Report 2. Economic Consequences of the Schengen Agreement for Labour Markets within the Polish Borderland Regions

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Introduction

The Schengen Treaty, concluded on 14 July 1985, between the governments of Benelux, Germany and France, led in consequence to application of, so called, Schengen Convention in 1999, covering with certain reservations[1] other Member States of the Union, rises certain fears among public opinion and statesmen in the Member States. The above bodies express fears that in consequence, after new countries' accession, including Poland, the Union labour markets might be threatened by the inflow of the labour force from the new Member States and, in addition, 'export' of social pathologies to the present Member States will take place.

Fulfilment of the Schengen agreements means freedom of people movement between the Member States, where these agreements apply. In practice, free movement of the people between Member States means, both labour migration possibilities and possibility to conduct economic activity in a chosen Member State by enterprises and entrepreneurs from other Member States.

In line with the assumptions, the Schengen agreements will develop conditions for further integration between the Union residents and also conditions for economic development through provision of legal basis for free movement of the people. Attainment of this objective will also bring along benefits, especially in economic development acceleration and diminishing disparities in income level between the countries, as well as it can contribute to the rise of various threats. Of the latter, the following are most often mentioned: cross-border penetration by organised crime and massive economic immigration from the poorer parts of the world, including Central and East Europe (Zijlstra Kees, 1998).

It is not possible to estimate unequivocally the economic consequences of the Schengen agreements, both for the European Union Member States and for candidate countries. It is so due to three reasons, at least. Firstly, the Agreement itself can not be interpreted univocally. Analysts and observers find it vague and

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[1] The United Kingdom and Ireland will not be bound by the Protocol to The Amsterdam Treaty incorporating the whole Schengen system to *acquis communautaire*, and Denmark may accept the chosen elements (Czapliński 1999).

inconsequent, and the Agreement itself gives rise to numerous debates. Secondly, the above mentioned consequences will vary in different countries according to their various economic development levels and the following level of wealth. Social wealth introduces univocally the division into the 'old' wealthier Member States and the poorer countries, which just claim to their membership. Thirdly, various factors disturbing the model Schengen Treaty may be expected.

Economic assesment of effects of the Schengen Agreement on Polish economy can be conducted with ever less uncertainty. The expected date of Polish accession to the European Union is known and so is the duration of the transition period for the full accessibility of the Union labour market for Polish citizens, i.e. practical scope of the Schengen agreement application. The variant of the Polish economy development forecast to be accepted might be similar to Government economic programme communicated in February 2002. It is therefore possible to present the most likely model of development and thereby identify effects of the Schengen arrangements on the Polish economy.

There can be no doubt that the income gap between the EU Member States and Poland and other Central and East European countries, which will access to the European Union will constitute the basic factor determining labour migration to the Member States. The seven years' transitional period before enjoying full employment rights within the Union can only insignificantly hold back this process.

Second important factor will be the situation on labour markets in Poland and Member States, particularly the unemployment rate. Tendency to migrate from Poland will be increased or decreased by the unemployment rate and macroeconomic situation in Poland and Member States, particularly in Germany. Besides, a short-term 'accession recession' in Poland resulting in the increase of unemployment rate here, can not be excluded.

Size of migration to the European Union will be smaller than expected by the public opinion in the Member States or in the most of opinions developed in various Union centres. The fact of migration to the Union will be mostly of short-period type, particularly during the first period after accession. Then, outflow from Poland should be expected, particularly of the persons with higher and poor qualifications. The contribution from those with intermediate qualifications will increase in the later period, together with the gradual increase of the migration process (Wyżnikiewicz, 2001). Within the first years of transitional period application, migration from Poland is envisaged to be between 40 - 60 thousand persons, however, after admittance the free movement of people, which will take place most likely in 2011, it should not exceed 100 thousand yearly.

The situation on the Polish labour market will be affected by its isolation from the significant inflow of temporary workforce immigration from the East, which will take place due to introduction of compulsory visas for the residents of non-member states. Such decreased personal movement will affect the economy of borderland regions, including particularly the informal economy connected directly both, with cross-border trade, as well as with some segments of the labour market.

I. Factors determining changes on the Polish labour markets

To assess effects of The Schengen Treaty on the Polish labour market, and particularly on the trend of labour migration to the wealthy Member States, it is necessary to analyse the following three factors: rate and pattern of the Polish economic development, economic development effect on situation on the national labour market, and the size of income gap between Poland and, so called, Union average.

