

A TUMULTUOUS DECADE EMPLOYMENT OUTCOMES OF IMMIGRANTS IN THE CZECH REPUBLIC

By Daniel Münich



**A Series on The Labor Market Integration of New Arrivals in Europe:
Employment Trajectories**



THIS PROJECT IS FUNDED BY
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A TUMULTUOUS DECADE

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March 2014



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Acknowledgments

The author thanks experts from the Czech Statistical Office for providing original data and detailed information about various technical matters. He also appreciates the work of Klára Kalíšková, a PhD graduate at the Center for Economic Research and Graduate Education – Economics Institute (CERGE-EI), who has maintained research databases.

This report is part of a project conducted by the Migration Policy Institute and the International Labour Office called “The Labor Market Integration of New Arrivals in Europe.” The project examines immigrants’ trajectories into skilled employment in the initial years after arrival, as well as the policy interventions that seek to support their economic integration. The project includes case studies of the Czech Republic, France, Germany, Spain, Sweden, and the United Kingdom. This research was undertaken for the European Commission’s Directorate-General for Employment, Social Affairs, and Inclusion.

This report has been produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

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Cover Design: April Siruno
Typesetting: Erin Perkins, LeafDev

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Suggested citation: Münich, Daniel. 2014. *A Tumultuous Decade: Employment Outcomes of Immigrants in the Czech Republic*. Washington, DC and Geneva: Migration Policy Institute and International Labour Office.



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Executive Summary

The immigrant population in the Czech Republic is smaller than in most western European countries, at between 4 and 5 percent of the labor force in 2010-11. But it has grown considerably over the past 15 years, more than doubling since 2000 despite a modest decline in the wake of the global economic crisis that was felt in the country at the beginning of 2009.

The majority of migrants in the Czech labor force come from former communist countries, notably Ukraine, Russia, and Vietnam, alongside smaller numbers from new European Union (EU) Member States. A small but notable share comes from high-income Organization for Economic Cooperation and Development (OECD) countries, primarily Germany, the United Kingdom, and the United States. Many of the latter came to the Czech Republic to work for large multinational companies that increased their investments in the country in anticipation of EU entry in 2004. These individuals are generally highly educated, have very robust employment rates (85 percent in 2011-12), and are concentrated in highly skilled, professional, and managerial jobs.

Immigration from postcommunist countries, however, has brought some notable challenges in a country where dedicated immigrant integration policies are virtually nonexistent. On average, the employment rates of these migrants are roughly similar to those of native-born Czechs, but they are more likely to be employed in low-skilled jobs. Fourteen percent of postcommunist-country migrants were in low-skilled jobs in 2011-12, compared to just 5 percent of Czech nationals. This group of immigrant workers is also almost twice as likely to have low levels of education. Successive cohorts of immigrants arriving from formerly communist countries during the 2000s showed some evidence of progression out of the lowest-skilled jobs, although not all cohorts fared equally well. All three immigrant cohorts whose progress can be tracked over time saw declining employment in low-skilled jobs, but these rates remained well above the rates observed for Czech nationals.

Box 1. Situating the Research: A Series on Employment Outcomes among Immigrants and Mobile EU Citizens in Europe

This report is one of six case studies completed during the first phase of a recent Migration Policy Institute (MPI) project evaluating the ease with which foreign-born workers within the European Union are able to establish themselves in destination-country labor markets during the first ten years after arrival. The project evaluates the conditions under which new immigrants are able not only to find employment, but also to progress out of unskilled work into middle-skilled jobs. The low wages paid for most unskilled work mean that immigrants (or native workers) who are unable to move out of these positions into higher-skill, higher-paid jobs after a few years are at risk of poverty and social and economic marginalization.

The case studies in this phase of the project consider the influence of individual characteristics and broader economic conditions on the employment prospects of foreign-born workers. The second phase of the project will evaluate the effectiveness of integration and workforce development policies in helping foreign-born workers overcome these barriers and move up into middle-skilled positions that pay a family-sustaining wage.

