Is labour migration really improving wages and working conditions in sending countries?

An alternative analytical framework

Roland Erne (University College Dublin)
and
Sabina Stan (Dublin City University)

Abstract:

There is a broad consensus in the European industrial relations literature: The enlargement of the single market to Central and Eastern Europe (CEE) is putting wages and working conditions of workers in Western Europe under pressure. By contrast, the socio-economic effects of westward migration on CEE labour markets have not caught so much attention. In this paper, we are proposing an analytical framework for analysing the impact of CEE workers' westward migration on CEE wages and working conditions. In so doing, we try to go beyond a simple supply-demand model of the link between migration and labour markets, which assumes that the massive vote of CEE workers with their feet is triggering an improvement of workers' wages and working conditions in their home countries.

Contact:
Dr. Sabina Stan: sabina.stan@dcu.ie
Dr. Roland Erne: roland.erne@ucd.ie
**Introduction**

There is a broad consensus in the industrial relations literature: The enlargement of the single market to Central and Eastern Europe is putting wages and working conditions of workers in Western Europe under pressure (Dølvik and Visser 2009). By contrast, the socio-economic effects of EU enlargement and East-West migration on Central and Eastern European labour markets have not caught so much attention. Although the fall of the Iron Curtain in 1989 did not close the socio-economic gap between Western and Eastern Europe, the 2004/2007 enlargements of the European Union (EU) promised an upward convergence of the living and working conditions in Central and Eastern Europe (CEE).

When European industrial relations scholars eventually noted that the export of the European Social Model to CEE had failed, some found comfort in the fact that the economic EU integration process would nevertheless force employers in CEE to pay higher wages and to offer better working conditions (Meardi 2012). In contrast to Western Europe, however, employers would not be forced to do so by collective action of workers in workplaces and the political system, but by the labour shortages caused by workers who decided to leave their countries of origin. Hence, the power of CEE workers would rely on individual exit rather than collective voice. Accordingly, Meardi predicts a continuing narrowing of the East-West wage gap, despite the East witnessing a weakness of the industrial relations institutions that are central in the Western part of the European continent. Among these institutions are a high degree of interest organisation, extensive rights to employee voice, multi-employer collective bargaining, and a high level of social protection. Whereas this type of reasoning resonates with the assumptions of neo-classical economic theory on migration, in this paper we will try to offer an alternative framework for the understanding of the relation between migration, wages and working conditions in departing countries.

According to de Haas’s review of the migration and development literature (2010), however, the current revival of neo-classical paradigms in migration and development studies might have more to do with the dominant paradigms in social sciences than with the heterogeneity of migration impacts. It is indeed hardly a coincidence that the neo-classical migration theory dominated both the migration debate and development theory in the 1950s and 1960s that is precisely at a time when the free movement of workers and capital were enshrined into the EEC Treaty. After 1968, however, the optimistic predictions of neo-classical theory were challenged by structuralist theories and studies that came to the opposite conclusions. Rather than driving development, Neo-Marxists concluded that labour migration would deprive migration countries’ of their most productive labour force and propagate instead consumerist, non-productive, and remittance-dependant attitudes. In turn, these pessimistic structuralist approaches lost a lot of their currency in the 1980s and 1990s.
when another paradigm shift occurred. The more neo-liberal and third-way commentators praised the free market and the principle of self-help, the more migration scholars celebrated migration as a response from below to underdevelopment.

In this article, we would like to go beyond the celebration of migrants as harbingers of hope and development. Instead, we would like to assess the heterogeneity of effects that labour migration has on wages and working conditions in a particular sending country. In order to do that, however, we have to go beyond the application of the simplistic supply and demand based models that are dominating the labour migration literature and assess the impact of migration on all labour market institutions. Because labour power is a fictitious commodity (Polanyi 2001 [1944]) employment relations are above all social relations. Any study on migration, development, and working conditions must therefore also assess the impact of migration on power relations between different labour market institutions, notably capital, labour, and the state. For this reason, we are proposing in the second section of the article an analytical framework that is distinguishing the different means by which labour can improve its condition. Because our analytical framework can capture the heterogeneity of impacts migration has on labour’s capacities to trigger better wages and working conditions in migrant sending countries, we argue that it is better placed to guide research on migration and its effects on migration sending countries by compassion to the dichotomist supply-demand and exit-voice frameworks that are currently dominating the research in the field.

