

Historical Studies of Socialist System

ISSN 2432-8774

# 社会主義 体制史研究

No.11 (Nov. 2019)

Emigration from Lithuania and Its Depopulation

Yoji Koyama

(Professor Emeritus at Niigata University)



社会主義体制史研究会

The Japan Collegium for Historical Studies of Socialist System

## 『社会主義体制史研究』(Historical Studies of Socialist System)

ISSN 2432-8774

Website: <http://www2.econ.tohoku.ac.jp/~aoki/hsss.htm>

下記の旧 URL からも **自動切替(リダイレクト)**です。2019.08.22 までの約 2 週間はリダイレクトが機能せず、ご迷惑をおかけし、お詫び申し上げます。

旧 URL: <http://www.econ.tohoku.ac.jp/~aoki/hsss.htm>

(違いは www の次に「2」の有無のみ)

publisher: 社会主義体制史研究会

(The Japan Collegium for Historical Studies of Socialist System)

size: A4

mail to aoki\_econ3tohoku.4.5 (3=@ 4=ac 5=jp)

不定期刊(原稿があり次第発行)、文字数制限なし、無料のオンライン・ジャーナルです。

旧社会主義諸国(共産圏)の歴史(「革命」前・体制転換後を含む)と、社会主義や共産主義の思想・理論を対象に批判的検証を志しています。投稿歓迎。

### Photos (@ Ruta Ubareviciene)

Houses in typical rurual areas in Lithuania (@ Ruta Ubareviciene)



# Emigration from Lithuania and Its Depopulation

Yoji Koyama<sup>1</sup>

## Abstract

Lithuania's population has decreased from 3.7 million in 1992 to 2.79 million in 2019. It is 912 thousand smaller than the peak level in 1992, meaning that the population has by about a quarter (24.6%) during 27 years. In the Baltic states mortality rate have been surpassing, and consequently a natural decrease in population has been continuing since the first half of the 1990s. Especially in Lithuania and Latvia the emigration has been the biggest factor causing a decrease in population. There is phenomenon of emigration also from Estonia, but it is not so intense as in Lithuania. This paper considers causes such an intense emigration from Lithuania, taking into consideration differences from the case of Estonia. Presumably, larger income inequality compared with Estonia has been a key factor urging people to emigrate. It seems that a series of reforms after the system change, especially the Lithuanian government's desperate efforts to enter the Eurozone have caused strains on the society. In parallel with emigration, the country is becoming an aging society with fewer children. When we consider Lithuania's future, massive outflow of population and its depopulation is in a serious situation. A decrease in income inequality in the country would require an effective taxation reform and other measures.

**Keywords:** Lithuania, the Baltic states, EU, Migration, Population outflow, Depopulation

**JEL Classification:** J61, P51, P52

## 1. Introduction

This paper discusses Lithuania, one of the Baltic States. The country is a small country with its area being 65 thousand square kilometers and its population being 2.79 million as of 2019. Of total population Lithuanians account for 84.2%, Poles 6.6%, Russians 5.8%, and others 3.4<sup>2</sup>. About 80% of the people believe Catholic, about 5% Orthodox Church, and the number of believers of Protestantism and other religions are not so many. The reason why I paid attention to Lithuania is that emigration from this country has been the fastest among new EU member states.

In the 21st century the Baltic States developed rapidly thanks to a huge amount of FDI inflow. The average annual growth rate was 7.5% during the period 2000-2007 and the economic growth rates of a double-digit were recorded in these countries. From mid-2007 through early 2008 the bubble bursted

---

<sup>1</sup> Professor Emeritus at Niigata University (Japan); zac00343@nifty.com

<sup>2</sup> Based on 2011 Census.

in these countries one after another, and the upward trend of housing prices has reversed. The 2008-2009 global financial crisis dealt a final blow to their economies. Especially in 2009 the decline in GDP growth rates was dramatic: 14.2%, 17.7% and 14.8% in Estonia, Latvia and Lithuania respectively. Then their economies showed V-shape recovery, resuming the economic growth, which was highly evaluated by the Troika (the European Commission, the European Central Bank and the IMF) (Blyth, 2013, pp. 216-219 ). However, this is very questionable.

From 2004 (the year of EU accession) through 2018 Estonia's population decreased by 2.1% while the population decreased by 16.6% and 18.5% in Latvia and Lithuania respectively. In the Baltic States mortality rates have been surpassing birth rates and consequently a natural decrease in population has been continuing. Especially in Lithuania and Latvia the emigration has been the biggest factor causing a decrease in population. I wonder whether their V-shape recovery and the subsequent economic growth can be highly evaluated unreservedly in spite of massive outflow of people from these countries? There are people who call Lithuania's emigration "largest threat". For example, Dr. Vygaudas Usackas, the EU's former envoy to Russia and, now, director of the European Institute in Kaunas University of Technology. Dr. Vytautas Tumenas, Associate Professor at the Lithuanian Institute of History, brings up other reasons for record-high EU wide emigration in Lithuania – weak and weakening sense of national consciousness (*BNN*, 2019, p. 2). As I have learned from Hayasaka (2017; written in Japanese) how Lithuanians ancestors have endeavored to establish their identity for nation-building and gain independence, I cannot help feeling a drastic change in people's national consciousness after the system change. Newspapers are also concerned about this phenomenon, saying "High emigration, Lithuania's malady No. 1" (*BNN*, 2019, p. 1), or "Lithuania's Emigration Crisis" (*VICE*).

As eight post-socialist countries in Central and Eastern Europe finally realized their EU accession in May 2004, people of these countries including Lithuania as EU citizens became able to move freely within the territory of the EU. They became able to participate in labor markets of the member states. This made it much easier for them to emigrate. It is quite natural that people migrate from poorer countries in Central and Eastern Europe to advanced EU member states, but I wonder until when such migration continues. Some researchers argue that according to the classic theory, the migration process stops when payments for work are equal in both countries (Pociovalisteanu, 2012). Indeed emigration is an economic phenomenon, but as non-economic factors such as people's special attachment to their regions where they were born and grew up affect their decision-making on migration I do not think that migration continues until payments for work in advanced countries and less developed countries becomes equal<sup>3</sup>.

During the last 30 years countries of Central and Eastern Europe have experienced drastic social upheaval. As for the case of the Baltic States, they have experienced collapse of socialism in the Soviet Union, secession from the Soviet Union and their regained independence, transition to a market

---

<sup>3</sup> For example, per capita income in Okinawa is only about a half of that in Tokyo, but I have never heard that many people have left Okinawa.

economy, their EU accession and entry into the euro-zone, and the global financial crisis. These are self-evident facts for people in post-socialist countries, especially the Baltic states. It may sound roundabout way, but I think that the problem of massive outflow of Lithuanian people from the country should be considered in the context of such a social upheaval.

Why has such massive outflow of population been proceeding? There is phenomenon of outflow of population also in Estonia, but it is not so intense as in Lithuania. First, taking into consideration differences from Estonia's case, I will explore its causes. Second, I will clarify countermeasures taken by the government so far. Third, rapid outflow of population occurs also in many countries of new EU member states in Central and Eastern Europe, but here I will consider the implication of this fact for the European integration. My approach is economic history. Unfortunately, I cannot make a field survey to clarify the above-mentioned points. Relying on many papers and books written by many researchers as well as various materials and documents, I will restructure various facts according to my awareness of issues.

This paper is structured as follows: After giving an overview of demographic dynamics, the social upheaval from the Soviet period through the present time is explained. Then having explained the trends of migration after the system change through the present time, facts revealed by Lithuanian researchers are presented. Taking into consideration differences from Estonia, causes of massive outflow of people from Lithuania are considered. The significance of emigration is examined and the government's countermeasures are presented. Finally some conclusions are described.

## **2. Population Dynamics in Lithuania**

Lithuania's population was 2.52 million in 1945. Since then a natural increase in the population continued for a long time. In 1992 the population peaked at 3.706 million. Total fertility rate exceeded 2 until 1991, but in 1992 it fell below 2. Since then it continued to decrease and recorded 1.23 in 2002 and then it showed upward trend, recording 1.63 in 2018. The natural increase in population turned negative already in 1994 when the crude birth rate fell below the crude mortality rate. Earlier than this, however, in 1993 the population began to decrease because net international migration (emigration minus immigration) exceeded natural increase in population. The population as of 2019 is 2.794 million. It is 912 thousand smaller than the peak level in 1992, meaning that the population has decreased by about a quarter (24.6%) during 27 years. Emigration has contributed to about 80% of the total decrease in population<sup>4</sup>.

---

<sup>4</sup> Author's own calculation based on numbers mentioned in Renkuosi Lietva (2019)

Year	Population	Total fertility rate	Crude birth rate (per 1,000)	Crude death rate (per 1,000)	Crude rate of natural population change (per 1,000)	Emigration	Immigration	Net international migration
1990	3,693,708	2.03	15.4	10.8	4.6	-23,592	14,744	-8,848
1991	3,701,968	2.01	15.1	11.1	4.0	-22,502	11,828	-10,675
1992	3,706,299	1.97	14.7	11.2	3.5	-31,972	6,640	-25,332
1993	3,693,929	1.74	12.9	12.5	0.4	-26,840	2,850	-23,990
1994	3,671,296	1.57	11.6	12.7	-1.1	-25,859	1,664	-24,195
1995	3,642,991	1.55	11.4	12.5	-1.1	-25,688	2,020	-23,668
1996	3,615,212	1.49	10.8	11.9	-1.1	-26,394	3,025	-23,369
1997	3,588,013	1.47	10.6	11.5	-0.9	-24,957	2,536	-22,421
1998	3,562,261	1.46	10.4	11.5	-1.1	-24,828	2,706	-22,122
1999	3,536,401	1.46	10.3	11.3	-1.0	-23,418	2,679	-20,739
2000	3,512,074	1.39	9.8	11.1	-1.3	-21,816	1,510	-20,306
2001	3,486,998	1.29	9.0	11.6	-2.6	-27,841	4,694	-23,147
2002	3,454,637	1.23	8.6	11.9	-3.3	-16,719	5,110	-11,609
2003	3,431,497	1.26	8.8	12.0	-3.2	-26,283	4,728	-21,555
2004	3,398,929	1.27	8.8	12.2	-3.4	-37,691	5,553	-32,138
2005	3,355,220	1.29	8.9	13.2	-4.3	-57,885	6,789	-51,096
2006	3,289,835	1.33	9.1	13.7	-4.6	-32,390	7,745	-24,645
2007	3,249,983	1.36	9.3	14.1	-4.8	-30,383	8,609	-21,774
2008	3,212,605	1.45	9.9	13.7	-3.8	-25,750	9,297	-16,453
2009	3,183,856	1.50	10.2	13.3	-3.1	-38,500	6,487	-32,013
2010	3,141,976	1.50	9.9	13.6	-3.7	-83,157	5,213	-77,944
2011	3,052,588	1.55	10.0	13.6	-3.6	-53,863	15,685	-38,178
2012	3,003,641	1.60	10.2	13.7	-3.5	-41,100	19,843	-21,257
2013	2,971,905	1.59	10.1	14.0	-3.9	-38,818	22,011	-16,807
2014	2,943,472	1.63	10.3	13.7	-3.4	-36,621	24,294	-12,327
2015	2,921,262	1.70	10.8	14.4	-3.6	-44,533	22,130	-22,403
2016	2,888,558	1.69	10.7	14.3	-3.6	-50,978	20,807	-30,171
2017	2,847,904	1.63	10.1	14.2	-4.0	-47,925	20,368	-27,557
2018	2,808,901	1.63	10.0	14.1	-4.1	-32,206	28,914	-3,292
2019	2,794,184							

