The New EU: Work in Progress; Commutes Trump Relocation in East, Easing Fear of Migrant Flood


Abstract (Document Summary)

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Central and Eastern Europeans will ultimately show no more willingness to move to another country for a job than Western Europeans, predicts Peter Zamborsky, a researcher at Brandeis University's International Business School in Massachusetts. Mr. Zamborsky, a Slovak, says southern Slovakia and Hungary, or southern Belgium and France -- regions that share language and culture -- "may see nearly unrestricted labor flows." But he adds he is skeptical that labor mobility will get "even close to American levels."

Slovakia's recent industry-recruiting successes suggest the one-way migration isn't likely to last. Slovakia's foreign-investment climate is now one of Europe's most attractive, thanks to its comparatively low tax rate of 19% on corporate and personal income and value-added levies. The Slovak government offers incentives ranging from tax breaks to highway-construction assistance and has attracted manufacturers such as Germany's Volkswagen AG or France's PSA Peugeot Citroen SA.

Full Text (891 words)

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Sturovo, Slovakia -- EARLY EVERY WEEKDAY morning, Slovak Sandor Pesti crosses a bridge over the Danube River to work in northern Hungary's thriving industrial economy.
"Over there, they pay me easily twice as much as I could make here," says Mr. Pesti, a burly man in his 30s who has worked for an auto supplier, a pipe manufacturer and others.

The number of Slovak workers fleeing double-digit unemployment rates to jobs in Hungary has swelled since reconstruction of a bridge in 2001. That reunited the towns of Sturovo, Slovakia, and Esztergom, Hungary -- divided since retreating German troops blew up the bridge in 1944. The labor flow turned into a flood last May, when Hungary and Slovakia both joined the European Union, allowing work permits to be issued in weeks, not months.

Fear of an influx of workers from new lower-wage EU members in Central and Eastern Europe prompted most Western European countries to limit entry to their labor markets for as many as seven years after enlargement of the bloc to 25 from 15 members last year. But no such restrictions were imposed by the newcomers, where wage differences aren't as steep.

As a result, this windswept corner near the Alpine foothills is serving as a test case of labor flow across open borders. It shows that workers are indeed commuting to more plentiful and higher-paying jobs. But it also shows that European labor mobility has its limits. Europeans are more likely to commute than relocate for job opportunities, minimizing feared burdens on government social-support systems when migrants end up on welfare rolls. Moreover, as soon as comparable jobs become available closer to home, workers are likely to stop commuting, underscoring the risk of relying on imported labor.

Mr. Pesti's attitude is typical, employment experts say. He doesn't like crossing into Hungary for work. He complains that Hungarians look down on him and employers there take advantage of his willingness to work long hours for less pay. "Some days I have gone to work at two in the morning because they needed a parking lot cleaned before the cars came in the morning. They never so much as said thanks, much less pay me for overtime," he says. (Employers in the region say their Slovak workers get the same benefits and overtime payments as Hungarians.)

The moment a good job becomes available at home, Mr. Pesti says, he will stop his daily commute. "We don't integrate. We just use each other for work," says Mr. Pesti, a Hungarian speaker by heritage, who like millions of other ethnic Hungarians since the end of World War I, lives outside the Hungarian borders.

Indeed, Hungarian employers who increasingly rely on these cross-border commuters fear that the southward migration could just as easily switch direction as late-blooming Slovak economic development efforts spread jobs to the country's forgotten corners.

"As soon as the Slovakian investment wave reaches the border regions, the workers may not want to come all the way here. Then I won't know where to get workers from," says Ferenc Solyom, chief executive of ASG, a heavy-machinery manufacturer in Hungary's Tatabanya. "That's when this common market we've been talking about for 10 years
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Although both Hungary and Slovakia shook off communism at about the same time 15 years ago, only Hungary embarked immediately on a privatization and economic-vitalization program, sharply reducing unemployment in northwestern Hungary. In Slovakia, structural overhaul came late and largely bypassed the more agricultural southern part of the country. Unemployment remains above 20% in many areas.

Hungarian plants thirsty for labor started recruiting Slovak workers in the late 1990s. At Suzuki Motor Corp.'s car plant in Esztergom, 40% of the work force of 2,700 are Slovaks, says the Japan-based company's human-resources chief.

Szilvia Somogyi, director of the government labor center in Northwestern Hungary's Gyor county, estimates the number of Slovak workers there has tripled since the two countries joined the EU. "The migration so far is definitely one-way," says Jozsef Katona, director of the labor center in Hungary's Komarom, whose agency has issued more than 2,000 labor-registration cards to Slovaks since the EU expansion, compared with about 600 in years before.

But Slovakia's recent industry-recruiting successes suggest the one-way migration isn't likely to last. Slovakia's foreign-investment climate is now one of Europe's most attractive, thanks to its comparatively low tax rate of 19% on corporate and personal income and value-added levies. The Slovak government offers incentives ranging from tax breaks to highway-construction assistance and has attracted manufacturers such as Germany's Volkswagen AG or France's PSA Peugeot Citroen SA.

Meanwhile, investment has cooled in Hungary, partly because of an oft-changed and more complicated tax system.

Hungarian employers recognize the tide may be shifting. "I have to look at Slovakia as a temporary solution," says ASG's Mr. Solyom.