The six case study countries are the Czech Republic, France, Germany, Spain, Sweden, and the United Kingdom.

In addition to proportionately more people on the low end of the education spectrum, migrant groups from postcommunist countries also have larger percentages of highly educated people. There is some evidence of “brain waste,” as these higher levels of education do not appear to have translated into highly skilled employment: in 2011-12, immigrants from formerly communist countries were 40 percent more likely to have received tertiary education compared to Czech nationals, but 20 percent less likely to be employed in high-skilled jobs.



Immigrants arriving from 1999 to 2001 appear to have experienced the most positive overall employment trajectories, with a clear increase in employment rates from 63 percent to 78 percent between 2003 and 2011-12. Later cohorts entered with higher initial employment rates but did not experience clear gains over time—a trend that may be explained by their shorter tenure in the Czech labor market when the economic crisis arrived. Female migrants entered the labor market with lower employment rates and higher representation in low-skilled jobs; and while they experienced clearer gains over time, the gap between migrant women and men remained significant.

The 2000s brought significant changes to the Czech labor market, and to the profile of migrants coming to the country.

The 2000s brought significant changes to the Czech labor market, and to the profile of migrants coming to the country and settling for the long term—not least because of significant institutional and policy changes resulting from EU accession, as well as the arrival of the economic crisis at the end of the decade. This changing political and economic climate is reflected in some substantial fluctuations in immigrants’ economic outcomes (although these fluctuations may be exacerbated by small sample sizes in the data for this relatively small population). Nonetheless, the data analyzed for this report suggest that the challenge of reducing obstacles to immigrant workers’ progression into more skilled employment are worth significant policy attention.

