of European integration, particularly following the EU enlargements in 2004 and 2007 when the former countries of the Soviet Union block joined the EU. Roughly half of Western Europe's immigrants in recent years come from countries of Central and Eastern Europe (Brady, 2008). The issues relating to the impact of labour mobility on wages and employment of native populations have come to the forefront of migration debates in Europe (Card, 2009). The

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<sup>1</sup> Net migration to the EU in 2007 stood at 3.8 per cent per 1,000 inhabitants, compared to 3.4 per cent in the US (OECD Factbook, 2009)

<sup>2</sup> The signatory states to the Schengen agreement have abolished all controls on labour mobility within the EU. As a result, the EU citizens have the right to move and reside freely within the territory of the EU member states (Europa, 2009)

EU approach to migration of third country nationals (non-EU citizens) has been articulated in several official documents<sup>3</sup>.

The incentive for labour mobility and migration is traditionally explained in terms of “push” and “pull” factors. In the literature, the most cited pull factors for migration are the wage differentials and employment opportunities between the host and source countries (Harris and Todaro, 1970; Lewis, 1954; Todaro, 1969)<sup>4</sup>. However, more recent research has shown that the stock of past emigrants is an important determinant of future migration flows as well (Carrington et al, 1996; Greenwood, 1969). A social networks perspective on migration has gained more prominence among migration scholars (Brettel, 2000; Carrington et al, 1996; Chiswick and Miller, 1996; Gotlieb, 1987; Grasmuck and Pessar, 1991; Hamer and Mazzucato, 2009; Massey et al, 1987; Moretti, 1999; Portes and Sensenbrenner, 1993; Vertovec, 2002). It has been argued that personal and social networks play a crucial role in locating job opportunities both at home and host countries as they help to reduce the transaction costs and asymmetric information problems in labour markets (Faist, 2004; Levitt and Schiller, 2004; Pries, 1999). Social networks can influence the expected income and utility gains from emigration, as well as the “comfort level” migrants can attain in the host countries (Epstein and Gang, 2004). Along with social networks theory, recent research has also

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<sup>3</sup> For instance, Communication from the Commission Policy Plan on Legal Migration (COM 669/2005), Confronting Demographic Change: A New Solidarity between Generations (COM 94/2005) or The Demographic Future of Europe – From Challenge to Opportunity (COM 571/2006) (EC, 2010).

<sup>4</sup> The traditional economic models basically refer to three R's -- Recruitment, Remittances and Returns of emigrants (Asencio et al, 1991). Recruitment tends to select the most productive work force from the emigration nation. Remittances do impact home economies and Return migrants are often the missing sparks needed for development (Asencio et al, 1991).

examined the relationship between migration and job search – whether job search follows migration or precedes migration and if so, what is the role of formal and informal job search methods (McCall and McCall, 1987; Spilimbergo and Ubeda, 2002; Topel, 1986). However, empirical research into the use of job search avenues by emigrants and their relative effectiveness has been limited.

A second focus in the migration literature is the controversial relationship between migration and economic development. Migration is beneficial to the economic development of origin countries when it enhances the savings of the migrant-sending communities and spurs economic growth. However, migration is also about increasing people's capabilities in form of better access to education, health, nutrition, housing and better prospects for children. For many migrants, the ability to decide where to live is a key element of human freedom (UNDP, 2009). Although few scholars would deny the direct contribution of migration and remittances to the livelihoods and survival of families left behind, the extent to which migration and remittances can promote sustainable development and economic growth in the migrant-sending areas is debated in the literature (Ellerman, 2007). The most common reason for scepticism on the impact of migration on development has been the widespread belief that migrants rarely invest their money in the productive enterprises, but instead spend it on consumption or unproductive investments (Ellerman, 2007). The present study intends to contribute to these debates by

examining migrants' job search mechanisms and the impact of remittances on economic development in Slovakia.

Most of the studies on migration and remittances relate to developing countries (Greenwood and McDowell, 1986; Hanson, 2008; LaLonde and Topel, 1997). There are very few studies on migration between developed countries. Slovakia, a country of Central Europe, represents an interesting experience: the former country of the Soviet Union block which previously had highly regulated cross-border labour movements is currently engaged in economic and monetary integration in the EU where the free movement of capital, labour and services is allowed.<sup>5</sup> The accession process to the EU has obviously stimulated many fundamental economic, social and political reforms. Over the last 10 years, Slovakia has become one of the strongest economic performers in Central Europe. The country has experienced substantial improvements in its macroeconomic indicators such as GDP (gross domestic product) growth, inflation and FDI (foreign direct investments) flows (IMF, 2003; IMF 2004; IMF, 2006). However, unemployment is still relatively high, ranging from 19.3 per cent in 2001 to 9.6 per cent in 2008 (Slovak Statistical Office, 2008), compared with an average unemployment rate of the EU that ranges from 8.5 per cent in 2001 to 7 per cent in 2008 (OECD Factbook, 2009). Consequently, lack of job opportunities has become the main “push factor” of emigration from Slovakia (Divinský, 2007). Besides, the important “pull factors” of emigration in Slovakia are higher earnings abroad, skills and language improvement, family reunification,

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<sup>5</sup> Slovakia has been a member of the EU since 2004 and adopted the euro in January 2009.

marriages or cultural experiences (Kostolná, 2006). The stock of emigrants as a percentage of the population is high, accounting for 9.6 per cent in 2006 compared with the global average of 3 per cent (Ratha and Xu, 2008). According to the recent statistics published by the Slovak Statistical Office, labour migration in Slovakia has recently increased from 49,300 inhabitants in 2000 to 168,000 in 2006 (Divinský, 2007). Some Slovak experts on migration in Slovakia as well as statistics compiled by EURES<sup>6</sup> claim that the actual number of emigrants should be about 25 per cent higher, reaching almost 230,000 or 8.5 to 9.4 per cent of the total economically active population of Slovakia (EURES, 2006; Hajnovičová, 2006; Košta, 2006).<sup>7</sup> Approximately 30 per cent of the total stock of emigrants (47,400 – 69,000) in Slovakia is accounted for the residents of the Prešov region which constitutes only about 12 to 18 per cent of the total economically active population<sup>8</sup> in the region (Divinský, 2007). However, it is important to note that the patterns of emigration from Slovakia are governed more by “mobility” than “survival”, as there exists a substantial safety net for unemployed workers (Asencio et al, 1991)<sup>9</sup>. The highest interest in labour emigration is typical of the younger generation (mostly those aged 18-30 years) and decreases with higher age

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<sup>6</sup> EURES is the European Job Mobility Portal gathering information on the labour movements within the EU under the auspices of the European Commission

<sup>7</sup> In comparison, the number of emigrants from Poland reached over 1, 200 000 in 2006 which constituted about 7.1 per cent of the total work force. In case of the Czech Republic, 1 per cent of the total work force emigrated in 2006 which came to 55, 000 emigrants. Hungary estimated the outflow of 25, 000 emigrants in 2006 which accounted for 0.6 per cent of the total work force (IMF, 2007)

<sup>8</sup> The economically active population of Prešov region is 384,787 (VUC, 2009)

<sup>9</sup> The literature defines “survival migrants” as those who are pushed abroad due to the lack of alternatives at home. “Mobility migrants” are pulled abroad to better themselves (Asencio et al, 1991)



categories, females or those having very low education (Divinský, 2007). However, this statement still requires empirical verification in the context of Slovakia. Among the most favourite destination countries for labour migration are the Czech Republic, Hungary, the United Kingdom, Ireland, Austria and Germany (Košta, 2006). Slovak citizens use various migration channels to look for a job abroad. Among these job search mechanisms are: paid job mediation agencies, temporary employment agencies, the EURES system, individual searches, the internet and social networks (Kostolná, 2006). The most relevant source of information on the conditions of stay and employment abroad comprises relatives, friends and acquaintances living in Slovakia or abroad. Labour offices and other institutions have to strongly compete with them in this context (Kostolná, 2006). However, the issue of labour mobility in Slovakia is practically still at the periphery of societal dialogue and very seldom analyzed. Indeed, no strategic documents or evaluations of impacts of labour migration on Slovak society in a complex way have been worked out in the country<sup>10</sup>. The lack of reliable data or estimates of Slovak labour emigrants is evident (Divinský, 2007; Kostolná, 2006). Research is even more limited when it comes to the issue of remittances to or from Slovakia. This topic has been examined minimally and is thus one of the unmapped areas within the Slovak migration studies (Divinský, 2007).

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<sup>10</sup> Conception of Migration Policy of the Slovak Republic adopted in 2005 is considered as a principal strategic tool in the field of migration management in Slovakia. However, the concept overemphasizes the areas of irregular and asylum migration and barely deals with the issue of labour migration in the country (Divinský, 2007)

The purpose of this study is to describe the migratory patterns in the Bardejov district in Slovakia. The study intends to analyze reasons for emigration and various job search mechanisms which emigrants use to secure their emigration from the district. More precisely, the study examines in details how emigrants' choices of particular job search mechanisms vary with their socio-economic characteristics. Secondly, the study presents the contribution of migration-driven remittances to development in the Bardejov district in Slovakia. In particular, the study addresses the multiplier effects of remittances on development and labour supply which result from remittance allocation and utilization by migrant households.

The choice of the Bardejov district in Slovakia as a case study was purposive. The district is an administrative part of the Prešov region that is considered as an underdeveloped region given that its GDP per capita is only 55 per cent of Slovakia's average (Banerjee and Jarmuzek, 2009). The Bardejov district experiences a higher unemployment than Slovakia as a whole (15.7 per cent compared with 9.6 per cent, in 2008) (Slovak Statistical Office, 2008a). Consequently, there has been a significant outflow of labour force in the region. In spite of this fact, migration and remittance flows in the Prešov region in Slovakia have not been subjected to any research investigation so far. Therefore, it is hard to estimate the exact number of emigrants from the region or the amount of remittances that these emigrants might send home. Due to the time constraints, the comparative statistics of non-migrants are not compiled in the study. This limitation is to the large extent overcome by the author's knowledge of region and its households.

The study contributes to the literature debates about migration and development in several ways. First, the study develops and enriches very limited literature on the job search avenues of emigrants as it provides detailed information on the job search mechanisms and their variations with the emigrants' socio-economic characteristics. The study is also a valuable contribution to theoretical and empirical evidence on remittances and development as it reveals the remittance patterns in a developed country. In addition, the study presents a unique data set on remittance flows and their multiplier effects from a region and country that has not been subjected to any research investigation so far. The study is thus a preliminary exploration of the issues of remittances and development in Slovakia.

The study is divided into seven chapters. The introductory chapter is followed by a chapter devoted to the literature review on the issues of migration, development and remittances. Chapter III discusses the methodology and data used in the study. Chapter IV provides a brief overview of Slovakia's economic performance, demographic and labour force developments as well as the country's trends in migration. Chapter V examines migratory patterns in the Bardejov district. It reveals in detail different job search mechanisms and their variations with socio-economic characteristics of emigrants from the Bardejov district. The following chapter assesses the magnitude and impact of remittances on development in the Bardejov district in Slovakia. Finally, the last chapter summarizes the main findings and highlights the implications of this study.

## CHAPTER II: REVIEW OF LITERATURE

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This chapter provides an overview of literature pertaining to the issues of migration, job search mechanisms, remittances and their impacts. The first section describes a theoretical view of the determinants of migration, with the emphasis on the role of social networks in influencing the contemporary migration processes. The second section presents a review of literature on the formal and informal job search mechanisms of migrants. The third section analyzes debates on remittances and their impact on economic development. The last section provides implications for this study.

### *2.1. Migration and job search models*

An important question for economists concerns the effectiveness and efficiency of interregional migration as a labour market adjustment mechanism (Dijk et al, 1988). The standard job search model based on imperfect information derives an optimal search policy for the unemployed worker who wishes to maximize income net of search costs (Rogerson and MacKinnon, 1981). In this regard, two aspects of job search model can be considered.

The first is the *macro* aspect which received relatively good attention from neoclassical and Keynesian economists. In this view, labour is highly responsive to spatial differences in wages. Regions with excess supplies of

labour, in particular with high unemployment rates, are characterized by low wages and regions with excess demand for labour by high wages. These differences in wages lead to migration from the former to the latter and, hence, to the spatial adjustment of demand for and supply of labour (Dijk et al, 1988; Todaro, 1969). The Keynesians have a similar view on migration as a spatial labour market adjustment mechanism, although the main factor for labour mobility is the difference in job opportunities (Dijk et al, 1988). Given these theoretical insights, the first hypothesis is stated as follows:

*H1: The prospects of higher incomes and better employment opportunities in the destination countries are important driving forces of emigration.*

The second is the *micro* aspect which is concerned with the expected improvement of utility of individuals and households from migration (Dijk et al, 1988). The decision whether and where to migrate depends on information about spatial differences in wages and (un)employment rates, prospective vacancies, and social and economic migration costs (Dijk et al, 1988). Households or other groups operate collectively to maximize incomes and minimize risks. Thus, they often send one or more family members to the other parts of country, usually to larger cities or abroad, to increase the overall family income while others remain behind, earning lower but more stable incomes (Van Hear, 1998). The decision to migrate made by families often stimulates a “tied” or “chain” migration, where one family member migration is accompanied either simultaneously or later by migration of other relatives (La Londe and Topel, 1997).

Scholars of migration have further recognized that peoples' decisions to migrate are influenced by many variables, not just the economic ones, as the previous theories claimed. It has been acknowledged that the decision to migrate to another country is a very complex and selective phenomenon. It is the result of both economic and non-economic factors that have been traditionally classified as the "push factors"<sup>11</sup> operating in the origin countries and the "pull factors"<sup>12</sup>, operating in the destination countries (Paerregaard, 2007).

Recently, a social networks perspective on migration has gained prominence among migration scholars (Brettel, 2000; Carrington et al, 1996; Chiswick and Miller, 1996; Church and King, 1993; Gotlieb, 1987; Grasmuck and Pessar, 1991; Massey et al, 1987<sup>13</sup>; Moretti, 1999; Portes and Sensenbrenner, 1993). It has been argued that social networks play an important role in understanding the contemporary migration process as the world has become increasingly interconnected in the transnational social spaces<sup>14</sup> and fields (Faist, 2004; Levitt and Schiller, 2004; Pries, 1999). In migration research, social networks have been conceptualized predominantly as kinship and community relations (Boyd, 1989; Massey et al, 1993) or so

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<sup>11</sup> Push factors pertain to conditions that drive people to leave their homes, for instance famine, lack of jobs and opportunities, civil wars, political fear and persecution, natural disasters, poor medical care, poor housing, slavery or pollution (Paerregaard, 2007)

<sup>12</sup> Pull factors pertain to conditions that attract people to a new area, for instance better jobs, better education, better medical care, political and religious freedoms, security or family links (Paerregaard, 2007)

<sup>13</sup> Although scholars recognized the importance of migrant networks in facilitating migration flows in the early 20<sup>th</sup> century, Douglas Massey and his colleagues were first to apply the concept of social networks to the study of Mexican immigrant communities in the US (Massey et al, 1987)

<sup>14</sup> Transnational social spaces are spatial entities that personal actors have constructed or are in the process of constructing through the plethora of their daily activities and that are often at odds with the territories of sovereign states (Kleinschmidt, 2006)

called “strong ties” of close relationships and frequent contacts (Granovetter, 1983) that are characterized by a high degree of trust (Tilly, 2007). However, this narrow understanding of social networks neglects the importance and effectiveness of other types of social relations that are not based on kinship or common ethnic origin. These so called “weak ties” that one has with co-workers, neighbours or passing acquaintances can also be important resources for migrants<sup>15</sup> (Granovetter, 1983).

The concept of social networks is often understood in a positive sense as it highlights mainly the benefits and gains from engagement in the transnational social spaces. Using a data set of migrants from Hungary, Epstein and Gang (2004) conclude that social networks can influence the expected income and utility gains from emigration, as well as the “comfort level” migrants can attain in the host countries. Potential emigrants in making their decisions about whether to go abroad and where to locate take into account the decisions of others, namely of former migrants (Epstein and Gang, 2004). The reason why the decisions of others exert such a strong influence on migration choices is explained by the existence of beneficial network externalities (Epstein and Gang, 2004). It has been argued that beneficial network externalities arise when (i) previous migrants provide information to

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<sup>15</sup> For people who live outside their natal territories and their traditional homelands are reflected deeply in the languages they speak, religions they adopt and the cultures they produce, the term diasporas is commonly used (Cohen, 1997). As Cohen (1997) further reveals, diasporas can be broken down into various forms, victim diasporas, labour diasporas, imperial diasporas, trade diasporas, “homeland” diasporas or cultural diasporas. Each of these categories underlines a particular cause of migration (Cohen, 1997). The term diasporas convey the idea of transnational populations, living in one place, while still maintain relations with their homelands, being both “here” and “there” (IOM, 2005).

prospective emigrants on the job market and housing conditions overseas; (ii) previous migrants can provide later emigrants money to cover transport costs, temporary housing and food in the period that immediately follows the emigrants' arrival; (iii) relatives or friends who are already living abroad can provide indispensable help in the early stage of settlement as emigrants may not speak the language of the country or they are not familiar with a new culture, institutions or laws (Carrington et al, 1996; Chiswick and Miller, 1996; Church and King, 1993; Gotlieb, 1987; Moretti, 1999). Basically, scholars conclude that due to the network externalities, migration flows accelerate, regardless of wage-differentials and employment opportunities in the destination countries (Carrington et al, 1996; Moretti, 1999). Hence, the second hypothesis is stated as follows:

*H2: Social networks are an important “pull factor” of outmigration.*

## *2.2. Social networks and job search strategies of migrants*

In most of the labour market and migration models, the major issue is whether migration must precede job search or job search must precede migration (Basker, 2003). The traditional job search models address how low-skilled and disadvantaged workers adapt to new geographical space and how racial segregation within that space leads to spatial, skills and informational “mismatches”. On the other hand, a modern theory of job search examines types of job search mechanisms and the role of social networks in removing



the spatial barriers to employment in the host countries (Segendorf and Rooth, 2006). The evidence on “speculative migration” associated with individuals who move first and then look for jobs (post-migration research) is rare in the literature. In light of these literature debates, the third hypothesis is:

H3: *Job search precedes migration.*

The literature on job search mechanisms distinguishes between formal and informal job search methods. Formal job search methods include the services of an impersonal intermediary: employment agencies, school and college placement, union hiring halls and advertisements in a journal, newspaper, on TV, radio or internet. On the contrary, informal job search methods provide jobs through the existing social contacts: family, friends and co-workers (Segendorf and Rooth, 2006).

The research on job search methods has mainly utilized North American and British data and has addressed two basic questions: (i) are informal job search methods more efficient than formal methods in getting jobs (Addison and Portugal, 2002; Bentolina et al, 2003; Holzer, 1988; Lindenboom et al, 1994; Osberg, 1994; Wahba and Zenou, 2003); (ii) is the quality of job match better when the employer recruits people through informal rather than formal methods (Antoninis, 2004; Arrow and Borzekowski, 2004; Kugler, 2002; Segendorf, 2005; Simon and Warner, 1992). The empirical evidence suggests that about 50 per cent of workers obtain or hear about jobs through informal job search methods (Calvo-Armengol and Jackson, 2004; Granovetter, 1973; Rees, 1966). However, it has

been argued that the productivity of the informal job search methods varies between different ethnic groups in society (Battu et al, 2004). As regards the productivity of job search mechanisms of migrants, the evidence is still rather mixed as very little research has studied to what extent this productivity differs between migrants and native.

The literature on migrant job search mechanisms can be broadly divided into two groups of studies. One group of scholars argue that social networks with its beneficial externalities turn out to be the most successful job search mechanism, especially for new emigrants (Borjas, 2006; Fernandez et al, 2000; Frijters et al, 2003; Goel and Lang, 2008; Munshi, 2003; Segendorf, 2005; Topa, 2001; Wahba and Zenou, 2003). Due to the existence of social networks, information on the job openings or closings, the best places to work or the dangers of working illegally become available to the potential emigrants (Mullan, 1989; Epstein and Gang, 2004). In determining how social networks at the area of origin act on migration propensity, DaVanzo and Morrison (1978) apply the term “location specific capital” and argue that such capital strongly determines the degree of difficulty in transferring acquired human capital from origin to destination country. If emigrants have social networks abroad, their knowledge of destination should positively facilitate the transfer of emigrants’ occupational skills and emigrant is expected to achieve appropriate socio-occupational level (DaVanzo and Morrison, 1978).

In contrast, the second group of scholars argue that social networks provide both opportunities and limitations to job seekers. They acknowledge that job seekers are able to secure employment within existing social networks

or ethnic enclaves but at the same time this job search method limits the range of occupations, the earnings and the advancement prospects of emigrants. The job seekers are channelled into a limited range of social contacts and into the segments of labour market that are both low paying and detached from career ladders (Amuedo-Dorantes and Mundra, 2004; Bentolina et al, 2003; Berman et al, 2003; Goel and Lang, 2008; Gregg and Wadsworth, 1996; Hamer and Mazucato, 2009; Jones, 1989; Lazear, 1999; Tayen and Böheim, 2002; Theodore and Mehta, 2001). In effect, employment agencies are more beneficial job search methods than social networks for emigrants even though they are largely overlooked in literature (Addison and Portugal, 2002; Theodore and Mehta, 2001). This formal job search mechanism effectively identifies job opportunities, mediates workers' language difficulties, transports workers to job sites and presents workers to their potential employers. Basically, the labour agencies supplement traditional role of social contacts as employment networks (Theodore and Mehta, 2001). Since the previous studies indicate mixed results concerning the effectiveness of particular job search avenues of migrants, the next hypothesis is as follows:

*H4: In case of migrants, formal and informal job search methods tend to be equally important.*

The literature also points out that the productivity of particular job search mechanism depends not only on immigrant's individual characteristics such as age, education, family circumstances but also on the local labour demand and employment policies in the destination countries (Chiswick,

1982; Frijters et al, 2003; Larsen, 2008; Montgomery, 1991; Tayen and Böheim, 2002). This argument leads to the next hypothesis:

*H5: Socio-economic characteristics of migrants affect their choices of particular job search mechanisms.*

Most of scholars take into account the factors of education and duration of unemployment of emigrants searching for a job. Using the case of Venezuela, Marquez and Ruiz-Tagle (2004) suggest that more educated workers tend to use mostly formal job search methods, especially in form of advertisements. In addition, they argue that workers who are employed in formal, full-benefits jobs are most likely to use formal job search methods which also result in higher chances of finding a formal job (Marquez and Ruiz-Tagle, 2004). Basker (2003) in his study on the job search and education explains that higher-skilled emigrants expect higher returns from their job search. They are willing to make larger investments in their job search process than are low-skilled workers. As a result, higher-skilled emigrants tend to rely on more expensive formal job search methods unlike low-skilled workers who tend to prefer cheaper informal job search methods (Basker, 2003). These arguments lead to the following hypotheses:

*H6: Migrants with higher levels of education are more likely to use formal job search mechanisms than less educated migrants.*

*H7: Formal job search methods result in higher chances of finding formal jobs.*

On the contrary, Beine's (2009) analysis of a bilateral data set on international migration by educational attainment from 195 countries to 30 OECD countries in 1990-2000 shows that less educated and longer-term unemployed workers and workers who were fired from previous jobs tend to rely more on employment agencies and social contacts (Gregg and Wadsworth, 1996; Heath, 1999; Korpi, 2001; Larsen, 2008; Marquez and Ruiz-Tagle, 2004; Weber and Mahringer, 2007). However, Addison and Portugal (2002) concluded that low skilled and less educated emigrants in Portugal used employment agencies unequally. Similarly, the study of Mullan (1989) on the socio-economic backgrounds of US immigrants from Mexican communities concluded that urban, well-educated, legal emigrants can be expected to be more engaged in social networks than their rural, less well-educated, illegal counterparts. Mixed evidence is also presented by Vertovec (2002) who argues that one cannot simply conclude that well-educated and highly-skilled emigrants tend to use mostly formal job search methods. High occupational emigrants widely use informal networks as well but they rely on "weak" networks of colleagues or organizations unlike low occupational emigrants who rely on "strong" kind-based networks (Vertovec, 2002). Mixed evidence thus often results from lack of data and different understandings of the concept of social networks.