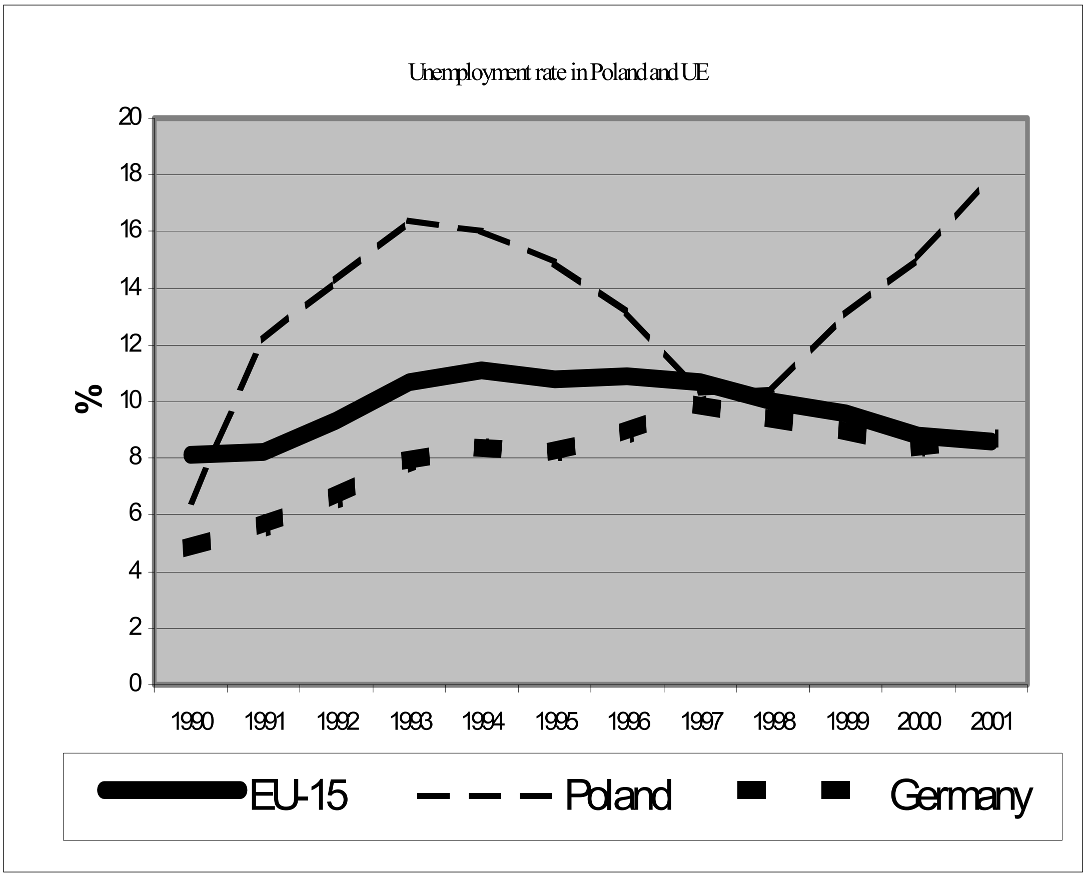
Economic development perspectives for Poland in the years 2002 – 2004 were presented in the Government programme released in February 2002. In further considerations, it was assumed that the economic development parameters accepted under this programme should be fulfilled.

In the beginning of 2002, unemployment is the most significant economic and social problem in Poland. It appeared together with the beginning of economic transformation, after 12 years, however, it has its roots in inflexible labour market structure and structural inadequacy of the workforce to labour market needs.

Structural inbalance of employment takes place both, in territorial and qualification structure. Relatively little mobility of the workforce in Poland is caused by cultural factors as well as by inflexible housing market. Moving to another flat entails high costs, discouraging people from moving in order to find a job at all or a better job. It particularly concerns those with medium and below average income. Qualification structure adapts to work demand structure, but this process is relatively slow and concerns mainly the people with higher qualifications and those involved in newly created professions.

Since January 1990, i.e. since the first month of transformation, unemployment rate grew constantly up to 16.9 percent (2,5 million persons) in July 1994. Fast economic development observed in those times (5.2 percent increase of GDP in 1994 and 7.0 percent in 1995) contributed to unemployment rate decrease until the Russian crisis, which caused recurrence of increase trend in unemployment lasting up to the day when this text is being written, i.e. end of March 2002. In the beginning of 2002, the unemployment rate in Poland exceeded 18 percent and the unemployment problem affected over 3,2 million persons.

Graph 1.



Source: Centeral Statistical Office (GUS), European Economy (Eurostat)

The above graph shows unemployment rate in Poland and its fluctuations on the background of unemployment rate in the European Union and Germany.

