

STRUCTURAL CHANNELS FOR UKRAINIAN LABOUR MIGRATION IN THE CZECH REPUBLIC

Wadim Strielkowski¹ and Matthew Sanderson²

¹*Charles University in Prague* and ²*Kansas State University*

Abstract. This paper examines the role of structural channels in pushing Ukrainian migration along occupational lines to the Czech Republic. We argue that the integration of the Czech and Ukrainian construction sectors has generated international ‘channels’ that enhance the process of labour migration from Ukraine to the Czech Republic. Using a unique dataset constructed from primary data collected in Ukraine, we run multivariate models and test whether prior work experience in the Ukrainian construction sector increases the likelihood of obtaining a job in the Czech construction sector, net of other theoretically important controls. The results provide strong empirical support for the ‘channelling’ hypothesis.

Keywords: international migration, occupational channelling, labour market, Czech Republic, Ukraine

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1. Introduction

In the 2000s and the 2010s, migration to the CEE countries (Central and East European countries) gained a special significance. There exists an observable pattern of East-West migration, on the one hand from New Member States (NMS) of the EU to Western Europe, on the other hand from Newly Independent Countries (NIS) to NMS of the EU. Leon-Ledesma, Piracha (2001) characterized the migration from CEE as temporary and short-term.

The Czech Republic is, due to its advantageous geographical location in the heart of Europe, a very important country for European migrants – either as a final destination or a transitive point. From all post-Communist countries in Central and Eastern Europe, the Czech Republic receives the largest part of foreign labour force, with Ukrainian workers as a most important group (Figure 1). In 2009

Ukrainians comprised 21% of all immigrants and in 2006 their share was even larger – over 30 thousands of immigrants from Ukraine constituted 46% of overall immigration (CZSO 2011). Generally immigrants from non-EU countries comprise 68% of all foreigners in the Czech Republic, from which 43% are originally from Ukraine.

The process of transformation in Ukraine that followed the collapse of the Soviet Union is still on-going and the country faces high unemployment, corruption, slow economic development and high inflation. The economic development of the country is slowed down by political environment and situation of dependency on Russian energy sources and struggles for power. The discontent with the situation in the country reached the point where people started the so-called Orange revolution as a response to 2004 parliament election (see e.g. Chaban and Vernygora 2010). However, pro-Western policy of the new government was not successful and new elections brought pro-Russian forces back to power (Wilson 2005, Strielkowski and Glazar 2012).

The collapse of the Soviet Union triggered migration movement from Ukraine to the West (Malynovska 2008, Düvell 2006). There was also change in the type of migration – people did not migrate due to the ethical and political reasons, but mainly due to the economic ones (see e.g. Mendes 2009, or Jelínková et al. 2011). Ukraine became an essential supply of labour for member states of the EU since more than half of migrants enter EU's labour markets (Siar 2008, Malynovska 2008, or Mendes 2009).

Ukrainian migration is typically circular (i.e. with intention to return back regularly or for good), 80% of emigrants long to come back to Ukraine eventually, they maintain relationships with families, stay in direct contact, quite often are able to come home and they also realize investments in Ukraine (Markov et al. 2009).

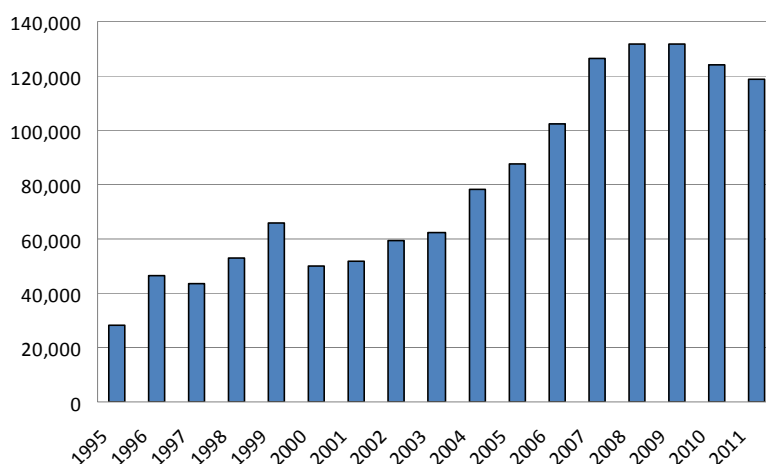


Figure 1. Stock of Ukrainian migrants in the Czech Republic.

