Variations in Migration in the Baltic States

Annalise Simons

Colgate University

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Variations in Migration in the Baltic States

Cover Page Footnote
I would like to thank my academic advisor, Professor Edward Fogarty, for his continued support throughout this process. Additionally, I would like to thank Professor Valerie Morkevicius for sparking my interest in researching the Baltic states.
Variations in Migration in the Baltic States

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ABSTRACT

This paper seeks to answer a driving research question: Why do the Baltic Countries exhibit disparate levels of immigration and emigration? The paper considers the period from 2004, when Estonia, Latvia, and Lithuania became European Union member states, up to 2019. Lithuania, Latvia, and Estonia, while all small states in the same region, experience different levels of net migration. As Lithuania, Latvia, and Estonia maintain small populations with negative natural population increases, migration inflows and outflows are quite significant. Among the three, Latvia and Lithuania have experienced dramatically negative net migration. Examining the push and pull factors influencing net migration in Lithuania, Latvia, and Estonia, sheds light on key factors shaping migration patterns, which can aid in developing policies that align with the countries’ interests regarding migration.

KEYWORDS

net migration, push factor, pull factor, unemployment

ACKNOWLEDGEMENTS

I would like to thank my academic advisor, Professor Edward Fogarty, for his continued support throughout this research project. Additionally, I would like to thank Professor Valerie Morkevicius for sparking my interest in researching the Baltic states.
1. **INTRODUCTION**

Drastic population decline is one of the most pressing issues in the Baltic states (Estonia, Latvia, Lithuania) (ERR, 2011). The population of Lithuania, for example, has declined by 24.4% since 1990 (European Migration Network, n.d.). Migration inflows and outflows from these states have significant impacts for the population levels, as the countries are small in terms of overall population. As of January 1, 2020, the populations of Estonia, Latvia, and Lithuania were 1,328,976, 1,907,675, and 2,794,090, and were ranked 24th, 23rd, and 21st of the 27 European Union (EU) countries in terms of population, respectively (Eurostat, 2020a). As member countries of the EU, citizens in the Baltic states have equal opportunity and access to destination countries for migration in the EU. My research question is thus: why do Latvia and Lithuania experience higher levels of emigration compared to immigration than Estonia? I focus on voluntary migration as opposed to forced migration, as most external migration in the Baltic states is not a result of forced migration (Asylum Statistics, 2020). In this paper, I argue that the differences in immigration levels compared to emigration levels in the Baltic countries derive from disparities in economic well-being and in immigration policies.

The paper commences with an explanation of the overall argument of the paper. Then, I outline the methodology for my empirical analysis. After describing the methodology, I explore the validity of hypotheses explaining variations in emigration and in immigration in Estonia, Latvia, and Lithuania. Finally, I conclude the paper with implications of my findings and opportunities for future research.

2. **ARGUMENT**

My overall assertion is that economic disparities, as well as differences in immigration policy, explain the variation in emigration and immigration levels between the Baltic states. The independent variables I focus on in this paper are levels of unemployment, wages, and strictness of immigration policy. Emigrants from the Baltic states emigrate to pursue improved economic well-being. Additionally, immigration policy shapes immigration to the Baltic States, which inherently impacts the levels of immigration compared to emigration. Policies that promote less arduous immigration procedures facilitate immigration. Therefore, the primary causal mechanism is individuals deciding to migrate after weighing the costs and benefits of migration in terms of economic opportunities and ease of immigration to the receiving country.