### *2.3 Migration, remittances and economic development*

Migration, remittances and economic development are closely interconnected, complex and dynamic processes (Sorensen, 2007). In order to examine these inter-relationships, it is essential to clarify the concepts of remittances and economic development.

#### *Definition of remittances*

The international definitions of remittances are largely consistent. The International Organisation for Migration (IOM) broadly defines remittances as money transfers made by migrants to their countries of origin (IOM, 2006). In other words, remittances are considered as financial flows associated with migration (IOM, 2006). The International Monetary Fund (IMF) has for a long time defined remittances as current transfers by migrants who are considered as residents (they are expected to stay and work more than a year in the new economy) to residents in their country of origin (IMF, 1993). However, due to difficulty in classifying residents, the definition of remittances has been extended. The remittances are defined as the sum of personal transfers, net compensation of employees (net wages and salaries of non-resident migrants) and capital transfers between households and social benefits (IMF, 2005). Similarly, the World Bank uses an extended definition of remittances.

### *Concept of economic development*

The literature debates about what constitutes economic development have been numerous and have concurrently evolved with economic, political and social changes in the world. Until the 1950's, there was a widespread tendency to reduce the problems of development to economic problems. Therefore, the original theories of development were the theories of economic growth and transformation (Dube, 1988). Most of the models explaining economic growth and economic development consisted of three building blocks: productions, savings and labour (Kuhnen, 1987)<sup>16</sup>. Certain shifts in the development debates came in the 1950's and early 1960's with the introduction of modernization theory. Development was explained as a process of economic, social and political modernizations of the entire society (Kuhnen, 1987). Later on, in the 1960's and 1970's modernization theory came under the criticism of dependency theory and development began to be explained in terms of protectionism and reductions of trading barriers (Kuhnen, 1987). Finally, there was a neoclassical view of economic growth which called for competitive free markets and laissez-faire economics to guide the resource allocation and stimulate economic development (Todaro and Smith, 2006, pp. 120). This neoclassical view of development was also adopted by numerous international organizations, such as the World Bank, IMF, ILO, UNDP or UNCTAD (Todaro and Smith, 2006, pp. 120).

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<sup>16</sup> The literature presents several outstanding models of economic growth and their implications for development: Lewis's model of structural change and labour surplus, Harrod-Domar growth model or Solow's model of economic growth (Kuhnen, 1987).

The identification of economic development with economic growth came under the increasing criticism in the 1960's and 1970's. The scholars pointed out that developing countries did not experience much change in the living conditions of the masses of the poor in spite of the impressive growth figures in the post WWII period (Todaro and Smith, 2006, pp. 16). They came to the conclusion that development involved more than economic growth and changes in economic structures. The economic development came to be redefined in terms of the reduction or elimination of poverty, inequality and unemployment within the context of a growing economy (Todaro and Smith, 2006, pp.16)<sup>17</sup>. As a result, development began to be explained as redistributive justice and slogan "redistribution from growth" became a topic of development debates (Todaro and Smith, 2006, pp.16). Some scholars went even further in challenging the too narrow definition of development in terms of growth. For instance, Easterlin (1972) argued that the economic growth should not be the best interest of society because it did not make people more happy or satisfied. In addition, the importance of environmental costs of economic growth was emphasized and scholars called for "environmentally sustainable economic development" (Barbier, 1987; Mishan, 1971). Furthermore, there is Amartya Sen's vision of economic development which is a radical departure from earlier approaches to development. He argued that a country can grow rapidly, but still do badly in terms of literacy, health

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<sup>17</sup> As Dudley Seers further formulated, if all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result "development" even if per capita income doubled (Seers, 1969, pp 3-4)



expectancy and nutrition (Sen, 1999). As Amartya Sen (1999) put it, “Economic growth cannot be sensibly treated as an end itself, development has to be more concerned with enhancing the lives we lead and the freedoms that we enjoy”. Sen (1999) views development as an integrated process of expansion of substantive freedoms as freedom from poverty, famine, malnutrition or freedom from premature mortality. Freedom of choice or control of one’s own life is a central aspect of well-being because “functioning” – what a person does (or can do) with the commodities – not the availability of commodities is what really matters for status as poor or non-poor person (Sen, 1999). Functioning or “states of being” can range from elementary states (being nourished, going to school) to complex personal states and activities (participation, appearing without a shame) (Sen, 1999).

In general, most of the authors reached the conclusion that especially in the poorest countries, growth is a prerequisite for development while development involves more than just a growth. This alternative view of development led to the emergence of so called “social indicators” and construction of new indicator for measuring development – the Human Development Index (HDI)<sup>18</sup>. The index was first presented in the UNDP Human Development Report in 1991 and also influenced the World Bank’s

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<sup>18</sup> The HDI attempts to rank all countries on a scale of 0 (lowest human development) to 1 (highest human development) based on three goals or ends products of development: *longevity* (measured by life expectancy at birth), *knowledge* (measured by a weighted average of adult literacy and mean years of schooling) and *standard of living* (measured by real per capita income) (UNDP, 1991). The HDI has been refined in successive issues of Human Development Reports that are published periodically by United Nations Development Programme. For a critical review of HDI, see technical note in the Human Development Report published in 1993. For other survey, see also Sagar and Najam (1998) and Choudhary and Squire (2006).

perspective on the issue of development. Prior to the 1990's, the World Bank championed economic growth as the goal of development. Afterwards it asserted that development is about improving the quality of life which includes higher incomes but also better education, nutrition, access to health, less poverty, a cleaner environment, equality of opportunity, greater individual freedom and a richer cultural life. Development must therefore be conceived as a multidimensional process involving changes in the entire political, economic and social system of a particular society. The report also underlines that domestic policies and institutions held the key to successful development (UNDP, 1991).

In sum, the meaning of development has been constantly evolving and literature currently presents numerous definitions and explanations of development. I consider Amartya Sen's view of development as a key concept for understanding the developmental effects of migration-driven remittances. Linking economic to human development allows examining multiplier effects of remittances not only their direct income and employment generating outcomes.

#### *Motives for remitting*

The emigrants' incentives for remitting money have been numerous. These incentives can be grouped into two broad categories: an altruistic motive and a self-interest motive (Chami and Fischer, 1996). The altruistic model of remittance emphasizes the crucial role of family ties in determining remittance flows. The family ties in the form of mutual caring are a prime

motivation for remittances (Johnson and Whitelaw, 1974). The set of variables that determine the level of remittances includes economic data that describe the economic situations facing the immigrant and family and demographic data that describe the strength of family ties (Bougha-Hagbe, 2006; Chami et al, 2005; Grigorian and Melkonyan, 2008; Stark, 1991).

On the other hand, there are studies which avoid the issue of family ties and emphasize emigrant's self interest for remitting. Remittances are a result of deciding to invest in home country assets (Elbadawi and Rocha, 1992). However, it has been argued that a self-interest for remitting is still based on family because family is understood as a nexus of contacts and financial intermediary that is necessary for remitting (Agarwall and Horowitz, 2002; Gubert, 2002; Stark, 1991) The self-interest literature has identified several drivers behind remittances: (i) to receive inheritance (Hoddinott, 1994; Stark and Lucas, 1988); (ii) to relax capital constraints faced by the household members (Durand et al, 1996; Poirine, 1997); (iii) to accumulate wealth in the home country or to make specific purchase (Amuedo-Dorantes et al, 2005; Brown, 1997; Dustmann and Kirchkamp, 2001); (iv) to defray migration costs, to repay loans or education expenses (Brown and Connel, 1993; Lucas and Stark, 1985); (v) to pay for services provided by the household members such as taking care of the migrant's assets or relatives while the migrant is abroad (Rapoport and Docquier, 2005).

As one would expect, the altruistic and self-interest motives for remitting could have different implications for microeconomic behaviour of

migrants. While altruism is likely to result in more remittances being directed to poor households and primarily for consumption purposes, the self-interest motive is consistent with co-movement of relative's income and remittances and therefore more remittances channelled into the productive rather than consumption assets might be expected (Grigorian and Melkonyan, 2008). However, in reality, as many scholars argue, remittances are likely to be driven by a combination of these motives that vary in strength depending on societal and economic factors in particular country, characteristics of remitters and their families, exchange and interest rates or political risks (Amuedo-Dorantes et al, 2005; Dalen et al, 2005; Grigorian and Melkonyan, 2008; Russell, 1992). In the light of these debates, the hypothesis is stated as follows:

*H8: Various motives for remitting are likely to result in remittances being spent on consumptive as well as productive purposes.*

#### *Microeconomic effects of remittances*

The literature on microeconomic effects of remittances has basically focused on the impact of remittances on households' expenditures and labour-leisure allocation (Grigorian and Melkonyan, 2008). In many migrant-sending countries, movement is a household strategy aimed at improving not only the mover's prospects but those of the extended family as well. In return for supporting the move, the family can expect financial remittances that are vital in improving their livelihoods (UNDP, 2009). It has been generally recognized that the long-run impact of remittances on the receiving economies depends on

whether they are spent on consumption (unproductive remittances)<sup>19</sup> or investment (productive remittances)<sup>20</sup>, (Kireyev, 2006). This leads to the following hypothesis:

*H9: The developmental effects of remittances largely depend on utilization and allocation of remittances by remitters and their households.*

As regards the households' expenditures, most of the studies have found that up to 80 per cent of remittances are used for basic household consumption (Abadan-Unat et al, 1975; Dyer, 2006; Lipton, 1980; Vega, 1994; World Bank, 2007) and 5-10 per cent is used to invest in human capital such as education, health and better nutrition (Calero et al, 2008; Cox-Edwards and Ureta, 2003; World Bank, 2007; Yang, 2006). Third important turned out to be investments in land, housing and livestock, often seen as future assets of the emigrants themselves (Adams, 1998). Smaller portions of remittances are spent on socio-cultural events, for loan repayments, savings and only little is invested in employment and income generating activities other than agriculture and livestock (Sander, 2003; Suro 2003; World Bank, 2007) In general, it has been recognised that remittances help to ease the budget constraints of the recipients allowing them to increase consumption of both durables and non-durable goods. Studies have concluded that as

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<sup>19</sup> The purpose of unproductive remittances is to maintain or perhaps improve the standards of living of the household. They are used to cover the basic subsistence needs (food, clothing, and housing) and to substitute for, or improve, household access to public services such as health, education and social security. They act as a source of income (Goldring, 2003)

<sup>20</sup> Productive remittances are used for income and employment generating activities such as buying land, starting a business and other activities with multiplier effects. They act as savings of the household (Russell, 1986)

households' consumption and investments aggregate to national level, remittance flows from a micro-perspective should have a positive impact on growth, poverty and development (Kireyev, 2006). However, studies vary as to how much of remittances are actually used for productive purposes.

Durand and Massey (1992) carried out study in Mexico and found that the relative share of remittances on production, although always less than 50 per cent, fluctuated considerably from one place to another and often reached substantial levels. Remittances enabled many communities to overcome the capital constraints and to finance public work projects such as parks, churches, schools, electrification or road constructions (Golding, 1990, Massey et al, 1987; Reichert, 1981). Other studies reported that remittances have been channelled into the capitalization of migrant-owned businesses. Escobar and Martinez (1988) for example found that 31 per cent of immigrants surveyed in Guadalajara in Mexico used U.S. savings to set up a business. Dustmann and Kuchkamp (2001) found that 50 per cent of returning Turkish immigrants from Germany started their own microenterprises. The figures for other labour-exporting countries are lower, for example in Albania, 17 per cent of invested capital comes from remittances (Kule et al, 2002, Sandei, 2003) and in Greece it is only 4 per cent (Glytsos, 1993).<sup>21</sup> The rate of investments into the productive activities varies among countries what reflects the actual political stability and economic policy in particular country (Kireyev, 2006) as well as personal assets of immigrants and their relatives such as literacy and

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<sup>21</sup> For other studies, see for instance Adams (2007), Brown (1994), Durand et al, (1996), Ilahi (1999), Ledesma and Piracha (2004), Mesnard (2004), Muent et al (2001), Rozelle et al, (1999), Taylor et al, (2003), Yang, (2006), Zarate-Hoyos (2004).

entrepreneurial skills (Adams, 1998; McCormick and Wahba, 2001). Given these evidences, the hypothesis is stated as follows:

*H10: Remittances are productive source of capital for development.*

In contrast, others have argued that remittances are absorbed into the immediate consumption and rarely finance production investments (Ahlburg, 1991; Ahlburg and Brown, 1997; Caceres and Saca, 2006; Lipton, 1980; Lucas, 1987; Massey et al, 1987; Reichert, 1981; Russell, 1992). It is explained by the fact that the same unfavourable circumstances and welfare constraints that lead to emigration dampen the productive use of incoming remittances (Ahlburg, 1991; Connell, 1980). Remittances provide households primarily with insurance and do not allow engagement in riskier income-generating investment activities (Stark and Levhari, 1982). Similarly, Lipton (1980) argues that “everyday” consumption needs absorb 90 per cent or more of village remittances and investments are therefore the last priority for remittances. Remittances rather create a consumption society, where productive economic activities hardly exist (Prasard, 2003). Given these facts, the following hypothesis is:

*H 11: Remittances are unproductive source of capital for development.*

The second strand of literature on micro-economic effects of remittances deals with a concern whether the regular and large sums of remitted money cause any changes in labour supply and participation decisions of remitters’ families. Several findings are presented in literature: (i)

remittances reduce formal sector work and self-employment of men and increase informal sector work (Amuedo-Dorantes and Pozo, 2006); (ii) remittances are negatively correlated with child labour (Acosta, 2006; Calero et al, 2008; Yang, 2004) and female labour supply (Amuedo-Dorantes and Pozo, 2006; Hanson, 2005; Konica and Filer, 2005); (iii) remittances are associated with fewer hours of work (Airola, 2005); (iv) remittances develop a culture of dependence which does not favour employment and self-initiative of immigrants' dependants (Azam and Gubert, 2006; Bagasao, 2004; Zachariah et al, 2001). On the other hand, there are studies arguing that: (i) as a result of increase in remittances, the work hours of migrant households are higher and in some cases even the hours worked in self-employment rise (Booth and Tamura, 2009; Funkhouser, 1992; Thapa, 2008; Yang, 2006); (ii) remittance income has no significant or “neutral” effects on labour force participation decisions (Cox-Edwards and Rodriguez-Oreggia, 2009; Drinkwater et al, 2003). Since previous studies indicate mixed results concerning the effects of remittances on labour-leisure allocation, the hypothesis is stated as follows:

*H12: The regular and large sums of remitted money may cause some changes in labour supply and participation decisions of remitters' families.*

#### *2.4 Conclusions and implications for the study*

To summarize, it has been widely recognized that social networks play an important role in understanding the contemporary migration process as the world has become increasingly interconnected in the transnational social



spaces and fields. The literature presents numerous debates about positive as well as negative externalities of social networks. However, research on social networks is limited when it comes to the factors explaining migrants' decisions to participate in the social networks structures and extent to which this participation improves the well-being of migrants. It has been widely accepted that there is still a need for comparative research into the factors that determine whether or not migrants engage in transnational social networks, whether they integrate into the new societies and to what extent it is influenced by forms and conditions of movement, context of reception in destination countries or by personal characteristics of migrants (Sorensen, 2007). A research is even more limited when it comes to the understanding of social networks as one of the job search mechanisms used by potential emigrants. Most of the standard empirical job search literature has looked at job search behaviour in the general population and has paid little attention to the issues of ethnicity or migrant status (Frijters et al, 2003; Tayen and Böheim, 2002). The research on the emigrants' job search mechanisms is far from being completed, especially in terms of determinants that influence emigrants' choices for particular job search mechanisms.

The goal of this study is to contribute to the literature debates about migration and fill the gaps particularly on the relevance of social networks in influencing the contemporary job search and migration processes. More precisely, the ambition of this study is to examine social networks as a pull factor influencing the likelihood of migration. In addition, formal and informal

job search mechanisms of potential emigrants are analyzed. Particularly, the study intends to provide detailed information on the job search mechanisms of emigrants and their variations with the emigrants' socio-economic characteristics.

This study understands the decision to migrate as an individual strategy how to improve the incomes and livelihoods of emigrants and their families left at home. For the purpose of this study, both economic and non-economic factors influencing the decision to migrate are taken into consideration. The study understands lack of jobs and opportunities as the main important “push factor” of emigration operating in the Bardejov district in Slovakia. However, for some families poor housing and nutrition may also be considerable driving forces of emigration. As regards the “pull factors” of emigration, this study considers prospects of better jobs, education, security and social networks as conditions that may attract people to migrate.

In addition, a social networks perspective on migration is taken into account. For the purpose of this study, social networks are understood as social relations based on kinship, common ethnic origin as well as relations that one has with co-workers, neighbours or passing acquaintances. Social networks are viewed as dynamic structure where emigrants' personal characteristics play a crucial role in determining whether or not the emigrants participate in transnational social networks and decide to follow the migration journey of previous emigrants. Different categories of potential emigrants can have different opportunities to access and use social networks for securing their emigration abroad.

Secondly, the study analyzes various job search mechanisms used by potential emigrants. The process of job search is viewed as the process that precedes migration. For the purpose of this study, various formal and informal job search mechanisms of emigrants from the Bardejov district are examined in order to identify the most effective mechanism that secures emigration from the district. In addition, numerous socio-economic characteristics of emigrants are taken into account in order to demonstrate how the use of different job search mechanisms varies with the emigrants' personal characteristics. The study intends to identify the most influential variable that preconditions emigrants' participation in social networks or other job search mechanisms.

As regards the impacts of remittances on economic development, as there is no single definition of economic development, there is no single strategy, policy or program for achieving successful economic development. Communities differ in their geographic, economic and political strengths and weaknesses and therefore each community has its unique set of challenges for economic development. The issues of remittances and development must therefore be studied in concrete situation and numerous variables need to be considered in order to claim that remittances are productive or unproductive source of capital for development. The positive contribution of remittances to households' welfare and living conditions is now well recognized in the literature. However, the actual multiplier effects of remittances beyond the remittance receiving households still need to be explored. The evidence is also mixed when it comes to a concern whether remitted money causes some changes in labour supply and participation decisions of remitters' families.

The purpose of this study is to enrich the theoretical and empirical evidence on remittances and development by revealing the remittance patterns in a developed country unlike the numerous studies conducted in developing countries. The study intends to present a unique data set on remittance flows from a region and country that has not been subjected to any research investigation so far. The goal is to study development as human development that encompasses economic, social and political changes in migrant-sending communities. Finally, the study intends to contribute to mixed evidence on the effects of remittances on labour supply and participation decisions of remitters' families.

For the purpose of this study, the broad definition of remittances presented by IOM is applied. Remittances are understood as money transfers made by migrants to their countries of origin as only data on total money transfers are available from research. As regards the meaning of the concept of development, Amartya Sen's perception of development seems to be the most appropriate way how to study the impact of remittances on economic development in the Bardejov district in Slovakia. Linking economic development to human development allows examining multiplier effects of remittances not only their direct income and employment generating outcomes. It demonstrates how remittances affect sending communities as a whole, but also how they affect migrants and their families, how they affect equity and inequality in social and economic opportunities, institutional changes, and people's ability to meet basic human needs or how remittances

increase people's capabilities, sense of self-respect, emancipation and freedom of choices.

In addition, for the purpose of this study, the models explaining money transfers are analyzed in order to understand reasons why migrants remit their earnings. The identification of reasons is crucial as the reasons people have for remitting will further influence the size of remittances as well as their allocation and further impacts on economic development. The study understands that the altruistic and self-interest motives for remitting have different implications for economic behaviour of migrants and their dependants left at home. However, the study acknowledges that the combination model is the most relevant approach how to study the reasons for remitting. As emigration is driven by various factors, one can also expect various reasons for remitting and various implications for development.

As regards the impacts of remittances on the receiving economies, the study recognizes that the long-run impact of remittances depends on whether they are spent on consumption (unproductive remittances) or investment (productive remittances). However, this widely acknowledged recognition brings about different microeconomic and macroeconomic implications. For the purpose of this study, only debates on microeconomic implications are taken into account as the study intends to study the impacts of remittances on migrant households' expenditures and labour-leisure allocation. On the basis of remittance utilization and allocation made by remitters and their families, the study then examines the contribution of migration-driven remittances to economic development and labour supply in the Bardejov district in Slovakia.

### **CHAPTER III:**

#### **DATABASE AND METHODOLOGY**

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This chapter discusses the methodology and data used in the study. The chapter is divided into two sections. The first section discusses the database and the following section reveals the methodology adopted in the study.

##### *3.1. Database*

The study uses both primary and secondary data. Considering secondary data, published data on the global migratory patterns are available from the United Nations Population Division and this provides the most comprehensive source of information on the international migration stocks for a period of 1960-2005 (UN Department of Economics and Social Affairs, 2006). Besides, aggregate data of various international organizations dealing with the issue of migration such as the World Bank, IMF, IOM, EU and Organisation for Economic Cooperation and Development (OECD) were used to understand the global and regional migratory patterns. In addition, a number of researchers have contributed to this database by revealing various aspects of migration.

Despite the attempts of international organizations, national authorities and individual researchers, high quality data on the bilateral migrant stocks are available only for a few advanced countries in the world. The quality of data collected on the bilateral migration is as good (or bad) as the population

census of different countries (World Bank, 2008). Preliminary efforts to estimate bilateral migration data include Harrison and others (2004), the University of Sussex data, the Development Prospects Group and World Bank data (Ratha and Shaw, 2007).

