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Harmonization of
Regional Economic and Social
Policies Within the
Romanian-Hungarian-Ukrainian
Border Area

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After 1989 Romania and Ukraine witnessed a collapse of their centralised economies which determined a painful and difficult transition. Even today, more than ten years after the start of the changes, one can speak of the existence of two parallel economies in these two countries: on the one hand the state owned centralised economic sector inherited from the communist regime, on the other hand the newly emerging private oriented economy. By contrast, in Hungary the process of economic transition resulted in a gradual process of successful transformation from a centralised system to a fully functional market economy. The new market oriented sector of economy is clearly prevailing.

1. The guest-worker phenomenon in light of its economic and social determinants

The causes of this diverging evolution lay in a multiplicity of factors: first, in the moment the communist power was overthrown there already has been a discrepancy between the economic development and modernisation levels of Hungary on the one side, Romania and Ukraine on the other side. Second, the existence of rigid monoindustrial structures determined a low capacity of Romanian and Hungarian economic systems and enterprises to successfully adapt to the new conditions. Third, the political environment was much more favorable in Hungary compared to the two other states.

As the result of all these conditions, in the structural and organizational change of the Hungarian economy the foreign investments have a much bigger stake compared to Romania and Ukraine. This helps to modernize economy, to become competitive, to export more, to create capitals and to spread the new work technologies. Thanks to the different foreign investments some special branches of the industry gain more importance and represent a tractive force for the others.

Positive changes in the Hungarian economy have been greatly facilitated by a successful privatisation process, which made that the majority of former state owned enterprises have been transferred to the ownership of authentic private investors with effective capacity to invest and produce. By contrast, in Romania and Ukraine, the so called shareholder privatisation was predominant. The owner could use his/her property ticket to buy shares in the enterprise in which he/she worked (if the company was privatized). But in practice the most of the population sold its shares on a low price. They could also buy shares on security-auctions, the securities of different investment funds, firms, or they could give them to the specialized companies. The privatization – because of the lack of economical background and capital – had mainly an effect on the small and middle size companies.

As the result of the low progress in the process of privatisation and economic reform, in Romania and Ukraine a large part of economic decision making is still based on non-economic criteria, rather than according to public interest. In Romania, the interests of old administrative power holders, who largely converted themselves into a new economic elite with an ambiguous stance towards market economy, are often prevailing. The insistence to preserve the huge bankrupted enterprises can be explained, beyond the fear of social and political instability, also by the need of this old-new power elite to keep a privileged position in managing the economic and financial resources of the country.

While in Romania the strong link between economic and political decision makers represents the main peculiarity, in Ukraine, beyond this phenomenon, the strong influence of underground pressure groups is also a powerful obstacle on the way of economic reform. This largely explains, for instance, why is Ukraine's tax income less than 1 billion USD and why the small and middle size companies can not survive.

As a consequence of the shortcomings of economic reform and a deep economic crisis generated by the fall of the eastern markets and the low capacity of adaptation to a competitive economic environment, the years following the start of economic and political transition witnessed a sharp decrease in the living standards, both in Ukraine and Romania. In fact, given the huge proportions of this phenomenon, it is adequate to speak not just about the expansion of social marginality, but also about an *en mass* pauperisation, which affects the life standards of the majority of population.

The fall of production and of markets had a negative effect on the real income of the population. In Transcarpathian Ukraine the average income is even below the country's average (monthly 161.3 hrivnya – about 40 USD). The income pro capita is 49.0 hrivnya (13 USD), while the official amount of the subsistence wage is 91 hrivnya. They bring the food either from Hungary or from Slovakia in the private shops and markets (1 kg. pork is about 2-3 USD, 1 liter milk 20 cents, 1 liter oil 1 USD).

In Romania, the falling of life standards already started from the beginning of eighties. During the last decade of the communist system, the living conditions of the population underwent an accentuated process of deterioration. The daily life has been affected by a chronic shortage of aliments, heating, electricity and medicines. After 1989 pauperisation occurred in two waves. The first wave coincided with the initial (to a large extent unsuccessful) reform period (1991-93) when the proportion of those living in poverty sharply increased from an estimated 7% to 22% according to a World Bank report or to 39% according to the research data of the Romanian Institute for the Study of the Quality of life. The second wave (from 1997) is connected with a renewed attempt to get through economic transition. According to official government data the poverty rate reached 44%. The average salary in real terms was in 2000 only 60% of that of 1989.

About one third of unemployed are receiving only the allocation for minimal income and one third do not receive any allocation at all. One can assume that there exists a correlation between the number of people without any official income and the proportion of those involved in the hidden economy, including cross border labour migrants. For example in Harghita county (an overwhelmingly ethnic Hungarian populated area, with lack of industrial transition and a huge number of guest workers) from a total of 14130 unemployed (8,6%) 5115 receive only social safety benefit, while 4133, although registered, do not receive any payment.. In the western border region the proportion of such long term unemployed is much more reduced (around 15 % of the total number of unemployed)..This suggests a greater range of economic opportunities apart from guest work.

The most disadvantaged group in both countries is the Roma population. According to the data of the 1989 census, in Transcarpathian Ukraine there are about 25-30.000 Roma. But this does not

reflect the reality, because many declared themselves Hungarian or Slovak in that period. The situation is similar in Romania. According to estimates made by a group of researchers from the University of Bucharest, the number of inhabitants characterised by a "specifically Roma way of life" is slightly beyond 1 million, that is 4% of the countries population. This is around for time more than the share of Roma population according to the census data.

The Roma population in the two countries is by far the most underoccupied social category in Romania, at least in the official segment of economy. Most of Roma who under socialism were integrated in some sort of state employment (usually hard physical work in construction building and seasonal agricultural activities) were among the first to loose their employment after 1989. In Romania, official data about Roma unemployment present a rather paradoxical picture. Although the rate of Roma unemployment is rather small (0,5% compared to 6,3% of the general population in 1998), this is due to the fact that many Roma were never legally employed, so they do not appear in the statistics at all. Only a relatively reduced number of Roma finished their education, use to have a workplace and have the necessary documents in order to become officially registered.

Another factor which negatively affected the economic situation of Roma communities has been the decline of traditional activities under the impact of modernisation occurred during the communist regime. Nevertheless, as recent research data suggests, in the new economic circumstances of economic transition many Roma who lost their jobs in the official economy have been forced to return to their traditional occupations.

The adaptation to the changes has proved, however, particularly difficult for the greatest majority of Roma. In the same time the new conditions led to further social polarisation within the Roma communities. While a small elite was able to take advantage of the opportunities offered by the uncertainties and the legal vacuum of the first years of the transition period, most Roma are living in the deepest poverty. For many, particularly for those living in the border region, working in "black" , including cross border seasonal work and mostly illegal petit cross border trade remained the only alternative to attenuate extreme economic hardship. In Satu-Mare county for instance, according to the estimation of a local Roma organization 60-70% of the members of the Roma community are working each summer in the agriculture of Hungary.

In recent years the governments made efforts to address the situation of socially marginalized categories of population, of those who are not receiving any income. In view of this necessity, in Romania the law on minimal income has been recently adopted, which sets the obligation of the state to provide with a regular allowance all citizens living in families where the monthly earning is less than 650 thousand lei (around 20 USD). In the same time the government is planning to reduce taxes of the incomes which fall in the lowest taxation category (18%). This would ease the situation of 2,3 million people. (Currently there are 750 000 employees who are not paying any taxes due to the fact that their wages are below the level of minimal salary approved by the government.) In addition, certain compensations for a large number of families living below the poverty line are offered to attenuate the hardship caused by dramatic increases in the prices of heating and electricity.