Comparative data indicate three distinct trends concerning the situation on labour markets.

The first trend can be seen in clear, though relatively small decrease of the average unemployment rate in 15 Member States since 1997. In 1997 - 2001, the average unemployment rate calculated for 15 Member States decreased by 2 percentage points.

The second regularity can be seen in relatively high differentiation of unemployment rate between the Member States. In 1999, the unemployment rate in Luxembourg was 2.7 percent, while in Spain it was 17.3 percent. Moreover, higher unemployment rate can be generally seen in the bigger countries (Spain, Italy, France and Germany), while in smaller countries (Luxembourg, Denmark, Portugal) it tends to be lower. In the countries nearest to Poland (Germany, Denmark, Holland, Austria and Sweden) and being the target countries of the Polish labour migration, the unemployment rate is lower than the Union average (Wyżnikiewicz, 2001).

The third regularity consists of totally different formation of unemployment rate in Poland to that in the Member States since 1997, when such rate in Poland was similar to the average rate in the Member States. Since 1997, in Poland, contrary to the EU countries, the unemployment rate is estimated to increase. In the beginning of 2002, this increase led to extremely alarming situation. The unemployment rate in Poland settled on the level of about 10 percentage points higher than average level in the Union. Therefore, the unemployment rate in Poland is more than twice higher than such rate in the Member States. In January 2002, the unemployment rate in Poland reached 18 percent, and in February it increased by further 0.1 percent.

The reason for this different trend in unemployment rate in Poland and the Member States lies mainly in the approach to labour market policy. After they reached high unemployment level in the beginning of the 1990s, the Member States developed more flexible structure of their labour markets, what has resulted in lasting unemployment decrease, even within the poor macroeconomic performance. The examples of Spain and Portugal are particularly noteworthy. Evidently, Poland is going through the path similar to the one already covered by the Member States, only Poland is yet at its very beginning. Everything indicates that only dramatically high unemployment rate will encourage Polish Government to break the resistance of trade unions and only then actions leading to make the labour market structure more flexible can take place.

It can be expected that the improvement process for the situation on domestic labour market will begin before the accession date. Therefore, unemployment rate decrease trends lessening potential pressure of Polish workforce on European Union labour markets should take place at the time of accession.

III. Labour markets in the borderland regions

To assess economic consequences of Polish accession to The Schengen Treaty for the borderland regions, the analysis of the historically shaped situation of the labour markets located there is necessary. This situation will determine disposition of local people to possible cross-border migrations resulting from their intention to seek employment in case of the unemployed, as well as intention to improve their material situation.

The assesment of the labour market situation in borderland regions was based on the analysis of unemployment rate and its fluctuation in the years 1999 - 2001, in thirty poviats along Polish east and west border. The survey included the following poviats:

- voivodship Zachodniopomorskie: poviats Gryfiński, Myśliborski, Policki and town of Świnoujście,
- voivodship Lubuskie: poviats Gorzowski, Krośnieński, Słubicki and Żarski,
- voivodship Dolnośląskie: poviat Zgorzelecki,
- voivodship Warmińsko-mazurskie: poviats Bartoszycki, Braniewski, Giżycki, Kętrzyński and Olecko-gołdapski,
- voivodship Podlaskie: poviats Augustowski, Białostocki, Hajnowski, Sejneński, Siemiatycki and Suwalski,
- voivodship Lubelskie: poviats Bialski, Chełmski, Hrubieszowski, Tomaszowski and Włodawski,
- voivodship Podkarpackie: poviats Bieszczadzki, Jarosławski, Lubaczowski, Przemyski and town of Przemyśl.

In the thirty borderland poviats surveyed, 207 thousand unemployed were registered at the end of 2001. The unemployment rate was 21.2 percent and was distinctly higher than in the rest of the country. In the same time, the unemployment rate for whole Poland was 17.4 percent, and for the rest of poviats in all Poland (excluding the surveyed ones) 17.1 percent.

Borderland poviats have not uniform unemployment rate. There is a significant difference between the poviats along the east border and those in the west. Unemployment statistics point at much better situation in the east. In twenty one poviats situated along the east border the unemployment rate was 20.0 percent at the end of 2001, while in nine surveyed poviats of the west it was 24.6 percent. It does not mean, however, that labour market situation in the east borderland regions is significantly better than in the west. It is so because high unregistered unemployment exists along Polish east border, especially in the rural areas.