Data on the Slovak migratory patterns are very scanty and insufficient. For the purpose of this study, aggregate data compiled by Slovak Statistical Office, Regional Statistical Office in the Prešov region, Social Insurance Company and Ministry of Labour, Family and Social Affairs were used. Despite the fact that it is legally binding for each citizen to inform the respective authorities (local Social Insurance Company or local Labour Office) about the intention to move within the country or outside the country, many people do not fulfill this obligation. There are two basic explanations, namely, they plan to work abroad illegally or they do not want to give up on their unemployment benefits while working abroad. Consequently, presented data on emigration in Slovakia are just rough estimations with the considerable divergences from the international migration sources<sup>22</sup>. Moreover, data on the particular aspects of emigration as for instance, regional

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<sup>22</sup> According to the statistics published by Slovak Statistical Office in 2006, labour migration in Slovakia is 168,000 inhabitants (Divinský, 2007). On the other hand, the European Job Mobility Portal and the IMF staff calculations show that the actual number of emigrants should be about 25 per cent higher, reaching almost 230,000 (EURES, 2006; IMF, 2007). In addition, there are World Bank data estimating that Slovakia accounted for 520,962 emigrants in 2006 (Ratha and Xu, 2008). These divergences in data on emigration in Slovakia are caused by various factors. First of all, the issue of migration in Slovakia is still at the periphery of societal dialogue. There is a lack of surveys, analysis or large-scale studies that would improve the statistics on migration in Slovakia. Secondly, there are objective factors such as heterogeneity of current migration channels, lack of reliable and comparative data on international migration, confliction of methodology used for registration of migrants within the countries and variations of the duration threshold that identifies migrants from country to country (Lemaitre et al, 2006; OECD, 2006).

outflow of labour force or remittance flows are completely missing in the national database.

This study predominantly used data gathered by Divinský (2007) that provided the estimated number and profile of immigrants and emigrants in Slovakia. The study of Bijak and Kupiszewski (2004) presented a historical perspective of emigration from Slovakia. Katuščák (2006) and Kostolná (2006) helped with data on the stimulus of emigration and the destination countries of emigrants from Slovakia. Finally, data on the emigration of educated people were collected by Slovak Sociological Institute and by Baláž, Kollár and Williams (2004).

In addition to data on migration, the study uses data on the economic, demographic and labour force developments in Slovakia and the Bardejov district. Data are accessible in various documents, articles, studies, analysis and reports of the individual researchers, Slovak Statistical Office, Regional Statistical Office, Ministry of Labour, Family and Social Affairs, National Bank of Slovakia, Ministry of Finance, Social Insurance Company and the Labour Office. The databases of international authorities like the EU, OECD, IMF and the World Bank are also used in this study.

The study is primarily based on data obtained during the survey conducted in the Bardejov district in Slovakia in February and March 2009. The choice of the Bardejov district in Slovakia as a case study was purposive. It is a “lagging” region with high level of unemployment, low wages and high poverty. The Bardejov district experiences the 5<sup>th</sup> highest unemployment rate in the Prešov region (19.07 per cent in 2009) and compared with the other



districts in Slovakia it ranks 65<sup>th</sup> out of 79 districts in the country (The Head Office of Labour, Social and Family Affairs, 2009). Consequently, the region experienced a significant outflow of labour.

However, as it has been already outlined, data on regional emigration from Slovakia are very scanty and only overall trends in migration are available. Nevertheless, Slovakia has a rich system of recording (legally binding) the movements of its inhabitants within and outside of the country. The local authorities (Social Insurance Company and Labour Office) are assigned to register these movements in order to make any necessary changes in the social welfare schemes of these residents. On the basis of these records, the Social Insurance Company in the Bardejov district registered approximately 3,000 residents legally working abroad in 2008. These emigrants come under the international definition of long-term migrants – “persons who move to a country other than that of his or her usual residence for a period of at least a year” (UN Statistics Division, 1998). These emigrants were given numbers consecutively. Using the random number tables, a sample of 40 emigrants was selected for the investigation. Subsequently, the names and addresses of selected emigrants were obtained from Social Insurance Company. This random sample constitutes slightly more than 1.33 per cent sample of all emigrants from the Bardejov district.

The second phase of research comprised the separate interviews with the emigrants or their relatives in case the emigrants were not home at that time. The interviews were administered through the structured questionnaires (see Appendix 3.1) regarding the emigrants’ characteristics such as age,

marital status, education level, occupation profile, total income, remittance flows and patterns of their expenditures, migratory network characteristics. Written consent was obtained from survey participants before the start of interviews. The interviews were voluntary in nature and no compensation was offered. The participants were aware of the academic character of investigation and were provided with the details about the research. They were informed that the research was conducted under the ethics rules of the University of Northern British Columbia in Prince George and they received the contact details in case there were any issues or concerns.

It is important to note that the interviews were held only with the households whose members have fulfilled their obligation of informing the local authorities about their intentions to change their place of residence. On the contrary, there has been a considerable part of emigrants who failed to announce their changing status. Consequently, the official number of registered inhabitants working abroad may not be fully representative and can underestimate data. Data might be even richer in terms of diversity of emigrants and their socio-economic backgrounds. The author's field work and the discussions with the local officials and community put these undocumented emigrants to the extent of 30-40 per cent of the reported figures.

Secondly, not all of data were obtained directly from the emigrants as they were not in home town during the research. The information received from the relatives of emigrants could also affect the reliability of data as sensitive questions relating to their incomes, remittance spending and their

overall well-being were asked. In order to avoid this possibility, data were cross-checked with the other stake-holders in the Bardejov district. Emigrants' occupational status and the average income prior to emigration were double checked with statistics collected by local Social Insurance Company and Labour Office.

### *3.2. Methodology*

The study uses both quantitative and qualitative methods. As regards the methods of secondary data collection, internet search, library search and indexing were primarily applied. In addition, data collections of various national and international organizations, newspapers, journals and other similar periodicals were used. The collection of secondary data from what the others have written and expressed on the issues of migration, remittances and development provides for valuable insights and understandings of these complex phenomena. Moreover, it allows breaking down the existing theories and findings and making comparisons on what has been done and what still needs to be done to address the research questions. The overall advantage of secondary data in research is their flexibility and heterogeneity as data are collected from various sources. On the other hand, researcher has no control over the credibility and quality of data collected from secondary sources.

The collection of secondary data was carried out with a wide range of tools and strategies. The study takes on the characteristics of the descriptive, causal and explanatory research strategies that were useful in helping to meet

the varied requirements of research. The descriptive strategy helps to understand the migratory patterns in Slovakia and the Bardejov district. On the other hand, the causal and explanatory approach defines the factors and variables that cause emigration in Slovakia. More precisely, it is the unfavourable economic and social development characterized by high unemployment, inequality, low wages and huge regional disparities. The statistics are supported by various graphs, tables and simple data analysis. In general, these strategies are useful for the purpose of this paper as they enable to understand the scope and determinants of research problem.

Research for this study leans primarily on the direct communication method. The personal, face to face interviews were conducted with the use of questionnaires. The respondents were asked the factual questions relating to their gender, age, marital status, education, occupation, income prior and after emigration, job search strategy and remittance behaviour. In addition, the questions about the subjective experiences were posed to obtain the respondents' opinions on the relation among migration, local policy and development. Basically, two types of question structures were adopted: close-ended and open-ended questions. The questions did not force the respondents to adapt to preconceived answers or to accept the alternatives that would not otherwise come to their mind. This research method allows the direct interaction with respondents, control of the interview situation, high response rate and the additional collection of data.

To conclude, a case study supported by personal interviews is the most suitable research design and method to achieve the objectives of this study.

The aim of study is to describe the migratory and remittance patterns in the Bardejov region in Slovakia. A case study allows an in-depth examination and exploration of the above mentioned issues on one specific group and at one point in time. In addition, the scope of the questionnaire is narrow and reveals data specific to research question which is the most valuable asset for researcher. As no research design is perfect, there might exist some limitations, particularly in terms of data and behaviour of respondents. In addition, the study is concentrated on a single unit of analysis (emigrants from the Bardejov district) and therefore it might be difficult to generate the results for other regions in Slovakia or other countries.

## CHAPTER IV:

### SLOVAKIA

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This chapter provides a brief overview of Slovakia's economic performance and labour market developments in recent periods. The chapter is divided into three sections. The first section describes the country's political and economic transformation, its macroeconomic trends with a special emphasis on the economic situation in the main Slovak regions and the Bardejov district. The second section illustrates the demographic and labour force development in Slovakia and the Bardejov district. Finally, the third section contains the characteristics of country's migratory patterns as well as migration trends in the Bardejov district.

#### *4.1. Macroeconomic developments in Slovakia, 1989-2008*

Slovakia was established on January 1, 1993 with the peaceful dissolution of the Czech-Slovak Federal Republic<sup>23</sup>. The dissolution basically originated in the political disputes about the conduct of transformation policy after the collapse of communism in Czechoslovakia in 1989 (Koves, 1992). The country's new Prime Minister Mr. Václav Klaus moved quickly to address serious economic problems in Czechoslovakia by dismantling socialist economic policies and introducing the "Economic Reform Scenario"

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<sup>23</sup> The newly established Czech and Slovak Republic maintained a customs union and guaranteed free movement of workers. However, the monetary union was dissolved soon after the separation of unitary state (Koves, 1992)

perceived by many opponents as the “shock therapy” transition strategy (Campos and Horváth, 2006; Švejnar, 2002). In essence, the transition reforms in 1991-1992 included liberalization of prices, establishment of private entrepreneurship, privatization of many state assets, opening of the economy to foreign trade and capital and demilitarizing of economy<sup>24</sup> (Koves, 1992). However, this new policy strategy brought about different costs and benefits for the Czech and Slovak economy. The Czech Republic with its population of 10 million accounted for 72 per cent of federal GDP<sup>25</sup> and attracted 92 per cent of FDI<sup>26</sup>. In contrast, Slovakia with a population of 5 million accounted for 28 per cent of combined GDP and attracted only 8 per cent of federal FDI. The unemployment rate in Slovakia reached 12.7 per cent in 1992 compared with 4.4 per cent in the Czech Republic (Koves, 1992). As a result, the polarization of society had deepened in both economic and political terms. On the one side, there was Mr. Vladimír Mečiar’s call for maintenance of an important role of the state as a solution to economic problems caused by free market reforms. On the other side, there were the proponents of free market policies, advocating the reduced role of government in the economy (Hoen, 1998). The elections of 1992 which brought about the victory of Mr. Vladimír Mečiar in Slovakia and Mr. Václav Klaus in the Czech Republic reflected the growing split between two states. Both leaders agreed to form a federal government on the principle of equal power-sharing but the strategies on

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<sup>24</sup> The closing down of heavy weapons production led to the economic setback of Slovakia which was heavily dependent upon this part of military sector. By 1991, the value of the arms trade had fallen from US\$8 billions to US\$1 billion (UNIDO, 1992)

<sup>25</sup> The federal GDP means the GDP of the Czech-Slovak Federal Republic

<sup>26</sup> The federal FDI flows accounted for US\$600 mil in 1992 (UNIDO, 1992)

economic reforms remained divergent. Under the continuing economic pressures, Slovakia declared itself a sovereign state in July 1992. Later on, in November 1992, the federal parliament voted to officially dissolve the country on December 31, despite polls indicating that the majority of citizens opposed a split<sup>27</sup> (Hoen, 1998). On the basis of this highly political decision, the independent Slovak Republic was established on January 1, 1993.

After the creation of independent Slovak state, a “gradual strategy” of transformation was followed (Kolodko, 2000). The Slovak Republic left the path of transformation being followed by other Central European countries and halted political and market reforms. Consequently, the country witnessed hard economic times during the first years of independence (see Table 4.1).

**Table 4.1: Trends in Economic Indicators in Slovakia: 1993 – 1998**

		1993	1994	1995	1996	1997	1998
Nominal GDP		1 9	6 2	5 8	6 9	4 4	4 4
growth (%)							
Government deficit (% of GDP)		not available	-8 8	-3 4	-9.9	-6 3	-5 3
Nominal inflows of FDI (mil \$)		not available	273	241	396	231	707
Inflation (%)		15 4	13 4	9 9	4 2	6 2	5 1
Unemployment rate (%)		not available	13 7	13 1	11 3	11 9	12 7

*Source: OECD Factbook, 2009*

Note Table was compiled by author, using OECD online data.

Nevertheless, the economic growth in Slovakia was relatively high compared with other transitional countries in the region<sup>28</sup>. The economic

<sup>27</sup> In 1992, a poll found that 49 per cent of Slovaks and 50 per cent of Czechs were against the dissolution of federation. In addition, the poll also showed that 41 per cent of Czechs and 49 per cent of Slovaks said that the question should have been put to a referendum (Hoen, 1998).

<sup>28</sup> The economic growth of the Czech Republic 2.2 per cent (1994) and -0.8 per cent (1998). The economic growth of Hungary 2.9 per cent (1994) and 4.9 per cent (1998). The economic growth of Poland 5.3 per cent (1994) and 5.0 per cent (1998) (OECD Factbook, 2009)



growth and employment in Slovakia were boosted through increased government expenditures and international loans (Kolodko, 2000). In 1995, the international indebtedness of Slovakia reached US\$6.3 milliards and peaked in 1998 (US\$11.9 milliards) (NBS, 2009). A significant proportion of international debts were covered by Slovak government. However, the government failed to effectively use these financial sources for economic activities that would generate good returns on these investments (Kolodko, 2000).

The public policy of Slovakia with regard to political and economic reforms was de facto restrictive. A more pragmatic view gradually emerged as a result of the external political pressures of international organisations, particularly the EU and the IMF. As a result, the special safeguard in the field of democratization and violation of human rights was ensured by the new Association Agreement<sup>29</sup> with the EU in 1993. Additionally, as part of the conditionality of IMF loans, the Slovak government was forced to keep the government deficit at the level of 5 per cent of GDP in order to qualify for further assistance (Heenan and Lamontagne, 2000). In 1995, Mečiar's government kept the limits set by IMF and reached the most significant step in the Slovak transformation policy (see Table 4.1). However, this was not the case in the field of privatization that was the subject of political patronage and

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<sup>29</sup> The association agreement help prepare the country for candidacy and eventual membership. By signing the agreement, the countries are directed to comply with the principles of democracy, respect for human rights and fundamental freedoms and the rule of law through the mechanisms of political dialogues and observations (Heenan and Lamontagne, 2000)

“tunnelling”<sup>30</sup>. Vladimír Mečiar’s domestic policy became the decisive factor in worsening the Slovakia’s image to the outside world, especially with regard to the Slovak ambition to launch its integration in the Western institutions (Bútorá, 1997).

The Slovak government, as one of the first regional governments, officially presented its application for the EU membership in June 1995. However, the Slovak government and particularly Prime Minister Mr. Vladimír Mečiar were reluctant to accept the strict political and economic guidelines set by the EU. Consequently, in 1997 the EU turned down Slovakia’s application to begin negotiations on full membership and restated the same decision in November 1998, citing the poor consolidation of democracy as the principal reason.<sup>31</sup> Because of the important role the EU plays in the international support for Central Europe region, Slovakia found itself internationally isolated. Consequently, foreign capital flows started to significantly diminish. As compared with other transitional countries in the region, Slovakia accounted for 3 per cent of the total inflow of FDI<sup>32</sup> to Central Europe while Poland attracted 51 per cent, Hungary 29 per cent and the Czech Republic 17 per cent in 1997 (Bútorá, 1997).

As a result, during the 1998 parliamentary election, the question of international isolation of Slovakia became the focal point of political debates

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<sup>30</sup> The term “tunnelling” is used to describe the privatization during Vladimír Mečiar’s government when the wealth of public strategic enterprises and funds were removed in favour of friends and political allies of Prime minister (Kolodko, 2000). The term is mostly used in the Central and Eastern European literature.

<sup>31</sup> The prerequisites – “Copenhagen criteria” for entry include a functioning market economy, existence of democratic institutions and respect for ethnic minorities (Kolodko, 2000).

<sup>32</sup> The total inflow of FDI accounted for \$US 46.3 billion in 1997 (Bútorá, 1997).

in Slovakia. The elections witnessed the victory of center-right democratic forces led by Mr. Mikuláš Dzurinda. The fundamental economic and political reforms also known as “integration reforms” were launched in order to ‘catch up’ the economic development in the neighbouring countries. The new government was primarily concerned with reinforcement of democratic principles and stabilization of the economy in Slovakia (Kollár and Mesežnikov, 2002) (see Appendix 4.1). As it is evident from Table 4.2 the “integration” reforms brought about modest improvement of macroeconomic indicators.

**Table 4.2: Trends in Economic Indicators in Slovakia: 1999 – 2002**

	1999	2000	2001	2002
Nominal GDP growth (%)	not available	1.4	3.4	4.8
Government deficit (% of GDP)	-7.4	-12.3	-6.5	-8.2
Nominal inflows of FDI (mil. \$)	429	2383	1584	4144
Inflation (%)	7.4	9.4	5.0	3.9
Unemployment (%)	16.3	18.8	19.3	18.7

**Source:** *OECD Factbook 2009*

Note: Table was compiled by author, using OECD online data.

However, the fresh wave of economic reforms enhanced the economic growth of Slovakia (see Table 4.2). In 2002, Slovakia witnessed for the first time in its history the highest economic growth in the Central Europe region<sup>33</sup>. The government successfully decreased interest rates and stabilized the exchange rate which resulted in significant improvement of business environment and revival of FDI flows, particularly in 2002 (see Table 4.2). In

<sup>33</sup> In 2002, the economic growth in the Czech Republic was 1.9 per cent, in Hungary 4.1 per cent and in Poland 1.4 per cent. The average GDP growth of the OECD countries was 1.6 per cent in 2002 and that of the EU countries was 1.2 per cent in the same year (OECD Factbook, 2009).

addition, the inflation rate significantly dropped in 2002 to 3.9 per cent which was the lowest figure in the entire history of Slovakia (see Tables 4.1, 4.2). As Table 4.2 reveals, even the government deficit was marginally reduced due to the increased receipts from continuing privatization. In contrast, the unemployment rate sharply increased compared with previous years as the employment programs of prior government were halted (Kollár and Mesežnikov, 2002).

Despite the moderate economic outcomes, the country gradually regained the credibility of Western countries. Slovakia became a member of the prestigious economic club – the OECD in 2000. Moreover, the only open question in relation with the EU membership remained the results of 2002 elections. Under the warning of the EU authorities not to support country's membership in the EU in case of former Prime Minister Mr. Vladimír Mečiar's victory, Slovak citizens confirmed the government of center-right coalition despite the dissatisfaction with the outcomes of previous electoral term. They chose the path to the EU as an alternative to the isolation (Kollár and Mesežnikov, 2002). The elections of 2002 enabled the country's Finance Minister Mr. Ivan Mikloš to implement a new economic package of "systematic reforms", commonly known as the "shock therapy" because of its radicalism and rapidness that went beyond the demands of the EU for its newcomers. Significant changes in the tax policy, labour relations, social benefits, pensions and state administration have made Slovakia a regional reform leader – "tiger of Central Europe" (Mikloš, 2005). The implementation of "systematic reforms" resulted in a sharp improvement of macroeconomic

indicators. As Table 4.3 demonstrates, the year 2006 was already the 4<sup>th</sup> consecutive year in which the high rate of economic growth was combined with favourable macroeconomic stability thus proving the proper directions of economic policies in the country (Okáli, 2006). Moreover, in 2007, the country witnessed a record-breaking growth rate of gross domestic product in its history – 10.4 per cent (see Table 4.3). This figure represented the highest rate of this indicator within the entire OECD and EU-27 countries in 2007<sup>34</sup> (Eurostat, 2009, OECD Factbook, 2009).

**Table 4.3: Trends in Economic Indicators in Slovakia: 2003 – 2008**

	2003	2004	2005	2006	2007	2008
Nominal GDP growth (%)	4.7	5.2	6.5	8.5	10.4	6.4
Government deficit (% of GDP)	-2.7	-2.3	-2.8	-3.5	-2.0	-2.2
Nominal inflows of FDI (mil. \$)	2161	3033	2427	4175	2867	3400
Inflation (%)	5.3	5.9	2.4	2.9	1.1	2.2
Unemployment (%)	17.6	18.2	16.3	13.4	11.1	9.6

**Source:** *OECD Factbook 2009, Slovak Statistical Office 2009*

Note: Table was compiled by author, using OECD and Slovak Statistical Office online data.

In fact, the prime engine of capacity and output growth in Slovakia has been the increased flows of FDI in the export manufacturing sector. In 2006, Slovakia recorded historically the highest inflows of FDI which were spurred by attractive corporate income tax of 19 per cent<sup>35</sup> (Okáli, 2007). The tax reforms have quickly changed the profile of Slovakia from being an outsider towards the “Hong Kong of Europe” or “Detroit of Europe” due to the

<sup>34</sup> The average GDP growth of the OECD countries was 2.6 per cent in 2007 (OECD Factbook, 2009). The average GDP growth of the EU-27 countries was 2.9 per cent in 2007 (Eurostat, 2009).

<sup>35</sup> For a comparison, the corporate income taxes in Germany (26.4 per cent), France (35.4 per cent) and the Czech Republic (28.0 per cent) are significantly higher than in Slovakia (Moravay 2005).

massive flows of FDI into the automotive industry which constituted nearly one-third of the country's GDP in 2006 (Okáli, 2007). The fiscal and monetary reforms also contributed to the overall macroeconomic stability of the Slovak economy. The inflation rate has decelerated since 2004 due to the lower growth of regulated prices, deregulation of prices on the EU level, stable indirect taxes and the absence of pressures on consolidation of exchange rate (see Table 4.3) (Šramko, 2008). At the same time, the public finance deficit has fallen for the first time below 3.0 per cent of GDP (with the exception of year 2006 due to the additional expenses for introducing new pillar of the pension system) thus matching one of the key criteria to enter the Euro zone (see Table 4.3, Table 4.4). The unemployment rate has dropped since 2004 though still remaining rather high from international view point (see Section 4.2 for more details), (Okáli, 2007).

In essence, the Slovak economy has continued in good economic trends from previous years. The positive economic outcomes accompanied by political stability in Slovakia have resulted in successful integration in the international structures. Slovakia was invited to NATO in March 2004, successfully fulfilled Copenhagen criteria and joined the EU on 1<sup>st</sup> May 2004. The process of transferring its political and economic sovereignty peaked in July 2008 when the EU Council gave its green light to the adoption of euro in Slovakia on January 1<sup>st</sup> 2009. Slovakia reached the convergence criteria commonly known as "Maastricht criteria" and became the 16<sup>th</sup> member of the European monetary union (see Table 4.4) (Šramko, 2008).