Needless to say (as also acknowledged by responsible governments leaders) such measures can only temporary attenuate social tensions. Indeed, it is hard to speak about long term solutions in the situation where in many cases the prices of home maintenance (heating, electricity, rents etc.) is higher than the level of family income. Without the existence of alternative nonregistered economic activities it would be hard to imagine how a significant part of population is nevertheless coping with the situation despite the accentuated fall in the life standards which results from the official statistics.

Unemployment is one of the main favorising factors of pauperisation in Romania and Ukraine, the more so as it has a fundamentally different character compared with the unemployment manifesting itself in Hungary. In Hungary unemployment is the expression of the advancing reform, rather than of its failure. It shows that the reform indeed has started. By contrast, in Romania and Ukraine the raising unemployment, accompanied by lower wages and an accentuated process of pauperisation, primarily denotes the inability of these two countries to successfully implement economic transition.

One of the manifestations of this peculiarity is hidden unemployment. The high level of occurrence of this phenomenon explains why official unemployment statistics present a so deceiving picture in the two countries concerned. In Ukraine, for instance, officially the unemployment rate was constantly around 5% in recent years. This does not really show, however, the real numbers, because only every tenth unemployed turns to the special centers (so we can estimate the real data as ten times more). From the counties of Ukraine, the Subcarpathian region is on the first place regarding unemployment. With the growing number of unemployed, the number of supported is falling, while the companies do not have to pay anymore the employment funds.

The social problems are deepened by the latent unemployment (forced vacation, reduced shift, reduced working hours) and by the keeping on of the incomes in most of the cases for years because of the reduced production. Both in Romania and Ukraine many workers are kept in their jobs with low wages. All these explains why should unemployment regarded more as sign of downfall or at best stagnation, rather than a sign of renewal.

In Romania the rate of unemployment has been 13% in March 2002. This figure is closer to reality than those of previous years, which included only the population actually receiving unemployment benefit. In this way long term unemployed fallen outside official unemployment statistics. Now the category of population registered at the county labor offices and without a job but not receiving any unemployment benefit (due to the expiration of the 9 month term) is also included.

Concerning regional distribution of unemployed, there are important differences. Unemployment is the highest in the eastern part of the country (Ialomița -23,1%, Vaslui 21,4%, Buzău - 20,4% Tulcea - 9,9% and Neamț -18,7%) and the lowest in the western border areas Satu-Mare (6%), Bihor (6,4%). This clearly denotes a strong internal division in the country between the more and less successful regions.

As far as social distribution of unemployed is concerned, two particularly affected categories can be identified. The first category consists of members of the younger generation, particularly from the urban areas. In 1999 the unemployment rate among this social group has been 4,5 times more than the population average rate. More than half of the young people belonging to this category are unemployed for more than one year, and one quarter for more than two years. What is particularly worrying in case of young unemployed is that although most of them are active in the informal (underground) economy, 25 % never had a legal working contract, which means that they can not receive unemployment benefit, are not contributing to pension funds etc.

The other social category especially affected by the consequences of unemployment consists of employees with large families. Given the fact that due to the reduction in the number of workforce, the total number of employees within the Romanian economy fell down from 8,5 millions in 1989 to only slightly above 4 millions in 2002. The burden on the shoulders of those who still managed to preserve a job and receive a salary is harder and harder.. The families where there is a large number of inactive persons (children, unemployed, retired, disabled etc) are in this respect in a particularly difficult situation. That is why the government recently expressed a particular concern for a further increase in the number of unemployed, given the fact that more and more people still having a job are the only source of income for their - often large - families.

Concerning employment, education has an important stake in it. While the level of education is very low, those who have a profession or a diploma have better chances on the workforce market. This is true also for working abroad, but in the agriculture education does not count. In the worst situation are those who have a basic qualification (or no qualification at all). Their employment is almost impossible and restricts to agriculture.

High school graduates with certain kind of secondary qualifications (trade schools, training colleges) have better chances. They have a better position in the workforce market. In Ukraine they have quite good chances to occupy clerical administrative positions. By contrast, in the traditional industrial fields there is a huge oversupply, which provides a large pull of prospective cross- border labor migrants.

For those with higher education degree it is much easier to find a job. In some fields there is a real need for workforce as for example in the case of teachers, educators. This is explained by the fact that they belong to the state and the salaries are very low and they are paid randomly. Only one fourth of them can not find a working place in Ukraine. The level of wages, offered to young university graduates, however, is very low both in Romania and the Ukraine, and this determinates many young people finishing the university to search for better income in Hungary and even further to the west.

In all three countries under consideration, underground economy is one important channel offering a way out for those encountering difficulties in the adaptation to the new economic environment. Among the factors contributing to the expansion of the underground sector in the economy of certain countries the specialist literature most often mentions the following:

- The level of taxes is too high, which makes entrepreneurs not to declare all their economic operations
- Bureaucracy and corruption within public administration: in order to avoid this, private societies try to transfer part of their activities from the official to the hidden economic sector
- The power of criminal gangs: firms tend to hide their real income in order to avoid becoming a target of criminal extortion
- deficitary legal system, which is not able to guarantee the enforcement of contracts. This leads to a discreditation of contracts and results in the use of other methods of doing business

The role of the hidden sector of economy is rather different in the countries in cause. In Ukraine, it is mainly the expression of the strong economic influence of the underground pressure groups, which are undermining the official economy. In Romania, it developed mostly as the result of the money, information resources and relationships of the members of the new economic elite strongly linked the former communist political elite. In Hungary it primarily exists as part of an already functioning market economy, where some economic actors try to gain advantage over their competitors, or simply survive economically.

Thus while in Ukraine and Romania the existence of the illegal economy denotes, first of all, the insufficiency of the progress made in economic reform, in Hungary, on the contrary it mainly represents an unwelcome peculiarity of a basically successful transition process.

The existence of the black economy can be felt in all businesses. Thanks to the black market the change of the products takes places already on the markets. On these regularly held markets nothing conforms to the requirements of the law, the commerce gets out of state control. The appearance of the chain stores that are in development does not mean that the state has gained control as in most of the cases the black market is behind these. In Carpathian Ukraine, similarly with the rest of the country, only the multinational companies can enter into competition with the leaders of the economy, as for example the HB company that got the monopoly over brewing.

Although the organized crime is present in all ethnic groups, in Transcarpathian Ukraine the Romanians, the so called Huculs gained ground. According to the natives they become very fast rich. They take all the chances bravely. Without a real economic activity, they build houses with 4-5 floors, with which they turn against themselves the others. The locals were indignant by the fact that from the state invested gas exploration the state got nothing and everything arrived in private hands. Such events divide the locals: beside of the generally known fact that they reject Russians, they also do not want to accept the ground gaining of the Romanian ethnic group.

The size of underground economy is considerable in Romania as well. Due to the par excellence private nature of this phenomenon, official statistics tend to underestimate it, but visible signs of prosperity especially in and around the large cities (a large number of newly built luxurious houses, cars) is a clear indicator of its dimensions. According to estimations of the Romanian Information Service the size of unofficial economic activities varies between 30-40 percent of GDP. An analysis of the US Ministry of Finance (based on monetary aggregates) in 1999 found a huge increase of the hidden economy in: from 20% of GDP in the period 1993-96 to 49% in 1998. This means that in real terms Romanian economy was growing in spite of the fact official economy was falling during that period. According to the same source, the highest increase (640

%) can be found in the field of illegal import activities. In 1998 the size of smuggling was 12% higher than that of official import.