Table 1. Unemployment rate, end of December 2001 (in percent))

	Unemployment rate
Poland total	17,4
Borderland poviats	21,2
East border	20,0
West border	24,6
Other poviats	17,1

Source: Own calcuclation based on CSO (GUS) data

At the end of December 2001, the highest unemployment rate among the borderland poviats was in the following ones: Bartoszycki (35.9 percent), Olecko-gołdapski (35.2), Braniewski (34.8) and Krośnieński (34.4), and the lowest in: Siemiatycki (8.0), Hajnowski (11.8), Suwalski (13.2) and Bialski (14.7).

In seven borderland regions (voivodships), unemployment rate in borderland poviats was compared to the one in other poviats and in whole regions (voivodships). In five cases, the unemployment rate in borderland poviats was higher, and only in two it was lower than in the rest of the voivodship.

Table 2. Unemployment rate in borderland poviats and other poviats in borderland voivodships, end od December 2001 (in percent)

Voivodship	**Borderland Poviats**	**Other poviats**	**Voivodship**

Zachodniopomorskie	22,7	24,2	24,0
Lubuskie	27,8	22,8	24,1
Dolnośląskie	21,2	21,1	21,1
Warmińsko-mazurskie	34,3	27,1	28,7
Podlaskie	14,7	15,2	15,1
Lubelskie	16,8	15,4	15,7
Podkarpackie	18,4	17,1	17,3

Source: Own calcuclation based on CSO (GUS) data

The biggest differences between unemployment rate in borderland poviats and that in the rest of poviats exist in the voivodships where unemployment is the highest. In Warmińsko-Mazurskie voivodship such difference amounts to 7.2 percentage points, and in Lubelskie voivodship 5.0 percentage points. In voivodships: Lubelskie and Podkarpackie the differences are 1.4 and 1.3 percentage point, respectively. In Dolnośląskie voivodship only Zgorzelecki poviat was placed in the group of borderland poviats, and its unemployment rate is 0.1 percentage point higher than in the other poviats of the voivodship.

In two, out of seven voivodships covered by the analysis, an opposite situation exists, i.e. unemployment rate in borderland poviats is lower than that in other poviats. In Zachodniopomorskie voivodship this difference amounts to 1.5 percentage point, and in Podlaskie voivodship - 0.5 percentage point. Borderland poviats of Podlaskie voivodship appear to be in favourable situation mainly due to a very low unemployment rate in Siemiatycki poviat, where it is only 8.0 percent. The reason for such low unemployment rate in this poviat is labour migration of the local people to the West European countries and relatively dynamic development of small business.

Table 3. Unemployment rate in borderland poviats and other poviats in borderland voivodships as compared to unemployment rate in entire voivodships, end od December 2001 (in percent) (voivodship = 100)

Voivodship	**Borderland Poviats** (voivodship=100)	**Other poviats** (voivodship=100)
Zachodniopomorskie	94,6	100,8
Lubuskie	115,4	94,6
Dolnośląskie	100,5	100,0

Warmińsko-mazurskie	119,5	94,4
Podlaskie	97,4	100,7
Lubelskie	107,0	98,1
Podkarpackie	106,4	98,8

Source: Own calcuclation based on CSO (GUS) data

The data given in Table 3 show the relationship between unemployment rates in borderland and other poviats and unemployment rates in respective voivodships. The biggest differences exist in Warmińsko-Mazurskie and Lubuskie voivodships, where unemployment rates in borderland poviats are by 19.5 and 15.4 percent, respectively, higher than in those in whole voivodships. In Zachodniopomorskie and Podlaskie voivodships, borderland poviats' unemployment rates are lower than those in whole voivodships by 5.4 and 2.6 percent, respectively.

At the end of 2001, unemployment rate in the west borderland regions was much higher than that in the regions along the east border, however, only two years before that, at the end of 1999, the situation looked different. Unemployment rate in borderland poviats was also higher than the average for whole Poland, but differences between the east and west of Poland were insignificant. Between 2000 and 2001, unemployment in the poviats along the west border, however, was increasing much quicker than in the east, what resulted in the above mentioned differentiation of unemployment rate.

In December 1999, the unemployment rate for the whole Poland was 13.1 percent, and in thirty borderland poviats covered by the survey it was16.6 percent. Unemployment rate in the west poviats was 16 percent, and that in the east ones was 16.8 percent. One year later, the situation turned disadvantageously for the west borderland poviats. The unemployment rate was then 21.3 percent in the west and 18.4 percent in the east. In the end of 2000, Poland's unemployment generally was 15.1 percent and 19.1 percent in the borderland poviats. In the end of 2001, however, the difference between the east and west poviats still increased.