3. **METHODOLOGY**

The outcome variable I explore is the level of immigration compared to emigration. The measurement for this variable is net migration (total immigrants minus total emigrants). I focus my study on Estonia, Latvia, and Lithuania due to the similar nature of the three countries. The countries have a shared history of occupation by the Russian Empire and later the Soviet Union, and they simultaneously experienced independence and economic transition in the early 1990s. The Baltic states, especially Estonia and Lithuania, have similar Gross Domestic Product (GDP) per capita (PPP based). The GDP per capita in Estonia and Lithuania in 2019 were 38,968 US dollars (USD) and 38,401 USD, respectively. Latvia’s GDP per capita in 2019 was reported as 32,184 USD (OECD, 2020b). However, Latvia and Lithuania have maintained significantly negative net migration (more emigrants than immigrants), and Estonia has experienced positive net migration since 2015 (more immigrants than emigrants).
I explain both cross-national and over-time variations in net migration. For the over-time aspect, I consider the time period from 2004 to 2019. I limit my focus to this time period because Estonia, Latvia, and Lithuania became EU member states in 2004, which drastically eased the process of migrating to EU states from the Baltic states. It is, however, important to note that all EU states besides the United Kingdom, Ireland, and Sweden restricted migration from the Baltic states for the first few years after the Baltic states became member countries of the EU (Thaut, 2009, p. 192). Even so, the Baltic countries had greater opportunity to migrate to other states with more ease than before 2004.

In order to understand why countries experience varying migration outflows and inflows, one must consider push and pull factors. Push factors explain why migrants choose to emigrate from their country of residence, and pull factors explain the reasoning for settling in a particular destination. There is already a very active conversation among scholars regarding the incentives to voluntarily migrate. However, there are areas to expand the conversation. Notably, examining similar countries that experience differing levels of migration can aid an in-depth analysis exploring the manner in which incentives differ on the country level. In this paper, I will structure the incentives to migrate in terms of push and pull factors.

In my empirical analysis, I focus on economic disparities between the Baltic states and differing immigration policies in order to explain the contrast in net migration. The data for the empirical analysis is primarily quantitative, which enables a thorough over-time and cross-national comparison. The independent variables included in the empirical study are wages, unemployment rate, and relative ease of immigration for non-EU citizens to a given country. I measure the relative ease of immigration through comparing immigration policies in Estonia, Latvia, and Lithuania in order to explain differing incentives that the countries provide for certain types of immigrants. Comparing how arduous the immigration process is in each country attests to the costs of immigration.

4. **EMPIRICAL ANALYSIS: THE BALTIC STATES**

4.1. **NET MIGRATION IN THE BALTIC STATES**

Since accession to the EU, overall migration, especially immigration, has increased in each of the three countries. As both emigration and immigration affect net migration, I will divide the empirical analysis into two parts: emigration and immigration. Lithuania experiences the largest inflows and outflows of migrants, and Lithuania has maintained negative net migration since independence. Latvia also has experienced prolonged negative net migration. Alternatively, Estonia experienced negative net migration but began to see positive net migration in 2015. External migration, both immigration and emigration, is significant for these small countries, especially given the negative natural population growth rates in the Baltic countries. Population Reference Bureau notes Estonia’s natural population increase in 2019 as -0.1%, Latvia’s as -0.5%, and Lithuania’s as -0.4% (Population Reference Bureau, 2020). The overall population will decline at a faster rate with negative net migration and a negative natural increase in population, which may prove burdensome for the already small populations in the Baltic states. Figure 1 visualizes the estimates for net migration in Estonia, Latvia, and Lithuania over 5-year periods.
As Figure 1 depicts, Lithuania experiences the most negative net migration (immigration minus emigration). Estonia experiences a net migration closer to zero, becoming positive in the 2015–2020 time period. Latvia experiences negative net migration to a lesser extent than Lithuania but greater extent than Estonia. It is important to note that Lithuania has a larger overall population than Estonia and Latvia, and there are overall greater numbers of migrants.

4.2. Emigration

It is imperative to examine both emigration and immigration to understand net migration. The first aspect of net migration I examine in the Baltic countries is emigration. The hypotheses I focus on in this section are average wages and unemployment rates. Table 1 demonstrates emigration in the Baltic states.

<table>
<thead>
<tr>
<th>Year</th>
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<th>Latvia</th>
<th>Lithuania</th>
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<tr>
<td>2019</td>
<td>9.12</td>
<td>7.6</td>
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</table>

Table 1 Notes: Total emigrant data compiled from Central Statistical Bureau of Latvia, 2020b; Statistics Estonia, 2020b; Statistics Lithuania, 2020a; total population data from Eurostat, 2020b. To reflect emigrants in relation to population, the data was calculated in the formula (Total emigrants/total population) x 1000 for each year.