These data suggest the existence of a striking contrast between the declining official economy and the flourishing underground economy. As a large part of the legal sector of economy still belongs to the state, the expansion of underground economic activities can be regarded to some extent as a distorted compensation for the slow process of privatization and the lack of success of economic reform in the official sphere. (If we take into account the estimated size of hidden economy, the share of private sector would be around 73%, much higher than in official statistics.

Similarly to Ukraine, the role of underground economy in Romania is contradictory. While it produces huge distortions and disproportion in the allocation of resources and further contributes to social polarization, at the same time it provides -directly or indirectly- a source of living for a large number of people. According to estimations, in Romania more than five million inhabitants are gaining incomes from "black" work. The importance of the hidden sector of economy grew in both countries in spite of the fact that no convincing signs of recovery were observed in the official economy.

In Hungary, by contrast, the increase of underground economy is accompanying the development of a successfully restructuring and reforming economy. This fulfills its workforce needs with the illegal employment of the national and foreign workforce. In the last ten years on the black market grew the average of illegally employed workforce in the production. In this period the economy restructured and a new relationship appeared between the new owner and the worker. To examine this topic is very complicated because there are no data. The existing data were published not by the actors of the black market but by the controlling bodies. According to estimates today 1/3 of the Hungarian economy is black or grey, so it is out of state control and service duty or completes a legal economic activity with an illegal one. In agriculture the average of working on black is bigger. According to the opinion of some specialists who would like not to be named, the average of hidden revenue and work is more than 50%. According to estimations of a recent research, in just one year - from 1999 to 2000 - the wages originated in the so called black work increased by 30%. Given the much higher earnings in the Hungarian labor market (including its illegal sector) it is hardly surprising that a large number of employees participating in illegal economic activities are "guest" laborers from Romania and Ukraine.

2. Regional peculiarities of cross border labor

Beyond the nationwide factors facilitating foreign labor of Romanian and Ukrainian citizens in Hungary, there are also important regional peculiarities which need to be taken into account in the elaboration of coordinated cross-border development strategies. These are:

- the regional specificity of modernisation and income gap
- the ethnic distribution of population in particular regions

Carpathian Ukraine is less modernized and urbanized even compared with the rest of Ukraine so the gap between the two neighbor border regions (NorthEast Hungary and Zakarpatskaia region) is even larger than that between the two countries. In Carpathian Ukraine, only 37.1% of the population live in cities, while at the level of the whole Ukraine the rate of urbanisation is reaching 67%. According to the results of the 2001 census, in the last 12 years urban population diminished by 9,5%. This trend can be regarded partly as the result of the emigration towards Hungary which affected certain middle size or small cities with a considerable ethnic Hungarian population, such as Beregovo, where the number of total population decreased by 11,4% after 1989. Also to some extent as the result of emigration, the proportion of the active age segment of population in Transcarpathian Ukraine fall down by five percent between 1989 and 2001 (from 28,1% to 23,1%).

Besides of this the agriculture is predominant. The economy of the region – including all sectors – is of low scale, backwardness characterizes its technical level and structure. The former profitable industries bankrupted. The production pro head in the region does not even reach to the half of the country's average and the official unemployment rate is also the highest in the country. The fall of the production affected 70.5% of the region's factories in 1999. The average income is only 13 USD compared with 40%, which is Ukraine's country average.

The level of invested foreign capital into the official economy is completely insufficient compared to the need to absorb the huge number of unemployed and underground workers. According to the data of 1st of July 1999 the amount of foreign capital invested in economy was more than 130 billion USD which was the 4.6% of the total amount invested in Ukraine. Hungary is the biggest investor since the country became independent. Hungary is on the first place with the 26.8 billion USD invested in the region's economy, that is 20.6% of the total foreign investments in Ruthenia. On the second place is USA with 18.3 billion USD, then comes Slovakia with 15.8 billion USD, then Germany with 8.4 billion USD and on the fifth place is Russia with 2.5 billion USD. From the investments 324 work as mixed companies and 62 work as foreigner owned ones. From the neighboring countries the Hungarian investors, company co-partners are on the first place: there are more than 110 Ukrainian-Hungarian mixed companies.

By contrast, the sygnificant improvement of the training level of the population in the past twelve years can be regarded as positive development. While in the cities the proportion of higher educated increased by 26,7%, in the rural areas their share became 50 percents higher in 1991 compared to 1989. The problem is, of course, whether the region can offer in long term acceptable employment opportunities to this new contingent of highly educated young people, so as that they could cotribute to the modernisation of their their own homeland, rather than choosing the option to leave the country.

In Romania, unlike in the Ukraine, the western border area is the most modernised, with a greater industrial tradition, so the gap between Romania's western and Hungary's eastern region is not so wide than that between the two countries. In contrast with the counties without industrial tradition, particularly from the eastern part of the country, where the monoindustrial structure built under communism could not resist, in Romania the economy of the western border region manifested greater flexibility and adaptability. This is evident also from fact that the

lowest unemployment rates in the country - far below the average (13,2%) are in two NorthWest border region counties: Satu-Mare (6%) and Bihor (6,4%)

Both in the Ukraine and Romania engagement in cross border labor has a strong ethnic character. In Transcarpathian Ukraine, ethnic Hungarian population (which makes up 12,1% of the region's population) is more involved in cross-border labor migration compared with other ethnic groups. The main favorising factors of this involvement are the closeness to the border, good transportation and telecommunication, higher degree of urbanisation among ethnic Hungarian inhabitants and the ethnic and linguistic ties with Hungarian citizens. The majority of ethnic Hungarians in Ukraine (73.8%) live at about 20 km from the Hungarian state border. A third lives in the Beregszasz district and a fourth in the Ungvar district. Two third of ethnic Hungarians live at about 90 settlements where they are a majority. From the 324.000 citizens living in cities of the region 74.000 (22.8%) can be considered as Hungarian. The number of the Hungarians living in cities is still not so high as it was in 1941 (39.2%), now is 38.1%, but it is Transcarpathian Ukraine's most urbanized ethnic group, in comparison to the Ruthenians, Ukrainians and Russian (27.3%).

In the cities of the region live the biggest Hungarian communities (Beregovo, Ungvar, Munkacovo, Nagyszolos). However, in none of these cities are Hungarian forming an absolute majority. Even in Beregovo, historically the city with the largest proportion of ethnic Hungarian population, the share of ethnic Hungarians was only 48, 1 % in 2001. Also 12 villages (Nagydobrony, Visk, Vari, Mezokaszony, Gat) give home to Hungarian communities with more than 2000 persons. Although the proportion of ethnic Hungarians slightly increased in some districts and localities in the past twelve years (e.g. in Munkacovo by 3,9%), the overall trend is an accentuated decreasing, which suggests that ethnic Hungarian population is participating to a larger extent in the emigration flows compared to Ukrainians and the inhabitants of other ethnic background.

Similarly to the Ukraine, in Romania the bulk of labor migrants to Hungary is coming from two regions having an important segment of ethnic Hungarian population: the western border areas with about one third ethnic Hungarian population and the so called Seckler region in Eastern Transylvania (inner Romania) with an almost compact homogenous Hungarian population (beyond 85%)

The greater proportion of *long term* or *temporary* labor migrants comes from the 'Land of Secklers'. The proportion of Western borderland employment seekers is much smaller. Several factors contributed to this:

- The economic collapse affected to a less extent the Western part of the country
 - A higher degree of modernization in the western areas,
 - A greater development of alternative economic activities which integrated more successfully those becoming unemployed.
 - The fact that agriculture can offer source of living for a greater number of families in the Western villages compared with the Land of Secklers;
 - The population living in the border areas can take advantage of small cross-border trade and commuting seasonal work.