Table 4. Growth of unemployment rate in 1999 – 2001 (previous year = 100)

	2000/1999	**2001/2000**	**2001/1999**
Poland total	115,3	115,2	132,8
Borderland poviats	115,1	111,0	127,7

East bordr	109,5	108,7	119,0
West border	133,1	115,5	153,8

Source: Own calcuclation based on CSO (GUS) data

In the years 1999 – 2001 the rate of unemployment increase in thirty borderland poviats surveyed was slightly lower than the average in Poland. The dynamics of unemployment rate growth was then 32.8 percent for the whole Poland and 27.7 percent for borderland poviats. The difference in the level of unemployment rate in the borderland poviats surveyed, and its average level for Poland was comparatively stable then and approximate to 4 percentage points.

In respect of the dynamics of unemployment rate growth in 1999 - 2001, west poviats differ significantly from the east ones. Within two years' time, unemployment rate in west poviats increased dramatically (by 53.8 percent), while growth dynamics in east poviats was only 19 percent then.

Table 5. Unemployment rate in borderland poviats of borderland voivodships, end od December 2001 (in percent)

Voivodship	Borderland poviats 1999	Borderland poviats 2000	Borderland poviats 2001	Dinamics of unemploymen t rate 2001/1999 (1999=100)
Zachodniopomorski e	15,0	18,9	22,7	151,3
Lubuskie	16,8	24,7	27,8	165,5
Dolnośląskie	15,6	18,8	21,2	135,9
Warmińsko-mazurskie	28,7	32,2	34,3	119,5
Podlaskie	12,5	13,3	14,7	117,6
Lubelskie	14,3	15,3	16,8	117,5
Podkarpackie	15,3	17,0	18,4	120,3

Source: Own calcuclation based on CSO (GUS) data

In the years 1999 – 2001, unemployment rate increased quicker in borderland poviats of Lubuskie voivodship, where its growth dynamics exceeded 65 percent. In the second, following Lubuskie, Zachodniopomorskie voivodship, the dynamics of unemployment rate growth was over 51 percent. In those times, the borderland poviats of Podlaskie, Lubelskie and Warmińsko-Mazurskie voivodships experienced the slowest unemployment rate increase. In case of the latter, unemployment rate in 1999 was so high that even a slight dynamics of its growth until 2001 did not change the fact that employment rate in borderland poviats of Warmińsko-Mazurskie voivodship still remains the highest among the seven surveyed voivodships.

It has to be stressed that the situation on labour markets in borderland regions, in the years 1999 – 2001 was worse than in the rest of the country what results in persisting registered unemployment rate higher in borderland poviats than anywhere else. The situation is even worse due to the fact that hidden unemployment exists particularly on traditionally rural regions in the east and is higher than in other parts of the country. Hidden unemployment is also the reason why official unemployment rate in east poviats is lower than that in poviats situated along the west border.

Good news about labour markets in borderland poviats is that for two years now their situation has not grown worse than in other parts of Poland, on contrary, in borderland regions we can notice slower unemployment increase than in other parts of the country. However, smaller dynamics of unemployment rate concerns only the East Poland. In 1999 - 2001, unemployment rate in the poviats situated along the west borders increased much higher than on average in Poland.

IV. Economic potential of borderland areas

The important aspect in assesment of consequences arising from Poland's accession to The Schengen Treaty for the borderland regions is the analysis of their economic potential as it sets, among the others, people's income level and investment possibilities in a region. The best measure of regional economic potential is GDP level per capita. Its volume in the borderland areas was analysed on, so called sub-regional level (NTS3).

The following nine sub-regions situated by Polish east and west borders were the subject of the analysis: Bialskopodlaski, Chełmsko-Zamojski, Krośnieńsko-Przemyski, Białostocko-Suwalski, Ełcki, Elbląski, Zielonogórski, Gorzowski and Szczeciński.

In the nine surveyed borderland sub-regions (NUTS-3), GDP level per capita is much lower than Polish average. In 1999, GDP per capita in Poland was PLN 15,9 thousand. At that time average value of GDP per capita in nine analysed sub-regions was PLN 12,3 thousand - nearly 23 percent lower than the country average. The situation in this respect looks much worse in East Poland than in West Poland. In 1999, the value of GDP per capita in the east sub-regions set on the level of 66 percent of the country average, while in the west sub-regions it was 98 percent of the average.

In 1999, the dynamics of growth in GDP per capita was also lower in borderland sub-regions compared to the Polish average. If in 1999 GDP per capita increased nominally by 11.1 percent on average in Poland, in nine analysed sub-regions such dynamics was 7.3 percent. Nominal GDP increase rate per capita in western sub-regions was the same as in the whole Poland. In the East, however, such dynamics was much smaller, with 1.2 percent. This means that in respect of economic potential, borderland sub-regions (particularly in the east of Poland) stick out from the rest of the country, and negative differences are ever growing.