Source: Lithuanian Statistical Office

### 3. Social Upheaval

#### 3.1 Soviet Period

In 1940, together with Estonia and Latvia the country was incorporated into the Soviet Union. Although they were under the occupation of Nazis Germany temporarily from 1941 through 1944, they were Republics consisting of the Soviet Union until 1991. According to Tamaru, T. (2001) and Ubareviciene et al (2017), in the Baltic States, which had a major role as suppliers of agricultural production to the Soviet Union, residents were encouraged to live and work in rural settlements where

they were provided with housing facilities and income, often at a higher standard than in the cities. By the end of the Soviet period, one-third of the population of the Baltic States resided in rural settlements and had jobs in the primary sector. In Lithuania, there was a strategy to decentralize population and industry into medium and small-size cities (p. 60).

### **3.2 Independence from the Soviet Union, System Change and Transition to a Market Economy**

In the course of Perestroika in the Soviet Union, there was a growing trend toward secession and independence in the Baltic States in 1989. In Lithuania there were elections in February 1990, and members of the Reform Movement of Lithuania (Sajudis) occupied a majority of the delegates to the Supreme Soviet. On March 1 in the same year the Supreme Soviet of the Republic of Lithuania declared independence. Although this declaration was not approved by the Soviet Union at that time, finally in August 1991 Lithuania attained independence together with Estonia and Latvia, and they were formally admitted to the United Nations in September in the same year. After the independence, “despite the fact that most people in the Baltic countries share socio-democratic ideals, they vote for center-right or right-wing parties<sup>5</sup>. ... There are no strong socio-democratic parties of the Scandinavian type in the Baltic countries” (Gini, 2012, p. 99).

Bohle and Greskovits (2012) classify Central and East European countries into several groups as follows: the Baltic states – ‘pure neoliberalism’; Visegrad countries – ‘embedded neoliberalism’ created by states; Slovenia – ‘neocorporatism’; and Romania and Bulgaria – ‘neoliberalism’. The criteria distinguishing these types are in the level of welfare expenditure. Total expenditure on social protection as a percentage of GDP in the average during the period 1989-1995 was 15.5% for the Baltic states, Visegrad states 21.1%, Slovenia 24.6%, and Bulgaria and Romania 15.5% (Bohle and Greskovits, 2012, p. 35). In the Baltic states the intervention in the economy by state was kept at a low level as possible on the basis of the principle of neoliberalism<sup>6</sup>.

Horibayashi (2014) explains as follows: The strongest motif which determined their national strategies of transition to capitalism was independence as well as radical breaking off with the past. Therefore, these countries opted for a model which was farthest from the economic system of the Soviet Union and also recommended by international institutions such as the IMF and the World Bank that were under strong influence of the United States (Horibayashi, 2014, p. 138).

There are some differences among the Baltic states. At the time of regaining independence, only in Lithuania all permanent residents of the country were granted citizenship rights whereas Estonia and

---

<sup>5</sup> According to Norkus, this rather applies to Estonia and Latvia, but the situations are somewhat different in Lithuania. During the first two decades many Lithuanians voted for ex-communist Labor Democratic Party. However, its policies while in government never were of Scandinavian social-democratic type. An e-mail from Norkus in September 2019.

<sup>6</sup> In contrast to the Baltic states, in Visegrad states the legacy inherited from the socialist period (relatively considerate social welfare) has been maintained and neoliberalism is ‘embedded in society’. In Slovenia, which has inherited tradition of self-managed socialism, there are more active trade unions with mobilizing power. Consequently, after the system change a mechanism of social dialogue and coordination of interests has been formed by representatives of employers’ association, trade unions and the government (Koyama, 2017)..

Latvia only recognized as their citizen those persons who were their citizens in 1940, as well as their descendants (Norkus, 2012, p. 208). In Estonia and Latvia industrialization and urbanization had begun in the second half of the 19th century. During the Soviet period in both countries increasing demand for labor force in parallel to industrialization was satisfied by immigration of Slavic people from other Republics, resulting in a higher share of these people in total population. That is why immediately after regaining independence, ethnic Estonians and ethnic Latvians, who were afraid that Slavic residents would take political initiative in each country, claimed exclusive citizenship. In less urbanized Lithuania increasing demand for labor force in the process of industrialization was satisfied not by means of immigration from other Republics of the Soviet Union but by migration into cities from Lithuanian villages which was characterized relative overpopulation. As a result, there was almost no change in ethnic composition (Norkus, 2012, p. 216).

### **3.3 Agrarian Reform**

In Lithuania it was decided that farm land, urban land and real estate which were nationalized during the period 1940-1945 would be returned to former owners (and their descendants) as many as possible. State farms and collective farms were liquidated and converted into production enterprises with decreased scale, and their assets were privatized. In the privatization vouchers and cash were used. As a result of the agrarian reform, about 135,000 individual farms have emerged. In 1995 they accounted for 34% of total agricultural land. The average size of these farms was relatively small at 8.4 ha. Individual farms which had more than 30ha were less than 5% of total farms. In the process of transition to a market economy many enterprises in industry and other areas fell into financial difficulties and many workers lost jobs. At the same time, agriculture's share in total employment increased from 18% in 1990 to about 24% in 1995. It means that agriculture has acted an important employment buffer during the transition period. The first half of the 1990 was very difficult period also for agriculture because the prices of agricultural inputs, especially energy, were liberalized at an early stage in the reforms process while food prices remained subject to government regulation (OECD, 1996). It was very difficult for small individual farms to continue their business.

### **3.4 A Small Open Economy**

During the Soviet period the share of trade with the Soviet Republics including Russia was large and the trade with the West was relatively small. After regaining independence, all the Baltic states came to have small open economies. Similar to Estonia and Latvia, the most important challenges for Lithuania were firstly to withdraw from Russia's economic area and join West European economic area, and secondly to decrease its dependence on Russia in terms of energy. After regaining independence, reorientation of foreign trade was done, and the share of West European countries and Nordic countries in the total foreign trade has become larger. Although the share has decreased, however, the neighboring country Russia remains the largest trading partner.

In the first half of the 1990 agriculture played a significant role also in the foreign trade. According



to a report by the OECD, “Historically, the Lithuanian agricultural sector has been strongly export oriented, with a positive balance on trade in agricultural products. In the pre-reform period, Lithuania was major ‘exporter’ of dairy and meat products and ‘importer’ of agricultural inputs such as feed grains, feed concentrates and sugar cane as well as machinery, oil and natural gas. ... During the transition period, despite the sharp fall in the size of cattle and pig herds due to problems related to delayed payments and input shortages, Lithuania has remained a net exporter of livestock products” (OECD, 1996, pp. 16-17.)

	<b>Latvia</b>		<b>Estonia</b>		<b>Lithuania</b>	
	Product label		Product label		Product label	
1	Cork & wood	12.3	Electrical machinery	8.4	Petroleum & petro.prod.	26.4
2	Iron and steel	10.3	Road vehicles	6.6	Fertilizers	6.3
3	Cork & wood manu.	7.0	Telecom.apparatus	6.5	Furniture & parts	4.9
4	Road vehicles	6.5	Manufactures of metal	5.6	Plastics in primary forms	4.3
5	Telecom.apparatus	3.7	Cork and wood	5.2	Apparel & clothing	3.8
6	Apparel & clothing	3.6	Furniture & parts	4.9	Miscellan.manu.articles	3.4
7	Manufactures of metal	3.5	Miscellan.manu.articles	4.9	Road vehicles	3.4
8	Miscellan.manu.articles.	3.0	Petroleum & petro.prod.	4.6	Diary products	2.5
9	Cereals	3.0	Cork & wood manu.	4.3	Electrical machinery	2.5
10	Metal.ores & scrap	2.8	Iron & steel	3.6	Manufactures of metal	2.3

Source: Gligorov, Vladimir, Josef Poeschl, Sandor Richter, et al. (2009), pp. 146-147.

In Lithuania there is Mazeikiu Nafta, the largest refinery in the Baltic states. Petroleum products refined here account for the largest share of Lithuania’s total exports. Table 2 shows 10 most important product groups in the export of the Baltic states to EU-27 in 2008. If plastics are included, petroleum and petro. products account for 31.7% of Lithuania’s total exports. Fertilizers occupy the second place, followed by furniture and parts, and apparel and clothing. Exports of high-tech products are not on the list.

### **3.6 Foreign Direct Investment**

Among the Baltic states the most active in attracting FDI has been Estonia. Not only the reduction of corporate income tax rates, which Central European countries and the Baltic states have done to attract FDI, but Estonia adopted also drastic measures to decrease the corporate income tax to zero for reinvestment from earnings by foreign companies. Lithuania lagged behind in this respect.