From 2004 to 2019, Lithuania has consistently maintained higher levels of emigration than Latvia and Estonia. For 2019, Lithuania experienced positive net migration with a dramatic increase in immigration and a decrease in emigration. There is limited evidence available to explain the increase in immigration and decrease in emigration in this year. For this reason, most of the data focuses on 2004 to 2018. During the years of the recession in 2008 to 2010, Latvia and Lithuania experienced higher levels of emigration. Estonia, however, experienced an increase in emigration in 2015.

4.3. **PUSH FACTORS.**

4.3.1. **WAGES**

Some scholars argue low wages inspire emigration in pursuit of countries with better wages (Doerschler, 2006, p. 1101). Other scholars note that income differentials and globalization foster migration from countries with lower income levels to higher income levels (Milanovic, 2019, p. 138). To test if this hypothesis is consistent with income levels and emigration from the Baltic states, I consider wage levels in the Baltic states alongside other Organization for Economic Cooperation and Development (OECD) countries in order to compare wages to other developed countries. I focus on averages wages to represent income resulting solely from employment. Figure 2 compares the average wages in the Baltic countries to other OECD countries in 2018.

![Figure 2. Average Wages](image_url)
Figure 2 indicates Latvia, Lithuania, and Estonia have significantly lower average wages than most other OECD countries, including most of the countries in the EU. In 2018, average wages were 28,499 USD in Estonia, 26,765 USD in Latvia, and 27,368 USD in Lithuania. As wages in the Baltic countries are lower than in other EU and OECD countries, it would be expected, on the wage push factor hypothesis, that residents of those countries would leave to pursue higher wages in another country, especially people from Latvia and Lithuania.

4.3.2. UNEMPLOYMENT

Another push factor I analyze with respect to Estonia, Latvia, and Lithuania is unemployment. Scholars, such as Laura Thaut, assume that migrants would leave a country with relatively few employment opportunities, for a country with more employment opportunities (Thaut, 2009, p. 204). Figure 3 shows the unemployment rate as percent of labor force from 2004 to 2019. Estonia maintains a lower unemployment rate than Lithuania and Latvia. All three Baltic countries experienced dramatic increases in the unemployment rate following the recession in 2008. Over time, however, Estonia has maintained a lower unemployment rate.

![Figure 3. Unemployment Rate of the Baltic States 2004-2019](source: OECD (2020c))

Figure 4 compares unemployment in the Baltic countries to other OECD countries in 2018. Estonia is close to the median unemployment rate for OECD countries, but Lithuania and Latvia have higher unemployment rates relative to most other OECD countries. Estonia, compared to Lithuania and Latvia, has greater demand for workers compared to supply, which would be attractive to immigrants and would not push Estonian residents to emigrate to the same extent as Latvian and Lithuanian residents.
4.4. PULL FACTORS

4.4.3. UNEMPLOYMENT

One potential pull factor is greater opportunity for employment, evidenced by a lower unemployment rate. For this study, I examine the connection between emigration from the Baltic states and the unemployment rate in predominant destination countries. Krisjane, Berzins, and Apsite (2013) note that Estonians most commonly migrate to Finland. A majority of Latvian and Lithuanian emigrants settle in the United Kingdom (Krisjane, Berzins & Apsite, 2013, p. 92).

In the case of Lithuania, migration to the United Kingdom has been a significant portion of emigration. Statistics Lithuania only had data on the number of emigrants to the United Kingdom beginning in 2010. The Central Statistical Bureau of Latvia had limited data available on destination countries, which is why I focus on Lithuania and Estonia in this section. Migration from Lithuania to the United Kingdom has decreased since 2016, which is potentially an impact of Brexit, yet the United Kingdom remains the destination for over 30% of Lithuanian emigrants (Figure 5).
As Figure 6 indicates, the unemployment rate in the United Kingdom has been consistently lower than in all the Baltic states, except during the recession, indicating increased employment opportunities. Additionally, Laura Thaut notes that there are recruitment agencies from certain EU member states, including the UK, increasing their presence in Lithuania to attract high-skilled labor (Thaut, 2009, p. 204).