Source: World Bank (2011).

Currently more than 10% of Ukrainian population (1/5 of working age population) work abroad, typically on temporary basis (Düvell 2006). According to Siar (2008) 15.7% of households have at least one or more members with experience of working abroad. Most often Ukrainians are engaged in secondary labour market and usually they do not constitute competitive counterparts to local workers (Markov et al. 2009). They are usually working in the building and construction sector, in housekeeping and agricultural industry (Vollmer et al. 2010).

For the whole decade the GDP growth was negative and economy started to recover at the beginning of the new century. That did not automatically mean that the recovery completely helped the soundness of economy. The GDP of the country in 2006 resulted in 63% and in 2007 in 68% of the level in 1989. The world economic crisis caused further shock for the economy when in 2009 GDP shrank by 15% (Kowalski and Polowczyk 2012).

The evolvement of GDP per capita in Ukraine and in the Czech Republic is depicted in Figure 2. The striking difference between values of GDP per capita is one of the evidence of better standards of living in the Czech Republic and thus these values can be understood as an important motivation for Ukrainian migrant workers at the time of their choice of destination country.

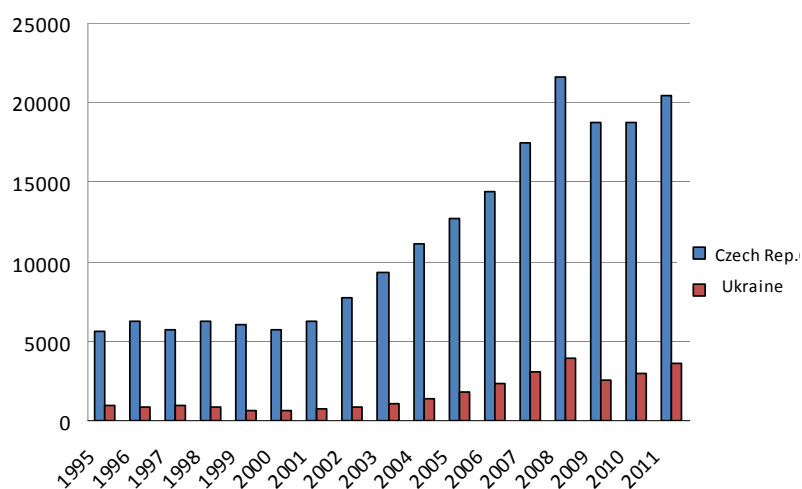


Figure 2. GDP per capita in Ukraine and the Czech Republic (1995-2010), current prices, USD.
Source: International Monetary Fund (2011).

2. Construction sector and the new destinations for labour migration

Ukrainian migrants constitute the highest share of all migrants in the country and Ukraine is undoubtedly the most important source country of foreign labour for the Czech market (Czech Statistical Office 2010). After all, from the economic point of view the absolute numbers of migrants are not important for the

remittance-receiving countries. What is really important is the volume of immigration as a percentage of the receiving country population. Therefore, it seems appropriate to claim that Ukrainian migrants and especially their remittance transfers have a crucial importance for the Czech economy.

Ukrainian migration in the Czech Republic started as early as at the beginning of the 1990s and was largely triggered by the transformation of the Czech economy and the rapid development in the construction and services sectors. In addition, the specifics of the Czech housing market the regulation of house rents in the case of state-owned housing stock added up to the picture Sunega (2005).

Lux (2002) and Lux et al. (2002) describe how all factors mentioned above contributed to the construction boom in the Czech Republic. Rigid housing market regulated by the state even after 1991 provided cheap state housing with regulated rents. However, the new emerging middle class called for the modern functional housing similar to the one available in the West. Moreover, the development of the financial sector and the availability of mortgages to the general population realised people's dream of owning a house or an apartment.