Migration and industrial relations: from “exit vs. voice” dichotomies to social struggle
The more the issue of intra-European migration rose on the public agenda, the more the issue of unions’ approaches to migration generated attention among unions and industrial relations scholars. The question of unions’ approaches to migration has however been mainly posed as an issue for unions in EU15 receiving countries. Much fewer studies were done on unions’ take on out-migration in NMS sending countries (Hardy and Fitzgerald, 2010, p. 367). Responding to a mostly negative, deprecatory view of Central and East European (CEE) unions in both policy circles and academia during the 1990s (what Hardy and Fitzgerald call the ‘pessimistic orthodoxy’ (Hardy and Fitzgerald, 2010, p. 368), these latter studies tried to show that unions in CEE had a more active and varied response to changes induced by globalisation and EU enlargement, and particularly migration, than initially thought (Meardi, 2007, 2009; Kaminska and Kahancova, 2011; Hardy and Fitzgerald, 2010; Hardy et al, 2014). One of the main issues of this new wave of studies on CEE unions and their take on migration has been how unions respond to the new opportunities resulting from migration, namely labor shortages. But in doing so, these studies also drew on several assumptions about social action that are sometimes dangerously close to the neo-classical framework informing the neo-liberal reforms that they criticise.
In a study on trade union strategies in response to migration in the public healthcare sector in Slovakia, Poland and Hungary, Kaminska and Kahancova (2011) start from the much rehearsed premise of CEE unions weakness after 1989, but try to offer a more optimist, actor-centered view, that considers how they ‘respond to those changes in their environment which offer an opportunity to overcome their weakness’ (Kaminska and Kahancova, 2011, p. 190). The possible virtuous cycle they detect is that of out-migration leading to a change in domestic labor markets, notably by decreasing unemployment and increasing labor shortages, thus creating an opportunity for trade unions in countries of emigration ‘to enhance their position vis-à-vis governments and employers, to regain societal legitimacy and strengthen the bargaining institutions’ (p. 190).

While aiming to take into account ‘the interaction between unions and their environment’ (p. 191), and more specifically ‘the interplay of union capacities and state strategies’ (p. 189) and employer responses (p. 194), Kaminska and Kahancova’s actor-centered approach leads nevertheless to a mechanistic view of social action that fragments social processes (see graph on p. 195). Actor-centeredness leads to reducing larger configurations of social forces to itemized ‘sources of union power’. Thus, power is seen as located in various ‘sources’ that need to be mobilised by autonomous, rational, choice-making actors (unions) and not as a relational process of struggle over various resources among different social actors. This recourse to methodological individualism is accompanied by recourse to methodological nationalism, as transnational chains of production and exchange, or global and EU-level governance processes barely appear in the analysis, figuring at most as ‘potential sources of power’ for unions in the form of ‘institutional and economic variables’. These are operationalised for CEE by ‘post-socialist transition and internationalisation, and industrial relations institutions which emerged from these processes’ (Kaminska and Kahancova, 2011, p. 193), but come down more concretely to ‘structural: shadow economy, shift from industrial to service employment and generally slack economy; cyclical: unemployment and inflation; configurational: poor quality of industrial relations institutions’ (Kaminska and Kahancova, 2011, p. 194).

Looking at the case of Poland, Meardi (2007) adopts a more encompassing view on industrial relations, to include ‘the broader spectrum of ways in which society reduces the commodification of labor’ (p. 505), as well as a variety of actors at national and EU level. Despite this broader view, however, Meardi also reverts to a similarly mechanistic view of labor relations. By adopting Hirschman’s notion of exit and voice, he points to a view of migration (seen as individual ‘exit’) and collective action (seen as collective ‘voice’) as two mutually exclusive (‘dichotomous’) behaviors (Meardi, 2007, p. 511). These are seen as alternatives that are inversely proportional and work in a communicant-vases fashion: when one rises, the other falls, and vice versa. Meardi’s explanatory cycle goes like that: as the EU, and its eastern enlargement, have been
‘primarily a neoliberal project’ (p. 505), this led to a deregulated labor market that has been socially unsustainable as well as undermining trade union voice in CEE countries (and particularly social dialogue and collective bargaining). This, in turn, increased ‘exit’ through strong migration and populist votes. Despite weak ‘voice’, the ‘exit threat’ posed by out-migration induced governments and employers to make concessions in the form of wage increases. These were accompanied by the more recent resurgence in ‘voice’, i.e. the ‘spreading of employee assertiveness in the region’ (Meardi, 2007, p. 513) through strikes and social partnership agreements involving ‘efforts in grass-root organisation’ (Meardi, 2007, p. 517)

The characterisation of ‘exit’ as including ‘individual, market-logic options’ (Meardi, 2007, p. 511) points to a view of labor relations as in the end informed by the ‘market’ model of society (Carrier), as a space where individual choices and actions become mechanically aggregated by the logic of demand and supply (a logic very much in line with the communicant vases view of exit and voice). People are seen as individuals that make choices in exiting the labor market and turning to anti-EU populist parties or street riots (‘exit’), or, alternatively, activating their ‘voice’ through collective bargaining and social dialogue.