Table 6. GDP per capita in 1999 (in zloty) and 1998 – 1999 nominal dynamics

	GDP per capita in 1998	**GDP per capita in 1999**	**1998 = 100**
Poland total	14 316	15 914	111,1
Borderland sub-regions	11 485	12 334	107,4
East border	10 448	10 569	101,6
West border	14 042	15 620	111,2

Source: Own calcuclation based on CSO (GUS) data

In 1999, the highest GDP per capita, among the analysed borderland sub-regions was in Szczeciński sub-region, where it amounted to nearly PLN 17,7 thousand. The lowest value for this indicator was noted in Chełmsko-Zamojski sub-region, where GDP per capita was slightly over PLN 9,2 thousand in 1999. This disproportion illustrates well the differentiation of economic potential in the east and west borderland sub-regions.

Among the group of analysed sub-regions, the highest nominal dynamics of GDP growth per capita in 1999 was in Szczeciński and Zielonogórski sub-regions (in both cases it exceeded 13 percent) and in Elbląski sub-region (where it approached 12 percent). In other sub-regions, dynamics of GDP growth per capita was lower than the country average. In two sub-regions, Chełmsko-Zamojski and Bialskopodlaski, GDP per capita decreased nominally in comparison with 1998.

Table 7. GDP per capita in 1999 (in złoty) and nominal dynamics 1998 – 1999

Sub-region	**GDP per capita in 1998**	**GDP per capita in 1999**	**1998 = 100**
Polska total	**14 316**	**15 914**	**111,1**
Bialskopodlaski	9 830	9 631	98,0
Białostocko-suwalski	11 461	12 534	109,4
Chełmsko-zamojski	9 455	9 252	97,9
Elbląski	10 798	12 056	111,7
Ełcki	9 025	9 915	109,7
Krośnieńsko-przemyski	10 688	10 753	100,6
Gorzowski	14 200	15 132	106,6
Szczeciński	15 548	17 699	113,8
Zielonogórski	12 377	14 030	113,4

Source: Own calcuclation based on CSO (GUS) data

Differences in income level between German regions situated in direct vicinity with the Polish border and Polish regions situated close to Germany are significant. The fact that German regions lying close to Poland and forming a part of the former DDR show much lower income level than regions of West Germany before unification, has little effect on the above mentioned differences. The following Table illustrates the situation in respect of GDP.

Table 8. GDP per capita in borderland regions related to EU average in 1998

Region	GDP per capita (PPS)[a] Related do EU average in w percent
Brandenburg	71

Mecklenburg-Vorpommern	71
Sachsen	71
German borderland regions, average	**71**
Zachodniopomorskie	33
Lubuskie	30
Dolnośląskie	32
Polish borderland regions, average	**32**

Source: Eurostat
[a]PPS Purchasing Power Standards

National income per capita in the west borderland regions of Poland is equal to 45 percent of that of resident in East Germany borderland regions. In both cases, income per capita in borderland regions is lower than in the rest of the countries. The Polish to German GDP per capita relation equals 36 percent. The above relations were determined for purchasing power parities. Calculated in accordance with exchange rates, these relations are even more unfavourable for Poland. Those, willing to work in Germany take exchange rate not purchasing power parity into account.

There are no statistic data to show differences in income between borderland regions of Poland and borderland regions of Polish east neighbours, except for Lithuania. According to Eurostat data, GDP per capita in Lithuania amounts to 74 percent of that in Poland. On the other hand, however, such relation between Lithuania and its neighbouring Warmińsko-Mazurskie voivodship is more favourable for Lithuania and equals 111 percent.

In case of Russia (Kaliningrad district), Belorussia and Ukraine, the countries whose market transformation lags in comparison with Lithuania and Poland, relation of their income to the Polish one appears much unfavourably. It can be seen in the data on many years' decrease of GDP in those countries and little purchasing power of those Polish east neighbours' currencies. According to the UN European Economic Commission statistics, the 2000 national product of Russian Federation amounted to 62.2 percent of that in 1999, corresponding percent values for Belorussia and Ukraine were, respectively, 86.1 and 41.6 percent[2].

[2] Economic Survey for Europe, 2001 No. 1, ECE UN, Geneva, May 2001.

V. Migration of population in borderland regions

Low economic potential of borderland areas and unfavourable situation on their labour markets are the causes for bigger, than in economically stranger regions, disposition of their local people to move. It is proven by the analysis of migration balance in borderland poviats.