Looking at stock of FDI inflow as a percentage of GDP as of the end of 2004, it was 78.6% in Estonia while it was 26.2% in Lithuania which was smaller than in Latvia (30.1%). Later, FDI inflow has increased, but the ranking of the stock of FDI inflow as a percentage of GDP has not changed also in 2017 with the percentage being 81.7% in Estonia, 53.5% in Latvia and 35.0% in Lithuania.

Looking at FDI inflow by areas in the case of Lithuania, the largest amount of FDI has been received by finance and insurance accounting for 27.1% of total FDI stock as of 2017. Manufacturing won the second place (18.9%), followed by retail and wholesale trade and automobile repairing (13.4%), real estate (13.2%), and information and communication (7.5%). Looking at the breakdown of manufacturing, coke, petroleum, chemicals and pharmaceuticals won the first place (33.7%), followed by food product, beverages and tobacco products (19.6%), wood and paper products and printing (9.9%), rubber, plastics, other non-metal, mineral product (9.1%), other not elsewhere classified industries (7.6%), electrical equipment, machinery and equipment n.e.c. (6.5%), and textile, apparel, leather and related products (5.1%).

As for countries which have invested in Lithuania most as of the end of 2017, Sweden won the first place (24.0%), followed by the Netherlands (13.4%), Germany (7.9%), Cyprus (7.0%), Estonia (6.4%), Poland (6.1%), Denmark (4.4%) and Finland (4.2%) (Hunya, 2018, p. 98, p. 100). The above-mentioned facts tell us that mainly neighboring countries made direct investment in this country and that FDI inflows have not been directed to advanced industries, being reflected in the composition of products exported to the EU-27 (Table 2).

### **3.6 Changes in Industrial Structure**

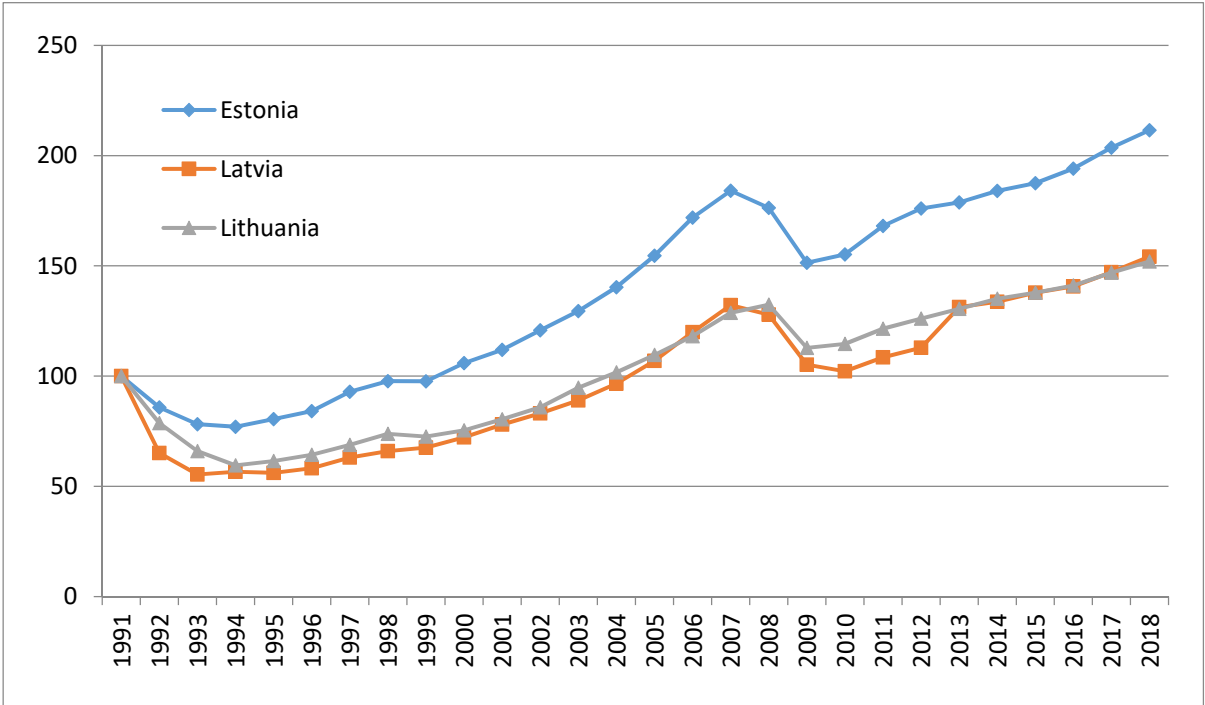
Later as a market economy developed further traditional activities such as agriculture, forestry and fishery gradually declined. In addition, instead of heavy and massive industries which were dominant ones during the period of centralized socialist planned economy, service activities came to play important roles. Consequently, local small and medium-sized cities where the above-mentioned industries were located have also declined. During the period between 2001 census and 2011 census population has decreased by nearly half in declining regions. In contrast, population has been concentrating in capital city Vilnius and large cities (such as Kaunas, Klaipeda, etc.) as well as their neighboring rural areas, which have become suburbs of the large cities (Ubareviciene, 2017).

### **3.7 EU Accession and the Global Financial Crisis**

The Baltic states attained their long-cherished desire of EU accession in May 2004. Immediately before their EU accession interest rates have decreased thanks to increased trustworthiness of these countries. In addition, Nordic banks including Swedish four major banks advanced into the Baltic states, and local affiliates of these banks competed for market share. Resulting cheap funds and generous criteria for loans caused housing bubbles in mid-2000s in the Baltic states. After the bubble burst in the early 2008, the global financial crisis dealt these countries a final blow. Inflows of short-term foreign capitals had stopped and then flew backward. As a result, all the Baltic states recorded double-digits declines in GDP (Table 1).

However, impacts on people's lives of the global financial crisis were different in these countries. As the Estonian government was able to use the budget surplus in the pre-crisis years to accumulate reserves which helped to withstand the crisis, its damage was the least (Norkus, 2012, p. 265). In

contrast, Lithuania and Latvia could not afford to use reserve funds in coping with the crisis and consequently the damage to people’s lives was much more serious (see Koyama, 2010).



**Figure 1 GDP Growth in the Baltic States**

Source: Prepared by the author based various on data: For the period 1991-2000 EBRD reports, for the period 2001-2007 *Baltic Rim Economies*, No. 3, pp.1-3, and for the period 2008-2018 wiiw, *Forecast Report*, various issues.

All EU member states adopted Keynesian policies which allowed governments to have substantial budget deficit temporarily. However, as early as in June 2010 – not very long since the onset of the crisis – the Troika (the European Commission, the European Central Bank and the IMF) decided take austerity measures and put pressure on governments and monetary authorities in the EU member states (Blyth, 2013, pp. 59-61). Usually, the amount of tax revenue decreases at a time of recession while governments are obliged to increase public expenditures in order to cope with increasing unemployment and other social needs. Nevertheless, the Troika imposed austerity measures on governments of the EU member states. The government of Lithuania implemented this policy faithfully, reducing public expenditures substantially.

Later in January 2011 Estonia joined the Eurozone, followed by Latvia in 2014. Originally, also Lithuania aimed to adopt the Euro in 2007. However, the country was judged ineligible by the EU in 2006 as the country did not satisfy the criteria. The Euro adoption was prolonged due to damages by the Global Financial Crisis. However, the government of Lithuania persisted in the Euro adoption and aimed to adopt the Euro in January 2015. In fact, the governments have done it. For this goal to be

attained, governments have made every effort to reduce budget deficit, putting importance on the Maastricht convergence criteria, especially criteria on budget (budget deficit less than 3% of GDP and accumulated public debt less than 60% of GDP).

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Unemployment rate	1.1	1.2	13.8	13.8	17.5	16.4	14.1	13.7	13.4	15.9	16.8	10.3	12.9	10.7
Young people's unemployment rate	2.7	3.0	25.6	25.4	31.6	29.6	25.8	25.3	25.5	28.6	31.6	20.4	26.9	20.3
Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Unemployment rate	8.3	5.8	4.3	5.8	13.8	17.8	15.4	13.4	11.8	10.7	9.1	7.9	7.1	6.0
Young people's unemployment rate	15.8	10.0	8.4	23.4	29.6	35.7	32.6	26.7	21.9	19.3	16.3	14.4	13.2	12.5

Note: Here young people denotes males and females of 15-24 years old.  
Source: ILO.

In addition, similar to other Baltic states, Lithuania had adopted the currency board system<sup>7</sup> and attached importance to the external balance. Even in the face of the global financial crisis, instead of official devaluation of its national currency Litas did the country the so-called ‘internal devaluation’ (namely, reduction of wages and pensions) in order to maintain its international competitiveness. The Euro adoption (the entry into the Eurozone) was the country’s first priority after its EU accession. It seems that even if the independence in financial policies was lost the country attached more importance to the independence from Russia’s economic area and the entry into the European economic area. It is not difficult to imagine that these efforts gave substantial stress to the Lithuanian society.