Mechanistic and individualist assumptions of supply-demand models are also present when Meardi passes from the micro, short-term level of analysis to the macro longer-term level. While embracing ‘radical pessimism’ that acknowledges that slack is ‘continuously being generated’, Hirschman also asserted that decay generates its own cure, as ‘the very process of decay activates certain counterforces’ (p. 15). In a similar vein, Meardi looked at exit and voice in a longer-term, cyclical perspective (p. 518): ‘The disappointment with exit may therefore lead to the shift towards voice’. But in doing this, Meardi also retains the communicative-vases view. This cyclical picture of the alternation of exit and voice retains an individualistic view where not only individual motivations (disappointment) help to explain macro-level effects (as resulting from the aggregation of these motivations), but also where these motivations are seen as resulting from a mechanistic, algorithmic like succession of processes imbued with assumptions from modernisation theory. Examples of the latter are assertions that ‘the informal sector (will) shrink through modernisation’ or that ‘the attractiveness of migration (will) decline because of the narrowing of the East-West wage gap’ (Meardi, 2007, p. 519).

But it is doubtful that exiting the labor market (including migration and informal employment) or populist votes and riots can be truly seen as individual options. As in other cases, CEE workers’ out-migration or informal employment have become for many of them not so much a question of individual choice as one of decisions taken under economic, social, and political constraints. Migration decisions are also many times taken by families, on the basis of a relative evaluation of work and employment conditions, but also of prospects of social mobility. Work out-
migration and informal and precarious employment have also many times been actively promoted by employers (Sassen, ; Meardi, 2009) and even trade unions (see Hardy and Fitzgerald, 2010 for an example of a Polish TU taking up the role of a recruitment agency in both sending and receiving countries), as well as at least tolerated, and sometimes even encouraged, by governments in sending countries.

A mechanistic view of the ‘labor market’ is also adopted by Kaminska and Kahancova, who see decreasing unemployment rates resulting from out-migration as ‘reliev(ing) labor market pressures and produc(ing) and upward effect on wages in sending countries’ (Kaminska and Kahancova, 2011, p. 192). Meardi adopts nevertheless a more relational perspective which sees employers and governments as being forced to make concessions they had been unwilling to make before, such as wage increases, not because of an impersonal relief of ‘labor market pressure’, but because of a very real the ‘exit threat’ on the part of workers (Meardi, 2007, p. 511). But while Meardi acknowledges unions’ active strategies in response to these processes, he also paints a bleaker picture of their effectiveness. Meardi sees wage increases as resulting not from union power (and, we may say, strategies), but simply from exit threats (Meardi, 2007, p. 512). That this is so is demonstrated by the fact that ‘when social and labor market pressures force them (authorities) to concede wage increases, they prefer to do it unilaterally, bypassing unions and collective bargaining’ (Meardi, 2007, p. 513; Trif, 2013).

Probably also because looking more in detail at unions in healthcare, a sector still displaying relatively higher union densities and structural power, Kaminska and Kahancova document a more varied seizing of opportunities, and successes, among Slovakian, Polish and Hungarian unions in this sector. The authors consider that, while decreasing unemployment and increasing labor shortages also ‘indirectly enhance the unions’ position in collective bargaining’ (Kaminska and Kahancova, 2011, p. 192), unions may improve their situation in terms of generating wage increases and improved working conditions, promoting their legitimacy and bargaining position, and contributing to a more favorable industrial relations institutions (p. 190) only if they seize the opportunity these processes offer. Thus, ‘Slovak unions used the established sectoral bargaining system to obtain wage increases and consolidate the bargaining machinery. In contrast, Polish unions gained wage increases through industrial action, Hungarian healthcare unions mostly failed to seize migration-related opportunities’ (Kaminska and Kahancova, 2011, p. 190).

But it is more to decreasing unemployment and increasing labor shortages that meets the eye. Scarcity is a social product: actual numerical decreases in workers’ numbers become ‘labor shortages’ and a ‘threat’ only if workers’ defection cannot be compensated by other means. Given that CEE countries are already well connected to transnational circuits of production and exchange,
what is also important in the creation of labor shortages is the employers not being able to compensate for this defection of labor force by an organisational fix (bringing in new labor force, either by drawing on domestic sources among, for example, women, or by attracting labor from other countries, including returning migrants), by a spatial fix (moving production sites to other countries) or by a technological fix (replacing labor force with technology) (Silver, 2002). As Meardi also states, labor shortages do not reinforce unions position per se – especially if employers in sending countries start themselves to have recourse to migrants from third-countries. Furthermore, capitalists’ efforts to flexibilise the labor market in both sending and receiving countries may mean that wage concessions may be gained in periods of growth without guarantees that they will be maintained in subsequent periods of recession (see Holst, TAW).

Finally, labor shortages in the sending country may also be due to internal processes of reconfiguration of employment in a certain sector, and more generally to internal social change rather than simply to migration solely. A telling case is Romania’s healthcare sector employment (especially medical employment) that displays a combination between acute shortages in some specialisms and locations with abundance and competition in others. While in larger university centers, doctor shortages are many times due to out-migration, in rural areas and small towns doctor shortages are more easily explained by a reluctance to take over positions in these locations as well as internal migration towards larger urban centers. The prospect of out-migration is however credited by several commentators as having led to an increased interest and competition for places in Universities of Medicine and Pharmacy (UMFs) after Romania’s EU accession in 2007, which, combined with UMF rectors’ desire to expand student numbers (including foreign students), has led to Romania becoming the leader of medical training in Europe (Peretianu ) and thus an active generator of medical migration.