The percentage of Estonians migrating to Finland has decreased since 2015, as Figure 7 depicts, which indicates a more diversified set of destination countries. Even so, Finland is still the most common destination country for Estonians.
Figure 7. Percent of Estonian Emigrants Settling in Finland

Source: Adapted from Statistics Estonia (2020a)

The unemployment rate in Finland has been higher than in Estonia since 2013, as Figure 8 demonstrates, which corresponds to the decline in the percentage of Estonian emigrants settling in Finland. Finland had a more stable unemployment rate during the recession until 2013, explaining the high percentage of Estonian emigrants settling in Finland during those years.

Figure 8. Unemployment Estonia Compared to Finland

Source: OECD (2020c)

4.4.4. WAGES

As Figure 2 details, the United Kingdom maintains higher average wages than the Baltic states. There are several other factors potentially involved, including the fact the United Kingdom was one of few countries in the EU that did not initially restrict migra-
tion from the EU8 – the eight countries that were formerly part of the Soviet Union that joined the EU in 2004 (Lithuania, Latvia, Estonia, Hungary, Slovakia, Slovenia, the Czech Republic).

As for Estonian migration to Finland, average wages are consistent with hypotheses predicting migration. As Figure 2 indicates, Finland has higher average wages than Estonia, which is consistent with the hypothesis that emigrants pursue higher wages. Therefore, for Estonian emigrants that settle in Finland unemployment and average wages together explain the decrease in, yet still significant, number of Estonian emigrants settling in Finland. Other factors such as linguistic similarity and cultural connection between Estonia and Finland may impact emigration from Estonia to Finland as well.

4.5. IMMIGRATION

In order to gain a complete understanding of net migration in Estonia, Latvia, and Lithuania, I discuss pull factors incentivizing immigration to these three countries. Beyond appealing to countries with lower wages and higher unemployment, such as Ukraine, it is necessary to examine immigration policies, as most immigrants migrate from non-EU countries or are citizens of the migration destination (Central Statistical Bureau of Latvia, 2020a; European Migration Network (n.d); Statistics Estonia, 2020b). Table 2 details overall immigration in the Baltic states.

<table>
<thead>
<tr>
<th>Year</th>
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<th>Lithuania</th>
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<td>2019</td>
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Table 2 Notes: Total immigrant data compiled from Central Statistical Bureau of Latvia (2020b); Statistics Estonia (2020b); Statistics Lithuania (2020a); total population data from Eurostat, 2020b. To reflect immigrants in relation to population, the data was calculated in the formula (Total immigrants/total population) x 1000 for each year.
As Table 2 indicates, immigration has increased to the Baltic states overall since 2004. Table 2 shows that Lithuania witnessed a significant increase in immigration between 2018 and 2019. Of the immigrants in 2019, 20,412 were Lithuanian nationals returning to Lithuania (European Migration Network, n.d.). Further exploration into the explanation of the drastic increase in immigration to Lithuania in 2019 is necessary. There is not substantial data and information available to examine this particular increase, but future research into this occurrence could shed light on immigration patterns and push and pull factors. Table 2 details a drastic increase in immigrants to Latvia in 2011. Estonia experienced a rapid increase in immigration between 2014 and 2015, which contributes to Estonia’s positive net migration since 2015.

A significant proportion of the immigrant populations, especially for Lithuania, are citizens returning to the Baltic states of nationality. Lithuania has maintained the highest percentage of immigration of its nationals. In 2011, the percentage of Lithuanian nationals immigrating to Lithuania out of total immigrants reached 89%, and, in 2019, 45% of immigrants to Lithuania were Lithuanian nationals (Statistics Lithuania, 2020c). In Latvia, Latvian nationals immigrating to Latvia as a percent of total immigration also peaked in 2011 at 72%, and, in 2019, still 41% of all immigrants to Latvia were Latvian nationals (Central Statistical Bureau of Latvia, 2020a). In 2011, Estonian nationals immigrating to Estonia were 55% of total immigration and, in 2019, this figure was 40%. All of the Baltic states, however, have experienced a decline in the percentage of nationals immigrating since 2011, indicating the countries now experience more diversified immigration. Immigration policies are pertinent to understanding levels of immigration.