**Table 4.4: Maastricht Criteria and Slovakia in 2008**

What is measured?	How is it measured?	Convergence criteria	Reference value	Slovakia
Price stability	Inflation rate	Not more than 1.5% above the rate of the 3 best performing member states	3.2%	2.2%
Sound public finances	Government deficit as % of GDP		3%	2.2%
Sustainable public finances	Government debt as % of GDP		60%	29.4%
Durability of convergence	Long-term interest rate	Not more than 2% above the rate of the 3 best performing member states	6.5%	4.5%
Exchange rate stability	Deviation from central rate	Participation in ERM II for at least 2 years		November 2005

Source: Šramko, 2008

On the other hand, there are some social consequences of this reform process. First of all, labour market outcomes have considerably lagged behind the GDP growth (Okáli, 2007). As Table 4.5 shows, during the first years of Slovak independence in 1994-1996, the employment rate rose in parallel with the GDP growth. However, since 1998 and implementation of “integration reforms” employment had decreased by 2.8 per cent in 2002. The continuation of reform process in 2002 has brought about robust economic growth but still rather moderate increase of employment (see Table 4.5). This results from an unfinished labour reallocation, as the job destructions in many old economic sectors have outpaced the job creations in new areas<sup>36</sup> (Okáli, 2007).

<sup>36</sup> Three factors still hinder progress in employment of transitional countries. First, it was the loss of traditional Eastern European export markets caused by the collapse of communism in 1989. Secondly, employment in Slovakia considerably suffered from the closure of armament and heavy equipment industry in 1990s. Thirdly, in the pre-transition years, all men and women in the working age were formally employed under a full-employment policy based on the principle “duty to work”. This hidden unemployment thus resulted in high unemployment in the reform periods in Slovakia (Boen, 1997; Boen and Flinn, 1999).

**Table 4.5: GDP Growth (in %), Employment Rate (in %) and Average Wage (in euro) in Slovakia: 1994-2008**

	1994	1996	1998	2000	2002	2004	2006	2008
Nominal GDP growth	6.2	6.9	4.4	1.4	4.8	5.2	8.5	6.4
Employment rate	59.8	61.9	60.5	56.9	57.7	57.0	59.4	60.2
Average wage	not available	270,66	332,03	379,40	448,48	525,29	622,75	723,30

**Source:** *OECD Factbook, 2009; Slovak Statistical Office, 2009*

Note: Table was compiled by author, using OECD and Slovak Statistical Office online data. The employment rates in the Table 4.5 do not match with the unemployment rates in Table 4.3 as in addition to employed and unemployed; there are also pensioners, people working abroad and young population in the age of 0-15 years.

Moreover, the employment opportunities have been unequally distributed within the regions of Slovakia (see Table 4.6).

**Table 4.6: Regional Variations in Economic Characteristics of Slovakia in 2007**



Region (Number of inhabitants)	Nominal FDI flows ( mil. \$)	Average wage (euro)	Unemployment rate (%)
<b>Bratislava (616 578)</b>	<b>67</b>	<b>876.88</b>	<b>4.2</b>
Trenčín (559 934)	5	635.76	6.5
Trnava (599 859)	7	582.59	10.1
Žilina (696 347)	6	588.83	5.7
Banská Bystrica (653 697)	2	559.72	20.0
Košice (775 509)	9	626.77	15.9
<b>Prešov (803 955)</b>	<b>1</b>	<b>497.91</b>	<b>13.8</b>
<b>Slovakia Total (5.463 mil)</b>	<b>\$US 2.8 billion</b>	<b>668.72</b>	<b>11.1</b>

**Source:** *Slovak Statistical Office, 2009*

Note: Table was compiled by author, using Slovak Statistical Office online data.

Secondly, the combined effect of growth in GDP and decreasing inflation in Slovakia has slowly improved an average private consumption by



7 per cent in 2007 (Autner and Ochotnický, 2009). Consequently, there has been a positive trend in improving the living standards of Slovak population. On the other side, there are the wages that drive people's consumptive behaviour. As Table 4.5 demonstrates, the average wages in Slovakia slowly increased during the first period of integration reforms in 1998-2002 but since then the wages have been rising faster. However, the huge regional disparities in wages still persist in Slovakia (see Table 4.6). In effect, the standards of living have sharply improved but not uniformly for all regions in the country. Principally, the employment and wages disproportions reflect the large inter-regional differences in the economic infrastructure, flows of FDI, share of educated persons, realization of economic reforms and structural changes, geographical proximity to key economic partners and intensity of cross-border labour mobility (Bútorá et al, 2006). In turn, income and employment inequalities of population cause an important concentration of poverty in certain localities (Michálek, 2000). As Table 4.6 reveals, there are well-developed regions in terms of wages and employment opportunities in western and north-western parts of Slovakia and explicitly poor regions facing low wages and high unemployment in southern and eastern parts of Slovakia. In addition, poverty of the rural population prevails, it affects unemployed and those employed in the primary sector and from the point of view of ethnic composition, it is most distinct in the Roma minority (80 per cent of the Roma population heavily depends on the social safety net) (Michálek, 2000).

In terms of poverty indicators for Slovakia, the country ranks 42<sup>nd</sup> out of 70 high developed countries in terms of HDI (UNDP, 2009).

**Table 4.7: HDI and its Components in Slovakia in 2007**

HDI		Life expectancy at birth (years)	Combined gross enrolment ratio in education (%)	GDP per capita (\$US)
Rank	Value			
42	0.880	74.6	80.5	20,076

Source: UNDP, 2009

In the period of 1995-2007, Slovakia's HDI rose by 0.66 per cent annually from 0.827 in 1995 to current 0.880 (see Table 4.7) (UNDP, 2009). As a result, the HDI rank of Slovakia was improved by two ranks in 2006. Comparing with the EU countries, basically all the EU member states rank before Slovakia with the exception of Hungary, Bulgaria, Romania and three Baltic States – Lithuania, Latvia and Estonia (UNDP, 2009). In addition, for highly developed countries the HPI<sup>37</sup> is used for measuring human development as it can better reflect the extent of deprivation than HDI. In terms of HPI-2, Slovakia ranks 16<sup>th</sup> out of 23 countries with rankings.

**Table 4.8: HPI and its Components in Slovakia in 2007**

HPI-2		Probability at birth of not surviving to age 60 (%), 2005-2010	People lacking functional literacy skills (% aged 16-65)	Long-term unemployment (as % of labour force in 2007)	Population below 50% of median income, 2000-2005 (%)
Rank	Value				
16	0.124	13.3	-	7.8	7.0

Source: UNDP, 2009

Compared with the EU countries, Slovakia has a relatively good ranking in terms of HPI, leaving the countries such as Poland, Hungary,

<sup>37</sup> HPI – Human Poverty Index is a composite index measuring level of human poverty in three basic dimensions – a long and healthy life, knowledge and decent standards of living. In addition, the HPI-2 used for selected OECD, CIS and Central and Eastern European countries also includes social exclusion as the 4<sup>th</sup> dimension of HPI which is represented by the rate of long term unemployment. For developing countries, the HPI-1 is used. The recent Human Development Report has HPI-2 ranking only for 23 out of 41 countries within this group (UNDP, 2009).

Greece, Italy, Ireland and the United Kingdom behind (UNDP, 2009). However, if the single components of HPI-2 are compared, the level of human poverty in Slovakia is quite high. This is particularly the case of social exclusion, measured by long-term unemployment rate. Slovakia with the long-term unemployment rate of 7.8 per cent in 2007, witnesses the highest share of long-term unemployed in the entire EU where the share of long-term unemployed ranges from 0.7 per cent in Denmark and Sweden to 4.8 per cent in Greece in the same year (see Table 4.8) (UNDP, 2009). On the other hand, when the relative poverty is taken into account, Slovakia with the population of 7 per cent living below 50 per cent of median income is relatively well placed within the EU countries. The share of those living below 50 per cent of median income in the EU ranges from 4.9 per cent in Netherlands to 16.2 per cent in Ireland (see Table 4.8) (UNDP, 2009).

As regards the poverty line in Slovakia, the Human Development Report further indicates that there was 11.4 per cent of the total Slovak population living below the poverty line of US\$4<sup>38</sup> per head a day in the 2000-2004 periods (UNDP, 2009). The highest probability of being poor is within the households of one parent with at least 1 dependent child, and the households of two parents with 3 or more dependent children (Slovak Statistical Office, 2008b).

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<sup>38</sup> The poverty line of US\$4 per head a day was adopted by World Bank and UNDP for transition countries in 1990 (Bartová, 2002)

In terms of inequality, the Gini coefficient for Slovakia is 0.25 (UNDP, 2009)<sup>39</sup>. The income inequality is thus lower than the EU average of 0.30 (EU Community Statistics, 2009). The poorest 10 per cent of the total Slovak population account for 3.1 per cent of the total income or consumption while the richest 10 per cent account for 20.8 per cent of the total income or consumption (UNDP, 2009).

To sum up, the economic and political reforms in Slovakia resulted in successful transformation of command economy into a free-market economy. However, the benefits of transformation policy are spread unequally in the country: it has boosted economic activities in north and western regions but resulted in rising poverty and inequality in the “lagging” regions<sup>40</sup> of East and South of Slovakia (see Table 4.6, pp. 53).

A case study of this research, the Bardejov district is an appropriate example of a “lagging region” in Slovakia. The Bardejov district is located in the north-eastern part of Slovakia. It consists of 5 suburbs and 86 municipalities and administratively is a part of the Prešov region that includes 13 districts (see Chart 4.1).

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<sup>39</sup> Gini coefficient is a measure of inequality of (income) distribution and is defined as a ratio with values between 0 and 1 (0 corresponds to perfect equality whereby everyone has the same income, 1 corresponds to perfect inequality where one person has all the income while everyone else zero income) (World Bank Report, 2005)

<sup>40</sup> “Lagging region” is defined as the region with the lowest measure of welfare (income, consumption or GDP per capita) (UNDP, 2009)

**Chart 4.1: Districts of the Prešov Region in Slovakia**



**Source:** MOŠ, 2009

The unfavourable economic situation in the Bardejov district is to a large extent influenced by its eccentric position with a lack of infrastructure and road networks. As a result, the district is not very attractive for domestic or foreign investors what is reflected in a very low flow of FDI (€3190 in 2006). The economy of Bardejov district is thus short of the most powerful means for improving its GDP growth and job opportunities prospects. In addition, the district still experiences serious challenges with adapting its economy to the new market conditions. The collapse of communism in 1989 and Slovakia's accession to the EU in 2004 are two important events which adversely affected the economic development in the Bardejov district (Regional Database, 2007). The Bardejov district has always had a mono-structural economy<sup>41</sup> based on few well established companies, predominantly in the area of machinery industry, shoemaking trade, leather industry, food industry and wood processing (Dubcová and Vinco, 2007). In the interwar period, there were no significant investments that would change the primarily

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<sup>41</sup> Mono-structural economy is economy oriented on one specific sector of economy (Regional Database, 2007)

agricultural and forestry character of economy in the Bardejov district. However, the post-war period brought about the rapid industrialization of Slovakia with a special emphasis on equal regional distribution of economic activities. The Bardejov district became a centre of armament and machinery industry and the entire economy was based on the export of heavy equipments to the markets of CMEA<sup>42</sup> countries (Dubcová and Vinco, 2007). However, the end of communism in 1989 caused the breakup of existing Eastern European markets and armament and machinery industry basically collapsed in the Bardejov district. As a result, the economy of Bardejov district underwent huge structural transition from heavy into the light industry (shoemaking trade and leather industry). Thousands of people lost their jobs without any possibilities to find suitable alternate positions because they were not qualified for a work in other economic sectors or simply there were no new job offers (Dubcová and Vinco, 2007). In addition, Slovakia's membership in the EU has further reoriented country's economy due to the enormous flow of FDI into the automotive, high-technology and building industries. Unfortunately, as it has been already outlined, the Bardejov district as well as the entire Prešov region is not at the front for attracting FDI and developing these new industries (see Table 4.6, pp. 54). Moreover, the local industries such as shoemaking, leather industry and even constructing industry

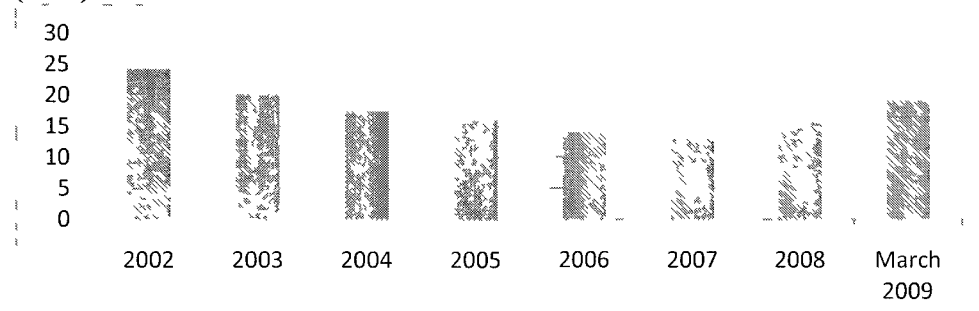
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<sup>42</sup> CMEA (Council for Mutual Economic Assistance) or 'Eastern bloc' was an economic organization of communist states in 1949-1991 with headquarters in Moscow. The member states were Albania, Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania and Soviet Union (Kolodko, 2000).

were forced to curtail their production because of the increased international economic competition (Government Office, 2008).

In fact, the Bardejov district is trapped into a vicious cycle of high unemployment, low wages and significant outmigration. In March 2009, the unemployment rate in the Bardejov district reached 19.07 per cent which is the 5<sup>th</sup> highest unemployment rate in the entire Prešov region<sup>43</sup> (see Chart 4.2) (Bardejov Labour Office, 2009). The district thus ranks 65<sup>th</sup> out of 79 districts in the country (The Head Office of Labour, Social and Family Affairs, 2009).

**Chart 4.2: Unemployment Rate in the Bardejov District in Slovakia (in%): 2002 – 2009**



Source: Bardejov Labour Office, 2009

**Table 4.9: Average Wage (in euro) in the Bardejov District compared with the Prešov Region and the Slovak Average in 2008**

	Average wage
Bardejov district	390
Prešov region Total	497
Slovakia Total	723.03

Source: Slovak Statistical Office, 2008c

As Table 4.9 reveals, the average wage in the Bardejov district is approximately €390 which is slightly about the minimum guaranteed wage of

<sup>43</sup> For a comparison, the unemployment rate of Prešov region was 15.62 per cent and unemployment in Slovakia reached 10.3 per cent in March 2009 (The Head Office of Labour, Social and Family Affairs, 2009)

€295. 50 in Slovakia and half of the Slovak average (Slovak Statistical Office, 2008c). As a result, the Bardejov district witnesses high emigration of labour force. According to the statistics compiled by local Social Insurance Company, 3,000 inhabitants of the Bardejov district worked officially abroad in 2008 which constitutes 8.37 per cent of the total economically active population in the district<sup>44</sup>. In addition, it has been estimated that approximately 1,000 - 2,000 inhabitants have not fulfilled their legal obligation to inform the respective authorities about their intention to move abroad and work abroad illegally (Bardejov Social Insurance Company, 2009).

To sum up, the optimistic results of Slovak economy are thus overshadowed by its substantial regional imbalances and inequalities that are considered as fundamental economic and social challenges to the Slovak society.

#### *4.2. Demographic and labour force development in Slovakia*

Slovakia faces a number of demographic challenges – its population<sup>45</sup> is almost stagnant. At the beginning of new millennium, the number of live births in Slovakia dramatically fell resulting in decline of population (see Table 4.10).

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<sup>44</sup> For a comparison, 12–18 per cent of the total economically active population of Prešov region worked abroad in 2008 and in case of country statistics, 8.5–9.4 of the total economically active population of Slovakia worked abroad in the same year (Divinský, 2007; Hajnovičová, 2006; Košta, 2006).

<sup>45</sup> The total population of Slovakia is 5, 463 million inhabitants (Divinský, 2007).



**Table 4.10: Elementary Population Indicators in Slovakia: 1996-2006**

	1996	1998	2000	2002	2004	2006
Natural increase (%)	1.65	0.82	0.45	-0.13	0.35	0.11
Net migration (%)	0.42	0.24	0.27	0.17	0.53	0.71
Total increase (%)	2.07	1.06	0.72	0.04	0.89	0.83

**Source:** *Infostat, 2005*

In 2001-2003, for the first time in the post-war period, Slovakia recorded the natural decrease in population, namely due to the excess mortality of men (Infostat, 2005). This caused stagnation in population growth which was counterbalanced by the stable death rate and official net migration that remained positive though rather low during the whole period (see Table 4.10). Since 2004, the birth rate has marginally increased and along with increasing rate of net migration after Slovakia's accession to the EU, the natural decrease of Slovak population has turned back to the natural increase (Infostat, 2005). Despite the slow increase in population, Slovakia has still the lowest fertility rate (1.24) in the EU (EU average 1.5) (Honekopp and Mattila, 2008 pp.260-261). It is the result of higher mean age of women at first childbirth, decreasing numbers of marriages, progressive increase of the mean age at marriage as well as of increasing trends of divorces (Vokoun, 2006).

The age structure of Slovak population reacts to the recent changes in country's demographic indicators. As a result, the age pyramid has now a regressive shape. In 1996-2006, the proportion of young population (persons aged 0-14) in the overall population has dramatically decreased from 21.7 per

cent in 1996 to 16.1 per cent in 2006 (see Table 4.11) (Slovak Statistical Office, 2008d).

**Table 4.11: Age Structure of Slovak Population by Main Age Categories (in %): 1996-2006**

Age Group	1996	1998	2000	2002	2004	2006
0-14	21.66	20.43	19.18	18.13	17.06	16.14
15-64	67.25	68.26	69.35	70.42	71.31	72.00
65+	11.09	11.32	11.47	11.46	11.62	11.86

**Source:** *Slovak Statistical Office, 2008d*

Note: Table was compiled by author on the basis of Slovak Statistical Office online data.

The country's population at productive age (15-64) is comparatively positive constituting 72 per cent of the total in 2006, with a rising trend. As it is evident from Table 4.11, population aged 65+ accounted for nearly 12 per cent of the total Slovak population in 2006, with the obvious sexual differentiation (62.0 per cent of women comparing to 37.3 per cent of men). The life expectancy in Slovakia is currently 75.4 years (Slovak Statistical Office, 2008d).

Considering the labour force development, the number of economically active population in Slovakia accounts for 2.4 million persons (56.0 per cent men, 44.0 per cent women) (Slovak Statistical Office, 2008e). The participation rate of people aged 15-64 still remains at the level of 59.4 per cent in 2006 which is less than the EU average (70.2 per cent) (EC, 2008). The main reason of low participation rate is particularly a growing number of discouraged workers who are outside of the labour market (31.0 per cent in 2006). The country thus has a substantial pool of unused labour force, notably among women (aged 55-64) and younger people (aged 15-24) (Divinský, 2007, pp.35-38). Due to the profound economic changes in Slovakia, there is a

continuous rise in the number of self-employed persons (by 103 per cent between 1996-2007) (Slovak Statistical Office, 2008e). Moreover, Slovakia has witnessed a gradual transfer of employees from the public sector to the private one, making 39 per cent of the total in 1996 but 65 per cent in 2006 (Hajnovičová, 2006). As Table 4.12 reveals in detail, substantial modifications in the labour force structures have taken place as well.

**Table 4.12: Employment in Slovakia by Sector (in %): 1996-2006**

Sector/year	1996	2006	Difference
Agriculture and forestry	8.9	4.4	-4.5
Quarrying	1.5	0.7	-0.8
Industry and energy distribution	29.5	28.3	-1.2
Building industry	8.5	9.8	1.3
Trade	10.2	12.6	2.4
Hotels and Restaurants	2.8	4.4	1.6
Transport and Communication	7.6	6.8	-0.8
Financial intermediation	1.4	2.3	0.9
Real estate, Research and Development	4.0	5.7	1.7
Public administration	7.1	7.0	-0.1
Education	8.0	7.2	-0.8
Health and Social services	6.4	6.7	0.3
Other services	4.1	3.7	-0.4

**Source:** Hajnovičová, 2006

Note: Table was compiled by author on the basis of data provided by Hajnovičová (2006)

The structure of Slovak labour force basically follows universal trends in the EU countries though with a delay. The proportion of employed persons in the secondary sector is still quite high and that of those employed in the tertiary sector is low in Slovakia. Described employment patterns suggest that a large restructuring is still to take place and the tertiary sector should be a promising segment for the absorption of increased labour supply in Slovakia,

bringing then the extent of employment in services closer to the EU average (Beblavý and Senaj, 2006).

In general, the educational level of employed persons in Slovakia is quite diverse. The share of those with tertiary education in the total stock of employed accounts for 16.8 per cent compared with the EU average of 26.3 per cent (EC, 2006). Most of the employed in Slovakia has completed secondary education. The proportion of those with the lowest level of education (below secondary) constitutes only 4.7 per cent compared with the EU average of 24.8 per cent which is due to the high level of literacy in Slovakia (95.0 per cent) (EC, 2006).

Full-time employment is an absolutely dominant form of employment in Slovakia. The share of part-timers still remains at the low level of 2.5 per cent which constitutes a minimum in the EU countries with the average of 16.5 per cent (Young, 2007).

As regards the trends in unemployment, the extent and structure of unemployment is the most critical problem of the Slovak labour force. Historically, since the beginning of the 1990's, unemployment has sharply increased as a result of transformation reforms. In the period of 1996-2001, the number of unemployed persons rose by 80 per cent and the unemployment rate in Slovakia achieved almost 20 per cent in 2001 (Slovak Statistical Office, 2002). For a long period, the unemployment rates have been in fact twice as high as the OECD average, and even above the EU average (see Table 4.13).

**Table 4.13: Unemployment Rate in Slovakia, the EU and the OECD countries (in %): 2001-2008**

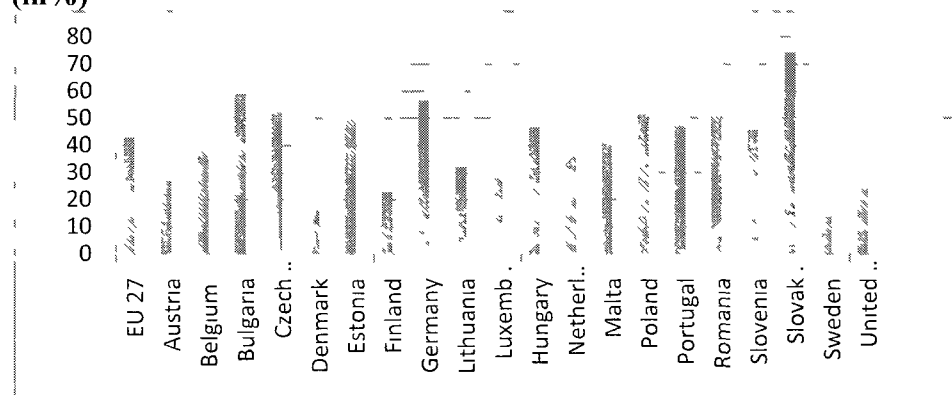
	2001	2002	2003	2004	2005	2006	2007	2008
Slovakia	19.3	18.7	17.6	18.2	16.3	13.4	11.1	9.6
EU	8.5	8.9	9.0	9.0	8.9	8.2	7.1	7.02
OECD	6.4	6.9	7.1	6.9	6.7	6.1	5.6	6.03

**Source:** *OECD Fact book, 2009, Slovak Statistical Office, 2009*

Note: Table was compiled by author, using OECD and Slovak Statistical Office online data

A striking feature of unemployment situation in Slovakia is the enormous rate of long-term unemployment. About 73 per cent of the unemployed persons in 2007 have been jobless for more than a year, 30 per cent of the unemployed have been jobless for longer than 4 years which is a maximum in the entire EU (Eurostat, 2007) (see Chart 4.3).