The exit-voice conceptual scheme is also fraught with difficulties in defining the specific characteristic of each of the two terms as well as the relation between them. ‘Exit’ and ‘voice’ are not necessarily mutually exclusive phenomena, as they may be linked in unexpected ways. For Hirschman, in some institutional contexts at least, those who would exit first would also be those who would have more interest in and be more vocal about the failures of an organisation (Hirschman, 1970, p. 47). Migration (as exit) would then lead to a decrease in voice, and not to its increase. Meardi aptly notices that in CEE migration (‘exit’) followed a decrease rather than a rise in ‘voice’, as EU enlargement’s ‘neoliberal project’ (Meardi, 2007, p. 505) has weakened both the capacity of organised labor to respond to new attacks on employment conditions and lead to social dissatisfaction that fuelled out-migration. Kaminska and Kahancova also notice that in highly unionised sectors such as healthcare, migration may lead to ‘losses of the current (and potential)
membership and decreasing density rates’ (p. 192), even if they do not take over this hypothesis at an empirical level.

The difficulties of using voice and exit as more than heuristic tools that aid us capture some processes but do not really act as concepts that would help us explain social processes is shown by this multiplication of difficulties in capturing the differences between the two terms and their concrete application to different cases. Meardi shows that the more recent ‘spreading of employee assertiveness in the region’ (Meardi, 2007, p. 513) does not ‘translate into union density recovery at the macro level’ (p. 513). Going against the grain of IR wisdom of CEE TU weakness, Meardi is also on the brink of pointing to an important element: that TU activity and effectiveness is not effectively measured by TU density (as the case of France also proves).

Exit makes sense only when the entity from which exit is to be realised is defined. In this case, the entity is a normatively defined industrial relation configuration and ideology based on social dialogue and collective bargaining. If, from this perspective, populist electoral choices are a form of ‘exit’, from a more encompassing perspective of discontent, they also constitute a form of voice. By spelling out that ‘voice’ has been seen as ‘a characteristic of the European social model’ (p. 512), hence, as strongly attached to a historically specific model of labor relations (the ‘Swedish style social compromise’, p. 517), Meardi implicitly also goes against the more engrained methodological myopia and ethnocentrism permeating IR studies on CEE trade unions and labor relations more generally. He thus moves from considering resistance practices in the workplace as ‘exit’ (as at p. 512 when talking of ‘organisational misbehavior’) to considering them also as ‘voice’ (as at p. 517 when talking about informal micro-processes), and thus re-calibrating the image of CEE labor in IR literature.

Unfortunately, the contention that ‘exit’ and ‘voice’ may be ‘two shifting and mutually enforcing responses to dissatisfaction’ (Meardi, 2009, p. 210) is also lost for Meardi, who even in his 2009 chapter he still insists on seeing Hirschman’s notions of ‘exit’ and ‘voice’ as being part of a ‘dichotomy’ (Meardi, 2009, p. 111). But in Hirschman’s approach, exit and voice are not two mutually exclusive alternatives, as they are neither discrete ‘variables’, nor ‘factors’ that could be combined in an explanation, but heuristic devices, mechanisms that variably combine in processes of organisational decay (Hirschman, 1970, p. 1). But while Hirschman was critical of mainstream economics (‘the traditional model of the competitive economy’ (p. 2)), his approach remained welded to the question of the proper functioning of society (p. 1), and of ‘disturbances to equilibrium’ (p. 20), and more particularly of ‘how the firm’s maximising energy can be brought back up to par’ (p. 2). In his perspective, ‘exit’ and ‘voice’ of the firm’s customers and employees are two alternative, but not necessarily mutually exclusive (p. 15) (dichotomous) ‘mechanisms of recuperation’ that, together with competition, indicate to the manager of a firm failings in the
quality of the product or service to be provided (p. 4). Hirschman in fact criticises ‘both laissez-faire and interventionist doctrines (that) have looked at market and non-market forces in a strictly Manichean way’ (p. 19).

Hirschman sees these mechanisms as rooted in institutions (p. 4), and shows, in good institutionalist fashion, that ‘the detail of institutional design can be of considerable importance for the balance of exit and voice’ (p. 86). But ultimately, his attention, and theoretical preferences, are focused towards the ‘specific failures of its (the body economic’s) individual cells’ in explaining microeconomic slack (p. 12). This individualism is reflected in the sharp division he constructs analytically between economy and society, between market and politics. Indeed, for him, ‘exit’ is belongs to the economic realm, being in fact the indirect engine of market forces, their invisible hand, ‘a typical market mechanism’ (p. 18). Exit is also, in line with orthodox views of market exchanges, impersonal, private and ‘secret’ (p. 15-16). By contrast, ‘voice’ belongs to politics, is a messy, graduated, but also direct and straightforward articulation of one’s critical opinions, i.e. ‘political action par excellence’ (p. 16). Both areas are seen first and foremost in terms of the primacy of individual, autonomous and conscious action over social relations and constraints that sometimes may be not visible at the conscious level.