- much higher proportion of ethnic Hungarian population in the Seckler region
- In the first years after 1989 a large segment of the population wishing to engage in long term economic activities in Hungary already opted for definitive emigration, so the pull of potential applicants for temporary working opportunities has been reduced.
- Still a large part of the population in the western Romanian border region looking for an adaptation strategy would prefer definitive emigration instead of temporary labour migration

A survey in Romania among members of the Hungarian minority shows that the inclination of the population to emigrate was significantly lower (20,2% in 1999 and 33,5% in 2000) in the "Land of Secklers" compared with the Western border region (36,5% and 43,9% respectively). These results probably reflect, beyond the attraction of the closeness of borders, also a more traditionalist life outlook, a more developed sense of belonging to the home region and a stronger awareness of regional individuality and identity among Seckler inhabitants. In this context the greater importance of temporary work engagements presupposing the periodic returning home suggests the existence in the Seckler region of a strong *alternative strategy* to definitive emigration.

By contrast, the great majority of *seasonal* workers from Romania to Hungary are coming from the Western border region. Probably also due to the considerable geographical distance which separates them from Hungary, the Seckler guest workers are rarely using the opportunities offered by seasonal work. Those with high qualifications are usually going to Hungary with one year working contracts, while low skill workers are entering the "black" labor market.

Another activity specific for the Romanian western border areas is the *regular cross-border commuting* from the place of living to the place of work. This type of labor migration predominantly involves people with low or non-existent qualifications, who try to earn a living by taking advantage of the border region being engaged in small (and often illegal) cross-border trade, producing and selling manufacture etc.

One important illegal type of cross border activity is smuggling, which is the highest on the border between Hungary and Ukraine. This means the personal transport on regular basis of a few smuggled goods.

In the neighboring regions smuggling is used to assure subsistence. For the population lacking products this commercial activity is basic, which happens with the tacit consent of the official bodies. Naturally this is not aimed only to fulfill the needs but implies also some illegal activities. According to customs data charges were brought for smuggling in over 14 000 cases, over half of whom were foreigners, mainly from Ukraine.

The ethnic distribution of seasonal and regularly commuting worker population coming from Romania and Ukraine is more diverse than in the case of long term and temporary engagements. Language knowledge does not seem to be an obstacle in employing ethnic Romanians and Ukrainians in low qualification manual and hard physical work. As for Roma guest workers, they are mostly engaged in seasonal agriculture and small (usually illegal) cross border trade activities. The employment of the Roma depends on the geographical position and on the type of

work. Their employment rate in Szabolcs-Szatmár-Bereg and Békés counties is particularly high.

Concerning the *place of destination* of migrant foreign labor, skilled workers from Romania are usually not seeking employment opportunities located on the other side of the border, preferring instead to go further westward. According to Hungarian governmental data, 50% of the possessors of work permits are employed in Budapest. They are represented in great numbers also in Pest, Fejér, and Csongrád counties. Similarly, Ukrainian skilled workers try to find some work in the bigger cities as Nyíregyháza, Miskolc and Budapest. In the case of the miners we can observe that they are welcomed in Western Europe as a very cheap working hand.

This territorial distribution can be explained by the fact that long term or even temporary employment possibilities in the eastern border region of Hungary are limited and the level of wages significantly lower than in Budapest and in the much more developed western parts of the country. The spatial boundary line between development and backwardness is on the line of Balassagyarmat and Békéscsaba (the “BB” axis) In this eastern zone there is no “dynamically developing” region, besides of some exceptions there are only “backwarding” regions (the regions of Fehégyarmat, Csenger, Mátészalka, Nyírbátor, Berettyóújfalú, Sarkad, Mezőkovácsháza). The one of Makó is catching up. The only “developing” areas are that of Debrecen and Békéscsaba.

For the foreign investors the infrastructure and the economy of the East and South Great Hungarian Plain region is not very attractive. But at the same time the already made investments can be found in the county towns. Most of them have a commercial activity which has a beneficial effect on international relations. In 1998 in the region of the South Great Hungarian Plain 2368 companies worked with foreign capital which is 2.5% of the region’s companies. In the region of the East Great Hungarian Plain the situation is worse, only one tenth of the foreign capital can be found and the amount per capita is only half of the rural average. Only the regions of Debrecen (43% of the foreign companies) and Békéscsaba have an outstanding industrial role. The number of foreign companies and the amount of the capital in the region of the South Great Hungarian Plain 1998

Small region	Companies				Per company	
	number	Called up share	Foreign interests		Called up share	Foreign interests
			Million Forint			
				Foreign exchange of the called up shares (%)		
Békéscsaba	164	8564	6131	71,6	52,2	37,4
Mező kovácsháza	10	179	144	80,3	17,9	14,4
Makó	27	734	705	96,0	27,2	26,1
Sarkad	4	6	6	91,6	1,5	1,4

The techniques of the complex economical developments used internationally, the making of entrepreneurial areas and that of industrial parks could activate the local resources and diminish developmental differences between the regions. From the three entrepreneurial areas established in the small regions of the South Great Hungarian Plain in 1999 one is in our research region. The Entrepreneurial Area of Bihar wholly falls within the boundaries of the region of Berettyóújfalu. The divisions of the entrepreneurial area are: The Regional Industrial Park from Bihar county, the incubator and innovator center, the unit for the production and utilization of the agricultural products, and all these are served by the logistic center. The building of the entrepreneurial sphere seems to be a slow process that is just at its beginning.

Unemployment is significantly higher in Eastern Hungary compared with other regions (10%), and particularly high in the close border region (26-27%). From the county town to the small villages there is a growing rate of unemployment. This is very true in the case of men, the rate of unemployment in small villages is doubled in comparison with the one in the capital city. In the case of women the rate of unemployment in all settlement types is smaller and the above mentioned difference is milder. The difference originates from the fact that in bigger cities there are more job offers than in small ones. This offer is very limited in the case of our research region where in most of the cases only the agriculture offers jobs and these are seasonal.

The settlements, which became lately towns with less than 20000 inhabitants and which preserved their agricultural character (Komádi), have the same unemployment rate as the villages. The villages with less than 5000 inhabitants have a bigger unemployment rate. The worst situation is in the small villages with less than 2000 inhabitants and in the bigger ones with 2000-4999 inhabitants.

Unemployment rate regarding sexes and settlement types

Settlement type	Total	Man	Women
County town	9,5	10,8	8,1
Town with 20000 or more inhabitants	11,3	12,9	9,3
Town with less than 20000 inhabitants	12,7	14,8	9,9
Village with 5000 or more inhabitants	12,8	14,8	9,9
Village with 2000-4999 inhabitants	16,2	17,6	14,1
Village with less than 2000 inhabitants	16,1	17,8	13,4

Regarding the workforce market in the different parts of the country there are big differences. To show this the best method is to look at the unemployment rate which in our case (the economically not so developed East Great Hungarian Plain region) is about 18% and in the regions west from the Danube and in middle Hungary is between 8-9%.