All these resulted in a spree of new housing developers (often owned by the multinational companies) that offered affordable housing for everyone. The largest construction boom started in the Czech Republic in the mid-1990s (Lux and Sunega 2010).

However, the construction boom did not last for long. The first demand for new housing was fast saturated by the end of the 1990s, although many housing projects are still being offered on the market today. Rojíček (2006) indicates that the biggest decline in the GDP structure was recorded in the construction sector. Following the construction boom of the early 1990s, the construction sector was gradually declining and its labour productivity is now dropping by as much as 3% annually.

Ukrainian labour migrants in the 1990s and the early 2000s constituted the pool of cheap labour used mostly in the sector of construction. No wonder that the largest waves of inward Ukrainian migration to the Czech Republic coincided with the boom in the country's construction sector.

3. Occupations as structural channels on the labour market

Occupations are important sites in which structural factors articulate with individual agency. At work, individuals experience the broader political-economic context as a set of opportunities and constraints for action (Sassen 1988).

Cultural linkages are augmented by labour market integration between the origin and destination country, which makes it easier to translate work skills and education between labour markets. Unskilled Mexicans with work experience in the Mexican agricultural sector have been migrating to work in the U.S. agricultural sector for decades (Massey, et al. 2002, Mize and Swords 2010, Mize 2006). There is also evidence, however, that skilled Mexican labour migrates

along occupational lines. Hernandez-Leon (2008) describes the emergence of skilled migration streams from Monterrey, Mexico to Houston, Texas, where migrants found work in the oil sector. While migrant networks and labour demand were important factors structuring the migration process, occupational background was crucial to explaining the orientation of these migration flows (Hernandez-Leon 2004). Notably, skilled emigration streams from Mexico's urban-industrial sector have emerged precisely in the context of economic restructuring in Mexico.

Occupations also promote the development of social networks that decrease the costs and risks of movement and direct migrants to particular destinations. Once initiated, migration streams have a strong internal momentum that results from the development social networks, a dynamic known as 'cumulative causation' (Massey 1990). Migrant social networks cumulatively cause migration in several manners, but with respect to occupations, it often begins with employer recruitment. Employer recruitment has been long used by U.S. firms as a strategy for procuring Mexican labour (Mize and Swords 2010) but it is particularly important for employers in the U.S. food-processing sector, which augment recruitment strategies by tapping into family-based social networks. It is well documented that the U.S. meat-processing firms rely on workers to refer family members as potential employees (Martin 2009). Food-processing workers in the U.S. therefore become the part of the linkage for potential emigrants, in this case, from Mexico (Sassen 1988).

Thus, it is quite possible that occupations provide structural channels through which, in the context of economic restructuring and cross-national integration, migrants gain access to employment in similar sectors of the economy of the target country.

4. Methodology and data

This study uses data from the Ukrainian Migration Project (UMP) collected in Zakarpatye region in Western Ukraine. In total, 500 questionnaires in households having currently at least one member as a migrant in the Czech Republic were carried out. Households in the sample were chosen by random sampling in particular cities in Zakarpat'ye region. Despite the above-mentioned limitations, the data sample is robust enough to show the basic existing patterns and dependencies in migration from the Western Ukraine to the Czech Republic

The independent variable of greatest interest is a dummy variable that indicates whether a Ukrainian migrant worked in the Ukrainian construction sector as a primary occupation. Again, the UMP categorizes occupations according to classifications used by EU as listed above. This variable tests whether migrants working in the Czech Republic's construction sector are channelled along occupational lines from the Ukrainian construction sector.

Our main hypothesis is that Ukrainian immigrants whose primary occupation in Ukraine is in the construction sector will be more likely to work in the Czech

construction sector than Ukrainian immigrants whose primary occupations are in other sectors of the Ukrainian economy. Therefore, we expect that no major brain-drain takes place (although it might have been in the 1990s) and there is no major loss of human capital for Ukrainian migrants in the EU countries.