**Chart 4.3: Long-term Unemployment Rates in the EU Countries in 2007 (in%)**



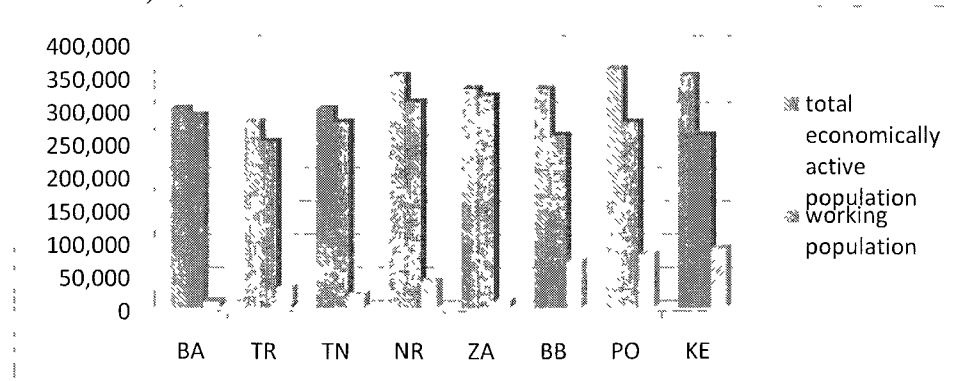
**Source:** *Eurostat, 2007*

Besides, the share of long-term unemployed persons has been steadily rising since the creation of Slovak Republic, reaching 45.2 per cent in 1994 and 53.18 per cent in 2007 (Slovak Statistical Office, 2008). It is alarming that the highest proportion of long-term unemployed accounts for the persons in the age group of 20-29 years (30.6 per cent), followed by those in the age of

40-49 (25.6 per cent) and 30-39 (25.3 per cent) (Slovak Statistical Office, 2008). One of the cardinal reasons is the low level of education of long-term unemployed people. In 2007, the unemployment rate of persons with tertiary education was relatively negligible (3.4 per cent) while that of persons having completed only primary education reached as much as 48 per cent (52.9 per cent men, 43.7 per cent women) (Slovak Statistical Office, 2008). It is evident that high unemployment in Slovakia reflects the absence of jobs for lower skilled persons. In effect, the highest unemployment rate is in industry (50.4 per cent), followed by wholesale and retailing (21.5 per cent), building (12.5 per cent) and agriculture (11.4 per cent) (Slovak Statistical Office, 2008).

Finally, the issue of employment and unemployment differs in the regions of Slovakia. Progressing eastwards, employment rates are gradually lowering as well as proportion of inactive and unemployed population (See Chart 4.4).

**Chart 4.4: Regional Distribution of Labour Force in Slovakia in 2007 (in thousands)**



Source: Slovak Statistical Office, 2008a

As regards the demographic development in the Bardejov district, according to the recent population census in 2008, the Bardejov district has 76,

857 inhabitants and ranks 26<sup>th</sup> out of 79 districts in Slovakia (MOŠ, 2008). The total number of inhabitants living in town is 33, 200 and 55 per cent of population is rural (MOŠ, 2008). In terms of population trends, Bardejov is a part of the region that has the highest fertility rate and natural increase in Slovakia. In 2008, there was a natural increase of 334 inhabitants (945 births, 611 deaths) which is the 4<sup>th</sup> highest natural increase in the entire Prešov region<sup>46</sup> (MOŠ, 2008). However, these positive outcomes are undermined by considerable migration loss as the Bardejov district ranks the 3<sup>rd</sup> out of 13 districts of Prešov region in terms of migration loss<sup>47</sup>.

The Bardejov district has relatively young population with the average age of 35.9 years comparing with the average age of 38.3 years at the national level (MOŠ, 2008). The proportion of young population is also higher (19.1 per cent in 2008) in the Bardejov district than in the whole country (15.8 per cent in 2008). However, the share of the productive population in the age of 15-64 is lower in the Bardejov district (62.9 per cent) than at the national level (72.0 per cent). In case of the elderly people, the share of those in the Bardejov district accounts for 17.9 per cent meanwhile the share of population in the age of 65+ at the national level is lower (12.0 per cent) (MOŠ, 2008).

The economically active population in the Bardejov district accounts for 35,807 which is the 3<sup>rd</sup> highest number in the entire Prešov region. In contrast, the number of employed persons is just 12,469 (Slovak Statistical

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<sup>46</sup> The districts with higher natural increase in 2008 are Prešov (728 inhabitants), Kežmarok (638 inhabitants) and Sabinov (351 inhabitants) (MOŠ, 2008)

<sup>47</sup> The districts with the highest migration loss in 2008 are Stara Ľubovňa (229 inhabitants), Poprad (201 inhabitants) and Bardejov (164 inhabitants) (MOŠ, 2008)

Office, 2008a). In addition, local Social Insurance Company registers 2,480 persons of the total economically active population working officially abroad. Moreover, there are 480 persons with E101 form<sup>48</sup> (Bardejov Social Insurance Company, 2009). In relation to employees, the Bardejov district has 3,300 self employees and 1,800 local enterprises (Bardejov Social Insurance Company, 2009). The bulk of the economically active population in the Bardejov district has secondary education and works in the areas of industry, education, public health and public administration (Slovak Statistical Office, 2008a).

In terms of unemployment, the local Labour Office registered 7,397 official job applications in 2008. The dominant group are men (65.3 per cent). With regard to age, the biggest categories are persons in the age of 35-39 years (34.8 per cent), followed by those in the age of 25-34 years (27.0 per cent) (Bardejov Labour Office, 2008). Most of the unemployed are persons with college or high school, even though the proportion of unemployed with primary education is still quite high – 20.4 per cent (Bardejov Labour Office, 2008). The bulk of unemployed are people working for job recruitment agencies that have recently lost their contracts abroad, particularly from the area of building and automotive industries. In addition, there is a large group of servicemen, constructors, plumbers and welders, followed by 1,500 unskilled labour force (Bardejov Labour Office, 2008). Long term unemployment in the Bardejov district unfortunately still persists and is

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<sup>48</sup> E101 form is necessary when employers intend to hire the persons for a work abroad and to pay the taxes in particular country. It is estimated that there are approximately 500-1,000 persons working abroad unlawfully without this form (Bardejov Social Insurance Company, 2009)



considered as the 4<sup>th</sup> highest in the Prešov region. According to statistics, 26 per cent of applicants were without a job for less than 3 months, 38.3 per cent for 4-12 months and 35.7 per cent for more than 12 months in 2008 (Bardejov Labour Office, 2008).

#### *4.3. Migratory patterns in Slovakia*

From a historical perspective, Slovakia witnessed large scale emigration. Intensive emigration flows were particularly evident in the 2<sup>nd</sup> half of the 19<sup>th</sup> century when Slovakia witnessed the largest wave of emigration ever. Approximately 580,000 people left, stating political and economic reasons (Bijak and Kupiszewski, 2004). The collapse of communism brought about the radical changes of migratory patterns. A set of absolutely new migration phenomena such as undocumented immigration, human smuggling and trafficking, quantities of asylum seekers, increased labour immigration and emigration have emerged. In addition, Slovakia has become a transit country of emigration to the other EU countries (Bijak and Kupiszewski, 2004).

With regard to labour migration, its two basic constituents – labour immigration and labour emigration – are currently different from each other. While labour immigration to Slovakia is still quite weak (the weakest in the EU-27), emigration for work has considerably accelerated during the last couple of years. Since the creation of Slovak Republic, the number of immigrants has always exceeded that of emigrants. As a result, the net

migration has recorded positive figures in Slovakia, with the exception of negative values in 1993 and 1995 (see Table 4.14).

**Table 4.14: Net Migration Rate in Slovakia (in %): 1993-2007**

	1993	1995	1997	1999	2001	2003	2005	2007
Net migration rate	-0.4	-0.6	0.32	0.27	0.17	0.53	0.63	1.3

**Source:** *Slovak Statistical Office, 2008f*

Note Divinský (2007) has argued that the positive net migration in Slovakia is just a myth due to the lack of reliable data on emigration flows. Only a very little part of emigrated persons fulfils their obligation and informs the respective authorities about their changing status. They work abroad illegally or they do not want to give up on their unemployment benefits so they keep receiving them unlawfully. As a result, 10,000-20,000 emigrants annually miss in the domestic statistics what considerably underestimates the reliability of data on migration (Divinský, 2007, pp.105).

The total number of registered immigrants is estimated at 124,000 in 2005 (2.3 per cent of the total Slovak population) (Divinský, 2007). The highest share of immigrants is represented by Europeans but this proportion has slightly decreased in favour of migrants from Asia and America (15.0 per cent). For a long period, Slovakia was preferred destination country notably for immigrants from Central and Eastern Europe. Within the top ten nationalities of immigrants, the Czechs, Poles, Ukrainians, Hungarians and Serbs are mostly found. Even though, the migration from the Czech Republic constantly shows a falling trend (56.0 per cent in 2000 comparing with 22.0 per cent in 2005), it remains the most important immigration country for Slovakia (Divinský, 2007, pp.77). In addition, the country's accession to the EU and subsequent liberalization of conditions for entry and stay have multiplied the number of moving persons from the "old" EU member states (7.5 per cent in 2000 compared with 33 per cent in 2005) (Divinský, 2007, pp.77). Among them, the most numerous are Germans, Austrians, French,

Britons and Italians with labour activities as the major reason to immigrate. Finally, there are new highly dynamic Chinese communities acting as small entrepreneurs, retailers, wholesale importers of cheap goods from their mother countries and operators of typical restaurants. On the contrary, the quickly expanding South Koreans (36 persons in 2003 comparing to 837 in 2006) work as top managers and highly-skilled employees in new car factories in Slovakia (Divinský, 2007, pp.78). In addition, there is a growing trend of undocumented immigration. It is estimated, that in 2006 there were 6,000 illegal migrants from Vietnam and 20,000 – 40,000 illegal migrants from Ukraine (Divinský, 2007, pp.78). The bulk of immigrants are men in the age of 30-39 years with a tertiary education (Divinský, 2007). From a regional perspective, considerably higher numbers of the immigrants are concentrated in the Bratislava and Košice regions which reflect the distribution of labour and business opportunities, advanced infrastructure as well as existing educational possibilities (Divinský, 2007, pp.78). The Prešov region and Bardejov district are not attractive for the immigrants what is reflected in the negative net migration rate of -2.2 per cent in 2006. In 2002-2006, the Prešov region registered 1, 802 immigrants. In case of the Bardejov district it was just 134 immigrants, mostly Vietnamese immigrants, followed by Ukrainians (Kozoň and Šoltýsová, 2008).

The number of emigrants from Slovakia has constantly shown a growing trend, particularly since Slovakia's accession to the EU in 2004 (see Table 4.15). Most of the emigrants come from the Prešov region (28.3 per

cent)<sup>49</sup>, followed by Nitra (16.6 per cent), Žilina (16.4 per cent) and Banská Bystrica (10.7 per cent) regions (Divinský, 2007, pp. 108)

**Table 4.15: Number of Slovak Nationals Employed Abroad (in thousands): 2000-2006**

	2000	2001	2002	2003	2004	2005	2006
Men	35.6	43.7	55.4	48.5	71.1	85.5	104.7
Women	13.7	20.4	23.0	20.8	32.5	39.9	53.4
Total	49.3	64.1	78.4	69.3	103.6	125.4	168.1
Share of emigrants in the total stock of employed (%)	2.3	3.0	3.7	3.2	4.8	5.7	6.9

**Source:** *Labour Force Survey Data 2006*

Note: Some experts on migration in Slovakia claim that the real number of emigrants should be about 25 per cent higher, reaching almost 230,000 in 2006 (9.4 - 9.6 per cent of the total stock of economically active population (Košta, 2006, Hajnovičová, 2006). On the other hand, the estimations of the World Bank show that the number of Slovak emigrants is slightly higher at 520,962 which constitute 9.6 per cent of the total Slovak population (World Bank, 2008).

The most common type of emigration from Slovakia is temporary labour emigration with a preferred duration between 1 month and 1 year. A temporary emigration compensates emigrants' short-term loss of job in Slovakia or allows emigrants to make specific savings or purchase and then return home (Bella, 2008). In general, the labour emigration of Slovaks abroad may be divided in three elementary models: long-term employment (a year or more) in foreign countries, regular commuting to work abroad<sup>50</sup> and short-term or seasonal works (Rievajová, 2001). The highest interest in emigration is typical of the younger generation (mostly those aged 18-30) and decreases with higher age categories, females and those having very low education. The

<sup>49</sup> Officially, it is estimated that about 60,000 inhabitants of the Prešov region work abroad even though the real number can be much higher as a considerable part of inhabitants has not been registered or worked abroad illegally (Kozoň and Šoltysová, 2008).

<sup>50</sup> By data from the census taken in Slovakia in 2001, there are about 17,700 persons commuting to work from Slovakia abroad per day (Slovak Statistical Office, 2002a).

issue of outflow of young well-educated people is very contradictory in Slovakia. A study conducted by Baláž, Kollár and Williams (2004) estimates that there is an annual average loss of 7,500 highly skilled persons who constitute a quarter of graduates in a common year. Sociological Institute of the Slovak Academy of Sciences predicts that the loss is even higher 10,000 persons annually (Divinský, 2007). In effect, the annual reduction of GDP in Slovakia due to the emigration of highly skilled persons within 1994-2002 is estimated at 13 per cent (Baláž et al, 2004). In other words, without such emigration, the average GDP growth in this period would be 4.8 per cent instead the real GDP growth of 4.2 per cent (Baláž et al, 2004). The OECD (2006) estimates that 16 per cent out of all Slovak residents with tertiary attainment emigrated in 2000 and similarly Docquier and Rapoport (2004) put this figure at 15.3 per cent in the same year. Slovakia thus belongs to the group of 30 countries with the highest emigration rate of highly skilled persons in the world. However, it has been argued that these numbers seem to be rather exaggerated. For instance, Radičová the ex-minister of Labour, Social and Family Affairs, repeatedly stated that the brain drain from Slovakia is just a myth (Divinský, 2007). Similarly, Altafaj the European Commission spokesman on Development and Humanitarian Aid issues does not regard emigration of highly-skilled Slovaks as a negative phenomenon since the country is known by the strong education system (Bútora et al, 2006). A low number of university educated Slovaks employed abroad is also documented by Slovak Labour Force Survey which states that the share of such persons

amounted to 10 per cent in 2006 (EURES, 2006). Similar findings were concluded by Institute for Public Affairs (2002) or Zajac (2002).

A certain indirect form of brain drain can also be manifested in temporary or permanent leaving for study abroad. As the study of Halás (2007) informs, in school year 2006/2007 there were 16, 503 Slovak students in the Czech Republic (67 per cent out of all enrolled foreign university students). In general, Slovakia has the 4<sup>th</sup> highest proportion (8.2 per cent in 2005) of Slovaks studying abroad within the entire EU countries after Cyprus, Ireland and Malta (Halás, 2007). Besides, the trend shows a sharp increase as the respective share was only 2.6 per cent in 1998 and 5.5 per cent in 2001 (Halás, 2007). Due to the brain drain, some professions have already been in short supply in Slovakia. This is particularly the case of dentists, physicians and nurses (Košta, 2006). However, among the areas which are the most affected by brain drain in Slovakia is indisputably the research and development sector. Slovak Research and Development Institute has to constantly cope with an intensive outflow of highly skilled individuals resulting from low wages in this sector, multiplied by limited resources to enhance the research infrastructure (Košta, 2006). In sum, it is extremely difficult to objectively measure the impacts of brain-drain on Slovak society if the necessary statistics are absent and opinions and estimates of experts widely vary. Up to now, no large-scale research has been performed in this field in Slovakia and the issue of brain-drain is rather overlooked (Divinský, 2007).

It is equally important to note, that an overwhelming majority of highly skilled persons from Slovakia do not or cannot use their education in

corresponding positions on the foreign labour markets. The major part of Slovak emigrants work notably in low-skilled positions, particularly in the manufacturing industry (30.7 per cent), building industry (18.8 per cent), catering and accommodation services (10.9 per cent) and wholesale and retail trade (6.1 per cent) (Katuščák, 2006). As a result, Slovak labour emigrants are often subjected to brain waste (deskilling). Unluckily, there is too little information and data to further reveal this issue of deskilling (Divinský, 2007). Emigrants from Slovakia may face difficulties with transferring the quality of their human capital from country of origin to country of destination due to the lack of language proficiency or low information about labour market institutions in the host country. However, the factor of prejudices of Western societies towards the citizens from the former Soviet Union block is still persistent and very strong in the European states. In countries like Belgium, France, Germany or the United Kingdom the negative perception of labour force from Central and Eastern Europe is often a centre of political campaigns and public debates (Bella, 2008). It is true that the number of labour migrants from Central and Eastern Europe raised by one-third in 2004-2006 but they do not constitute more than 0.5 per cent of the total population of the EU origin countries. In addition, there has not been any evidence that these labour emigrants would decrease the wages or employment opportunities in the EU origin countries. The emigrants are not even the burdens to the social systems of these countries as the most productive members of Central and Eastern European societies emigrate, no children or elderly people (Bella, 2008).

The destinations of emigration have been changed over time. Before Slovakia's accession to the EU, the most favourite countries for emigration were the Czech Republic, Germany and Austria (Divinský, 2004). These so called "traditional countries of emigration" are popular destinations for Slovak emigrants due to their geographic proximity with a potential of frequent travelling to and from the motherland. Commuting is most often done on a weekly basis (AUREX, 2002). In addition, the Czech Republic is historically, linguistically, socially and culturally very close to Slovakia. The costs of migration are thus very low, especially for less educated migrants. Germany and Austria have been crucial emigration countries for Slovakia, once more for political reasons and currently for purely economic reasons. The countries offer predominantly seasonal or short-term work permits for Slovak citizens which stimulates circular migration among the counties. These working permits are very popular among Slovak citizens who are not willing to migrate for a long term. The emigrants temporary increase their wages, usually for 3-6 months and they return back to lower paid jobs in the motherland or they live on social and unemployment benefits for a rest of the year (Divinský, 2004; Tamas and Münz, 2006).

Since 2004, the emigration patterns have been modified and at present the United Kingdom, Ireland and Hungary are favourite destinations (Katuščák, 2006). The accession of the Slovak Republic to the EU in May 2004 has facilitated free movement of the labour force to the other EU



countries. However, the EU origin countries<sup>51</sup> have the right to apply 7 years transition period before opening their labour markets for the citizens from the new EU member states. With the exception of the United Kingdom, Ireland and Sweden, all the origin EU countries have restricted a free access to their labour markets in May 2004<sup>52</sup>. This fact clearly explains the current high emigration of Slovak citizens to Ireland and the United Kingdom (Divinský, 2007). Hungary is quite a specific country for migration from Slovakia, especially for citizens with Hungarian nationality, living on the southern border of Slovakia with Hungary. Migration is visible in the form of daily commuting due to a territorial proximity (Okólski, 2006).

In terms of reasons for emigration, the economic aspects predominate: higher earnings abroad, regional differences, lack of adequate labour opportunities and low standards of living in Slovakia. Besides, an important role in deciding on emigration is played by possibilities of skills improvement, language advancement and cultural experiences (Kostolná, 2006). The emigration of Slovak citizens forms an important economic and social phenomenon. It helps to resolve the tensions on the Slovak labour market where the rate of unemployment is still quite high and labour opportunities rather limited<sup>53</sup>. Labour emigration also participates in improving the social

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<sup>51</sup> The EU origin countries or the EU-15 Austria, Belgium, Denmark, France, Finland, Germany, Greece, Italy, Ireland, Luxembourg, Netherlands, Portugal, Spain, Sweden, the United Kingdom

<sup>52</sup> During the first revision of transitional periods in 2006, Spain, Portugal, Finland and Greece opened their labour markets for the citizens of new EU member states. In addition, France and Belgium opened their labour markets for certain professions in the sector of gastronomy and building industry (Poláková, 2006)

<sup>53</sup> Some estimates show that the emigration from Slovakia raises the employment by 10 per cent (Bella, 2008)

situation in the country. The benefits from employment abroad, notably remittances<sup>54</sup>, make the living standards of Slovak workers and their families higher. Not negligible are further non-economic contributions from emigration: cultural experiences, language advancement, knowledge or career opportunities, improved potential of migrants and social contacts. On the other hand, larger emigration of Slovak citizens may cause deformations in the demographic structures of population as well as in the structure of country's economy and its social system (Divinský, 2007, pp.135).

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<sup>54</sup> The importance of remittances has markedly changed over time. A decade ago, these transfers were more or less negligible (0.2-0.5 per cent of GDP), while in 2006 the total sum remitted to Slovakia accounted for \$US 424 million (2 per cent of GDP). The key country for Slovak remittances is the Czech Republic, followed by USA, Germany, Hungary, Austria, Canada, United Kingdom and Italy (World Bank, 2006).

**CHAPTER V:**  
**SOCIAL NETWORKS AND MIGRATORY PATTERNS IN THE**  
**BARDEJOV DISTRICT IN SLOVAKIA**

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The textbooks teach us that the factors of production such as capital and labour move to the places where they will earn the highest returns. The traditional economic models of migration explain the decisions to migrate in terms of wages (or income) differentials and employment opportunities between the country of origin and country of destination (Harris and Todaro, 1970; Lewis, 1954; Todaro, 1969). Recently, a social networks perspective on migration has gained prominence among migration scholars (Carrington et al, 2006; Hamer and Mazzucato, 2009; Massey, 1990; Moretti, 1999; Vertovec, 2002). Family, friends and other social contacts are an important source of job information abroad that significantly influences probability and destination of emigration (Hamer and Mazzucato, 2009). However, little is still known what actually makes emigrants participate in transnational social networks and to what extent this participation improves their well-being (Sorensen, 2007). The research is even more limited when it comes to the understanding of social networks as one of the emigrants' job search mechanisms. In general, research on the job search mechanisms of emigrants and factors that influence emigrants' choices of particular job search methods is narrow (Frijters et al, 2003). Most of the scholars take into account only the factor of education and duration of unemployment of emigrants searching for jobs (Basker, 2003; Marquez and Ruiz Tagel, 2004).