The rate of unemployment in the case of the different regions and settlement types

Region, settlement type	Rate of unemployment (%)
East Great Hungarian Plain region	
County town	13,2
other towns	15,2
villages	23,5
Total in region	17,5
South Great Hungarian Plain region	
County town	7,2
other towns	12,4
villages	12,9
Total in region	11,2

Rate of unemployment in the counties of the regions under examination

Regions, counties	Unemployment rate (%)
East Great Hungarian Plain region	
Hajdú-Bihar county	16,3
Szabolcs-Szatmár-Bereg	20,1
South Great Hungarian Plain region	
Békés county	14,4

The division of the unemployed regarding the small regions

The name of the small region	The rate of unemployment	The rate of those who did not work for more than 180 days (%)*		
East Great Hungarian Plain region				
Fehérgyarmat	14,3	8,8	6,7	7,3
Csenger	12,3	10,0	8,8	6,3
Mátészalka	11,5	9,3	8,1	7,1
Nyírbátor	11,9	9,8	7,5	6,4
Debrecen	7,7	5,4	4,9	4,3
Berettyóújfalú	10,7	6,3	6,3	5,8
South Great Hungarian Plain region				
Sarkad	11,5	6,6	5,5	6,8
Békéscsaba	6,1	4,2	3,7	3,2
Mezőkovácsháza	11,8	9,9	6,4	6,2
Makó	6,3	4,4	4,0	3,2

*the registered unemployed in comparison with the population with permanent work ability

From the counties of the East Great Hungarian Plain region in Szabolcs-Szatmár-Bereg county the unemployed make up 1/5 (20%) of the economically active population. At the same time this high unemployment rate implies a very low employment rate (30%). In this county the rate of unemployment is three times bigger than in other ones.

In the more urbanized regions the rate of unemployment is lower, because in the bigger towns the rate of unemployment is lower and this implies a better employment rate. At the same time in the eastern regions under our examination many smaller, less developed villages became towns and this spoils the towns' average unemployment rate and deepens the difference between the county town and the other towns. In these regions the rural towns are typical, which offer less

working places. The regional differences between the towns are bigger, the average is between 7-17%.

From the point of view of the work force market in each region the situation of the villagers is the most disadvantaged. In the villages belonging to the East Great Hungarian Plain region the L of the economically active population is unemployed. The regional differences that lie in the average unemployment rate in the case of the villages are the most noticeable, 10-24%.

Given such configuration of unemployment figures, most migrants from Romania and Ukraine to the eastern border region of Hungary are therefore either seasonal workers or unskilled regular commuters, rather than qualified workers. The jobs they are involved in are typically requiring the lowest level of qualification, such as agricultural work or small cross-border trade. Most of them work illegally.

Regarding the educational background of seasonal migrants, they come usually from the less educated social groups who have only primary education or trade school. Sometimes it happens that highly qualified persons with a degree get into this group but these workers gain their wage from the black economy only for a short period, because this social stratum tries to get as soon as it is possible a legal work. Those who are well trained usually get a work worse than their qualification: there is a big need for them in construction, in the works with wood etc.

The division according to age is very changeable, but in most of the cases the youth and the middle generations are involved. A small percentage of the retired work also on the black market, but their role is very insignificant.

For most of the seasonal migrants black work assures the subsistence costs. They have to accept all work offers in the lack of other possibility. Most of them do not get an unemployment benefit or some other financial help, but there are some who beside of these benefits accept to work on black to supplement their revenues. There are some who have to pay debts, child maintenance tax , and for them it is much better to work illegally.

Some of them would like to ensure subsistence costs of their families. Beside of the fact that they belong to the worst paid worker layer, the work done by them in Hungary present an important advantage for them, because they can live on that money in their home countries, where the costs of life are significantly lower. There are also some who would like to earn the necessary money for immigration.

In many cases seasonal work and low skill hard physical work is a *survival strategy*. Characteristically this is the situation of Roma workers living in the close vicinity of the borders. They used to cross the border on a daily or weekly basis to do seasonal agricultural work, which for many communities was the only source of living. With the tightening of conditions of international travel by the Romanian government (anybody traveling to Hungary has to demonstrate that they have at least 250 euros at the border as available living expenses) many of these workers was put in a difficult situation.

By contrast, in case of workers with special skills, guest work should be regarded as an effort to escape social marginality, a method to fight pauperisation, an active-adaptative strategy of optimising the levels of income. Guest work also provides an explanation of the fact that in spite of the large number of unemployed, for certain jobs it is difficult to find applicants in the Romanian western border region. An important segment of available workforce in professions requiring special skills is looking for working and earning opportunities outside the borders.

3. Legal status

A. Regulations concerning definitive resettlement

Labor migration involving resettlement should be seen not just as a step of territorial mobility, but also as a process, taking into account the time variable. In some cases the intention to emigrate acts as the primary moving force, while other times the opportunity to work and earn money constitutes the most important motivating factor. The intention of temporary resettling people to remain definitively in their host country can be there from the very beginning, or might occur later. Sometime such intentions do materialize, other times not. Or, by contrast, the intention to definitively resettle may subsequently vanish. Labor migrants might convert their status in definitive migration, come back definitively to their country of origin or adopt a commuting way of life (alternating periods of stay in Hungary and Romania). That is why not just one step, but the whole mobility path of individuals engaged in the process needs to be studied.

Following the political and social transformation in Central and Eastern Europe, from the beginning of nineties the nature of population movements to and from Hungary has changed. Hungarian territory is not anymore a place of emigration, but a target for immigration and for transit migrants heading to west-European countries. Currently there are about 170 000 inhabitants in Hungary who settled during the past decade. At the beginning of nineties there had been around 100 000 foreign arrivals in the country and the annual increase resulted from immigration was around 5000 people. In the following years the number of immigrants can be estimated as 10-15 thousands each year.

At the end of eighties, beginning of nineties 80% of the immigrants came from Romania. Emigration from Romania to Hungary has intensified in the last years of communist regime, when due to the restrictions a large part of resettling population arrived by illegal means. The most important waves of migration occurred in 1989 (26592) and 1990 (29 617). The opening of the borders provided an opportunity for those who wanted to leave, but were previously kept in by force and also for those who simply decided to start a new life in the new conditions. They belonged mainly to the young and middle aged generations (the latter were usually those who waited for this chance from the eighties).

In later years, both the number and the proportion of immigrants from Romania has declined significantly. They amounted of about one half of the total number of immigrants in 1991 (10 940) and one third in 1995 (4 701). This is partly due to the waves of refugees from the former Yugoslavia, partly to the tightening of regulations and conditions of resettlement in Hungary, but

also a result of a shift in the number and social structure of the pull of potential emigrants. In recent years Romanian emigration affected primarily the members of incoming new young generations, particularly of university graduates, who were not satisfied with the chances offered by the Romanian labor market, trying to “sell” their knowledge and qualifications in more favorable conditions in Hungary. The areas mostly targeted by immigrants are the capital (Budapest), Pest and Csongrad counties.

The largest proportion (an estimated 95%) of definitive migrants from Romania to Hungary is made up of ethnic Hungarians. Due to the ethnic, linguistic and cultural ties between Hungarians living in Hungary and Romania and the mediating role of relatives and friends, both the decisions to settle in Hungary and the practical possibility to implement such decisions have strong ethnic dimensions and connotations. To Hungarians from Romania Hungary is a place of special social, economic and symbolic attraction. The interethnic tensions in Romania after 1989 also contributed to ethnic Hungarian emigration by increasing the feeling of uncertainty and insecurity among ethnic Hungarian minority members.

By contrast, ethnic Romanians are predominantly looking towards western countries as preferred target area. This is not surprising at all, taking into account that in Hungary, for considerably lower wages than attainable in the West, they would have to overcome not only the linguistic and cultural barriers, but also a much stronger fear of discrimination.