The limits of the exit-voice framework make us believe that, instead of a ‘better conceptualisation of the relationship between voice and exit’ (Meardi, 2007, 518), maybe we should better follow Meardi’s encompassing drive and look instead for the social field (Bourdieu, 1993) of labor relations that would need to be mapped for the different sectors and situations that prevail in the employment landscape of CEE. Indeed, if we move from looking at exit and voice in a short-term perspective to looking at them in a longer-term, cyclical view of them (Meardi, 2007, 518), then why not abandon them all together, and with it the danger of relapsing into individualist and mechanistic assumptions of social life that have accompanied, as we have seen, recent attempts at using these notions. Instead of exit and voice (Meardi, 2007, 2009) or a forest of factors and variables (Kaminska and Kahancova), we could try to understand in a deeper way the configuration of power relations and struggles for pre-eminence among various concrete actors and their consequences on the way in which labor in controlled and surplus value is appropriated. Aptly noticing that trade unions are not only carriers of ‘voice’, but also of ‘exit’ strategies (such as demands for early retirement or high severance pay) (Meardi, 2007, p. 513), Meardi also implicitly points to the fact that the latter are also ways in which labor tries to delimit the labor force areas available for capitalist extraction of surplus value.

The recurring dominance of neoclassical paradigms in labour migration research paradoxically may also be related to the “narrowness” of migration studies (Castles 2009). Whereas migration studies provided us with numerous insightful studies about the challenges and dilemmas
migrants and public authorities are facing, critical migration scholars have acknowledged that the field’s narrow focus tends to neglect the transnational socio-economic structures within which migration occurs (Glick Schiller 2009, Pellerin and Overbeek 2001, Dale 1999, Sassen 1988). Migration research is indeed often shaped by either public policy concerns about the management of migration flows or activist anthropologists who aim to “give voice” to migrant labourers (Gabriel and Pellerin 2008, Chavez 1998).

On the other hand, migration is also a surprisingly neglected issue in the international political economy literature, albeit for opposite reasons. Reflecting its particular focus on overarching socio-economic and political institutions rather than individuals and their social interactions, transnational labour mobility does not feature prominently in the European and international political economy literature (Anievas 2010, O’Brian and Williams 2010, McCann 2010, Hancké 2009, Dunn 2009, Hall and Soskice 2001) although Varieties of Capitalism typologies have been used to explain the adoption of different migration policies in different countries (Kings 2009, Menz 2008).

This short overview revealed that there is no consensus with regard to developmental effects of migration, although different paradigms acquired a hegemonic position over time. In order to be able to assess the impact of migration from different angles, we therefore need to go beyond the neoclassical paradigm that is dominating current debates. The following section therefore confronts neoclassic theses with alternative propositions.

Wages and working conditions also depend not only on the size but also on the distribution of a country’s domestic product. For this reason, we discuss, in the next section, the effects of migration on workers’ capacity to demand and obtain higher wages and working conditions. In so doing, we will go beyond the scope of the migration and development literature, which on the whole neglects these distributive issues (de Haas 2010).

Migration, wages and working conditions. An alternative analytical framework

Wage levels and working conditions are not determined by one factor alone. In order to be able to capture the migration impact in its entirety, we therefore need to go beyond neo-classical textbook labour migration economics, which explains the relationship between migration and working conditions by a single causal dimension, namely that of supply and demand of labour power. Instead, they reflect a variety of mechanisms that can be subsumed under two headings. On the one side, wage levels and working conditions reflect the overall size of an economy; the bigger the national income pie, the better. On the other side, wage levels and working conditions are also determined by the share of the national income pie that is distributed to labour.
Indeed, wage levels and working conditions are not only reflecting overall growth, but also the outcome of the distributive struggle, notably between its main actors: capital, labour, and the state. We therefore need to assess not only the developmental of migration but also its distributive effects: namely mechanisms by which migration is affecting the power relations within the domestic industrial relations system.

**Developmental Effects of Migration**

Any review of the migration and development academic literature will reveal that there is no consensus with regard to developmental effects of migration. As de Haas (2010) suggested, this lack of consensus seem to reflect first and foremost the application of different paradigms in social theory. But this does not represent a problem for social research, as the different perspectives do provide us with indicators and mechanisms that can be tested in empirical research.