Theory and previous research suggests several important control factors for micro-level studies of migration, including: human capital endowments, migratory capital derived from social networks (i.e. migratory social capital), the Czech Republic destination community type, and Ukrainian origin community type. The analyses examine the dimensions of personal characteristics, human capital and occupational background in Ukraine. Together, these variables research an extensive array of explanatory factors, ranging from the micro (i.e. individual) to the macro-level of analysis and they include both supply-side, or push, factors and demand-side, or pull, factors.

5. The main results and discussions

The descriptive statistics of the Ukrainian labour migrants provide some preliminary evidence to support several of the hypotheses. These relationships are examined further using the multivariate analyses. We run a total of four models: a logit model with odds ratios and a multinomial logit model with relative risk ratios.

Table 1 presents results from the logistic regression model. The results provide strong support for the hypothesis that the Ukrainian migration into the Czech construction sector is strongly channeled along occupational lines.

Ukrainian immigrants with work experience in the Ukrainian construction sector are more likely to work in the Czech construction sector than Ukrainian immigrants with work experience in other sectors of the Ukrainian economy.

It is apparent that very few migrants had an experience of working in the primary sector in Ukraine (e.g. agriculture, hunting, forestry), even though the majority of our sample came from the region of Ukraine that is famous for its forests and hunting industries. This might be explained by the fact that specialists in this field are in demand in Ukraine.

Table 2 presents the results of the multinomial logistic regression with relative risk ratios. Again, the results speak in favour of occupational channelling in the construction sector.

Several other findings are notable here. While it has a particularly strong effect, the construction sector does not appear to be unique in the existence of occupational channels linking Ukrainian and Czech economic sectors. Indeed, the results indicate that working in the Ukrainian manufacturing or service sectors is consistently associated with work in the same sectors in the Czech Republic. Thus, although this analysis focused especially on the construction sector, it appears that there are similar occupational dynamics linking other sectors of both economies.

The results also suggest that Ukrainian migration to the Czech Republic (and to the EU) is becoming more specialized and oriented. It is no longer likely (like in

Table 1. Logistic regressions predicting the probability of employment in the Czech construction sector

| | Logit with coefficients | Logit with OR |
|---|-------------------------|-------------------------|
| <i>Personal characteristics</i> | | |
| Age in years | | 1.0359 (.0338) |
| Male | | 22.6191*** (19.9580) |
| Married | | 4.1345* (3.9265) |
| Dependents | | 1.5485 (.4241) |
| Income | | .8213 (.2110) |
| Legal migrant in the Czech Republic | | 1.3077 (2.2725) |
| <i>Human capital</i> | | |
| Education | | .5275 (.3227) |
| Ability to speak Czech | | .9627 .5517 |
| <i>Occupation in Ukraine</i> | | |
| Worked in Ukrainian primary sector | | .1683* (.1867) |
| Worked in Ukrainian secondary sector | | .0258*** (.0217) |
| Worked in the Ukrainian tertiary sector | | .0463 *** (.0390) |
| Constant | | |
| Pseudo R ² | 0.51 | |
| Pseudo LL | | -46.278 |
| Wald | | 96.90 |
| Number of migrants | | 500 |

Note: * Significant on the 10% level; ** Significant on the 5% level; *** Significant on the 1% level; Coefficients and odd ration with standard errors in parentheses

Source: the authors' calculations.

the 1990s) that trained medical doctors work as plumbers and lawyers are carrying bricks at the construction sites. The realms of the Ukrainian labour migration have changed considerably and now it is all about specific jobs carried out by specific migrants.

These results suggest that the loss of human capital and brain-drain from Ukraine is no longer happening. These findings are thus consistent with recent research indicating that migration streams around the world are becoming more specialized (Massey et al. 2010, Hernandez-Leon 2008, Canales 2003, Portes 2007, Delgado-Wise and Covarrubias 2007).