As a consequence, ethnic Hungarians are much more likely to consider the option of remaining in Hungary and to transform such intention into reality. To them, Hungary does not appear as simply a foreign country like any other. Their definition of “home” is more complex. It can include and integrate into a unitary vision both the place of origin (Romania) and the place of destination (Hungary). What is taking place in fact in the mind of ethnic Hungarian migrants is a continuous redefinition of the significance of geographic, economic, social and cultural space in which they are moving both in terms of the requirements of adaptation and in terms of symbolic appropriation.

Given the minority situation of Hungarians living in Romania, to achieve a majority status in the host country can also be regarded as one of the motivational factors of their emigration to Hungary. Unlike in the classical scheme of migration, in this case, emigration is not creating problems of ethnic and linguistic adaptation. Instead it appears in this respect as a problem solving strategy. This fact does not exclude the possibility that a certain proportion of ethnic Hungarian immigrants from Romania might encounter difficulties of integration into the cultural and community environment of Hungary. The primary causes of this are laying in the differences of citizenship and political culture and the existence of divergent interpretations of the belonging to the Hungarian nation

A survey among ethnic Hungarians in Romania conducted in 1999-2000 denotes a relatively strong inclination towards emigration to Hungary within the members of this community. 9,7 % of the respondents said that they would consider seriously the option to emigrate, 14,9% are not sure about their intention, 2,6% are looking for a concrete possibility to turn their intention into reality, while 1,39 % already found the way to do so.

A striking difference can be found between the attitudes of young generation and of the others. In the 1999 survey 42% of the young respondents aged 18-34 expressed an intention to emigrate. In 2000 their proportion raised to 48,3%. Another significant differentiating factor is the place of habitation. Urban inhabitants are much more inclined to emigrate than rural residents do. In 2000, 35,8% of city dwellers expressed such intention, compared to only 19,8% in case of villagers.

What is characteristic for the *migrant* type of work engagement is the effort to achieve a long-term adaptation to the values and cultural norms of the host country. By contrast, in the attitudes of *non-migrant* type laborers, a marked separation between the country of work and the country of habitation can be observed. To this category of migrants, the host country means little more than an opportunity to work and earn money for living and improving life standards *in their home countries and regions*. To temporary and seasonal migrants the deeply internalized necessity of long term adaptation to the social and cultural norms of their home regions take precedence over the practical need to temporarily adapt to the set of norms and expectations of the host society.

To Hungarian policy makers the issue of ethnic Hungarian immigration, including labor migration from the neighbor countries, particularly from Romania, is raising serious concerns. One side of the problem is a matter of harmonization with the European legislation, namely to what extent can receive ethnic Hungarian arrivers a special preferential treatment compared to other immigrants in the conditions of the necessity of adaptation to the European Union legislation in this field. The second, and perhaps even more complex, question is to what extent such preferential treatment is desirable from the perspective of Hungarian national interest. There is an extremely delicate balance between the degree of offering support from ethnic Hungarian immigrants and the need to prevent their *en mass* emigration from the lands they inhabited for centuries (which is regarded as a policy priority by post-communist Hungarian governments). While the flows of Hungarian ethnic immigrants into Hungary is demographically beneficial, a too large number of newcomers competing with Hungarian citizens for the same working opportunities and needing the same range of social benefits is likely to produce social and political tensions.

B. Employment by work permit

This category consists of employees who apply and are granted a work permit before actually starting their activity in Hungary. There is a limited number of work permits for foreigners issued each year by Hungarian authorities. According to official statistics, for 2002 the Government approved legal working opportunity to 81 000 foreign applicants, out of which 10 000 permits were issued for seasonal work.

The number of work permits was constantly but slowly increasing: 21 401 in 1998, 23 486 in 1999, 30 638 in 2000. In 2002 it reached the level of 81 000. This reflects the growing need for foreign labor and a stronger pressure from the side of enterprises to which decision-makers had to react, but in the same time the preoccupation of the government to protect the employment and wages of Hungaria citizens. Compared to the size of the occupied population, the proportion of foreigners active in Hungary with work permits remains at very low level (in 1998 only half

percent of the total number of employees). The number of legally employed foreigners remains low (only 3-5%) even if compared with the number of unemployed.

Not by chance, about half of the foreigners working legally are Romanian citizens. In 2001 the Hungarian Consular office in Cluj issued 18 500 visa. Out of these, 80% are for work, 10% for study and the remaining 10% for entrepreneurs and for private visits. The number of work visas issued increased from 11000 in 2000 to 16 000 in 2001, which denotes an increasing demand of skilled labor supply from Romania.

This phenomenon originates in the fact that after 1989 Hungary has witnessed an increasing demand for the types of qualified workers that Romania can provide. The causes lay both in the divergent characteristics of socialist industrialization in the two countries and in the specificity of economic development during the years of transition. While Hungary adopted more balanced policies of economic development, in Romania a one-sided industrialization process took place, focusing almost exclusively on heavy industry. This also meant the professional training of a huge number of skilled workers in various technical fields.

With the collapse of the communist economic system, many of these workers lost their jobs or quitted due to the low standard of wages. In the same period, Hungary, with the increasing penetration of foreign capital and the migration of its qualified labor towards West experienced a growing shortage of adequately trained and available work force. In spite of a large number of unemployed (more than 400 000 in November 2001), many jobs (75 000 in the same period) could not be filled due to the lack of availability of adequate workforce. The demand and supply of labor often did not fit. Thus all conditions were ready for an important wave of technically qualified labor migrants coming from Romania to Hungary.

However, the need for Romanian skilled workers was higher than the increase in the number of work permits that the government assumed the risk to issue each year. Granting of work permits for foreigners has been throughout this period a sensitive subject, which could raise fears and negative reactions from Hungarian citizens worried about the consequences of “unfair competition of foreigners ” for their jobs and wages. In such social context the emergence of new needs in the labor market could not be translated immediately in a political decision of the same amplitude to allow more foreign workers in.

That is why many professionally highly qualified labor migrants coming to work to Hungary for shorter or longer terms decided to start illegally, hoping that in time the social need for their contribution will be recognized and will be able to convert their illegal labor status in fully legal employment. Some succeeded in their attempts, some not, due to the persisting restrictions concerning the number of work permits which can be issued each year.

The possessors of work permits are, in the overwhelming majority of cases, either highly qualified specialists in fields where their special expertise is needed (such as computing) or in professional fields where there is an obviously insufficient number of Hungarian citizen candidates for the job (e.g. nursing). In addition, three agreements between Romania and Hungary are providing legal opportunities for Romanian citizens wishing to work in Hungary: opportunities. These are the Internship Agreement (700 workers/annum), the Seasonal Work

Agreement (for 8000 persons each year) and the Status Law (three months legal employment opportunity in Hungary with compliance to the approved quota of foreign workers.)

Due to the existence of a strong demand for their skills, legally employed workers are also the best candidates for definitive resettlement. This does not mean, however, that they are necessarily using the opportunity of working abroad in order to prepare the ground for obtaining permanent residence and citizenship. Earning money to raise their life standards in their home country or for starting a business of their own can also provide a strong motivation for working in Hungary legally.