This chapter examines different job search mechanisms of emigrants in the Bardejov district in Slovakia. The chapter is primarily based on the survey conducted with the migrant households in February and March 2009. The chapter describes the profile of emigrants from the Bardejov district and shows that emigrants' choices of particular job search mechanisms vary with their socio-economic characteristics. The level of emigrants' education seems to be the most influential variable<sup>55</sup> that preconditions emigrants' choices of particular job search mechanisms. The chapter is divided into four sections. The first section illustrates the basic socio-economic characteristics and human capital attributes of emigrants from the Bardejov district. The second section discusses the proximate reasons for emigration. The third section explores different job search mechanisms and how the use of these mechanisms varies with the emigrants' socio-economic characteristics. The fourth section summarizes the main findings.

### *5.1 Socio-economic characteristics of emigrants in the Bardejov district*

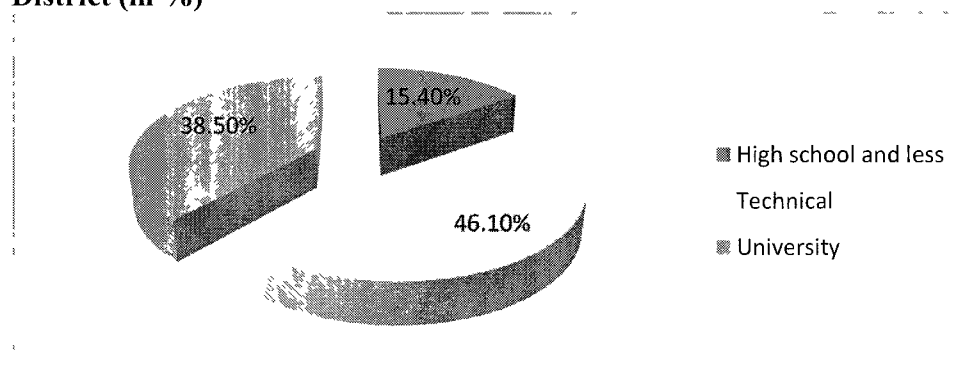
The sample data show that most of the emigrants from the Bardejov district are men (67.5 per cent) (see Table 5.1, pp. 85). Data are thus in conformity with the studies of Slovak scholars which basically agree that two thirds of Slovak emigrants are men (Katuščák, 2006, Reichlova, 2006). However, there is also a significant proportion of female emigrants (one-third

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<sup>55</sup> The level of education is considered as a core variable that shows the most striking differences in the use of job search mechanisms.

of all emigrants from the Bardejov district). This is unique compared with the migratory experiences of other countries where the emigrants are overwhelmingly men (Piper, 2005; UN Department of Economic and Social Affairs, 2006; Zlotnik, 2002). The relatively high proportion of female emigrants can be explained by their educational level. The dominant part of female emigrants from the Bardejov district have technical education (46.1 per cent) followed by those with university education (38.5 per cent) (see Chart 5.1). In contrast, only 33.3 per cent of male emigrants are tertiary educated (derived from author's sample survey).

**Chart 5.1: Educational Level of Female Emigrants in the Bardejov District (in %)**



Source: Sample Survey

As regards the national statistics, the percentage of tertiary-educated female emigrants at the national level is much smaller as only 12 per cent of Slovak female emigrants have university education (Dumont, Martin and Spieloogel, 2007). The national percentage is consistent with the trends revealed by European statistics which show that the emigration rate of tertiary-educated female emigrants in Europe is about 10-11 per cent which is significantly lower compared with the emigration rates of 27 per cent for

Africa, 24 per cent for Oceania or 21 per cent for Latin America (Dumont, Martin and Spieloogel, 2007). The share of tertiary-educated women emigrants in the OECD countries comes to 23 per cent (Dumont, Martin and Spieloogel, 2007).

In general, the emigrants from the Bardejov district are well educated as nearly four-fifths of emigrants have technical or university education (see Table 5.1).

**Table 5.1: Basic Characteristics of Emigrants in the Bardejov District**

Serial No.	Socio-economic characteristics		No. of emigrants	Per cent
1.	Gender	Male	27	67.5
		Female	13	32.5
2.	Ethnicity	Slovak	40	100.0
		Non Slovak	0	-
		Total	40	100.0
3.	Education	High school and less	7	17.5
		Technical	18	45.0
		University	15	37.5
4.	Marital status	Single	21	52.5
		Married	19	47.5
5.	Family size	No children	7	36.8
		1 child	1	5.2
		2 children and more	11	58.0

**Source:** *Sample survey*

Note: Data in the Table 5.1 are in conformity with the studies of Slovak scholars regarding profile of emigrants from Slovakia even though the statements still require further verifications based on richer statistics (Katuščák, 2006; Reichlová, 2006).

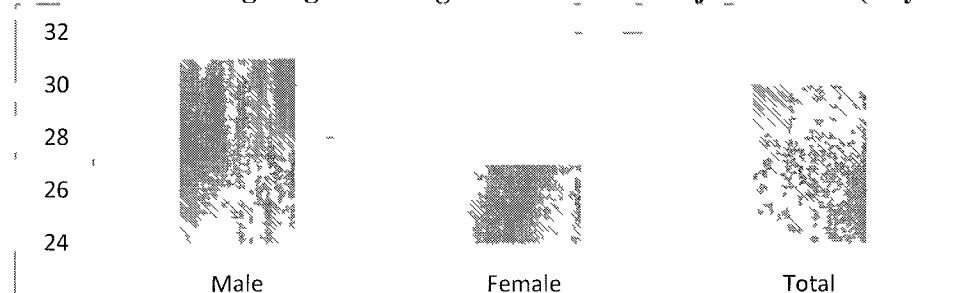
In terms of emigrants' language skills, 14 out of 40 emigrants speak foreign languages fluently (derived from author's sample survey). Data show that the emigration of "skilled" category workers dominates in the Bardejov district unlike the emigration of unskilled category workers at the international

level. Comparing with the national statistics, data reveal that Slovak emigrants have predominantly secondary (technical) education (74.0 per cent) (Katuščák, 2006; Reichlová, 2006).

In terms of marital status, single emigrants account for 52.5 per cent (see Table 5.1). Most of the married emigrants have two or more children (58.0 per cent) (see Table 5.1). Similarly, the national statistics show that Slovak emigrants are mostly single and childless (Katuščák, 2006; Reichlová, 2006).

The emigrants from the Bardejov district are relatively young, on average 30 years old. Data show that the average age of male emigrants is 31 years and that of female emigrants is 27 years (see Chart 5.2). In general, the highest proportion of Slovak emigrants is accounted for younger generation in the age category of 18-34 years (Katuščák, 2006; Reichlová, 2006). These findings correspond with data gathered by EURES managers that describe emigrants from the EU-8 countries<sup>56</sup> as young, with the average age being 30 years (IMF, 2007).

**Chart 5.2: Average Age of Emigrants in the Bardejov District (in years)**

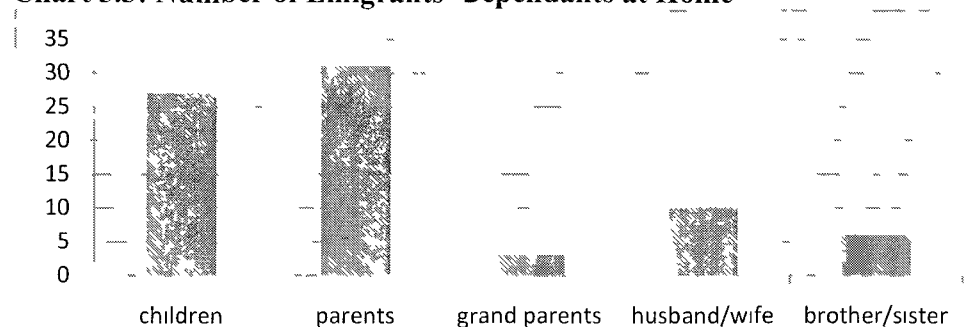


Source: Sample Survey

<sup>56</sup> The EU-8 countries: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia

It should also be noted that almost half of the emigrants are the heads of households. According to the survey, each emigrant has on average two dependants left at home. As Chart 5.3 further illustrates, the majority of dependants consist of emigrants' parents and children.

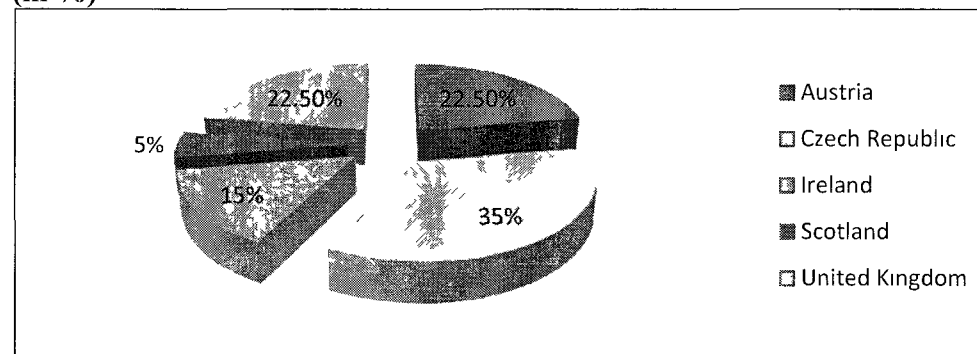
**Chart 5.3: Number of Emigrants' Dependants at Home**



**Source:** *Sample survey*

In terms of preferred destination, the European countries dominate. The highest number of emigrants from the Bardejov district left to the neighbouring Czech Republic, followed by Austria and the United Kingdom (see Chart 5.4). These trends are in a broad conformity with data on Slovak emigration published by EURES.

**Chart 5.4: Destination Countries of Emigrants from the Bardejov District (in %)**



**Source:** *Sample Survey*



## 5.2. Reasons for emigration in the Bardejov district

As a matter of fact, the Bardejov district is a region with relatively high level of unemployment and lack of opportunities (Chapter 4, Chart 4.2, pp.60). This fact is clearly reflected in emigrants' occupation status prior to emigration. The dominant part of emigrants (30.0 per cent) from the Bardejov district emigrated abroad immediately after graduation (see Table 5.2).

**Table 5.2: Emigrants' Occupation Status Prior to Emigration**

Serial No.	Occupation	Occupation according to gender		No. of emigrants	Per cent
1.	Agriculture	Male	0	0	0.0
		Female	0		
2.	White collar job	Male	2	2	5.0
		Female	0		
3.	Administrative job	Male	2	4	10.0
		Female	2		
4.	Services job*	Male	5	7	17.5
		Female	2		
5.	Blue collar job	Male	7	8	20.0
		Female	1		
6.	Others; left after graduation	Male	5	12	30.0
		Female	7		
7.	Unemployed	Male	5	7	17.5
		Female	2		

**Source:** *Sample survey*

Note: It is important to specify that jobs in the sector of services mostly include jobs in the restaurants and hotels in the Bardejov district.

Equally, it was found that they were never registered as employed or unemployed at the local Labour Office. Nearly 18 per cent of the total number of emigrants was unemployed for more than one year before they decided to emigrate. As Table 5.2 further illustrates, the dominant part of emigrants were mostly able to secure blue collar (20.0 per cent) or services jobs (17.5 per cent) prior to emigration. Administrative and white collar jobs account for the lowest share (see Table 5.2).

It is also interesting to examine the income levels of emigrants from the Bardejov district prior to and after emigration. The average monthly income in the Bardejov district is about €390<sup>57</sup>, which is slightly about the minimum wage of €295.50 in Slovakia (Slovak Statistical Office, 2008c). The average monthly income of the cohort of emigrants in the sample, prior to emigration, was about €271 which is below the mean income level of €390 in the district. The relatively low income of emigrants can be explained by their employment status. In the Bardejov district, 19 out of 40 emigrants were unemployed before they emigrated so they had no income prior to emigration (see Table 5.2). The second highest share is accounted by the emigrants earning on average €400 – €500 monthly (see Table 5.3). After emigration, the average monthly income of emigrants increased about six times from €271 to €1,646<sup>58</sup>.

**Table 5.3: Distribution of Emigrants by Income Category Prior to Emigration**

Average monthly income (euro)	No. of emigrants	Per cent
no income	19	47.5
< 300	0	0.0
300-400	5	12.5
400-500	10	25.0
500-600	4	10.0
600-700	1	2.5
>700	1	2.5

**Source:** *Sample survey*

Note: All incomes are gross incomes where social and health deductions (48%) are not included.

<sup>57</sup> The average monthly income in the Prešov region is € 497 in 2008. The national average monthly income is €723.03 in 2008 (Slovak Statistical Office, 2008c).

<sup>58</sup> The average monthly income of emigrants after emigration was calculated on the basis of data provided by emigrants in the sample survey.

The unfavourable economic and social environment in the Bardejov district is the most frequently given reason of emigration. All emigrants from the Bardejov district reported that their decisions to emigrate were strongly influenced by lack of employment opportunities and low incomes at home and by prospects of higher incomes and better employment opportunities in the destination countries (see Table 5.4). As Table 5.4 further shows, some emigrants, especially men were also motivated to emigrate by the goal of launching their own businesses after returning home. On the contrary, in terms of family reunification and education, both genders are equally represented (see Table 5.4).

**Table 5.4: Proximate Reasons for Emigration (in %)**

Serial No	Reasons	Male	Female
1	Economic (better work, higher income)	100.0	100.0
2	Family reunification	11.1	23.07
3	Education	11.1	23.07
4	Others (savings, financial security)	44.4	22.2
5	Others (starting self employment business)	22.2	0.0

**Source:** *Sample survey*

Note: The respondents were not asked to rank the reasons for emigration.

### *5.3 Job search mechanisms of emigrants in the Bardejov district*

As it has been outlined in the previous section, emigration from the Bardejov district is driven by wage-differentials and probability of employment opportunities in the destination countries. It is important to note

that on the basis of sample survey, it has been concluded that the job search<sup>59</sup> of migrants from the Bardejov district precedes their emigration. However, emigrants differ in their choices of particular job search mechanisms. Various socio-economic characteristics of emigrants are taken into account in order to identify the variable that shows the most striking differences in the use of job search mechanisms. The study argues that level of emigrants' education is the most influential variable that preconditions emigrants' choices of particular job search mechanisms.

As regards the job search mechanisms of emigrants from the Bardejov district, the emigrants predominantly used social networks (family and friends) for securing their jobs abroad. Family and friends is the most significant source of information on the job and livelihood opportunities in the destination countries as 40 per cent of the total number of emigrants followed the migration journey of their friends and relatives (see Table 5.5).

**Table 5.5: Job Search Mechanisms of Emigrants from the Bardejov District**

Serial No	Mechanisms	No of emigrants	Per cent
1	Family and Friends	16	40.0
2	Advertisement in newspaper	0	0.0
3	Others (job databases on internet)	13	32.5
4	Others (recruiting agency)	10	25.0
5	Others (Labour Office)	1	2.5

**Source:** *Sample survey*

*Note:* The respondents were not asked to rank the networks

<sup>59</sup> For the purpose of this study the job search is understood as a mechanism through which the migrants obtain their jobs

In a new era of high technology and improved means of communication, there has been an increasing role of the internet in providing information on the job opportunities all around the world. In the Bardejov district, 32.5 per cent of the total number of emigrants used this job search mechanism (see Table 5.5). The recruiting agencies are also an important source on job information abroad<sup>60</sup>.

#### *Job search mechanisms and gender*

The empirical data show that both men (37.0 per cent) and women (46.1 per cent) tend to use family and friend networks for securing their jobs abroad (see Table 5.6). The recruiting agencies are to a greater extent used by men than by women. In contrast, the internet networks are predominantly used by women (see Table 5.6).

**Table 5.6: Relation between the Emigrants' Gender, Age, Marital Status and Job Search Mechanisms**

Serial No	Mechanisms	Gender		Average Age (in years)	Marital Status	
		Male	Female		Single	Married
1	Family and Friends	37.0	46.1	28	56.3	43.7
2	Recruiting Agency	33.3	7.7	34	20.0	80.0
3	Internet	26.0	46.1	28	76.9	23.1
4	Labour Office	3.7	0.0	45	0.0	100.0

**Source:** *Sample survey*

Note: Figures in brackets are percentage of total

<sup>60</sup> It is important to note that recruiting agencies are not very popular job search mechanism among emigrants from the Bardejov district. The respondents reported that the agencies are effective in identifying their job opportunities but at the same time the agencies deduct certain proportion from their earned wages abroad (derived from author's sample survey).

### *Job search mechanisms, age and marital status*

As Table 5.6 further illustrates, the average age of emigrants using social and internet networks is 28 years. These emigrants are predominantly single (see Table 5.6). In contrast, emigrants preferring recruiting agencies and local Labour office are slightly older and mostly married (see Table 5.6).

### *Job search mechanisms and education*

It is also interesting to examine the relation between the emigrants' education and job search mechanisms. It has been argued that higher skilled emigrants expect higher returns from their job search and therefore they rely on more expensive formal job search methods<sup>61</sup> unlike low-skilled workers who tend to prefer cheaper informal job search methods<sup>62</sup> (Basker, 2003)<sup>63</sup>.

The better the education and language skills of emigrants from the Bardejov district, the more likely is the probability of preferring the internet networks over social networks and employment agencies. The largest group of emigrants (92.3 per cent) who emigrated after finding jobs through the internet, have university degrees and speak English or German on advanced level (see Table 5.7).

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<sup>61</sup> Formal job search methods include the services of an impersonal intermediary; employment agencies, school and college placement, union hiring halls and advertisements in a journal, newspaper, on TV, radio or internet (Segendorf and Rooth, 2006)

<sup>62</sup> Informal job search methods provide jobs through the existing social contacts, family and friends and co-workers (Segendorf and Rooth, 2006)

<sup>63</sup> For the purpose of this study, high skilled migrant is understood as migrant with university degree and advanced level of language skills. Low skilled migrant is understood as migrant with high school or less education and no ability to speak foreign languages

**Table 5.7: Relation between the Emigrants' Education, Language Skills and Job Search Mechanisms (in %)**

Serial No.	Mechanisms	Education			Language Skills Level		
		High school and less	Technical	University	No skills	Basic/Intermediate	Advanced
1.	Family and Friends	25.0	50.0	25.0	31.2	50.0	18.8
2.	Recruiting Agency	20.0	80.0	0.0	70.0	30.0	0.0
3.	Internet	0.0	7.7	92.3	0.0	15.4	84.6
4.	Labour Office	100.0	0.0	0.0	100.0	0.0	0.0

**Source:** *Sample survey*

Note: Emigrants speak either English or German language.

Almost 70 per cent of these emigrants emigrated immediately after graduation and never actually worked in the local labour market (derived from author's sample survey). It is also interesting to note that these emigrants are predominantly employed in the United Kingdom (46 per cent) and Austria (46 per cent) (derived from author's sample survey).

On the other side, emigrants who decided to leave on the basis of information provided by their relatives or friends have predominantly technical or high school education (75.0 per cent) (see Table 5.7). These emigrants left immediately after graduation or worked mostly in the sector of services prior to emigration (derived from author's sample survey). In addition, the bulk of emigrants within this group do not speak any foreign languages or speak them at a basic level (see Table 5.7). These emigrants are almost equally dispersed among the destination countries (derived from author's sample survey). Finally, the emigrants registered through recruiting agencies have mostly technical education (80 per cent) and very low ability to

speak foreign languages (see Table 5.7). They had mostly blue collar jobs prior to emigration. The bulk of these emigrants (80.0 per cent) found their new jobs in the neighbouring Czech Republic (derived from author's sample survey).

#### *Job search mechanisms and occupation*

It has been argued that different job search mechanisms bring about different types of employment and wage-effects (Tayen and Boheim, 2002). Formal search methods are expected to have higher hits in finding more formal jobs (Marquez and Ruiz-Tagle, 2004). As Table 5.8 shows, the emigrants who used social networks (informal search method) found employment mostly in the services sector. However, it is interesting to note that some emigrants were able to secure administrative and white collar jobs as well (see Table 5.8). As regards the formal job search mechanisms, recruiting agencies are more likely to lead emigrants to blue collar jobs. On the contrary, emigrants using internet, as a formal job search method, were more likely to find white collar jobs than other types of jobs (see Table 5.8).

**Table 5.8: Relation between the Emigrants' Occupation Status in the Destination Countries and Job Search Mechanisms (in %)**

Serial No	Mechanisms	Occupation			
		Blue collar jobs	Services	Administrative	White collar jobs
1	Family and Friends	12.5	68.7	6.3	12.5
2	Recruiting Agency	70.0	30.0	0.0	0.0
3	Internet	0.0	15.4	15.4	69.2
4	Labour Office	100.0	0.0	0.0	0.0

Source: Sample survey



#### *5.4. Conclusion*

Emigration from the Bardejov district is slightly different from the emigration patterns of developing countries such as Mexico, Philippines, India and Bangladesh. Migration flows are predominantly comprised of men (67.5 per cent), women do comprise nearly one-third of emigrants from the Bardejov district. The relatively high proportion of women can be explained in terms of their educational status. Almost 46.1 per cent of female emigrants have technical education followed by those with university education (38.5 per cent). On the other hand, only 33.3 per cent of male emigrants have university education and the proportion of those with technical education is higher (44.4 per cent). In general, data affirm that the emigration of “skilled” category workers dominates in the Bardejov district unlike the emigration of “unskilled” category workers at the international level. The emigrants from the Bardejov district are relatively young, on average 30 years of age and mostly single. These findings confirm with the studies of Slovak scholars regarding the profile of emigrants from Slovakia. As regards the reasons for emigration, all emigrants reported the importance of economic factors – higher incomes and better employment opportunities in the host countries. As the results show, the emigration from the Bardejov district has raised the income level of emigrants: the average monthly income of emigrants has increased nearly six times after emigration which confirms the predominant hypothesis that it is the wage-differentials and better employment prospects in the destination countries that drive emigration from the Bardejov district in Slovakia.

It is important to note that emigration from the Bardejov district is not associated with individuals who move first and then look for jobs. On the basis of sample survey, it has been proved that job search precedes emigration from the district. All emigrants in the sample survey uniformly reported that they emigrated after finding jobs through particular job search mechanisms. However, emigrants differ in their choices of particular job search mechanisms. The findings demonstrate that emigrants from the Bardejov district tend to use both, formal and informal job search strategies. More precisely, the results show that family and friends, internet and recruiting agencies are the most commonly used job search mechanisms in the district. The other job search mechanisms were not mentioned by respondents.