## 4. Emigration

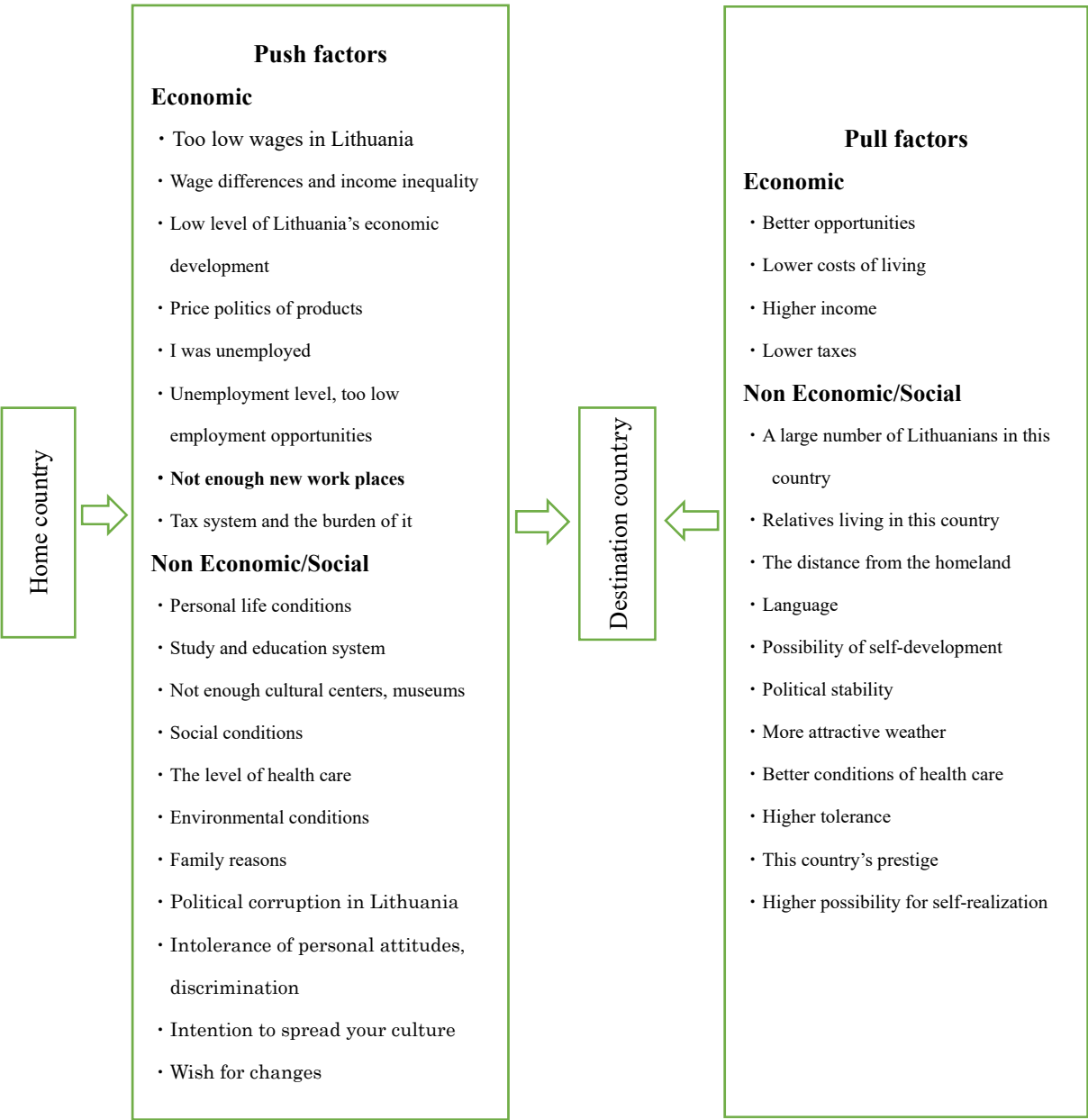
### 4.1. Factors urging emigration

When we discuss labor migration it is a general way that we look at both push-factors and pull-factors. Taking into account the circumstance of Lithuania, Kumpikaite drew up a list comparing both push-factors and pull-factors (Figure 2).

It is helpful. Looking at non-economic factors in the push-factors, for example, studying and

<sup>7</sup> Currency Board System is a system that IMF recommends countries which are struck by hyperinflation. Under this system the power of central bank is reduced substantially because the stability of currency is given the highest priority. Under this system the money supply must be 100 percent backed by the foreign currency reserves. The central bank has lost most of the traditional powers of a central bank, and it is now responsible for currency stability and monetary issue, as well as external balance, repayments on external debts, and regulation of banks. The central bank is no longer allowed to give loans to government and banks. Therefore, soft financing of loss-making state-owned enterprises through banks and compensation of budget deficit by central bank’s loans becomes impossible. According to Norkus, the currency board system introduced by all Baltic states in the first half of the 1990s was mainly due to the indigenous population’s ‘monetary nationalism’. Because of the trauma of Soviet occupation in 1940, the indigenous populations the antecedent interwar period (1918-40) as a ‘golden age’. After restoring their independence and national currencies, the Baltic states looked for the monetary system that would approximate the gold standard system as close as possible. However, as return to the gold standard in post-communist era was not practically possible the Baltic states opted for a currency board as its closest substitute (Norkus, 2018, pp. 7-8).

educational system seems to be important for young people in Lithuania. If some of them have dissatisfaction with the domestic system it would drive them to study in advanced EU member states. Looking at pull-factors in the non-economic factors, the point that ‘many Lithuanians are in this country’ would be also important. If many Lithuanians live in a destination country, relying on their information and network, many people residing in Lithuania would do ‘chain emigration’ to the country.



**Figure 2 Push and Pull Economic and Non-economic factors**

Source: Kumpikaite (2019)

## 4.2. Characteristics of Migration by Periods

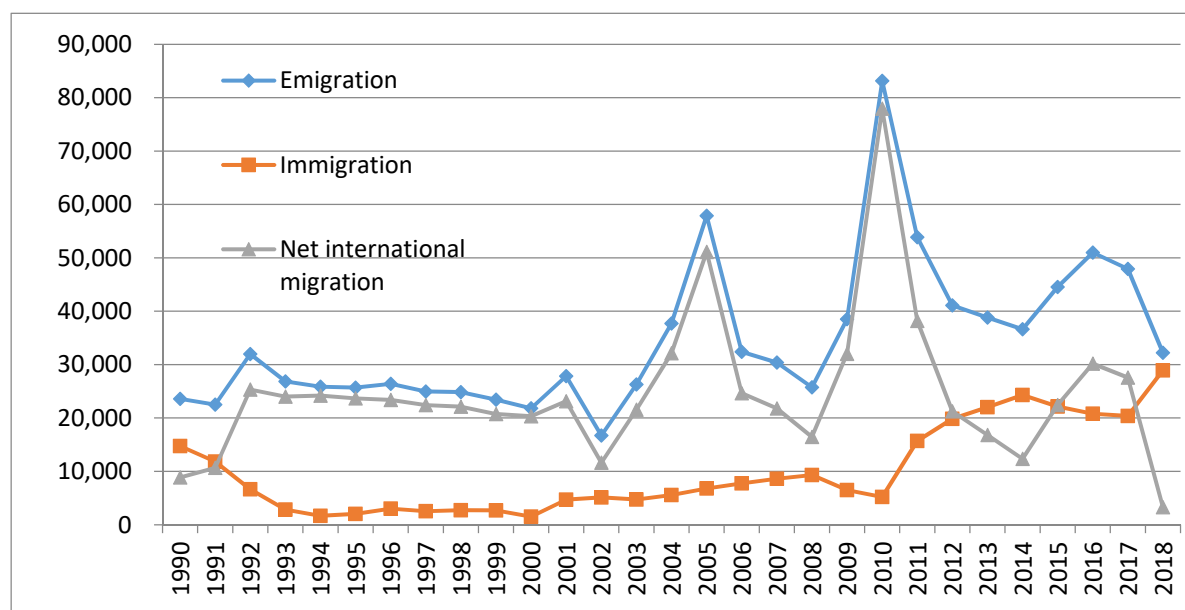
Let me show characteristic features of migration by periods below, based on paper by Sipaviciene and Stankuniene (2013),

### 1989/1990-1993 : Repatriation, “de-Sovietization” (free choice)

There was an essential turn in migration trend: due to the opening of borders and other political developments, emigration replaced immigration. The emigration of the period can be divided into two main categories: Firstly, return migration/repatriation of Lithuanians who lived in other Republics of the Soviet Union and of Slavic residents (Russians, Belarussians and the Ukrainians) leaving Lithuania. Secondly, the realization of emigration potential (desire) accumulated during the Soviet period, involving Jews. There were also the first tentative signs of Lithuanian emigration to the West.

### 1992/1993 - late 1990s: Emigration as an economic/survival strategy

Since 1992/93, with the advancement of the market economy, new forms of migration emerged. At first a “petty trade” migration model was dominant, with short commercial cross-border visits to purchase and sell small volumes of merchandize. Migrants went not to the closest countries, but to the countries where they were able to earn the most (for example, through informal trading or employment) or where study was likely to provide the greatest return. In these years, over 80% of emigration was unregistered, and the scale of emigration remained high.



**Figure 3 Changes in the Number of Emigrants and Immigrants**

Source: Prepared by the author based on data of the Lithuanian Statistical Office

### Late 1990s – early 2000s: The gradual shift to labor migration

“Commercial” or “petty trade” migration, which was dominant in the early 1990s, waned, and other forms of migration, such as labor migration emerged. It was only rare cases that migrants created businesses in Lithuania with capital accumulated through working abroad. Labor migration, though

still mainly unregistered and often employed in destination countries' "shadow economies", became better organized. It was operating through networks created by earlier migrants and therefore often characterized as "chain migration".

#### **2004-08: Legalization/freedom of choice**

European integration processes and the opening of EU labor markets heavily affected Lithuanian emigration. In fact, a few years before the EU accession of post-socialist countries in Central and Eastern Europe, in advanced EU member states there were concerns that many workers would rush into these member states from Central and Eastern Europe once borders would be opened. That is why the EU member states decided that they could take temporary measures to limit the number of migrant workers from new EU member states for 7 years. However, the UK, Ireland and Sweden, where the economies were in good shape, did not use this right. Consequently, workers from new EU member states immigrated mainly to the UK and Ireland. The number of emigration from Lithuania rapidly increased in 2004 and 2005. The role of formal and informal migration networks increased<sup>8</sup>. Reflecting a boom in Lithuania, emigration declined after 2005 while return migration, albeit almost symbolic, rose.

#### **2009 - 2014: the global financial crisis and migration**

In late 2008 the Lithuanian economy fell in crisis, and the unemployment rate soared from 4.3% in 2007 to 17.8% in 2010. The situation with young people was much worse with the unemployment rate soaring from 8.4% to 35.7% in the same period (Table 3). The significance of migration has once again changed from an expression of "free choice/freedom of movement" to a desperate search for economic opportunities abroad and a "survival strategy". In 2010 there was an unprecedented peak – 83,157 Lithuanian inhabitants registered departure from the country<sup>9</sup>. However, we should be cautious when we look at this number because such a significant increase in the number of registered emigrants is in all likelihood attributable mainly to the introduction of a statutory duty for all permanent residents of the country to pay compulsory health insurance<sup>10</sup>.