C. Illegal labor migrants

This type of employment comprises the category of migrant workers who are engaged in paid activities in Hungary without a work permit. For obvious reasons, they do not appear in the official statistics, their number can only be estimated. According to a work published in 1991, there have been about 60 000 illegal workers in Hungary, a number which by all accounts considerably increased ever since (Tóth I. 1991, 111). In 1994, the permit for stay in Hungary was withdrawn from as many as 5520 foreign illegal workers, 75% of them being Romanian citizens. In 2000, an even greater number of illegal laborers from Romania were expelled from Hungary: 8315, 65% of those who were forced to leave the country for the same reason. In the same year in 2363 fines were issued to foreigners for illegal work.

Most illegal workers work in agriculture and construction for unskilled and seasonal works which do not require special training or expertise. Some of the most frequent types of illegal work are:

- In agriculture: in fruit and vegetable gathering, in afforestation, in hoeing, in vines dressing, in market gardening for different unskilled works and in cattle stocks.
- In industry: construction, food processing for different unskilled works in construction, in meat trade, transport
- In commerce: transport, loading-up, warehouse works.

Those small agricultural factories which depend on the seasonal works usually employ 5-15 workers. In most of the cases they hire them on black if they can not solve the problem of production within the family. These small factories employ only a few workers legally, for them it is much more profitable to employ workers illegally and not to pay taxes.

While on the whole Great Hungarian Plain there is a lack of workforce, in the towns near the borders appear the "human markets." The small and private companies that are geographically mobile and have extensive connections, employ usually workers on black. The companies and firms that work in industry take a bigger risk by hiring them because they are linked to one place and their control is easier and achievable. At the same time in industry the special training and expertise have a bigger role. But this doesn't mean that the black work is something rare in the industry. As the big companies have to comply with the legal requirements the employment of workers illegally is less characteristic. They usually find cheap unregistered workforce through smaller companies that work for them. There are some, who under the cover of a legal firm

organize the illegal work. Some of them were entrepreneurs, have a vast experience and now work for somebody else.

Taking into account the social and educational background of migrants, the nature of their work, the duration of their engagement and the intention to legalize or not their status, two important subgroups of illegally employed population can be identified:

- Those who would like to legalize their status, but are facing obstacles, such as the annual quota of work permits or the interdiction to compete for job with Hungarian citizens. These are mostly skilled workers and specialists

- Those who are engaged in activities where the agreement of working illegally is an essential part of the unwritten "contract" between employers and employees. In exchange for the possibility to receive a payment, workers agree to be engaged illegally, while employers benefit from offering lower salaries compared with that offered to Hungarian citizens and by avoiding taxes.

In the case of workers belonging to the first category, the genuine intention to legalize employment status, if shared by both employers and employees, can ease the way of solving the situation. The solution here is, first of all, a matter of time and of professional as well as political consideration by the competent agencies and authorities. By contrast, the second category is, however, not just more important numerically, but also more difficult in terms of possible solutions.

The most delicate aspect of the problem is that an important part of Hungarian economic sector is to a large extent based on illegal work of foreigners. In many enterprises, avoiding the payment of taxes to the state is not at all a marginal phenomenon, of secondary importance, but an essential strategy to keep the business going on, in part of cases to expand it, in other cases simply to survive economically. In such environments "legalizing the illegal work" would mean in fact eliminating the foreign employment altogether, or drastically reduce it's size, as there is no economically viable alternative to illegal work.

However, even if such conditions do exist, Hungarian entrepreneurs are encountering difficulties in hiring unskilled guest workers with a legal contract. According to the current regulations, such workers can be employed only in case there is no qualified Hungarian candidate for the job. In the case of jobs, which require no or low level of formal professional qualification (e.g. hard physical labor in construction building industry, agriculture etc.) however, the regional employment authority almost in all situations is able to send unemployed Hungarian citizen candidates to fill the job. As the level of wages (plus taxes) that employers have to pay is much higher in this case, employers continue to prefer working with illegal foreign laborers. Even if they manage to bring foreigners in legally, they must further reduce their wages, in order to save money for paying the required taxes.

4. Recent changes of the legal and political context

Cross border labor has become an important subject of the Hungarian and Romanian political agenda recently, after the adoption of the status law and particularly of the Hungarian-Romanian Agreement concerning its implementation. The law adopted in 2001 by the Hungarian Parliament aimed at offering the possibility for ethnic Hungarians living in the neighbor countries to work in Hungary for a period of three months each year regardless the situation of labor market. By virtue of the Romanian-Hungarian declaration of agreement signed at the end of the same year, this possibility has been extended to the whole population of Romania.

After this agreement was signed, the issue of “Hungarian national interest” interpreted as the need to protect citizens of Hungary from the unfair competition of guest workers (including ethnic Hungarians from outside Hungary’s borders) was intensively taken up by the Hungarian opposition parties. This became a major subject of political debate preceding the 2002 April elections.

Those who contested the relevant provisions of the Hungarian-Romanian declaration argued that by making possible to all Romanian citizens to work three months in Hungary, an “invasion” of Romanian migrant workers to Hungary has become imminent. They warned that cheap Romanian workforce would eliminate unemployed Hungarian citizens from the seasonal labor market, which provided so far an important source of living to them. In addition, they argued that as the results of the social and health needs of the newcomers, the budget will be subjected to unbearable pressures, which will lead to economic and political crisis. To bring more persuasion to the argument, a local and regional focus was added. It was presumed that the main target areas of Romanian migrant workers would be the less developed regions of Eastern Hungary, where wages are the lowest, and rates of unemployment are the highest in the country.

The criticism of opposition parties, which was supported by important trade unions and accompanied by a large media campaign, had a strong impact on population views. According to the results of an opinion poll conducted by Gallup in 22 January 21 % in a representative sample for the whole population of Hungary, 21% of the respondents was strongly concerned for the situation of the labor market, while 26% was to some extent concerned. In the same time a polarization of views according to party preferences could be observed (only 27% of the respondents belonging to the electoral pull of government parties expressed concerns as opposed to 67% in case of those preferring the coalition of the main opposition parties. The same tendency resulted from another survey conducted three years later by phone by the Szonda-Ipsos Institute. 70% of those questioned considered that they might loose their jobs as a consequence of the agreement and 57% expressed their view that the agreement serves the interests of Romania, rather than those of Hungary.

In an effort to minimize the negative electoral effects of these attacks, the Government tried to assure the population that such fears are not based on facts. In the official view, opening up the labor market for foreign working hands, while in accordance with the interests of Hungarian employers, does not represent a threat to the quality of live of local employees. On the contrary, it would attenuate the shortage of workforce in certain key sectors of economy; thus contributing to economic developed and through this, to social welfare. Instead of being a burden to the

budget of social security, according to the governmental argumentation, foreign employment will provide the budget with more resources, due to the taxes foreign employees will pay. Even in short term, there will be no any negative consequences whatsoever for the population of Hungary, as the restrictions, which prevented competition of foreign workers with Hungarian citizen job-applicants, will remain in force. Annual quotas of work permits for foreigners will not be increased in 2002. All these, and a multiple authorizing procedure provide sufficient tools for the Government to keep the process under control.

Another important issue raised refers to the relationship between short term-work and emigration. After the adoption of the status law, Hungarian intellectuals and minority leaders from Romania as well as representatives of the main opposition parties of Hungary worried, that the provisions of the law concerning employment can be the start of a new wave of ethnic Hungarian immigration. However, later developments did so far only partially confirm such concerns. In the period which has passed since January 2002 only a few people expressed their intention to take advantage of the new regulations. Skilled laborers continue to apply for one year, rather than three months valid work permit, while unskilled workforce continue to prefer illegal engagement.