Sceptical scholars have identified the following three mechanisms to sustain their claim that migration negatively affects local production capacities, and – by extension - corresponding tax returns and domestic wage and capital income (see table 1):

<table>
<thead>
<tr>
<th></th>
<th>Migration mechanisms that negatively affect local production</th>
</tr>
</thead>
<tbody>
<tr>
<td>M1</td>
<td>migration &gt; lost labour (brain drain, brawns drain) &gt; decreasing local production</td>
</tr>
<tr>
<td>M2</td>
<td>migration &gt; western tastes &amp; preferences &gt; consumption of imported goods &gt; decreasing local production</td>
</tr>
<tr>
<td>M3</td>
<td>migration &gt; passive reliance on remittances &gt; decreasing local production</td>
</tr>
</tbody>
</table>

In addition, the decline in local production capacities and the reliance on remittances would also increase social inequality and (relative) poverty among non-migrants which in turn create further incentives for people to migrate. Thus, instead of triggering economic and social development, migration would set off negative feedback mechanisms that would lead to the development of underdevelopment. In sum, migration would increase social inequalities, deprive domestic enterprises of the most able workers, create new dependencies on remittance payments, and favour the “conspicuous consumption” (Velben 2008 [1899]) of western consumer goods rather than lead to investment into the local economy.

These pessimistic views are challenged by researchers who argue that the negative effects of migration on development do not always hold true. Although the optimistic neo-classical scenario according to which everybody profits from migration would not hold true either, de Haas’s review of empirical studies in the field suggests that a more positive assessment of the developmental effects of emigrants’ remittance payments is warranted. It is indeed noteworthy that all mechanisms that positively relate migration to development are related to remittance payments (see Table 2).
Table 2: Migration mechanisms that positively affect development

<table>
<thead>
<tr>
<th></th>
<th>Migration mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>M4</td>
<td>migration &gt; remittances &gt; enhancing local people’s wellbeing and capabilities</td>
</tr>
<tr>
<td>M5</td>
<td>migration &gt; remittances &gt; consumption of non tradable local goods &gt; increasing local production</td>
</tr>
<tr>
<td>M6</td>
<td>migration &gt; remittances &gt; investments in local production and entrepreneurship</td>
</tr>
</tbody>
</table>

Whereas remittances have contributed to consumption patterns that are deemed “non-productive”, such expenditures could nevertheless “be seen as developmental as long as they enhance people’s wellbeing and capabilities” (de Haas 2010: 250). Whereas de Haas might be going a step too far by including “recreational activities” in his list of remittances-financed activities with a positive developmental effect, remittances-financed education spending does have a developmental value. The developmental contribution of remittances to education, however, might be compromised by the increasing commercialisation of education which it is implicitly sustaining. Whereas the taxation of the income earned in the national economy is enabling the free provision of education to everybody, the tax free remittances are only contributing to education spending if schools and universities are charging student fees.

But even if one maintains the classical view of development which is more focussed on the development of local production capacities, remittances can be an important developmental factor. The developmental impact of remittances-based consumption does indeed vary across economic sectors. The remittance payment financed house construction, for instance, is very likely to increase local production and employment in the construction material (e.g. the cement industry) and construction industry. Whereas the heavy weight of building materials renders imports expensive, house construction is per definition a non tradable good. Hence, if remittances are used to finance the acquisition of non-tradable goods, they are increasing local production.

Finally, several studies have highlighted to role of remittances in generating investments and entrepreneurship, for instance in Italy, Spain, Malaysia, and Korea (de Haas 2010). By comparison to the foreign direct investment provided by multinational corporations, remittances have indeed proved to be an increasingly important, less-volatile, and less pro-cyclical source of “foreign” investment in migrant sending countries. But this does not necessarily lead to less poverty and inequality, as the beneficiaries of remittances tend to be concentrated in relatively wealthy households. Moreover, while remittance investments tend to be less volatile than investments provided by multinational corporations, it is equally noteworthy that remittance based investments nevertheless represent a comparably mobile form of capital. It follows that remittance investments also depends on the provision of an attractive investment environment in the migrant sending country, which entails important implications for the second factor that determines wage levels and working conditions, namely the relative shares of capital and labour in the national income pie.
Distributive Effects of Migration

In order to assess the distributive effects of migration, we need to distinguish the different power resources that labour and capital may be using to increase their share of the GDP pie. Workers and employers formally have the same rights, namely that of a buyer, and respectively seller of labour power. Between equal rights, however, power decides, as succinctly noted in Marx’s *Capital* (2006 [1847]). Whereas capital controls the production process and investment flows, the power base of labour is more precarious (see also Stieglitz 2002). Each individual worker is dependent on wages to earn her livelihood and is therefore compelled to accept employment even at unfavourable terms and conditions. In contrast, employers can much more easily avoid terms in employment contracts that are unfavourable for them by setting employees in competition against each other, and this both locally and across borders.

Given the currency of the neo-classical model, this section will start by presenting the hypothesis of this school of thought which assumes wage levels and working conditions to be outcomes of the invisible hand of supply and demand curves on the labour market. This theory will then be confronted with Arrighi’s wage theory that contents that wage levels are not only determined by power relations between labour market actors, but also the availability of alternative, non-capitalist sources of income, such as subsistence agriculture or, in the case of migration, remittance payments.