#### **2015 - present**

Finally in January 2015 Lithuania admitted to the Eurozone. Having escaped from the economic crisis, its economy is growing at a moderate pace. The economic growth rates in 2015, 2016, 2017 and 2018 were 2.0%, 2.4%, 4.1% and 3.5% respectively. The unemployment rate decreased from 9.1% in 2015 to 6.0% in 2018. Also the unemployment rate for young people decreased from 16.3% to 9.1% during

---

<sup>8</sup> Up to 80% of Lithuanian emigrants indicated that they found jobs abroad with the help of already established relatives, friends, etc.(Kluesner, et al, 2015, p. 48).

<sup>9</sup> Kluesner, et al (2015) write that the number of Lithuanian inhabitants who registered their departure from Lithuania was 83,500, but in this paper the latest information from the Lithuanian Statistical Office is adopted.

<sup>10</sup> According to Kluesner, et al (2015), between 1990 and 2001 about 200,000 Lithuanian residents, or 5% of the total population, emigrated without declaring their departure (p. 2). Measures taken in 2010 required all registered residents of Lithuania (including those who are de facto living abroad) to make regular compulsory health insurance contributions. If they failed to do so they would be demanded additional monthly payments and the related fines (p. 4). Such a circumstance may well have also encouraged emigrants, who failed to register their departure from Lithuania earlier, to report retroactively.

the same period. In spite of moderate economic growth and decreasing unemployment, emigration strangely increased again from 2014 through 2017. Since 2011 immigration has been in tendency to increase and exceeded 20 thousand in 2013 and increased to 28,914 in 2018<sup>11</sup>. As emigration decreased to 32,206 in the same year, net emigration substantially decreased to 3,292. In this way emigration became nearly balanced by immigration. However, it is yet to be seen whether this is a lasting trend or a temporary phenomenon.

### 4.3 Main Destinations

Table 4 was prepared by Mara and Landesmann at the Vienna Institute for International Economic Studies (wiiw) using various statistical data of the UN. Looking at the original table horizontally, 10 new EU member states as origin countries are listed. Looking at the original table vertically, advanced EU member states (EU-15) as destination countries are listed. In this paper only data on the Baltic states are quoted. Their direct purpose is to consider the possible impact of Brexit on the mobility pattern of EU-CEE citizens headed to the UK.

Destinations	Countries of origin		
	Estonia	Latvia	Lithuania
Denmark	1,041	3,775	7,967
Finland	44,710	1,705	1,075
Ireland	1,215	13,105	22,588
Sweden	246	4,369	9,941
UK	7,418	61,914	112,647
Greece	69	296	378
Italy	990	2,564	5,066
Portugal	-99	130	222
Spain	1,751	3,797	16,620
Austria	114	247	280
Belgium	950	1,746	2,327
France	28	1,396	970
Germany	2,571	17,722	33,320
Luxembourg	512	483	588
Netherlands	772	2,947	4,091
EU-15	62,288	116,196	218,080
Ratio of net migration to population	4.55%	4.90%	6.23%

Source: Mara, Isilda and Michael Landesmann (2016). Ratio of net migration to population is the author's calculation.

<sup>11</sup> According to British journalist Haynes (2018), it seems that the number of return migration increased in recent years. Although different in numbers, he says as follows: in 2017, ... while there as yet another fresh record on emigration (50,000), there was also a record amount of immigration: 23,500. Two-thirds of those were returning Lithuanians (p.4).



This table is useful for our study because it includes also advanced countries (EU-15) other than the UK as destinations. However, we should be mindful when we look at this table. This table includes only net migration from new EU member states in Central and Eastern Europe to EU-15. Migration to North America and other regions has been presumably massive, but this is not included in the table. Similarly migration between new EU member states, for example migration from Lithuania to Poland, has not been taken into account.

From this table we can find characteristics of Lithuanians' emigration. First, for Estonians the most favorite destination has been Finland while for Lithuanians, similar to Latvians, the most favorite destination has been the UK, followed by Germany, Ireland and Spain. Second, in order to grasp relative scales of net migration I have calculated the ratio of net migration to population (the lowest row of the Table) by dividing the total net emigration for each country during the period 2000-2015 by the population as of 2000. The relative scale of net emigration was 6.3%, larger than Latvia (4.90%) and Estonia (4.55%).

Since the global financial crisis, emigration to Norway has increased. The number of Lithuanian migrants in this country was 557 in 2007, but it soared 4,401 in 2010, It remains at a high level with 2,866 in 2015 (Kumpikaite, 2019).

## **5. Emigration: Facts found by Lithuanian researchers' studies**

- 1) Most Lithuanian migrants left for an economic reason, and a majority of them emigrated to the UK where average net income is 5 times higher than in Lithuania.
- 2) Even during the economic boom, in 2008, approximately 56% of all emigrants were unemployed prior to departure. The economic crisis appears to have increased their share in the population of emigrants to 82% in 2011. The majority of employed emigrants had been working in the wholesale and retail trade sectors (4.6%), in manufacturing (3.1%), in transport (1.9%), in hotel/restaurant sector (1.6%), and in construction (1.5%) (Sipaviciene and Stankuniene, 2013, pp. 54-55).
- 3) Labor shortages and emigration can coincide. Sipaviciene and Stankuniene (2013) consider that such a situation can be attributed to both economic (for example, wage differentials) and non-economic (for example, self-realization) factors and that highly skilled workers continue to emigrate in large numbers (p. 55).
- 4) A finding that females have higher emigration propensities than males is line with the view that migration is becoming increasingly feminized. One of reasons for this is family reunion process through which women joined partners abroad. Another reason is that Lithuanian women's strong propensity to acquire higher levels of education might create a mismatch on the labor market. The third reason might be gender inequalities in the labor market where, according to the traditional conception, men should be given preference if jobs are scarce (Klusener, et al, 2015, p. 11).
- 5) Rural inhabitants emigrate less frequently than their urban counterparts (Klusener, et al, 2015, p. 12). Data is a little bit old, but according to Kedaitiene and Martinaviciene (2005), many farmers suffer from small-scale of their farms, the unemployment among rural youth is high and a lot of the

young generation in rural areas lack education and professional skills (p. 5). We can easily guess that unemployed rural youth migrate to cities in search of jobs. According to Ubareviciene, indeed the proportion of emigrants is the highest in major cities, especially Vilnius, but foreign destinations were also very important in rural areas, and in some of them (north western part and other areas which are more distant from Vilnius, Kaunas and Klaipeda) emigration was a prevailing trend<sup>12</sup>.

6) For individuals who took out loans during the period of very rapid economic growth and the real estate boom of the mid-2000s, and who lost their jobs in the wake of the 2008 global financial crisis, emigration might have appeared to be the best or the only option for meeting their financial obligation (Klusener et al, 2015, p. 12).

7) Among young people the unemployment rate is very high, and their orientation toward emigration is very high. A poll showed that a staggering 90.4% of respondents of age between 15 and 19 would rather emigrate if provided a job matching their specialty of studies (*BNN*, 2019, p. 2.). An inadequate match between high school curricula and the needs of the Lithuanian labor market acts as a push-factor. An additional contributing factor is the rise in university tuition fees in Lithuania 2008-09, making studies abroad relatively cheaper and more attractive (Sipaviciene and Stankuniene, 2013, pp. 55-56).

8) Emigration of low-skilled people has been particularly high, resulting in the reduction in the share of unskilled workers and the rise in the share of highly skilled workers. As a result, low-skilled workers are disproportionately in demand, and before the global financial crisis these workers saw greater relative wage increases than those seen by highly skilled workers. This in turn served as an additional push-factor for highly qualified specialists (Sipaviciene and Stankuniene, 2013, p. 58).

9) Kumpikaite sent a questionnaire to Lithuanian people who emigrated to the UK, Norway, Germany and Ireland, asking about the previous and present occupation. According to the results of questionnaire survey, migrants were employed mostly as service employees and sellers, specialists, and unskilled workers. The biggest changes can be seen in unskilled workers. Their number increased from 153 to 472. It means that people were employed in jobs with lower qualifications than they originally had.

10) Push-factors and pull-factors. Kumpikaite made surveys for all four waves of migration (1st wave: 1990-2003; 2nd wave: 2004-2008; 3rd wave: 2009-2014; and 4th wave: 2015-) and analyzed the above-mentioned four countries. Here let me present only part of her surveys, that is, push and pull factors for Lithuanian emigrants to the UK in the 4th wave. The most frequently mentioned economic push-factor is 'too low wages in Lithuania' (72%), followed by 'price politics of products' (50.2%) and 'wage differences and income inequality' (40.9%). Looking at non-economic push-factors, the most frequently mentioned is 'personal life conditions' (42.6%), followed by 'political corruption in Lithuania' (24.9%), 'wish of changes' (23.6%) and 'study and education system' (22.7%). There were no big differences among Norway, Germany and Ireland about the above-mentioned factors. Looking at economic pull-factors, the most frequently mentioned factor is 'higher income' (55.1%), followed

---

<sup>12</sup> Ubareviciene's comment on my draft paper in September 2019.

by ‘higher opportunities to get a job’ (41.3%), ‘lower costs of living’ (17.3%) and ‘lower taxes’ (17.3%). Looking at non-economic pull-factors, the most frequently mentioned is ‘relatives living in this country’ (43.6%), followed by ‘language’ (35.1%), ‘possibility of self-development’ (34.2%), ‘higher possibility for self-realization’ (26.2%) and ‘higher tolerance’ (24.0%). In other three countries ‘language’ is not attached importance so much (Kumpikaite, 2019).

## 6. Differences from Estonia

Looking at per capita GDP at purchasing power parity in 2017, it is €23,600 in Estonia, €20,000 in Latvia and €23,500 in Lithuania (Table 5). As far as per capita GDP at purchasing power parity is concerned, there is no big difference among the Baltic states<sup>13</sup>, although it is somewhat smaller in Latvia than Baltic peers.