Additionally, a positive relation between the emigrants' choices of particular job search mechanisms and their socio-economic characteristics is found. The emigrants using internet networks are most likely women, single and on average 28 years old. In contrast, emigrants using recruiting agencies are mostly men, married and on average 34 years old. In case of social networks, emigrants are almost equally represented in terms of gender, age and marital status.

However, the level of emigrants' education turns out to be the most influential variable of job search as it provides the most striking differences in the use of job search mechanisms. The better the education and language skills of emigrants from the Bardejov district, the higher probability of preferring the internet networks over social networks and recruiting agencies exists. The largest group of emigrants (92.3 per cent) who have emigrated after finding

job through the internet have university degrees and speak English or German at an advanced level. In contrast, only 25 per cent of emigrants using social networks as a job search mechanism have university education and more than 80 per cent of these emigrants have low or no ability to speak foreign languages. Moreover, in case of emigrants finding jobs through the recruiting agencies, only emigrants with technical or high school education are found. The bulk of these emigrants (70 per cent) have no language skills. Less educated emigrants face higher costs of emigration in terms of possible language barriers and limited access to job opportunities and therefore higher reliance on the assistance of personal intermediary is found. Basically, the results demonstrate that formal job search mechanisms (internet and recruiting agencies) are used by high as well as low educated migrants. Informal job search mechanisms (social networks) are mainly used by less educated migrants. These findings are thus inconsistent with a predominant hypothesis that migrants with higher levels of education are more likely to rely on formal job search methods than less educated migrants. As the evidence from the Bardejov district shows, even migrants with lower education secure their jobs through formal job search mechanisms (recruiting agencies).

It has been equally found that formal job search methods (internet and recruiting agencies) do not necessarily result in finding more formal jobs as some scholars argue. As the results demonstrate, formal - white collar jobs were secured by emigrants using formal job search mechanisms (internet) as well as informal job search mechanisms (social networks). In contrast, recruiting agencies as formal job search mechanisms provide emigrants

predominantly with informal - blue collar jobs. The findings are thus inconsistent with previous research on emigrants' job search mechanisms and their relative effectiveness.

**CHAPTER VI:**  
**REMITTANCES AND ECONOMIC DEVELOPMENT IN THE**  
**BARDEJOV DISTRICT IN SLOVAKIA**

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The literature on the impact of migration and remittances on economic development is largely controversial (Appleyard, 1992). On the one hand, there are scholars arguing that migration and remittances are beneficial to economic development in the migrant-sending communities. Remittances remove consumption constraints of migrant households, improve their savings and spur economic growth (Goldring, 1990; Kireyev, 2006). In contrast, others have argued that remittances are absorbed into the immediate consumption and rarely finance direct-income or employment activities (Ahlburg, 1991; Lipton, 1980). However, the idea that migrants do not use their money “productively” has been largely criticized due to the weak empirical foundations. There is a lack of uniform definition what actually constitutes productive investments as well as different conceptualizations of development. As a result, the relationship between migration and development has been variously called “unsettled” (Asencio et al, 1991) or “unresolved” (Appleyard, 1992). Similarly, there is an unsolved concern whether large sums of remitted money cause any changes in labour-leisure allocations of remitters’ families.

This chapter provides an analysis of migration-driven remittances and their impact on economic development and labour supply in the Bardejov district in Slovakia. The chapter is based on economic and financial data obtained from migrant households during the survey. The study shows that remittances in the Bardejov district are productive source of capital for

development. Remittances may not create direct-income and employment linkages within the local economy. However, even remittances spent on housing, schooling, health or better nutrition may be considered as productive source of capital as they enhance people's capabilities and offer possible future economic returns on individuals and local development. In addition, the study argues that remitted money have neutral effects on labour supply and labour market participation of remitters' families.

The chapter is divided into four sections. The first section estimates the magnitude and patterns of remittance flows in the Bardejov district. The second section describes allocation of remittances. The following section assesses the implications of migrant households' expenditures for development and labour-leisure allocation in the Bardejov district. The last section summarizes the results. The emerging conclusions from the study are limited by a lack of comparative data of the non-migrant households due to the scarcity of time and budget.

### *6.1. Magnitude and patterns of remittance flows in the Bardejov district*

It has been widely acknowledged in the literature that the reasons people have for remitting will influence the size of remittances as well as their allocation and further effects on development (Grigorian and Melkonyan, 2008). While altruism is likely to result in more remittances being directed to poor households and primarily for consumption purposes, the self-interest motive is consistent with co-movement of relatives' incomes and therefore

more remittances channelled into the productive rather than consumption assets might be expected (Grigorian and Melkonyan, 2008). However, in reality, as many scholars argue, remittances are likely to be driven by a combination of these motives (Amuedo-Dorantes et al, 2005; Dalen et al, 2005; Grigorian and Melkonyan, 2008; Russell, 1992).

The total flow of remittances from the emigrants in the sample survey has been estimated at €2.6 million for the last five years. On a yearly basis, the remittance flows have been on average €531,712; on a per capita basis, the average flow comes to €13,292.<sup>64</sup> On average, emigrants send to their dependants €1,107 monthly which constitutes 67 per cent of the emigrants' incomes earned abroad (see Table 6.1) Data show that remittances are very important source of income for households in the Bardejov district as they increase their total incomes by almost 126 per cent (see Table 6 1)

**Table 6.1: Remittances as a Percentage of Emigrants' Incomes Earned Abroad and of Households' Total Income**

Proportion of remittances to monthly income earned abroad (%)	67.25
Proportion of remittances to households' total income prior to emigration (%)	126.5

**Source:** *Sample survey*

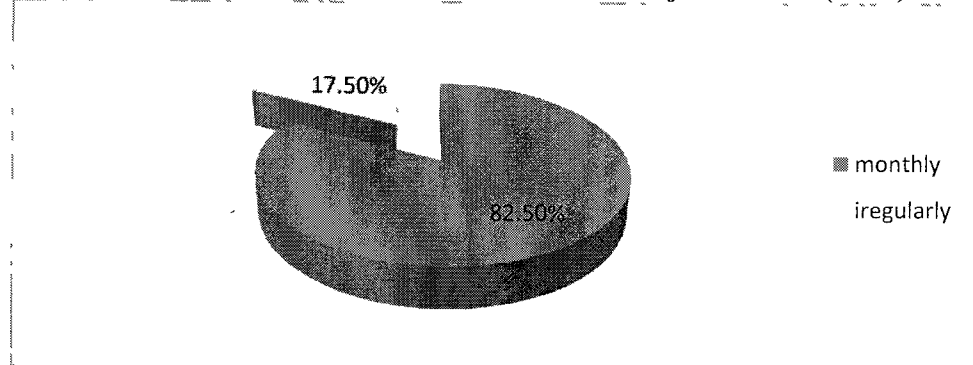
Note: Data are based on the author's calculation. Each respondent reported in the survey a monthly income earned abroad. Averaging of the reported figures provided the emigrants' average monthly income earned abroad (€1646). Secondly, monthly sent remittances (€1107) were calculated by simple division of data on the annual flow of remittances. Thus the proportion of remittances to emigrants' monthly income earned abroad was calculated (67.25 per cent). Thirdly, averaging of the sample data on the total monthly income of households prior to emigration, the households' average monthly income (€875) was calculated. Thus the proportion of remittances to households' total income prior to emigration (126.5 per cent) was provided.

<sup>64</sup> Data are based on the author's calculation. Each respondent reported in the survey an approximate sum of remitted money during the period of his/her emigration. Adding up the reported figures, the total sum of remittances (€2.6 million) was provided. Secondly, the migrants' average period of staying abroad was calculated in order to get data on the annual flow of remittances. Finally, remittance flows on a per capita basis were calculated by simple division of data on the annual flow of remittances by the number of emigrants.

### *Frequency of remittances*

The relevance of migration-driven remittances for a particular household depends on the frequency and purpose of remittances. As Chart 6.1 illustrates, the bulk of emigrants (82.5 per cent) remit money home regularly, usually once a month. Only 17.5 per cent of emigrants remit money back home infrequently.

**Chart 6.1: Frequency of Remittances in the Bardejov District (in %)**



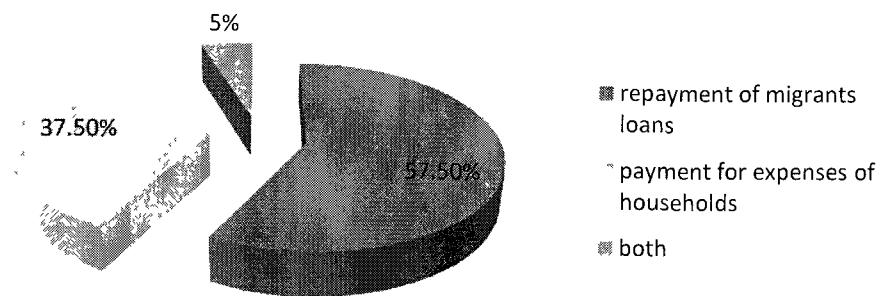
**Source:** *Sample survey*

### *Purpose of remittances*

As far as the purposes of remittances are considered, almost 58 per cent of emigrants reported the repayment of their debts as the primary reason for remitting (see Chart 6.2). Secondly, there are remittances used for covering household expenses that include food, clothes, health and education expenses and expenses on house or apartment repairs; only 5 per cent of migrant households reported both purposes (consumption and repayment of debt) (see Chart 6.2).



**Chart 6.2: Purposes of Remittances in the Bardejov District (in %)**

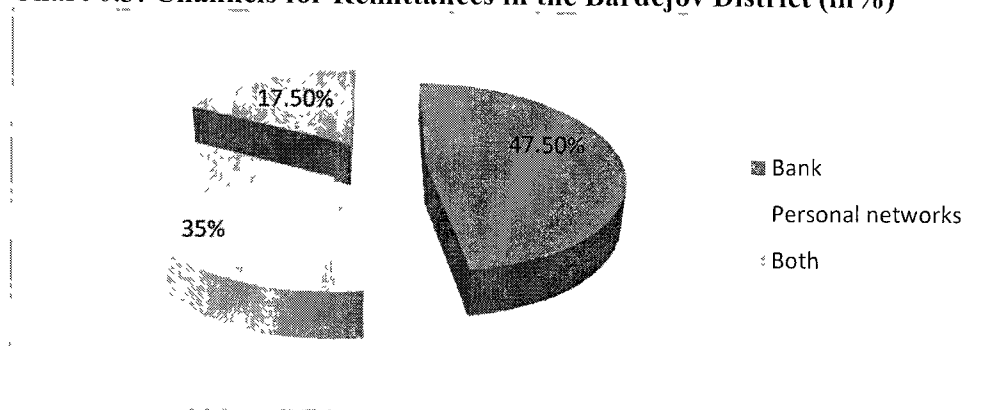


**Source:** *Sample survey*

#### *Channels for remittances*

Almost one-half of the total number of emigrants use the formal banking system for remitting their money (Chart 6.3). A smaller proportion of emigrants (35.0 per cent) use personal networks for remitting which is interesting given the fact that the substantial proportion of emigrants used social networks for securing their jobs abroad. Nearly 18 per cent of emigrants use both channels for remittance.

**Chart 6.3: Channels for Remittances in the Bardejov District (in%)**



**Source:** *Sample survey*

## *6.2. The expenditures of remittance-receiving households in the Bardejov district*

In terms of households' expenditures, most of the studies have found that up to 80 per cent of remittances are used for basic household consumption (Abadan-Unat et al, 1975; Dyer, 2006; Lipton, 1980; Vega, 1994; World Bank, 2007) and 5-10 per cent is used to invest in human capital such as education, health and better nutrition (Calero et al, 2008; Edwards and Ureta, 2003; World Bank, 2007). The third important category for expenditures is investments in land, housing and livestock, often seen as future assets of the emigrants themselves (Adams, 1998). Smaller portions of remittances are spent on socio-cultural events, for loan repayments, savings and generally only little is invested in employment and income generating activities other than agriculture and livestock (Sander, 2003; Suro, 2003; World Bank, 2007).

As Table 6.2 shows, the bulk of remittances in the Bardejov district are allocated to savings that include predominantly bank deposits (45.9 per cent), purchase or reconstruction of real estate (38.9 per cent) and investments (15.1 per cent). The major part of money earned abroad is not consumed immediately but rather saved. The findings thus demonstrate that the primary stimulus for emigration from the Bardejov district is economic, more precisely higher savings and financial security. Most of the emigrants reported in the survey that they intend to return home after saving a targeted sum of money.

**Table 6.2: Expenditures of Migrant Households in the Bardejov District**

Serial No.	Purposes	Amount	Percentage of total	%
1.	<i>Consumption</i>	€802 090	30.1	100.0
	<i>Of which</i> on Food	€94 560		11.8
	Clothing	€83 000		10.3
	Health	€71 450		8.9
	Education	€44 300		5.5
	Repayment of loans	€309 080		38.5
	Recreation	€30 500		3.8
	Special events	€47 400		5.9
	Others	€121 800		15.2
2	<i>Savings</i>	€1 865 mil	69.9	100.0
	<i>Of which</i> on real estate	€726 500		38.9
	Bank deposits	€857 000		45.9
	Investments	€282 000		15.1
3	<i>Total Amount of Remittances</i>	€2 668 mil	100.0	100.0
<i>(1+2)</i>				

**Source:** *Sample survey*

Note: Data are based on the author's calculation. Each respondent reported in the survey an approximate sum of remitted money during the period of his/her emigration. Additionally, each respondent specified the use of these remittances and indicated the approximate amount of remittances spent on consumption and savings. Classification of items was proposed by author.

Secondly, 30 per cent of remittances is spent on consumption including food, clothes, health, education, repayment of emigrants' debts and comforts as recreation and special events (see Table 6.2). The highest proportion of remittances spent on consumption accounts for the repayment of debts (38.5 per cent) (see Table 6.2). Considering the other expenditures, remittances spent by migrant households on their food and clothes are almost equally represented. The numbers show that there is a relatively high household's dependency on remittances assigned to cover these basic needs as they account for 22.1 per cent of the total amount of remittances spending on consumption (see Table 6.2). Finally, more than 15 per cent of remittances spent on consumption have been used for other purposes as buying a car, furniture and households' appliances (see Table 6.2). The remaining

remittances are spent on covering health and education expenditures. In terms of health expenses (8.9 per cent), the respondents clarified that money is used to pay off the health bills of their parents. As regards the spending on education (5.5 per cent), 15 per cent of emigrants from the district use money earned abroad for financing their further education in the destination countries and the other ones support the education of their children in Slovakia. Finally, nearly 10 per cent of remittances allocated to consumption is spent on recreation and special events that include for instance weddings, funerals or various family celebrations (see Table 6.2).

### *6.3. The effects of remittances on economic development in the Bardejov district*

It has been generally concluded that as households' consumption and investments aggregate to the national level, remittance flows from a micro-perspective should have a positive impact on growth, poverty and development. However, studies vary as to how much of remittances are actually used for productive purposes and to what extent remittances have direct poverty-reducing effects (Kireyev, 2006).

With regard to the impact of remittances on poverty, it is increasingly acknowledged that remittances contribute to the households' incomes and thus in the short-run reduce poverty. The sample data show that a considerable number of migrant households in the Bardejov district was poor at the time of emigration. They were economically vulnerable and socially excluded. The emigrants lacked full participation in the local community as they were

embraced in income-poverty due to unemployment or low wages. It should be remembered that 17.5 per cent of emigrants from the Bardejov district were unemployed prior to emigration (Chapter 5, Table 5.2, pp. 86). Additionally, almost one half of the cohort of emigrants (47.5 per cent) had no income prior to emigration (Chapter 5, Table 5.3, pp. 87). The other part of emigrants in the sample earned on average €271 which is below the mean income level of €390 in the Bardejov district and even below the minimum guaranteed wage of €295.50 in Slovakia (Slovak Statistical Office, 2009). After emigration, the emigrants' average income has increased approximately six times to €1646 (Chapter 5, Table 5.3, pp. 87). A significant proportion of this income (67.0 per cent) was remitted by emigrants to their dependants in the origin countries. Due to remittances, the average total income of households in the Bardejov district increased by almost 126 per cent (see Table 6.1, pp. 100). Migration and remittances thus seem to be a successful mechanism for the local poor to diversify incomes and improve their economic well-beings.

At the same time, there has been a concern whether these regular and large sums of remitted money cause any changes in labour supply and labour market participation of remitters' families. One strand of literature argues that remittances develop a culture of dependence which does not favour employment and self-initiative of emigrants' dependants (Azam and Gubert, 2006; Bagasao, 2004; Zachariah et al, 2001). In contrast, other research findings affirm that remittances have rather positive or neutral effects on the labour market participation of remittance-receiving households (Cox-Edwards and Rodriguez-Oreggia, 2009; Drinkwater et al, 2003; Funkhouser, 1992;

Thapa, 2008). It is important to recall that emigrants from the Bardejov district have on average two dependants left at home (Chapter 5, Chart 5.3, pp. 85). In case of married emigrants, their spouses in the Bardejov district earn on average €512<sup>65</sup> monthly or they are unemployed and rely on social security benefits (21.0 per cent of spouses). However, as the respondents reported, they are unemployed involuntarily as the labour supply in the Bardejov district still largely exceeds the labour demand. In addition, none of the employed respondents stated that remittances would bring about changes in their working hours or employment (derived from author's sample survey). On the other hand, the single emigrants usually remit money to the households with two incomes (parents' income) that earn on average €1,008<sup>66</sup> monthly. Due to remittances the total average income of these households is naturally higher than in case of households with one income where a head of household emigrated. Despite this fact, no changes in the labour market participation were reported by these respondents. Respondents have the same jobs as prior to emigration of their relatives or they have retired. Although retirement might clearly reflect decreased voluntary labour supply (derived from author's sample survey).

As regards the implications of remittance utilization and allocation for the development in the Bardejov district, it might be recalled that the major part of money earned abroad is used for savings (nearly 70.0 per cent) (see

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<sup>65</sup> Data were calculated on the basis of emigrants' statements about the incomes of their relatives.

<sup>66</sup> Data were calculated on the basis of emigrants' statements about the incomes of their relatives.

Table 6.2, pp.104). The investments in real estate or securing remittances in form of bank deposits may be considered as productive assets which offer future economic returns on individuals and development of broader community. In addition, it is important to note that 15 per cent of emigrants' savings were channelled into migrant-owned businesses such as opening of restaurant, auto service, design agency, recruiting agency, bathroom studio, counselling office etc (see Table 6.2, pp.104). However, emigrants' investments created relatively low employment and income linkages within the local economy. It should be recalled (Chapter 4, Chart 4.2, pp.60) that unemployment in the Bardejov district reached 13.8 per cent in 2007 and 15.7 per cent in 2008 (Bardejov Labour Office, 2009). Recently, it has been estimated that unemployment has risen to 21 per cent in June 2009 (The Head Office of Labour, Social and Family Affairs, 2009). As data confirm, the unemployment rate in the Bardejov district has increased in recent years and neither remittances nor emigration of unemployed, underemployed or even the employed inhabitants has eased the pressures on the local labour market. Therefore, if development in the Bardejov district is understood as a growth or change of social indicators, the developmental effects of remittances are rather limited. Remittances reduce poverty and improve incomes of remittance-receiving households but they do not increase local economic growth or the level of employment.

However, if development is understood as a freedom and capability to function, the positive effects of remittances on development are substantial. First of all, the expenditures on education may be considered as rational

investments as they frequently offer better rates of returns or are safer stores of value than high-risk investments in self-employment businesses. Spending on schooling is often a priority for families receiving remittances in the Bardejov district because it enriches the quality of human capital and offers better prospects for future generations. A small percentage of emigrants from the Bardejov district (15.0 per cent) actually reported further education as their reason for emigration (derived from author's sample survey). Once they return, they will share their valuable knowledge and working experiences that may have positive effects on the development of entire community in the Bardejov district. As regards the other households' expenditures on consumption, improvements in nutrition, health, recreational activities or special events also greatly enhance human capital and hence future incomes of local households. In contrast, expenditures on clothes or other assets such as car, furniture or kitchen appliances can be considered as unproductive source of capital for development. They improve comforts of local households, but they are not classified as necessities. In short, if development in the Bardejov district is not understood in strictly economic terms, the multiplier positive effects of remittances on development in the Bardejov district are found.

In addition, it has been argued that expenditures of remittance-receiving households are the rational response to the existing political and economic environment in a particular migrant-sending community (De Haas, 2006). Migration and remittances do not automatically lead to development



and if states fail to implement more general political and economic reforms<sup>67</sup>, migration and remittances are unlikely to contribute to the community-wide sustainable development. It is just natural that in case of unattractive political and economic conditions, migrant households are more compelled to spend their remittances on securing their livelihoods rather than on investing in the local economy (De Haas, 2006).

Taking into consideration the institutional environment in the Bardejov district, the local authorities express little interest and commitment to address the issue of migration and remittances. There are no local policies or strategies that would inform inhabitants about the possible community effects of remittances (City Council, 2009). Consequently, emigrants and their households have very little information about the potential of their remittances for development in the Bardejov district. As data in Table 6.3 show, half of the emigrants answered the question “Do you see any correlation among migration, remittances and development?” positively, whereas the second half of respondents saw no correlations. It is important to note, that 70 per cent of respondents who did not see the correlation among migration, remittances and development answered “no” because they had small awareness and understanding of these issues. Similarly, a high proportion of emigrants who on the contrary found some correlations among migration, remittances and development answered “yes” but would also welcome more information about

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<sup>67</sup> General political and economic reforms include restoration of political trust, creation of stable investments climate and offerings of social protection to people (De Haas, 2006).

the issues of migration, remittances and development in the Bardejov district (see Table 6.3).

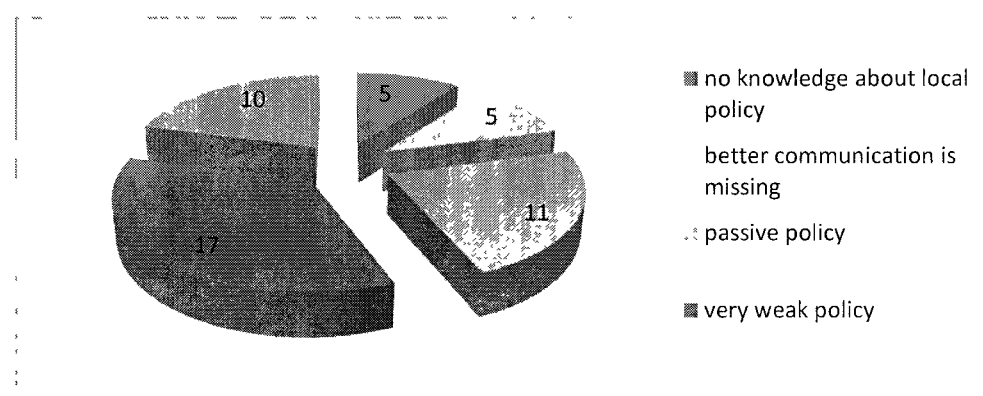
**Table 6.3: Emigrants' View of the Correlation among Migration, Remittances and Economic Development in the Bardejov District**

Answer	No. of emigrants	
NO, no correlation exists	20	no knowledge
		14
YES, correlation exists	20	no interest
		6
		more information
		17
		no interest
		3

**Source:** *Sample survey*

As Chart 6.4 illustrates, the role of local authorities is generally perceived as very weak.