Moreover, this section will show that workers have alternative means to improve their terms and conditions irrespective of the availability of other sources of income. Indeed, it would be wrong to assume that workers are powerless victims of the capital accumulation process. Workers can improve their terms and conditions, namely through 1) the acquisition of better skills, 2) through collective action in workplaces, and 3) through collective political mobilisations. In this section, we will therefore be reviewing first several competing hypothesis regarding the impact of migration on these three power resources of labour.

**Migration, wages and working conditions: from neo-classical labor markets to neo-Marxist labor reproduction**

According to neo-classical economic theory the free movement of workers will lead to the scarcity of labour and therefore higher wages and better working conditions in migrant sending countries. In turn, capital will flow into the opposite direction until the process of factor prize equalisation is completed and wage levels converge. Hence, labour migration contributes to the optimal allocation of production factors which means that the free movement of workers would not only be beneficial for the workers in migrant sending countries, but would also improve the overall
economic performance in a common market. Hence, according to neo-classical theory we can expect higher wages and better working conditions in Central and Eastern Europe in response to the massive westward migration of migrants (see table 3).

Table 3: Effects of migration on wages and conditions according to the neo-classical theory

<table>
<thead>
<tr>
<th>M12</th>
<th>migration &gt; scarcity of labour in the domestic labour market &gt; better wages and working conditions</th>
</tr>
</thead>
</table>

According to Giovanni Arrighi (year), however, wages and working conditions are neither the result of supply and demand curves, nor the outcome of the power struggles between labour market actors alone. After studying in capital labour relations in Africa, he concluded that wage levels and working conditions are equally affected by the availability on non-capitalist forms of income generation, namely the access to subsistence farming. The more workers can sustain themselves through alternative means, the lower the wages employers would have to pay to their employees. If this contention is true, it would fundamentally reverse the predictions of neo-classical theory in relation to the impact migration would have on wages and working conditions in migrant sending countries. In fact, whereas remittances would still have inflationary effects on prices, remittances might engender a deflationary effect on wages. In fact, why should employers in migrant sending countries pay high wages, when remittances assure both consumer demand and the reproduction of the local population?

Table 4: Effects of migration on wages and conditions according to neo-Marxist theory

| M12          | migration > remittances > reduction of the reproduction costs of labour > continuing low wage levels |

Moreover, the concessions that are won by individual action in situations of labour market shortages are also more ephemeral if labour market conditions change -- look at impact of crisis in relation to the reductions of special benefits obtained by threading to leave (extra overtime pay, double jobbing, etc.).

Effects of migration on worker’s skills and education

The impact on migration on worker’s skills and education is a relatively widely researched area. On the one side, some studies uphold optimistic conclusions, sustaining claims that the migration experience would be increasing the skills of migrant workers. Hence, if migrants would subsequently return to their country of origin, they would therefore be in a better position to claim improved terms and conditions of employment. On the other side, other studies come to opposite conclusions, noting that the migration experience would be associated with notable deskilling processes, as migrants are frequently employed at lower skilled jobs which would not reflect their educational background and skill level. According to this sceptical perspective, migration would not
only sustain brain drain, but also the workers subsequent deskilling. Migrants may more or less reluctantly accept these deskilling processes, at least as long as the lower skilled work is generating a higher monetary reward that unskilled workers might gain in immigration countries. Given the deskilling processes experienced abroad, returning migrants would hardly be able to get access to better jobs in their country of origin. Hence, scholars have indentified opposite effects of migration on worker’s skills and education (see table 5). Whereas these different perspectives certainly reflect the different educational categories of migrants, they are at least in part also due to paradigmatic differences between scholars that come from different traditions.

Table 5: Migration mechanisms that affect workers’ skills and education

<table>
<thead>
<tr>
<th>M7</th>
<th>migration &gt; employment highly-skilled jobs &gt; requalification</th>
</tr>
</thead>
<tbody>
<tr>
<td>M8</td>
<td>migration &gt; employment in low-skilled jobs &gt; deskilling</td>
</tr>
</tbody>
</table>

The impact of migration on workers’ ability to engage in collective action in the workplace

When do workers engage in collective action? Industrial relations and mobilisation theory is suggesting the following answer to this question: The more a group of activists is convincing fellow workers that the experienced conditions are unjust, the more workers are likely to take collective action (Kelly 1998). But this process of building a shared feeling of injustice requires intensive discussion processes among the workers concerned. Others went a step further linking workers’ ability to engage in collective action to their capacity to become a class-for-themselves. But even if working class conscience is hardly a necessarily precondition of collective action, it is very likely that a greater internal cohesion of workers, in order words “worker solidarity”, is favouring collective action.