	Estonia	Latvia	Lithuania
Per capita GDP at ppp (in 2017) *	€ 23,600	€ 20,000	€ 23,500
Unemployment rate (in 2017) *	5.8%	8.7%	7.1%
General government budget as % of GDP (in 2009)	45.2%	44.4%	43.8%
Social protection as % of GDP (in 2009)	19.2%	16.8%	21.3%
Pension as % of GDP (in 2009)	9.1%	8.4%	9.6%
Life expectancy at birth, total (in 2010)	76.0	73.7	73.5
Males	70.6	68.6	68.0
Females	80.8	78.4	78.9
Share of total population at risk on poverty or social	23.2%	41.7%	33.5%
Labor market participation rate (in 2011)	78.1%	76.5%	74.3%
Employment rate, males (in 2011)	67.7%	62.9%	60.9%
Employment rate, females (in 2011)	62.8%	60.8%	60.5%

Source: \* wiiw (2019), *Forecast Report*, Others from Gini (2012), *Country Report for the Baltic States*.

Looking back at modern and contemporary history, the Baltic states have many points in common as regards small countries, rule by the Russian Empire, Independence after the World War I, incorporation of countries into the Soviet Union from 1940 through 1991 (during 1941-45 they were occupied by Nazis Germany), the EU accession, etc. Therefore, they have common characteristic features and challenges. At the same time, however, if we look at them closely, we notice some differences. For example, there is emigration from Estonia, but it is smaller than from Lithuania and Latvia. There are some reasons: First, Estonia is relatively rich. It seems that the country has national wealth which cannot be expressed by per capita GDP. As one of Estonia’s strength, a Lithuanian

<sup>13</sup> Suppose GDP in 1991 being 100, GDP in 2017 is about 200 in Estonia, and it is about 150 in both Latvia and Lithuania (see Figure 1). Nevertheless, per capita GDP at purchasing power parity in Lithuania in 2017 is almost same as that in Estonia, meaning that Lithuania should have been much richer than Estonia in 1990. This point contradicts a prevalent view that Lithuania was not so rich at that time. Here, however, I withhold this question.

researcher Norkus (2012), mentions the very thorough integration of the Estonian economy with Finland and Sweden which are first-class economies with a high degree of specialization in research, development and high-tech value added exports (p. 265). Estonia's developed IT industry seems to have relation with this point<sup>14</sup>.

Second, its geographical location. Gini (2012) says, “ due to the Estonian geographical position next to welfare state Finland the pendulum work emigration is dominating instead of permanent migration” (p. 59) and uses even an expression ‘commute’ (p.10). Also Norkus (2012) says, “an increasing part of the Estonian population is becoming commuters between Tallinn and Finland (p. 266). As both countries are separated by the sea it seems difficult for people to commute, but it is not impossible to commute every day if they use an express ship. It would be possible to commute between their own homes and places of work on a weekly basis. In addition, it is said that [Estonian] people working in Finland do not change their place of residence, are hired by Estonian companies and their taxes are paid in Estonia (Gini, 2012, p.10).

Third, there are problems of income inequality. During the socialist period, especially in the 1980s Gini coefficient for the Baltic states fluctuated between 19 and 25 (Gini, 2012, p. 12). After the system change, however, in the process of transition to a market economy the income inequality has quickly expanded in all Baltic states (see Table 6 and Figure 4). In Estonia the largest inequality was recorded in the early 2000s and then it decreased thanks to the more rapid increase of the incomes in the lower income groups. In contrast, in Lithuania and Latvia the inequality has expanded further from 2008 through 2012. (Gini, 2012, p.1 and p. 12).

Also Kumpikaite questions more intense emigration from Lithuania compared with Estonia. She says that these are for mostly non-economic reasons as political and economic changes were very similar in all three Baltic states, and she adds, “it could be explained by a feeling of injustice”. Inequality in Lithuania has expanded rapidly from 2007 through 2011. According to Zuckute (2013), Latvia in 2006 and Lithuania in 2010 recorded the highest income inequality among all the EU countries<sup>15</sup>(p. 183). The EU's country report explains as follows: “Inequality of incomes in Lithuania is one of the highest in the EU, and has been increasing since 2012. It results from high employment

---

<sup>14</sup> It well known also in Japan that IT industry has been developed in Estonia. See, for example, a feature article on e-government in Estonia in *Nihon Keizai Shimbun* (Japanese Economic Newspaper) of July 12, 2019.

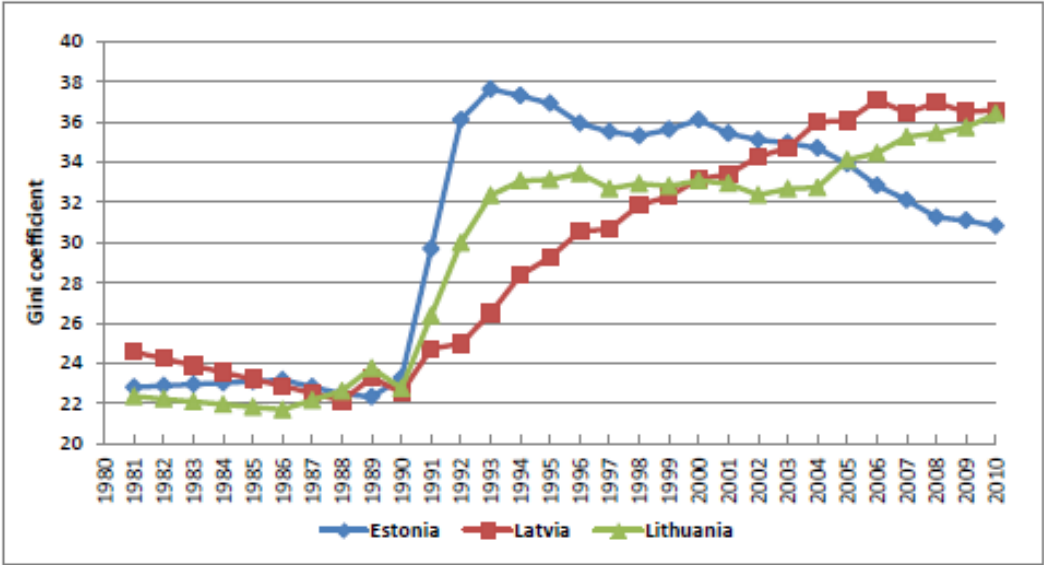
<sup>15</sup> Zickute (2013) analyzed societies of the Baltic states based on the criteria proposed by Burkhauser et al. (1996), which tells that the middle-class should include those inhabitants, whose income exceeds the poverty risk line by 2-5 times. Zickute divided the societies of the Baltic states into 3 classes, ie., the rich, middle class and the poor and calculated how many percentages of the society they account for in 2007 and 2011. It is a rough analysis, but it is useful for having images of social changes in the period of boom in the 2000s and the period after the global financial crisis. According to Zickute, in Estonia the rich people's share remained 10% during the period 2007-2010. The middle class accounted for the majority of the population both in 2007 and in 2011, respectively 50% and 60%. The share of poor people decreased from 40% in 2007 to 30% in 2011. In Latvia the rich people accounts for 3%, the middle class 27% and the poor people 70, and the share did not change in 2011. In contrast to the above-mentioned two countries, in Lithuania the rich people accounted for 10%, but the share decreased to 1% in 2011. There was 40% of the population belonging to the middle class in 2007 while only 9% of middle class in 2011. The poor citizens increased their share from 50% to 90% during the same period. In short, in Estonia and Latvia the share of the middle class did not change during the period 2007-2011 whereas in Lithuania the middle class, which should have supported the society, has become thin (Zickute, 2013, p. 185).

gap between low-skilled and high-skilled workers, strong wage dispersion, the limited progressivity of the tax system and weak social safety nets. The tax benefit system in Lithuania is less effective at reducing inequality than in other EU countries. Furthermore, high income inequality is considered to be detrimental to economic growth and macro-economic stability. In Lithuania, it could also be contributing to high emigration. Also, the poverty rate remains high, especially among the disabled, pensioners, in particular older women, and the unemployed, primarily due to weak protection provided by the social welfare system” (European Commission, 2017, p. 1).

**Table 6 International Comparison of Gini Coefficient**

Country	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Estonia					31.4	31.3	31.9	32.5	32.9	35.6	34.8	32.7	31.6
Latvia					37.5	35.9	35.1	35.7	35.2	35.5	35.4	34.5	34.5
Lithuania	36.3	35.0	33.8	34.0	35.5	37.0	33.0	32.0	34.6	35.0	37.9	37.0	37.6
Germany	26.1	26.8	30.4	30.2	29.1	29.3	29.0	28.3	29.7	30.7	30.1	29.5	29.1
Spain	32.5	32.7	31.9	32.4	32.9	33.5	34.0	34.2	33.7	34.7	34.6	34.5	34.1
Slovenia	24.6	24.4	24.4	23.7	24.8	24.9	24.9	25.6	26.2	25.7	25.4		
Norway	28.2	31.1	23.7	25.1	24.1	23.6	22.9	22.5	22.7	23.5	23.9		

Source: Kumpikaite (2019). The latest data are from Eurostat. For Slovenia, World Data Atlas (<https://knoema.com/atlas/Slovenia/GINI-index>)



**Figure 4 Dynamics of Income Inequality in the Baltic States, 1980-2011**

Source: Gini (2012), p. 12; The original source is Standardized World Income Inequality Database (SWID).

There seems to be certain relationship between the economic inequality within a country and emigration, but it is a Lithuanian researcher Indre Genelyte (2018) who clearly shows the relationship between the economic inequality within a country and people’s emigration. Using the theoretical model of Hirschman’s *Exit, Voice and Loyalty*, she explains the reason for a rapid increase in the number of emigrants from Lithuania. According to her, the global economic crisis and the

implementation of austerity measures has brought an 'objective' situation in which the economic decline potentially affected the quality of life of individuals. Highlighting the importance of how inequality translates into quality of life, she says that individual perceptions about decline in the quality of life led many people to decisions of not 'voice' but 'exit', i.e. emigration.

Fourth, low level of trust. All Baltic states inherited from the Communist regime extremely low level of generalized trust. Trust was further destroyed even further by the liberal reform in the transition to a market economy and the subsequent social and economic polarization of the society. In Estonia which showed better economic performance the level of trust recovered gradually whereas in Lithuania along with Latvia inequality remained high and also trust remained at a low level (Gini, 2012, p. 93). There might be expressed problem of 'social integration' in other words<sup>16</sup>.