**Chart 6.4: Emigrants' Opinions on Local Policy in the Bardejov District**



**Source:** *Sample survey*

Basically, the emigrants reported that the local policy is very passive and unable to deal with the newly emerged issues in the district. Some of the emigrants have no knowledge about local policy anymore as they have been outside of their place of origin for too long. A small number of respondents would appreciate better communication of political authorities with local inhabitants (see Chart 6.4). The emigrants' perception of the political

environment in the Bardejov district is a very important determinant of their economic behaviour. A lack of confidence and trust in the local policy is reflected in the emigrants' reluctance to channel their remittances into financing of community projects. A relatively small number of emigrants (30.0 per cent) answered the question "Have you ever financially supported any local initiatives in the Bardejov district?" positively (see Table 6.4).

**Table 6.4: Emigrants' Financial Support of the Initiatives in the Bardejov District**

Answer	No of emigrants	
YES, I finance local initiatives	12	
NO, I do not finance local initiatives	No money	10
	Lack of initiatives	18

**Source:** *Sample survey*

At the same time, it is important to note that the projects were mostly launched by private companies or by citizens themselves rather than by City council. Respondents predominantly financed the reconstruction of sport facilities and school projects of their children (see Table 6.5).

**Table 6.5: List of Initiatives Financed by Emigrants from the Bardejov District**

Serial No	Initiatives	No of emigrants
1	Reconstruction of winter stadium (private initiative)	2
2	Reconstruction of beach volley playground (citizen's initiative)	3
3	Reconstruction of school facilities (private initiative)	4
4	Financing the local events (concerts, exhibitions, food and drinks) (city's initiative)	2
5	Financing the language courses for unemployed (private initiative)	1

**Source:** *Sample survey*

#### *6.4 Conclusion*

Remittances in the Bardejov district are an important source of income for migrant households. On average, emigrants remit 67 per cent of their incomes earned abroad. The bulk of emigrants (83.0 per cent) remit money home regularly, usually once a month, using predominantly the formal banking system. The primary purpose for remitting is the repayment of emigrants' debts, followed by the payments for households' expenses that include food, clothes, health, education expenditures and expenditures on house or apartment repairs. The study thus provides evidence that remittances to the Bardejov district are driven by a combination of altruism and self-interest motives and consequently, remittances channelled into the productive as well as consumption assets are found.

The results on the expenditures of remittance-receiving households in the Bardejov district revealed slightly different patterns of remittance allocation from findings presented in literature. Unlike the findings that 80 per cent of remittances are spent on basic household consumption (Lipton, 1980; Dyer, 2006; Vega, 1994; World Bank, 2007), the evidence from the Bardejov district shows that the bulk of remitted money are spent on savings (nearly 70.0 per cent) that include bank deposits, buying or reconstruction of real estate and investments. In contrast, remittances spent on consumption account only for 30.1 per cent. The highest proportion of these remittances is used for repayment of emigrants' debts.

Concerning the results of migrant households' expenses on food, education and health in the Bardejov district, they are consistent with general findings that 5-10 per cent of remittances are invested in human capital (World Bank, 2007). Principally, remitted money provides local households with higher incomes and savings, better consumption levels and more valuable assets. However, there is no evidence that large sums of remitted money would create a culture of dependence which does not favour employment and self-initiative of emigrants' dependants. Remittances in the Bardejov district have rather neutral effects on the labour market participation of migrant households.

As regards the implications of the use of remittances for development in the Bardejov district, the evidence shows that migrant households' expenditures created relatively low employment and income linkages within the local economy. Therefore, if development is understood as a growth or change of social indicators, the developmental effects of remittances are rather limited. These findings thus support the hypothesis that remittances are unproductive source of capital for development. However, for the purpose of this study, Amartya Sen's broad definition of development as a freedom and capabilities to function is applied. Consequently, even the households' expenditures on consumption are considered as valuable remittances with investments-like effects on development in the Bardejov district. In particular, expenditures on housing, schooling, health and better nutrition are very productive investments as they enrich the quality of human capital, enhance people's well beings, their capabilities and offer better prospects for future

generations. In sum, if development is not understood in strictly economic terms, remittances in the Bardejov district are productive source of capital for development.

In addition, the findings affirm that expenditures of remittance-receiving households are the rational response to the existing institutional environment in the Bardejov district. Lack of confidence and trust in local political authorities is reflected in reluctance of migrant households to channel their expenditures into financing of community projects or other local initiatives. In future, the improved institutional environment in the Bardejov district can increase the developmental potential of remittances. A renewed trust and confidence in the local policy might be a key to success.

## **CHAPTER VII: CONCLUSION**

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The phenomenon of migration increasingly belongs to the global challenges of civilisation. Many theories have been put forth as to what causes migration and why migrants choose certain countries of destinations rather than others. Prior works have emphasized that migrants are encouraged by higher incomes and better employment opportunities in the destination countries. Recently, a social networks perspective on migration has gained prominence among migration scholars. Along with social networks theory, current research has also examined the relationship between migration and job search – whether job search follows migration or precedes migration and if so, what is the role of formal and informal job search methods. Secondly, research has been concentrated on “unresolved” relationship between migration and economic development. Although few scholars would deny the direct contribution of migration and remittances to the livelihoods and survivals of families left behind, the extent to which migration can promote sustainable development and economic growth in the migrant sending areas is still debated in literature.

The presented study set itself the goal to describe the migratory patterns in the Bardejov district in Slovakia. The study analyzes reasons for emigration and various job search mechanisms which emigrants use to secure jobs in destination locations. One of the principal objective of the present study is to examine how the emigrants’ choices of particular job search

mechanisms vary with their socio-economic characteristics. Secondly, the study also presents the contribution of migration-driven remittances to development in the Bardejov district in Slovakia. In particular, the study addresses the multiplier effects of remittances on economic development and labour supply which result from remittance allocation and utilization by migrant households.

As regards the migratory patterns in the Bardejov district, the empirical results show that the emigration from the Bardejov district is slightly different from the emigration patterns of other developing countries. Although the predominant part of emigrants is men (two-third), nearly one-third of emigrants from the Bardejov district are women. The relatively high proportion of female emigrants can be explained in terms of their educational status. Almost 46.1 per cent of female emigrants have technical education followed by those with university education (38.5 per cent). This is unique compared with the national or European statistics which reveal that only 10-12 per cent of female emigrants from Slovakia and Europe have university educations. In general, the emigrants from the Bardejov district are well educated as 45 per cent of the total number of emigrants has technical education followed by those with university education (37.5 per cent). The findings thus reveal that the emigration of “skilled” category workers dominates in the Bardejov district unlike the emigration of “unskilled” category workers on the international level. The emigrants from the Bardejov district are relatively young, the average age is 30 years and mostly unmarried (52.5 per cent). These findings confirm with the studies of Slovak scholars



regarding the profile of emigrants from Slovakia. In terms of destinations countries, the Czech Republic, Austria, the United Kingdom and Ireland dominate.

The emigrants from the Bardejov district uniformly reported a lack of employment opportunities and low per capita incomes in home country as the primary reasons for their emigration. In terms of unemployment, the Bardejov district with the unemployment rate of 19.1 per cent in March 2009 ranks among the top 15 districts with highest unemployment rate in the country (Bardejov Labour Office, 2009). Nearly 18 per cent of the total number of emigrants was unemployed for more than one year before they decided to emigrate. In addition, the dominant part of emigrants (30 per cent) from the Bardejov district emigrated abroad immediately after graduation and they were never registered as employed or unemployed at the Local Labour Office (derived from author's sample survey). The average monthly income in the Bardejov district is about €390 which is slightly about the minimum guaranteed wage of €295.50 in Slovakia (Slovak Statistical Office, 2008c). The average monthly income of the cohort of emigrants in the sample, prior to emigration, was about €271 (derived from author's sample survey). In contrast, after emigration, the average monthly income of emigrants has increased nearly six times. The findings are thus consistent with the first stated hypothesis that it is the wage-differentials and employment opportunities in the destination countries that drive migration (Chapter 2, Section 2.1, pp.10). On the other hand, only 11 per cent of male and 23 per cent of female emigrants directly reported family and friends' reunification as the "pull"

factors of emigration. Therefore, the second hypothesis that family and friends ties exert strong influence on the likelihood and destination of outmigration is not strongly supported by the evidence from the Bardejov district (Chapter 2, Section, 2.1, pp.13).

It is essential to note that emigration from the Bardejov district is not speculative migration. All emigrants in the sample survey uniformly reported that they emigrated after finding jobs through a particular job search mechanisms. Thus the third hypothesis that job search precedes migration is supported by the evidence from the Bardejov district (Chapter 2, Section, 2.2, pp. 14). However, emigrants differ in their choices of particular job search mechanisms. Since the previous studies indicate mixed results concerning the effectiveness of particular job search mechanisms, it was assumed that in case of migrants, formal and informal job search methods tend to be equally important. The findings from the Bardejov district clearly confirm this hypothesis (Chapter 2, Section 2.2, pp.16). In particular, social networks (family and friends) turn out to be the most frequently used job search mechanism as 40 per cent of the total number of emigrants secured their jobs and staying abroad on the basis of their social contacts abroad. The rest of emigrants from the Bardejov district used internet networks (32.5 per cent) and recruiting agencies (25.0 per cent) for securing their emigration. These findings are consistent with a prior research on social networks emphasizing the positive role of family and friends in securing emigrants' jobs and staying abroad.

Additionally, it has been argued that socio-economic characteristics of emigrants affect their choices of particular job search mechanisms (Chapter 2, Section 2.2, pp.17). This argument is strongly supported by evidence from the Bardejov district where the relation between emigrants' choices of particular job search mechanisms and their socio-economic characteristics is positive. More precisely, it is the level of emigrants' education that emerges to be the most influential variable of job search as it provides the most striking differences in the use of particular job search mechanisms. The better the education and language skills of emigrants from the Bardejov district, the higher probability of preferring internet networks over social networks and recruiting agencies exists. As the results show, the largest part of emigrants (92.3 per cent) who emigrated after finding job through the internet have university degrees and speak English or German at an advanced level. In contrast, only 25 per cent of emigrants using social networks have university education and more than 80 per cent of these emigrants have low or any ability to speak foreign languages. Moreover, in case of emigrants finding jobs through recruiting agencies, only emigrants with technical or high school education are found. The bulk of these emigrants (70.0 per cent) have no language skills. In sum, the results demonstrate that formal job search strategies (internet and recruiting agencies) are used by high as well as low educated migrants. The findings are thus inconsistent with hypothesis concluding that higher skilled migrants are more likely to rely on formal job search strategies than less educated migrants (Chapter 2, Section 2.2, pp.17).

As the evidence from the Bardejov district shows even less educated migrants use formal job search strategies for securing their jobs abroad.

It has been equally found that formal job search methods (internet and recruiting agencies) do not necessarily result in finding more formal jobs. As the findings reveal, formal - white collar jobs are secured by emigrants using formal job search mechanisms (internet) as well as informal job search mechanisms (social networks). In contrast, recruiting agencies as formal job search mechanism provide emigrants predominantly with informal - blue collar jobs. The findings are thus inconsistent with hypothesis that formal job search strategies result in higher chances to find more formal jobs (Chapter 2, Section 2.2, pp.17).

As regards the contribution of migration-driven remittances to economic development in the Bardejov district is concerned, the empirical results show that remittances are an important source of capital for migrant households. On average, 67 per cent of incomes earned abroad have been remitted to dependants left at home which increase the total incomes of migrant households by almost 130 per cent. The dominant part of emigrants (82.5 per cent) remits money home regularly (every month), through the formal banking system in order to meet debt, consumption and investment requirements of emigrant households. The findings thus show that a combination of altruism and self-interest motives for remittances is found in the Bardejov district. As a result, remittances in the Bardejov district are channelled into the productive as well as unproductive assets. The findings thus correspond with hypothesis stating that various motives for remitting are

likely to result in remittances being spent on consumptive as well as productive purposes (Chapter 2, Section 2.3, pp. 25). In effect, the results on the use of migrant remittances show that migrant households spend more remittances on savings (69.9 per cent) than on consumption (30.1 per cent). The households' savings are predominantly used for bank deposits, buying or reconstruction of real estate and investments. On the other hand, remittances spent on consumption are mainly channelled into the repayment of debts followed by expenditures on food, clothes, health, education and other items. The results are thus slightly at variance with previous research and findings that 80 per cent of migration-driven remittances are spent on immediate consumption. Similarly, it has been argued that only small proportions of remittances are used for loan repayments and savings which in contrast turn out to be a priority for migrant households in the Bardejov district. In sum, the evidence from the Bardejov district supports the hypothesis that remittances are productive source of capital for development as they do not necessarily create consumptive society (Chapter 2, Section 2.3, pp. 28). Additionally, there was no evidence to support the hypothesis that the regular and large sums of remitted money cause some changes in labour supply and participation decisions of remitters' families (Chapter 2, Section 2.3, pp. 29). Remittances in the Bardejov district have rather neutral or no effect on labour supply in the region.

With regard to the implications of remittance utilization and allocation for the development in the Bardejov district, the results affirm that migration-driven remittances do not necessarily promote an increase of local economic

growth or a change of social indicators. The emigrants' investments created relatively low employment and income generating activities within the local economy. The unemployment rate in the Bardejov district has increased in recent years and neither remittances nor emigration of labour force has eased the pressures on the local labour market. Therefore, if development is understood as a growth or change of social indicators, the developmental effects of remittances are rather limited. However, for the purpose of this study, Amartya Sen's broad definition of development as a freedom and capabilities to function is applied. Consequently, the migrant households' expenditures on housing, schooling, nutrition or recreational activities are very productive investments as they enhance functioning and capabilities of migrant households, improve the quality of their human capital and offer possible future economic returns on individuals and development in the Bardejov district. In sum, if economic development is not understood in strictly economic terms, the developmental effects of remittances in the Bardejov district are substantial.

It is important to emphasize that there are also local political authorities who have the capacity to improve the developmental potential of migration-driven remittances in the Bardejov district. Lack of political interest and strategies concerning the issue of migration and remittances in the district negatively influences economic behaviour of migrant households. Remittances are rather saved or spent on consumption assets than on financing community projects and initiatives.

To summarize, the study is a valuable contribution to research on migration in several ways. First, social networks are examined as one of the job search mechanisms of emigrants. The study thus significantly contributes to limited literature on the job search strategies of migrants as most of the job search literature has looked at job search behaviour in the general population and has paid little attention to the issues of ethnicity or migrant status. Moreover, the study reveals in detail how the emigrants' choices of particular job search mechanisms vary with their socio-economic characteristics. Thirdly, the study enriches empirical evidence on remittances and development by revealing the remittance patterns in the developed countries unlike most of the studies conducted in developing countries. The study presents a unique data set on remittances and their multiplier effects from a region and country that has not been subjected to any research investigation so far. In general, the issue of labour migration and remittances are very seldom analyzed in Slovakia. Lack of reliable data, surveys or estimates of Slovak labour emigrants is evident. There is no clear standpoint on labour migration articulated by respective authorities. Slovakia thus definitely differs from most of the other EU countries with longer migration traditions and better understanding of this phenomenon. Therefore, the presented study significantly contributes to limited research on migration and remittances in Slovakia, increases awareness and interest about these issues at least at the local level in the Bardejov district. Future work could employ similar topics to demonstrate the importance of migration and remittances for other communities in Slovakia or for a country as a whole.

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### Appendix 3.1: Survey Questionnaire - Diasporas, Remittances and Development in the Bardejov District

<b>A</b>	<b><i>Basic characteristics of migrant</i></b>
	Gender
	Age
	Marital status
	Single
	Divorce
	Married
	If married (details of family-size, sex and age, migrant's position in family)
<b>B</b>	<b><i>Education level of migrant (Please indicate)</i></b>
	Less than elementary
	Elementary
	High school
	College
	University
	Others (specify)
<b>C</b>	<b><i>Occupation characteristics of migrant in home country (Please indicate)</i></b>
	Migrant's monthly income
	Agriculture
	Professional job
	Clerical job
	Services Job
	Production job
	Others (specify)
	Unemployed
<b>D</b>	<b><i>Occupation characteristics of migrant in destination country (Please indicate)</i></b>
	Migrant's monthly income
	Agriculture
	Professional job
	Clerical job
	Services Job
	Production job
	Others (specify)
<b>E</b>	<b><i>Migrant's reasons to migrate (Please indicate)</i></b>
	Economic (better work, higher income)
	Family reunification
	Education
	Others (specify)
<b>F</b>	<b><i>Destination country of migrant</i></b>
<b>G</b>	<b><i>Period of staying abroad (Please indicate)</i></b>

<b>H</b>	<b><i>Did you emigrate prior to finding a job abroad? (Please indicate)</i></b>
	Yes
	No
<b>I</b>	<b><i>Financial statistics</i></b>
	Income of migrant's household
	Income remitting home
	Remittances as % of household income
	Frequency of remitting
<b>J</b>	<b><i>Channels for remittances (Please indicate)</i></b>
	Bank
	Friends
	Others (specify)
<b>K</b>	<b><i>The use of remittances</i></b>
	Total expenditure
	<b><i>of which on consumption (specify and indicate the amount)</i></b>
	Food
	Clothes
	Education
	Health expenses
	Repayment of loans
	Recreation
	Special events
	Others (specify)
	<b><i>of which on savings (specify and indicate the amount)</i></b>
	Real estate
	Bank deposits
	Self-employment business / Investments
	Others (specify)
<b>L</b>	<b><i>Network characteristics (How did emigrant come to know of opportunities?)</i></b>
	Family
	Friends
	Advertisement in newspapers
	Others (specify)
<b>M</b>	<b><i>Remittances and local development</i></b>
	Correlation between remittances and local development
	Support of local initiatives
	The role of local authorities

#### Appendix 4.1: Key “Integration Reforms” in Slovakia in 1998-2002

<i>Types of Reforms</i>	<i>Arrangements</i>
<b>Constitutional Reforms</b>	Direct election of president
<b>Political Culture Reforms</b>	Improvement of internal protection of human rights and freedoms – the Office of Ombudsman (Public defender of human rights and freedoms) was established Political responsibility of members of government Proportional voting system for the creation of parliamentary committees (equal representation of all political parties in parliament is guaranteed) Independence of media
<b>Reforms of financial sector</b>	Privatization of state-owned banks Decrease of interest rate from 23 per cent in 1999 to 9 per cent in 2002 Improved availability of credits for all entrepreneurs, regardless of their political background as it was in the past
<b>Privatization Reforms</b>	Decisions pertaining to privatization are exclusively made by government Register of privatized assets is available to public on Ministry of Privatization website Cooperation with international institutions
<b>Reforms of Business Environment</b>	10 years tax rebate and financial contributions for international investors Decrease of corporate income tax from 40 per cent to 25 per cent Decrease of the lowest level of personal income tax from 15 to 10 per cent and that of the highest level of personal income tax from 42 to 38 per cent Implementation of flat tax for self-employed Approval of legislation for creation of industrial zones
<b>Reforms of Public Finance Management</b>	Decrease of share of public finance on GDP Improvement of conditions under which state borrows financial assets
<b>Judiciary reforms</b>	Elimination of intervention of executive power into juridical decisions Reinforcement of juridical justice and position of the Juridical Court in the system
<b>Social and Labour Market Reforms</b>	New Sickness Insurance Law – the amount of sickness allowance is equal to contributions of insured Creation of Guaranty Fund to help people who lost jobs due to bankruptcy of company Stricter rules of payment of unemployment benefits Family allowances for all families with dependants, regardless of their incomes

Source: Mikloš 2005

## Appendix 4.2: Key “Systematic Reforms” in Slovakia in 2002-2006

Types of Reforms	Arrangements
<b>Tax Reforms</b>	The adoption of universal flat tax of 19 per cent for the corporate income tax and personal income tax
	The adoption of universal flat tax of 19 per cent for value-added tax, including all goods and services
	Annulment of dividend taxes
	Annulment of gift tax, legacy duty and tax estate
	Annulment of exceptions, deduction items and special regimes
<b>Pension Reforms</b>	Implementation of private capitalization pillar into the pension system, based on personal savings of insured
	The increase of retiring age from 60 years in case of men and 53-57 years (based on children) in case of women to 62 years for both genders
	Implementation of the rule of merit into the governmental pension system, which means that the expected pension will reflect the amount of pension contributions
	Implementation of new valorization of pensions which reflects the annual average increase of inflation and nominal wages in economy
<b>Health Reforms</b>	Implementation of capitation taxes for health care services
	Transformation of health insurance companies into joint-stock associations
	Implementation of strict budget rules for all subjects in the health care system
<b>Labour Market Reforms</b>	Amended Labour Code – flexible working time, simplification of the procedures of firing and hiring for a short term, annulment of all restrictions regarding the employment of pensioners
	Implementation of activate allowances for employees (partial payment for travel costs resulting from job search, grants for internal movement for work, grants for launching self-employment businesses) and employers (allowances for employment of long-term unemployed persons or persons with disabilities)
	Decrease of tax, health and social insurance payments of labour by 3.75%
	Implementation of tax, health and social insurance bonus on children if at least one of parents is employed
	Removal of payment of sickness allowances from Social Insurance Company to employers during the first 10 days of sickness absence
	<b>State Administration Reforms</b>
<b>State Administration Reforms</b>	Decentralization of competences from government to the local authorities
	Reform of local state administration, disestablishment of district and regional authorities and creation of 8 regional self-governing authorities
	Fiscal decentralization
<b>Reforms of Business Environment</b>	Universal flat tax of 19 per cent for the corporate income tax
	More flexible Labour Code
	Simplification of legislation and judiciary – implementation of Judiciary Management (institute of extrajudicial



<b>Reforms of Public Finance Management</b>	arrangement and juridical senior officers)
	Acceleration of Business register entries
	Implementation of online services (income-tax return)
	Strict budget restrictions for public institutions and implementation of ESA95 methodology for budget formation which allows international comparison of fiscal results and complicate the intention to hide deficits of public budget
	Establishment of Government Treasury and Agency for Deficit and Liquidity Management
	Implementation of 3 years public budget
	Improvement of analytical capacities of Ministry of Finance – creation of Institute for Financial Policy, Committee for Macroeconomic Prognoses and Committee for Revenue Prognoses

Source: *Vhklos* 2005