4.5.5. Immigration Policies in Estonia

A distinct aspect of immigration policy that persists in Estonia is the annual immigration quota for long-term migration of third-country nationals (immigrants that are not citizens of EU countries, Switzerland, Lichtenstein, or Norway). Citizens of EU member countries and the European Economic Area only have to register with the Estonian government, as opposed to third-country nationals, who must apply for a residence permit. The annual immigration quota is 0.1 percent of the population of Estonia from the previous year. While this is a small percentage, there are numerous employment positions that are not included in the quota, such as Information and Communications Technology (ICT) positions, founders and workers for start-ups, investors in startups, and those with the EU Blue Card (Labour and Entrepreneurial Migration, n.d.). The EU Blue Card is a work and residence permit for citizens of countries not in the EU or the European Economic Area that can lead to permanent residence and citizenship (Live and Work in the European Union!, n.d.). Citizens of the United States and Japan are also not included in the immigration quota restrictions (Aliens Act, 2019).

Due to the immigration quotas, migration for short-term employment has increased in Estonia. Once the immigration quota is reached for residence permits, immigrants can still migrate to Estonia for short-term employment. In 2018, the immigration quota was fulfilled in June, and short-term employment migration increased (Luik, 2019, p. 22). In 2018, 80% of migration to Estonia was for short-term employment (Luik, 2019, p. 7). In 2018, the government extended short-term employment to last 365 days rather than 270 days, and new types of employment now qualified for short-term employment without requiring a residence permit. The number of immigrants registered for short-term employment in 2018 was almost three times the number in 2017 (Luik, 2019, p. 21). Despite immigration quotas,
more individuals are immigrating to Estonia for short-term employment.

Another change in immigration legislation occurred in 2017 to encourage new start-ups to develop in Estonia. Already, founders, employees, and investors in startups could immigrate without being limited by the immigration quota. The number of founders and employees in start-ups that immigrated to Estonia increased by 236% from 2017 to 2018 (Luik, 2019, p. 22). The Startup Estonia program, which commenced in 2011 and launched again for the period from 2015 to 2023, seeks to increase funding and opportunities for startups in Estonia (Michelson, 2018, p. 1). The 2017 amendment created a specific visa for those involved in the creation and development of startups in Estonia for either short- or long-term residence. The spouse and dependent(s) of the individual employed will be also issued a visa. The length of stay for long-term visas for startups was extended in the 2017 amendments (Aliens Act, 2019). The amendments seek to encourage start-ups in Estonia and immigration to sustain start-ups. These initiatives are consistent with the dramatic rise of immigration since 2015 to Estonia.

4.5.6 IMMIGRATION POLICIES IN LATVIA

Latvia has also implemented new policies regarding immigration in recent years. In 2017, the Latvian government passed amendments to the Immigration Law, some of which facilitate immigration in certain sectors and others restrict immigration flows for sectors. Notably, Latvia eased requirements for obtaining residence permits for individuals employed in sectors experiencing labor shortages in order to incentivize migration in those specific sectors (Silina-Osmana, 2018, p. 10). The Latvian government reduced the restrictions for third-country nationals involved in creating startups. Individuals involved in the creation of startups no longer require a sponsor in the process of registering for a residence permit. Still, there are certain requirements to receive residence permits as part of the development of a startup, such as securing 60,000 Euros of investments within 18-months (Silina-Osmana, 2018, p. 11). Through these policies, the Latvian government seeks to promote innovation.

At the same time, Latvia made immigration requirements and procedures more stringent for certain sectors. Notably, the 2017 amendments to the Immigration Law added requirements for offices of merchants and the employees that seek temporary residence permits. Any foreign company dealing with selling or trading goods must have been registered abroad for five years as well as maintain at least 50 employees and annual turnover of at least 10 million Euros before being able to gain residence permits for employees (Silina-Osmana, 2018, p. 12). The recent immigration policy changes in Latvia prioritize immigration in ICT and startups, as well as sectors experiencing labor shortages, and seek to disincentivize immigration for foreign companies.