Poviats analysed were the same that were surveyed in respect of labour market situation. In the group of thirty examined poviats, migration balance for 2000 was positive only in five cases. Such situation existed in three east poviats (Lubaczowski, Białostocki and in Przemyśl city poviat) and two west ones (Gorzowski and Policki). In other poviats, migration balance was negative, i.e. persons, who left a poviat, were the majority.

It is interesting to compare migration balance in poviats within voivodships migration balance. Only in nine cases, migration balance indicates relatively smaller outflow (or quicker inflow) of people from poviat than from voivodship. In other cases, opposite situation exists - trend to leave poviats is bigger than similar trend in corresponding voivodship.

Tabela 9. Balance of internal and external migration (permanent residence) in selected poviats and voivodships (per 1000 persons)

Poviat / voivodship	Migration balance in 1999	Migration balance in 2000
Bialski	-2,0	-3,0
Chełmski	-4,8	-3,0
Hrubieszowski	-7,3	-6,1
Tomaszowski	-4,5	-4,5
Włodawski	-5,2	-2,6
Voivodship lubelskie	**-1,4**	**-1,4**
Bieszczadzki	-2,6	-2,7
Jarosławski	-0,3	-1,1
Lubaczowski	-5,3	1,4
Przemyski	-1,8	-1,5
Miasto Przemyśl	-1,8	0,3

Voivodship podkarpackie	**-0,7**	**-0,9**
Augustowski	-2,1	-1,0
Białostocki	4,1	2,7
Hajnowski	-5,0	-6,4
Sejneński	-2,3	-4,1
Siemiatycki	-4,4	-5,5
Suwalski	-6,0	-4,7
Voivodship podlaskie	**-0,8**	**-1,3**
Bartoszycki	-4,1	-4,6
Braniewski	-4,1	-3,4
Giżycki	-1,7	-2,1
Kętrzyński	-5,6	-4,8
Olecko-Gołdapski	-5,9	-0,3
Voivodship warmińsko-mazurskie	**-1,6**	**-1,7**
Zgorzelecki	-1,7	-2,3
Voivodship Dolnośląskie	**-0,5**	**-0,7**
Gorzowski	1,9	1,6
Krośnieński	-3,3	-1,3
Słubicki	-2,1	-1,6
Żarski	-0,6	-1,2
Voivodship Lubuskie	**-0,4**	**-0,6**
Gryfiński	-1,7	-0,5
Myśliborski	-2,7	-2,5
Policki	9,5	7,8
Miasto Świnoujście	0,4	-1,1
Voivodship zachodniopomorskie	**-0,5**	**-0,4**

Source: CSO (GUS)

Although the analysis of migration balance in borderland poviats points at the fact that their people have bigger disposition to change their place of living than people in other regions of the country, we certainly can not speak of massive outflow of people from borderland areas. It is noteworthy that among thirty examined poviats, migration balance in 2000 compared to 1999, increased in fourteen cases, and decreased in sixteen. It signifies that migration from borderland areas does not grow stronger and we can not speak of clear trend to leave their place of living among the people from borderland poviats.

VI. Scenarios for the development of labour market situation in borderland regions of Poland

In Poland's preparations to accession to the European Union, the two dates are important: July 2003, when visas for persons from non-member states will be introduced, and January 2004, when Poland and other candidate countries will, most likely, become EU members (sometimes, half of 2004 as the time of accession is mentioned).

From the viewpoint of the labour market situation in Poland's borderland regions, the situation of the north-east border, hereinafter referred to as 'east border' and that of the west border are totally different and so, these two cases will be dealt with separately.

The new situation on the east border will cause turmoil connected with limitations to people's movement, which is caused by the evolution of cross-border trade and the presence of illegal workforce from the East in Poland. On the west border, however, the present processes will be continued.

The east border

Development of the situation on the east border between 2003 - 2005 will be more dynamic and will entail deeper economic consequences than that on the west border. It is necessary to consider three possible scenarios of visa policy towards residents of the countries outside of the European Union. These scenarios comprise two extreme ones and an intermediate one, which seems to be the most realistic.

The following three scenarios are possible:

- Restrictive visa policy scenario,
- Moderately strict visa policy scenario,
- Liberal visa policy scenario.

It is necessary to note that independent of the accepted visa policy scenario, including the liberal one, people's movement on the east border will decrease compared to the period before visa introduction. This will mean both, decrease of cross-border trade volume as well as decrease in illegal labour of immigrants.