Fifth, prices of apartments. A Polish researcher Kowalczyk (2017) compares salaries, prices of apartments, and prices of food and beverages in the Baltic states. It is prices of apartments in his report that draw our attention According to him, price per square meter of a flat in the city center is €1998 in Estonia, €1372 in Latvia and €2270 in Lithuania. Price per square meter of a flat outside the city center is €1366 in Estonia, €922 in Latvia and €1268 in Lithuania. Especially interesting is the number of monthly salaries needed to buy a 60 square meters flat outside the city center. 94.1 months (7.8 years) are needed in Estonia, 91.4 months (7.6 years) in Latvia and 118.3 months (9.9 years) in Lithuania. Namely in Lithuania almost 10 years of salaries are required to buy such a flat. Kowalczyk says that such an exorbitant price of flat does not encourage the young generation to stay in their homeland.

Sixth, health care services. Gini (2012) says, similarly to the subjective estimates of well-being, also the self-perceived health estimates indicate the inequalities in the transition societies. According to it, "While in Estonia the health perceptions have changed during the period of 2004-2010 more positive, in Lithuania the tendency is rather opposite. Unlike in Estonia, in Lithuania the individuals have to pay higher proportion of the healthcare services by themselves and hence certain population groups have limited access to health care services (p. 81). This point will serve as a factor pushing Lithuanian people to emigrate to advanced EU member states such as the UK where considerate health

---

<sup>16</sup> Lithuania's suicide rate spiked in the first half of the 1990s. Its suicide rate, which was 26.1 /100,000 in 1990, increased to 45.6/100,000 in 1995. An American sociologist Kyle Kaminski (Kaminsky, 2014) paid attention to this phenomena in Lithuania and published a paper 'The Consequence of Freedom: A Sociological Analysis of the Suicide Epidemic in Lithuania'. According to WHO statistics in 2004 which mentioned is 40.2/100,000. This is over 2.5 times more than the global average. The top five countries in terms of suicide rate are Lithuania, Belarus, Russia, Kazakhstan and Hungary. All of these countries were previously under the Soviet Union's control from the end of World War II to the end of the Cold War in 1989. Based on *Suicide* written by a French sociologist Durkheim, Kaminsky says, "the more integrated a society, the less suicide occurs, and the less integrated a society, the more suicide occurs" (p. 8), and suggests that an increase in suicide rate in Lithuania after the system change reflects damaged social integration. In later period Lithuania's suicide rate remained high. According to the latest data of World Population Review, suicide rate in 2019 in Lithuania is the world highest (31.9/100,000. Of which men: 58.1/100,000 and women: 9.5/100,000), followed by Russia (31), Guiana (29.2), South Korea (26.9), Belarus (26.2), Surinam (22.8), Kazakhstan (22.5), Ukraine (22.4), Latvia (21.2) and Lesotho (21.2). Incidentally, Estonia ranked 16th (17.8). <http://worldpopulationreview.com/countries/suicide-rate-by-country> Accessed on July 11, 2019.

care services are provided even to foreigners.

## 7. Advantages and Disadvantages of Emigration

As for impacts of emigration on the origin economy (Lithuania), a study by Lithuanian researcher Remeikiene and Gaspareniene (2019) is helpful. They mention return migration of emigrants with new experiences as benefit for both short-term and long-term emigration (see Table 7).

**Table 7 The impact of short and long term emigration on origin and aim economies**

Term	Advantages/ Disadvantages	The impact on an origin economy	The impact on an aim economy
Long-term emigration	Disadvantages	Loss of the money, which was invested in young people's education, loss of professionals; aging society; lack of labor force; brain drain; poor condition of public and personal services; underemployment; lack of research and other facilities, inefficient institutions	Adaptation challenges and adaptation-related cost
	Advantages	Return migration – return with a new experience	Immigrants are inclined to invest in their skill development and adaptation to new conditions; improved collection of taxes; growing GDP; higher revenues; better research and other facilities; availability of skilled staff
Short-term emigration	Disadvantages	Reduction of social insurance contributions; sudden rise of wages in the sectors from which labor force flows	Money transfers from a country; immigrants are economic consumers who buy little and save much with the aim to accumulate capital and return to the country of their origin
	Advantages	Reduction of unemployment rate (fewer people need jobs); return of emigrants with a new experience	Growing GDP; improved collection of taxes; filling of vacancies which are unwanted by local people

Source: Remeikiene and Gaspareniene (2019).

As for short-term emigration, they mention reduction of unemployment rate as an advantage. Of course there is a monetary advantage. In 2011, for example, remittance from abroad amounted to 4.6% of GDP, which corresponded to about 25% of total wages paid in Lithuania in that year (Sipaviciene and Stankuniene, 2013, p. 58). Let me present the numbers that Haynes (2018) mentions: “In 2012, for

instance, emigrant Lithuanians sent home around £ 1 billion in remittances. That's roughly half of the country's pensions budget, or about the same amount that the government receives annually in net inflows from the EU budget" (p. 3). These remittances contributed to the improvement of consumption lives of remaining families.

They mention reduction of social insurance contribution and sudden rise of wages in the sectors from which labor force flows as disadvantages of short-term emigration. They mention loss of the money, which was invested in young people's education, loss of professionals, poor demographic situation, aging society, lack of labor force, brain drain, poor condition of public and personal services, underemployment, lack of research and other facilities, and inefficient institutions as disadvantages of long-term emigration.

Advantage of long-term emigration is, as mentioned above, return migration with a new experience, but this is just an assumption that the emigrants would return home. If they stay permanently in destination countries, 'a new experience' would be never brought in Lithuania. It is natural that part of emigrants stay permanently in destination countries, but if most of long-term emigrants do not return home, 'a new experience' would be relatively small, and the above-mentioned disadvantages would by far exceed advantages. Present Lithuania seems to be in such a serious situation<sup>17</sup>.

## **8. Government's Responses to Decreasing Population**

As Bouman, et al (2015) indicates, due to low fertility rates, higher life expectancies and substantial outward migration, Lithuania has become one of the fastest ageing countries in Europe (p. iii). The government has so far responded as follows:

- 1) In recent years the Government has been encouraging Lithuanian emigrants to return home. Return immigration by Lithuanian emigrants began to increase recently.
- 2) The Government has been encouraging immigration. As a result, immigration from Ukraine and Belarus has been increasing.
- 3) Citizenship law was amended to approve double citizenship in order to keep connections with Lithuanian emigrants.
- 4) In order to mitigate the effects of ageing, policies are needed to raise the labor participation rates of older workers. The government adopts Active Labor Market Program (ALMP) and is supporting their retraining and job-hunting with help of public institutions. Gradual adjustments to the retirement age in Lithuania (with the retirement age increasing by four months per calendar year for women and two

---

<sup>17</sup> There is a Lithuanian researcher who suggests that although Lithuania's short-term prospect is "bleak", its long-term prospect might be "rosy". In his book published in 2012, Zenonus Norkus views that the population could decrease twofold in the next 20-30 years (namely, to about 1.5 million) but says that thanks to its geographical location (proximity of the most advanced European states), lower density of population, it might become one of the centers for bioenergetics in Europe and prosper as a green Baltic Kuwait (Nokus, 2012, pp. 294-295).



months per calendar year for men, and will continue to do so until both reach 65 years in 2026) have been made as of 2012 (Bouman, et al, 2015, p.11).

5) Taxation Reform. The country adopts flat tax system, which is disadvantageous to low-income bracket and very advantageous to rich people and becoming a factor contributing to an expansion of inequality. In its report of 2013 the IMF already criticized that the consolidation of the budget deficit conducted in the course of the economic crisis heavily relied on the cuts of expenditure in Lithuania while the tax structure remained almost unchanged. The share of capital and wealth taxes in total tax revenue is very low in Lithuania (9%), compared with EU averages (20%). The IMF recommended increasing taxes on capital and wealth and raising the progressivity of income taxation for the upper income deciles of the population. If this recommendation was put into practice, the Government would be able to increase its budget revenue and allocate funds to various measures for the reduction of the income inequality (IMF, 2013, p. 12; Leitner, 2014, p. 57). Recommendations by the IMF and the European Commission have been practically ignored until recently. Under the new President Gitanas Nausėda (elected in May 2019) taxation reforms including progressive income tax rates, albeit still lenient, have just begun.

6) Countermeasures against brain drain and outflow of young people. In June 2019 the Polish government decided to exempt from income tax for young people (under 26 years old) from August in order to suppress their emigration (*Asahi Shimbun*, July 30, 2019). There are some discussions in Lithuania as well, but no actual measures have been taken yet. There is a funding for young families to support real estate purchases in non-metropolitan areas, but its effectiveness has not been confirmed yet<sup>18</sup>.

## 9. Conclusion

Let me summarize what I have said. First, as emigration from Lithuania has been proceeding at a very rapid pace depopulation has been continuing with aging population. Massive outflow of population from this country and its depopulation of the country is in a serious situation. Presumably larger income inequality compared with Estonia has been a key factor urging people to emigrate. It seems that a series of reforms after the system change, especially the Lithuanian government's desperate efforts to enter the Eurozone have caused strains on the society. The strains have become major factors driving people to emigrate. However, this point requires further study. At any rate the Lithuanian government will be required to implement an effective taxation reform and take other measures in order to narrow income disparity in the country.

Second, it seems that the Lithuanian government's countermeasures taken so far have been insufficient, but I think that there are limitations to what individual governments can do in this respect.