4.5.7 IMMIGRATION POLICIES IN LITHUANIA

Similarly, Lithuania has facilitated immigration processes in recent years for certain employment positions. In 2017, amendments to the Law on the Legal Status of Aliens eased the immigration procedure for workers in positions in which Lithuania maintains a labor shortage. Applicants for professions on the list of professions with labor shortages will receive a visa within 15 days and do not need a separate work permit. As of 2018, immigrants that are third-country nationals can apply for positions on a new “Whitelist” of certain companies and benefit from fewer requirements in the immigration process. Companies can get onto the “Whitelist” for periods of three years and have to meet certain requirements, including not owing any debt to the Lithuanian government. Third-country workers for
companies on the “Whitelist” do not need to apply for a separate work permit and avoid needing to supply additional documents (Sipaviciene, 2018, p. 6). These amendments seek to encourage labor in positions in which Lithuania maintains a labor shortage.

In 2017, Lithuania also passed amendments to encourage immigration for startups and high skilled labor. Applications for residence permits under this procedure are expedited, and families may join the immigrants immediately. Temporary residence permits will be issued for founders of startups for one year and can be extended for an additional year. Additionally, Lithuania accelerated the process for receiving an EU Blue Card to one month and extended the Blue Card to last three years instead of two. Third-country nationals with five years of professional experience do not need to meet the requirement of higher education to receive a Blue Card. In February of 2017, the Lithuanian government approved 27 professions for the in-high-demand list, including ICT professions, that exempt third-party nationals from the labor market test that precedes the Blue Card application in Lithuania. The process for applying for a Blue Card for skilled professions in which Lithuania maintains a shortage expedites the Blue Card process (Sipaviciene, 2018, p. 7).

However, the process for seasonal employment (short-term employment) is stricter in Lithuania. Seasonal employment can last no longer than six months in a 12-month period, as opposed to 12 months in Estonia. Additionally, employers in Lithuania can only request a work permit for third-country nationals if there is no potential seasonal worker in Lithuania, prioritizing Lithuanian citizens for employment (Sipaviciene, 2018, p. 8). Through seasonal employment, Lithuania restricts the period of employment and prioritizes Lithuanian citizens, discouraging immigration for seasonal employment.

5. Conclusions

Estonia experienced significantly less negative net migration as compared to Latvia and Lithuania in the first decade of its EU membership, and its net migration turned positive in 2015, again in contrast with the other two Baltic states. Estonia’s positive net migration in 2015-2019 resulted from an increase in immigration that outpaced the increase in emigration during the same time period.

The hypotheses that wage levels and unemployment rate serve as push and pull factors for emigration are consistent with the higher emigration levels observed in Latvia and Lithuania as compared to Estonia. Estonia reports slightly higher wage levels and a lower unemployment rate than Latvia and Lithuania. This is consistent overtime from 2004 to 2019. The relevant hypotheses therefore correctly predict that Latvia and Lithuania would experience relatively higher levels of emigration compared to Estonia.

Additionally, Estonia, despite having an immigration quota, has decreased restrictions to a greater extent than Latvia and Lithuania, especially for short-term employment. All three Baltic states have witnessed increases in immigration since 2010 and have implemented policies to attract certain types of immigrants and disincentivize immigration for other sectors. Latvia and Lithuania have increased restrictions for employment in sectors without labor shortages and facilitated the immigration process for sectors in which there are labor shortages. All three countries have adopted policies simplifying immigration for founders and employees involved in creating startups to foster innovation, especially Estonia with the Startup Estonia program. Overall, immigration policy in all three countries focuses on innovation and filling high skilled positions as well as labor shortages.

This study reveals that there is more research to be done, especially regarding social factors of immigration and emigration. While economic factors shape voluntary migration,
social factors, such as migrant networks, may be beneficial to understanding the maintenance of migration levels. Additional research regarding immigration with the same economic factors focusing on countries of departure compared to the Baltic states would add to this discussion as well. This research accompanied by further research regarding migration patterns and motivations will aid in developing policies that align with the countries’ interests regarding migration.

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