Decrease of, so called cross-border trade volume continues in Poland since 1995. Cross-border trade means export and import of goods by private persons, without customs or statistic registration. In this process registration is omitted even when wholesale batches of goods are moved through border. Transactions take place mainly on market places, even the ones distant from borders (also on the Warsaw 10 Anniversary Stadium), however, it is not the rule.

Cross-border trade is a simple form of trade business. It basically consists of importing to Poland goods from the East, purchasing goods in Poland for the obtained funds and exporting of such purchased goods. Sometimes foreign currencies, instead of purchased goods are exported from Poland. Other option consists of importing foreign currencies to Poland in order to purchase goods, which are subsequently exported. In any case, cross-border trade mixes with informal economy or is the genuine informal economy itself.

Decline of cross-border trade is caused by two reasons. The more important one is the exhaution of form of cross-border trade. Its many years' participants obtained the incomes high enough to enable them to leave the informal economy and to take up official businesses. The second reason consists of the administrative difficulties on the border and limitations of people movement through borders, introduced from time to time.

Despite evident decline, cross-border trade will continue to exist. For the unemployed it continues to be a form of earning their income, and moreover, new participants will join this trade. In addition, both, the demand on goods imported legally or not from the East, as well as the supply of goods intended for export, exist on the Polish side of the border.

The existence of cross-border trade lies in the interest of the Polish economy, and particularly in the context of maintaining thousands of jobs. Even if informal economy has big or even predominant share in the sale of goods to the East, supplies for such sales come from official economy. The analyses conducted by the Gdansk Institute for Market Economics reveal that some 52 percent of cross-border trade on the east border fall to clothing (*Handel targowiskowy...,* 2000). Despite the great involvement of informal economy in clothes making, spinning factories and textile industry enterprises are in the hands of the official economy and decrease of their revenues resulting from restrictions imposed on cross-border trade is certain.

Another loss for the Polish economy, resulting from possible restriction of people movement on the east border, will be reduction of employment outside of trade in borderland regions. This concerns people, who work in catering, hotel and other services delivered to the persons visiting Poland.

Illegal labour of the short-term immigrants from the East is the commonly noticeable fact in Poland. It is particularly apparent in the construction, trade, seasonal jobs in agriculture, in work requiring physical effort and house work undertaken by women. Incidental observations lead to the impression that the above mentioned jobs are undertaken mostly by Ukrainians.

After introduction of visa duty, restrictions to cross-border trade and illegal immigrants will depend closely on restriction level of Polish visa policy after the second half of 2003.

In case of restrictive visa policy scenario, cross-border trade will be limited and partly replaced by trade in the framework of companies operating officially. For labour markets, however, this scenario's consequences will be considerable. Lack of cheap workforce will cause price increase in construction and in work requiring physical effort (e.g. transportation works), regionally in agriculture and growth of wages for household jobs. Moreover, production volume in the fields of activity penetrated by foreign workforce can decrease.

In case of liberal visa policy scenario, the situation in cross-border trade and on labour markets will not change significantly. Cross-border trade will evolve in accordance with its present logic. Labour markets will be slightly affected at the beginning of the visa duty period. In the course of time, the situation will come back to the state prevailing prior to visa introduction.

Moderately strict visa policy scenario will lead to situation intermediate in relation to the two previously described scenarios. In other words, the present situation will change both, in cross-border trade and labour market of illegal immigrants. Cross-border trade will be replaced in part by trade exchange between trading companies, and its decrease will be slower than in the restrictive visa policy scenario. It is also possible that cross-border trade turnover will stabilise on a certain level, only a little lower than on the day prior to visa introduction.

Labour markets giving employment to illegal immigrants will be affected relatively more than cross-border trade. The movement of people will be checked more strictly than the trade in goods. Apart from that, due to high unemployment, more frequent than at present checks on construction sites and other locations where illegal immigrants from the East are employed should be expected.

The west border

In the west borderland economic processes proceed their own course and introduction of visas for the residents of no-member states will hardly affect them. The problem of west borderland is unemployment, which is higher than in the rest of the country, and its dynamics during the previous two years exceeds significantly that in the whole country.

Cross-border trade on the west borderland decreases even quicker than that on the east one. The effects of this process will cause the growth of unemployment and outflow of the people, who came there on account of dynamic development of cross-border trade in the mid 90s.

Taking account of such conditions, labour migration of the west borderland residents should intensify. The intermediate period will not put an end to this process, it may only limit its size. Residents of the west borderland will work in Germany part-time, generally illegally and not necessarily in the direct vicinity of the Polish-German border. This will be encouraged by the fact that the Polish-German border will become the internal one within the European Union.

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