To these mechanisms at the micro-level, the political sciences and social movement literature is adding another dimension: The development of social movements is also very dependent on the opportunity structures that they encounter (Tarrow 1994). The more responsive a political and socio-economic system is to collective action, the higher is the likelihood that social movements flourish.

Accordingly, migration would increase workers’ ability to engage in collective action, if migration

a) is increasing the cohesion of workers in the country of origin and
b) is providing new opportunity structures for collective action.

Incidentally, however, the idea that workers can improve their conditions through collective action is completely absent in the migration and development literature. The only social groups that are of interest for the new economic and the sociological labour migration literature are (transnational) households and (ethnic) community networks, for instance in the area of remittance payments. It is therefore no coincidence that our literature review does not provides us with any mechanism
according to which migration would positively affect workers’ capacity to engage in collective action in migrant sending countries.

In contrast, mechanisms that negatively impact on the workers capacity to engage in collective action are relatively easy to identify (see table 6).

Table 6: Migration mechanisms that negatively affect workers’ ability to act collectively

| M7 | migration > social inequality > declining working-class cohesion |
| M8 | migration > working-class activist drain > declining working-class cohesion |
| M9 | migration > remittances > declining elite dependence on workers > declining opportunity structures |

The first two mechanisms negatively affect the creation of a group that is able to act collectively, as discussed by mobilisation theory. First, as migration is increasing the social inequalities, notably between mobile and immobile workers and their families, the task to unite workers in migration countries is becoming more difficult. Secondly, contentious collective actions are frequently triggered by more entrepreneurial activists, hence, precisely those categories of workers that are more likely to migrate. Hence, there might be an activist drain which hampers the development of collective action migrant sending courtiers. It might therefore be no coincidence that there is a vast literature, which celebrates the achievements of immigrants as energetic grassroots level labour activists in immigration countries. In turn, migration might affect the opportunity structures for collective action provided by the political and socio-economic system in the sending country as follows: The more a country’s socio-economic wellbeing is assured by external recourses, such as remittances, the more its elites can afford ignoring internal contestation.

Effects of migration on labour’s capacity to engage in political action

Because of their weaker position within the enterprise, workers have frequently shifted the focus of their struggle for better working and living conditions from the market place to the political arena (Esping-Anderson and Korpi 1984). As there are more workers that capitalists, labour movements fought for the extension of the right to vote to everybody and for the expansion of social citizenship rights. The political action of workers can take on different forms, such as an engagement in party politics, the conclusion of political exchanges between unions and governments, or an engagement in contentious politics (Erne 2011). With the likely exception of electoral participation, however, all three types of political action require the presence of workers in the home country polity. Moreover, although some migration countries attribute the right to vote also to their diaspora, the electoral participation rates of higher social classes tends to be higher than those of the working classes. This pattern might reflect a higher alienation of workers from country of origin politics, but also particular voting procedures – such as the requirement to cast the votes in the embassy and consulates of the country of origin – that favour those social groups that can more
easily afford to travel. It should also be noted that those migrants that are at the bottom of the social hierarchy, namely the undocumented or “illegal” workers are very much inclined to avoid any engagement in any public activities, including voting.

The higher political participation of higher social classes of the diaspora in home country politics, might also reflect their bigger stakes in home country politics. As the working class sections of the diaspora tend to depend more on the social provisions provided by their host countries, they may be inclined to direct their political activities to the host rather than the home country. Conversely, migrants that climbed the social mobility ladder may turn their political attention more easily to the home countries, not least in order to improve the investment climate for remittances based enterprises. Hence, although the diaspora is playing an important role in home country politics, we do not expect that this engagement is advancing working class politics (see Table 7).

Table 7: Migration mechanisms that negatively affect workers’ political action

<table>
<thead>
<tr>
<th></th>
<th>Migration mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>M10</td>
<td>migration &gt; absence and alienation from country of origin politics &gt; decline in political participation</td>
</tr>
<tr>
<td>M11</td>
<td>migration &gt; social mobility &gt; decline in working class politics</td>
</tr>
</tbody>
</table>

**Conclusion**

In this paper we tried to go beyond the simple supply-demand and voice-exit models of the link between migration and labour markets, which assume that the massive vote of CEE workers with their feet is triggering an improvement of workers’ living and working conditions in their home countries. But even if these dichotomous assumptions are guiding large sections of both the industrial relations and migrations studies literatures, the links between migration, wages, and working conditions is not as simple. Analytical models this nexus therefore ought to take also other mechanisms into account, such as the presence of alternative means of income (e.g. remittance payments) that lower the required wage-level necessary for the social reproduction of the local labour force, or the negative impact of outward migration on the organised labour’s capacity to take collective action (Stan and Erne 2014). Our multifaceted analytical framework, which is assessing both developmental and distributive effects of outward migration, may therefore be better placed to take stock of the multiple dimensions of its impact on wages and working conditions by comparison to the dichotomist voice vs. exit model that is dominating large sections of the literature in the field.

**Bibliography**