Table 2. Multinomial logistic regressions with RRR predicting the probability of employment in the Czech construction sector

| | Primary vs. construction | Secondary vs. construction | Tertiary vs. construction |
|---|--------------------------|----------------------------|---------------------------|
| <i>Personal characteristics</i> | | | |
| Age in years | 1.1257 (.3180) | .9829514 (.0355) | .9066195** (.0432) |
| Male | .0183 (.1145) | .0474227*** (.0462) | .0308*** (.0323) |
| Married | .1227 (.3579) | .2466 (.2521) | .2600 (.2941) |
| Dependents | .4164 .8438 | .7370 (.2237) | .5010* (.2009) |
| Income | 1.17e-08 (0.00002) | 1.3040 (.3727) | 1.2907 (.5106) |
| Legal migrant in the Czech Republic | 2.67e-08 (.00005) | 1.4822 (2.8888) | .2035 (.4576) |
| <i>Human capital</i> | | | |
| Education | 8.0592 (18.1196) | 1.9138 (1.2674) | 1.9239 (1.6957) |
| Ability to speak Czech | 9.54e-09 (.00001) | .9838 (.6238) | 1.9461 (1.5197) |
| <i>Occupation in Ukraine</i> | | | |
| Worked in Ukrainian primary sector | 1.02e+16 (3.81e+19) | 1.9055 (2.9398) | .15575 (2.9725) |
| Worked in Ukrainian secondary sector | 1.15e-14 (8.88e-11) | 41.0246*** (37.3043) | 19.5973** (26.4752) |
| Worked in the Ukrainian tertiary sector | 2.35e+07 (7.57e+10) | 12.75148*** (12.2918) | 40.3404*** (47.6213) |
| Pseudo R ² | | 0.49 | |
| Pseudo LL | | -74.033 | |
| Wald | | 141.06 | |
| Number of migrants | | 500 | |

Note: * Significant on the 10% level; ** Significant on the 5% level; *** Significant on the 1% level; RRR and standard errors in parentheses

Source: authors' calculations.

The human capital variables generally do not predict work in particular sectors of the Czech economy. This suggests that, in general, there are no significant differences in human capital levels among Ukrainian immigrants in different occupational sectors in the target countries of migration.

Our results document the importance of the Czech construction sector in the changing geography of Ukrainian immigration to the EU (especially the NMS), as migrants working in the Czech construction sector are more likely to be located in non-traditional urban and rural areas than those working in the Czech manufacturing or service sectors.

6. Conclusions and policy implications

International migration patterns are diversifying to include a more varied array of origins and destinations than ever before; migration is globalizing. Similar to Mexican migration to the U.S. which is a case in point (as Mexican origins are becoming more diverse, it essentially includes most of the country, and U.S. destinations are now dispersed throughout the country), Ukrainian migration to the EU represents an important phenomenon.

Our analysis focused on the construction industry, because of its importance in the process of new destination formation in the Czech Republic, and found that the Ukrainian migration to the Czech Republic is strongly channelled along occupational lines linking the Ukrainian and Czech construction sectors.

This paper empirically examined how this structural context translates into international migration at individual level by focusing on the role of occupations. The results show that occupations serve as structural channels that play an important role in the context of significant international political-economic integration between Ukraine and the Czech Republic. Across all economic sectors, Ukrainian immigrants with work experience in a particular sector of the Ukrainian economy are more likely to work in the same sector of the Czech economy than immigrants with different occupational backgrounds. Therefore, no major brain-drain from Ukraine is recorded which might be explained by the fact that the majority of potential migrants already left the country in the 1990s. Nowadays, Ukrainian labour migration seems to be all about professionals strictly hired to conduct the job they are trained for and proficient at.

Addresses:

Wadim Strielkowski (corresponding author)
Institute of Economic Studies
Faculty of Social Sciences
Charles University in Prague
Opletalova 26, 110 00 Praha 1
Czech Republic

E-mail: strielkowski@fsv.cuni.cz

Matthew Sanderson, Ph.D.

Department of Sociology
Kansas State University
Waters Hall 255-B, Manhattan, KS 66506
U.S.A

E-mail: mattr@ksu.edu

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