Third, implications for the European integration. There is the principle of free mobility of labor in

---

<sup>18</sup> Information provided by Dr. Ubareviciene.

the European Union, it is natural that workers in an EU member state move across borders and work in other member states. At present, however, in the movement of workers across borders the emigration from poorer member states to richer member states has been dominant, and the emigration in opposite directions has been less frequent. A massive outflow of people from EU periphery including Lithuania and their concomitant depopulation is a serious problem. It might be economically rational on the one hand that highly-qualified workers such as medical doctors, nurses, IT specialists, etc., who have been educated and trained by less developed member states at a huge amount of cost, emigrate to advanced member states, but on the other hand it poses a significant problem when we take into account sustainability of the economic development of the EU as a whole. This problem needs more understanding of better treatment of these highly-qualified workers in EU peripheries. I think that the economic support from the European Union's Structural Funds and Cohesion Fund has been allocated among less developed regions of EU member states for the improvement of infrastructure. However, it seems that such an economic support has not contributed to the creation of jobs and the suppression of massive outflow of people. It will be necessary for the European Union to reconsider its regional policies. Policy-makers in the EU as well as researchers should pay more attentions to challenges such as development of human capital in the EU peripheries. With geographically vast area and population of over 500 million, it will be necessary for the EU to aim at its polycentric development.

### **Acknowledgement**

My only experience of visiting Lithuania is that as a member of a study tour of the Soviet Economy for three weeks in August 1989 I visited Lithuania for two days. As I have had no connection with Lithuanian economists, it was very difficult to obtain necessary information. When I began my case study on Lithuania last year I relied mainly on internet. My study progressed very slowly due to a shortage of materials. In March 2019 I requested Professor Kari Liuhto at Turku School of Economics, editor-in-chief of a bimonthly electronic journal of *the Baltic Rim Economies*, to introduce to me a suitable researcher. He introduced to me Mr. Aleksandras Laurinovicus, commercial attache at the Lithuanian Embassy in Helsinki. Then Mr. Laurinovicus recommended me to contact Professor Vlada Stankuniene, leader of the Center for Demographic Research at Vytautas Magnus University. When I sent an e-mail to her in early April she promptly sent me an e-mail with her papers attached. By reading her papers my horizons have widened, enabling me to collect materials. After reading my draft paper, Professor Zenonas Norkus (Vilnius University), Professor Gediminas Vitkus (Vilnius University) and Dr. Ruta Ubareviciene (Social Research Center of Lithuania) kindly sent me comments and provided me with precious papers and information. In addition, they responded to my inquiries with kind explanations in e-mails. At my request, Dr. Liuda Kasparaviciene at the Lithuanian Statistical Office kindly provided me with data on demographic dynamics. I would like to express my gratitude to those people that I have mentioned above.

## References

- Baltic New Network [BNN] (2018), High emigration, Lithuania's malady No. 1 grips further.  
<https://bnn-new.com/high-emigration-lithuania-s-malady-no1-grips-further-177645>
- Bohle, Dorothee and Bela Greskovits (2012), *Capitalist Diversity on Europe's Periphery*, Ithaca and London: Cornell University Press.
- Blyth, Mark (2013), *Austerity: the History of a Dangerous Idea*, Oxford University Press.
- Bouman, Ronald, Richard Horne, Santo Milasi and Naren Prasad (2015), Ageing and labour market implications for Lithuania, International Labour Office, Working Paper No. 6.
- Burkhauser, Richard V., et al (1996), *Income Mobility and the Middle Class*, Washington, D.C.: American Enterprise Institute for Public Policy Research
- European Commission (2017), Country Report Lithuania 2017.
- Genelyte, Indre (2018), Lost in mobility? Labor migration from Baltic Lithuania to Sweden: PhD Thesis, Distributed by Department of Social and Welfare Studies, Linköping University.
- Gini (2012), *Growing Inequalities' Impacts: Country Report for the Baltic States*  
Gini-research.org/system/uploads/437/original/Baltics.pdf?1370077200 Accessed on June 26, 2019.
- Gligorov, Vladimir, Josef Poeschl, Sandor Richter, et al (2009), *Where Have All the Shooting Stars Gone?, Current Analyses and Forecast 4*, Vienna: wiiw.
- Haynes, Gabin (2018), Lithuania's Emigration Crisis, VICE  
[https://www.vice.com/en\\_uk/article/437qgg/lithuanias-emigration-crisis](https://www.vice.com/en_uk/article/437qgg/lithuanias-emigration-crisis)
- Hunya, Gabor (2018), FDI in Central, East and Southeast Europe: Declines due to Disinvestment, *FDI Report 2018*, Vienna: wiiw.
- Izneta Zickute (2013), Social Class Structure in the Baltic Countries, *Economics and Management*, 2013, 18 (1), ISSN 2029-9338 (Online) <http://dx.doi.org/10.5755/j01.em.18.1.4388>  
Accessed on June 17, 2019
- Kaminski, Kyle (2014), The Consequence of Freedom: A Sociological Analysis of the Suicide Epidemic in Lithuania, Honors Theses, Paper 2490, [http://scholarworks.wmich.edu/honors\\_theses](http://scholarworks.wmich.edu/honors_theses)
- Kedaitiene, Angele and Rasa Martinaviciene (2005), Rural areas in Lithuania: significance, development and aid, Paper prepared for presentation at the 99th seminar of the EAAE (European Association of Agricultural Economists), held in Copenhagen on August 24-27, 2005
- Kluesner, Sebastian, Vlada Stankuniene, Pavel Grigoriev and Domantas Jasilionis (2015), The Mass Emigration Context of Lithuania: Pattern and Policy Options, *International Migration* (International Migration for Migration), doi:10.1111/imig.12196
- Kowalczyk, Michal (2017), Are Baltic States still Baltic Tigers?, Financial Observer.eu: Open content, <https://financialobserver.eu/baltics/are-baltic-states-still-baltic-tigers/> Accessed on July 6, 2019.
- Koyama, Yoji (2010), Economic Crisis in the Baltic States: Focusing on Latvia, *Economic Annals*, Volume LV, No.186/July – September 2010, Faculty of Economics, the University of Belgrade, pp. 89-114.
- Koyama, Yoji (2018), Migration from New EU Member States in Central and Eastern Europe and Their Depopulation: Case of Bulgaria, *Historical Studies of Socialist System* (published by the Japan

- Collegium for Historical Studies of Socialist System). <http://www.econ.tohoku.ac.jp/~aoki/hsss/>
- Koyama, Yoji (2019), Emigration from Romania and Its Depopulation, Historical Studies of Socialist System (published by the Japan Collegium for Historical Studies of Socialist System). <http://www.econ.tohoku.ac.jp/~aoki/hsss07-sc.pdf>
- KPMG Baltics (2019), Summary of key tax changes effective as of 1 January 2019.
- Kumpikaite-Valiuniene, Vilmante (2019), Four Lithuanian Emigration Waves: Comparison Analysis of the Main Host Countries
- Leitner, Sebastian (2014), Lithuania: Euro area within reach, wiiw, *Forecast Report*, Spring 2014.
- Lietuvos bankas (2018), Lithuanian Economic Review
- Mara, Isilda and Michael Landesmann (2016), Free Movement of Persons to the UK and Its Implications for the Mobility of the EU-CEE Countries, *Forecast Report Autumn 2016*, wiiw.
- Norkus, Zenonas (2012), *On Baltic Slovenia and Adriatic Lithuania*, Vilnius: Apostrofa
- Norkus, Zenonas (2018), The Glory and Demise of Monetary Nationalism in the Post-communist Baltic States, *Nations and Nationalism* (Journal of the Association for the Study of Ethnicity and Nationalism), 1-22, DOI: 10.1111/nana.12404.
- OECD (1996), *Review of Agricultural Policies Lithuania*.
- OECD (2016), OECD Economic Surveys: Lithuania.
- Pociovalisteanu, Diana-Mihaela (2012), Migration for Education Nowadays, *Annals of the Constantin Brancusi University of Targu Jiu, Economic Series*, Issue 1/2012
- Remeikiene, Rita and Ligita Gaspareniene (2019), Assesment of the impact on the origin economy, *Verslas teorija ir praktika*, 20 (1), 187-195. Doi: 10.3846/btp.2019.18
- Renkuosi Lietuva (2018), Emigration-immigration statistics (Information updated: 2008-11-02). <https://www.renkuosilietuva.lt/en/emigration-immigration-statistics/>
- Sipaviciene, Audra and Vlada Stankuniene (2013), The Social and Economic Impact of Emigration on Lithuania, Chapter 3 of OECD (2013), *Coping with Emigration in Baltic and East European Countries*, <http://dx.doi.org/10.1787/9789264204928-en>
- Tammru, Tiit (2001), Suburban Growth and Suburban under Central Planning: The Case of Soviet Estonia, *Urban Studies*, DOI:10.1080/00420980120061061
- Ubareviciene, Ruta (2017), *Socio-spatial Change in Lithuania: Depopulation and Increasing Spatial Inequalities* [PhD Thesis, Delft University of Technology], appeared in *ABE* [Architecture and the Built Environment] <https://journals.open.tudelft.nl/index.php/abe/article/view/1843>
- Ubareviciene, Ruta and Maarten van Ham (2017), Population decline in Lithuania: who lives in declining regions and who leaves? *Regional Studies, Regional Science*. <https://doi.org/10.1080/21681376.2017.1313127>
- Valetta, William (2000), Completing the Transition: Lithuania Nears the End of Its Land Restitution and Reform Programme, FAO Legal Papers Online #11
- World Bank (1993), *Lithuania: The Transition to a Market Economy*, Washington DC: World Bank.

### **Japanese Literature**

Hayasaka, Makoto (2017), *Lithuania: Between Its Historical Tradition and Nation Building*, Tokyo: Sairyusha.

Horibayashi, Takumi (2014), *Reformation of Liberal Market Capitalism and Its Unrest*, Kyoto: Sekaishissha.

Koyama, Yoji (2017), Changes in the Slovenian Society: From the Second Half of the 19th Century to the Early 21st Century, *JISRD*, pp. 38-50.

Nakai, Ryo (2016), Lithuania and Latvia: As Extreme Examples of Problems of E(Im)migration in Eastern Europe, in Okabe, Midori (ed.) (2016), *International Movement of Human Beings: How does Regional Integration change 'Borders' ?*, Kyoto: Hohritsu Bunkasha.

### **Periodicals**

*Asahi Shimbun (Asahi Newspaper)*

*Nihon Keizai Shimbun (Japanese Economic Newspaper).*

*Baltic Rim Economies*

*Current Analysis and Forecast Reports*, Vienna Institute for International Economic Studies (wiiw).

*Emerging Europe Monitor: Central Europe & Baltics [EEM]*, London: BMI Research.