The causes of this phenomenon are various. For most *qualified* workers who have permanent jobs in their home country it is too difficult to obtain three months leave from their home jobs and too risky to abandon their job for the sake of three months work in Hungary. As for applicants *to seasonal work*, most of them have no other chance apart from being employed without legal forms. The option to work legally for three months is neither attractive to them (as they would have to pay for a employment visa and accept lower wages) and to their employers (who would have to pay taxes).

The only exception seem to be those high level professionals, who are specifically needed in Hungary due to their special expertise. To the members of this small group, the status law provisions concerning employment can indeed be the first step in initiating emigration and it is regarded as such. Their number is too small, however, to produce a “wave.”

Nevertheless, Hungarian minority leaders from Romania repeatedly reaffirmed the necessity to adequately regulate short term and seasonal work. In their view, this necessity is arising from the importance of such working opportunities, which provide essential source of living to a population affected by economic crisis, low wages and increasing unemployment.

Finally, the third important issue of debate, which also had a significant dimension affecting inter-state relations between Romania and Hungary, has been the problem of discrimination against ethnic Romanian short term and seasonal labor migrants. After the Hungarian-Romanian Declaration concerning the application of the status law, which offered the same legal possibility to all citizens of Romania, regardless ethnic belonging, to work in Hungary for an annual period of three months came into effect, a special committee was established by the Romanian Government. The task of this body has been to monitor the treatment of ethnic Romanians applying for three months work in Hungary in order to ensure that employers or authorities do not subject them to discrimination.

Subsequently it turned out, however, that establishing such a committee had more a symbolic and rhetorical rather than practical significance. When Hungarian officials stated that it would continue to remain difficult for ethnic Romanians to find a job in Hungary, the Romanian Government reacted not as energetically and firmly as usual in similar situations. It seems that the satisfaction over the "diplomatic victory", the fact that the formal recognition by Hungarian Government of the principle of non--discrimination on ethnic grounds was included in the Agreement made the Romanian side to refrain from further steps aimed at promoting this non-discrimination in practice.

The position of Hungarian Government on the issue of applying or not ethnic criteria in hiring labor force from Romania has been subjected to critics from the political opposition as well. It has been argued that Hungarian government policy had in this respect an ambiguous character. While during negotiations with Romania Hungary promised not to discriminate against ethnic Romanian job applicants, in the same time the government tried to reassure its own population, that nothing essential will change: the government will prevent the *en mass* employment of Romanians.

The political debate ensuing after the adoption of the Hungarian-Romanian declaration produced a rather curious reversal of the traditional political positions and ideological outlooks of the respective parties. The government party FIDESZ, which in the past few years strongly emphasized a cultural, rather than political vision of the Hungarian nation, this time made a step back, allowing the very same rights to employment to all citizens of Romania, Thus they formally renounced to the special treatment of ethnic Hungarians, which initially was enshrined in the text of the law. By contrast, the opposition parties MSZP and SZDSZ, which usually firmly rejected any forms of discrimination on any ground, now energetically declared themselves in favor of excluding ethnic Romanians from the beneficiaries of the status law in the name of Hungarian national interest.

As an alternative both to government and opposition views, the idea emerged that regional, rather than ethnic criteria should be applied in considering applications for guest worker employment in Hungary. In practice this would mean that candidates of all ethnic backgrounds coming from the border region should be offered certain advantages over those coming from other geographic areas.

There are some strong arguments in favor of such a regulatory system. First, it would encourage cross-border regional development by strengthening the links between employers, employees and authorities in the region both in terms of day to day contacts and at symbolic level. Second, regional criteria is more acceptable for the European Union and therefore policies based on these have better chances of implementation for the two EU aspiring states. Third, by avoiding preferential treatment on ethnic ground it would probably attenuate ethnic tensions within the border region and would ease Hungarian-Romanian interstate relations.

On the other hand, however, the disadvantages of region based regulations concerning foreign employment are also obvious: while abandoning ethnic criteria, in the same time it would introduce a new discriminatory principle and would put regions outside the Hungarian-Romanian border area in a unfavorable position. More importantly, it would lead to the marginality of the

region inhabited by a homogenous ethnic Hungarian population, but situated in central Romania, which is currently deeply engaged in the exchange of human, institutional and cultural resources with Hungary.

5. Expected trends in the cross border migration of labor force in the context of EU enlargement

Cross border labour migration is a constantly changing process which has multiple (economic, demographic, political, human, ethnocultural determinations and effects, a complex, multidimensional phenomenon, consisting of various types of work engagements. Consequently, ameliorative or optimising social action in this field also requires a differentiated approach in accordance with the specific characteristics of and specific problems raised by each type of employment and social-political context

With the expected enlargement of EU IN 2004, Hungary is likely to become a member, while Romania will have to wait at least until 2007. By contrast, the Ukraine hasn't perspective for joining EU, at least in medium term. These different perspectives of joining EU mean that the labor policies will have a rather different context at the Hungarian-Romanian and Hungarian-Ukrainian border.

After 2004 the eastern borders of Hungary will become in the same time the borders of EU. This fact will create an even more favorable environment for foreign investments bearing high development potential. This type of foreign capital will continue to attract the highly qualified workforce from Romania and Ukraine.

In the same time, Hungary's joining of EU and the adoption of EU labor regulations will result in higher wages and thus a more expensive workforce in Hungary. This is very likely to lead to the migration from Hungary to Romania and Ukraine of those foreign investors who are primarily looking for cheap labor. This newly arriving foreign capital will be able to employ a large part of workers with low qualification in their home countries, so they will not have to look for working opportunities in Hungary. In the same time, with the undergoing process of modernization of Hungarian agriculture and the establishment of large agricultural farms the demand for seasonal work in Hungary is also decreasing. As a consequence, the size of illegal employment of Romanian and Hungarian citizens in Hungary will probably fall down. Highly qualified workers, who usually tend to legalize their labor status, will become predominant among Ukrainians and Romanians seeking working opportunities in Hungary.

With the joining of EU by Romania in 2007 the mentioned phenomenon will probably move eastward in waves. A gradual process of homogenization in the level of prices and wages is expected to occur. On the other hand, the cancellation of border formalities will be perceived negatively by many local inhabitants in the Hungarian-Romanian border area, as border guards and customs are currently employing a large proportion of local rural workforce in that area, who would then loose their jobs. Many farmers also perceive the EU enlargement as a threat. They fear that the new agricultural policies and the new situation of competition will make difficult for them to survive economically.

In case of Hungarian-Ukrainian border, however, a rather different situation will occur. The establishment of a long term Schengen border will make more difficult the crossing of the border to Hungary by illegal Ukrainian employment seekers. To the foreign investors will become more advantageous to settle in the large Ukrainian cities, such as Kiev or Lvov, with large industrial potential and markets, instead the border area with Hungary, where the fluid cross border circulation of labor and capital will encounter increasing difficulties.

Thus, compared to the Romanian border region, the Ukrainian border area will be able to benefit economically to a less extent from the vicinity of the EU. In such context the main waves of labor migration in Ukraine are likely to target the large industrial centers of the country, rather than the neighboring regions of Hungary. In the same time, the intention of Hungarian governments to offer facilities for Ukraine's ethnic Hungarians in crossing the border to Hungary may lead to a stronger ethnic differentiation and might raise new domestic problems in the Subcarpathian Region of Ukraine.

To conclude, although currently the cross border labour phenomenon presents many similarities along the Hungarian-Romanian and Romanian-Ukrainian borders as far as causal determinants, legal and institutional framework is concerned, the process of EU enlargement will produce, at least in short and medium term, two very different geopolitical contexts, which would require rather distinct research approaches and political strategies.