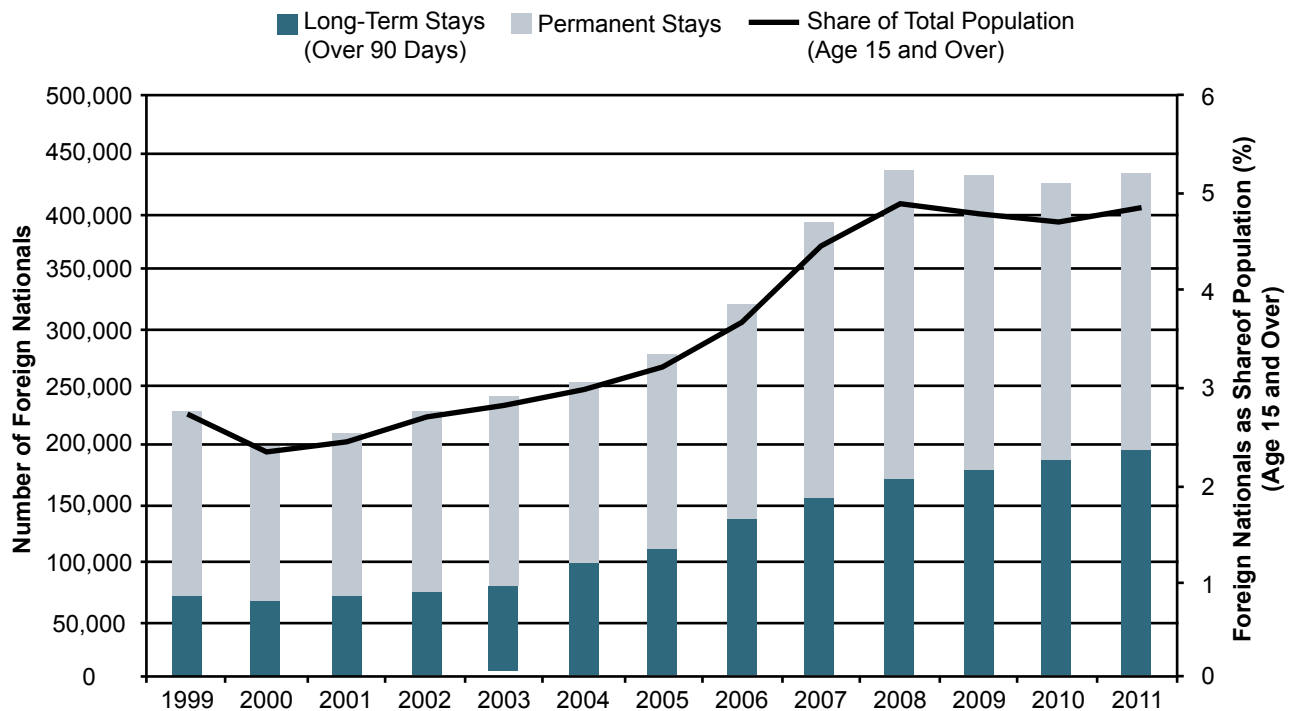
I. Introduction

Immigration is a relatively recent phenomenon in the Czech Republic. Once primarily a country of emigration, the past two decades have seen new inflows of people from postcommunist countries, primarily from Central and Eastern Europe, and from Vietnam. Many of these workers find employment in the construction sector (particularly men) and the private-services sector, such as in domestic labor (mainly women). International trade and investment relationships have also spurred inflows of workers in managerial roles from high-income Western countries such as the United Kingdom, Germany, the United States, and France; these flows are much smaller, and migrants often arrive through intracompany transfers between branches of multinational firms.

Figure 1 shows that the number of foreign nationals in the Czech Republic more than doubled over the past decade, growing from approximately 200,000 at the beginning of the 2000s to more than 430,000 in 2011. The share of long-term and permanent-resident noncitizens as a percent of the population (ages 15 and over) also increased substantially. Over the same period, the share of immigrants who were concentrated in the major urban area of capital city Prague (which constitutes about 10 percent of country’s population) grew from 28 percent to 37 percent.



Figure 1. Foreign Nationals in the Czech Republic, 1999-2011



Source: Czech Statistical Office, "Foreigners by type of residence," updated February 5, 2013, www.czso.cz/csu/cizinci.nsf/tab/B900334F9B.

Two important events have shaped these flows: (1) the Czech Republic's accession to the European Union (EU) in May 2004, and (2) the economic crisis that arrived in the country at the beginning of 2009. Driven by these events, the annual net immigration flow fell from an estimated peak of almost 84,000 in 2007 to just under 17,000 in 2011 (see Table 1).

Table 1. Annual Migration Flows in the Czech Republic, 2001-12

	2001	2006	2007	2008	2009	2010	2011	2012
Immigration inflow	12,918	68,183	104,445	77,817	39,973	30,515	22,590	30,298
Emigration outflow	21,469	33,463	20,500	6,027	11,629	14,867	5,701	20,005
Net immigration	-8,551	34,720	83,945	71,790	28,344	15,648	16,889	10,293

Source: Czech Statistical Office, "Vývoj obyvatelstva České republiky 2012- Migrace," updated September 11, 2013, www.czso.cz/csu/2013edicniplan.nsf/p/4007-13; Czech Statistical Office, "Vývoj obyvatelstva České republiky v roce 2011- Migrace," updated September 11, 2012, www.czso.cz/csu/2012edicniplan.nsf/publ/4007-12-r_2012.

EU entry has had numerous impacts on immigration outcomes, both legal and economic. First, it has compelled the country to tighten its external border policies, in accordance with the regulations of all countries within the Schengen area. Joining the Schengen zone both resulted in tighter external controls and the start of a process of removing internal controls. In particular, upon EU enlargement in 2004, many old EU Member States had imposed temporary restrictions on labor-related mobility of citizens from the new EU countries. These restrictions were fully lifted in 2011. On the other hand, upon EU entry, tightened external controls applied also to important sending countries of migrants to the Czech Republic, such as Ukraine, Vietnam, Russia, and Bulgaria.

Secondly, EU entry brought with it funding for development and cohesion, and increased the credibility of the Czech Republic among foreign investors. As a result, the country became a more attractive destination for migrants from non-EU countries. During a period in which the demand for workers far outpaced the



supply (particularly in 2007-08), the country's immigration policies were temporarily relaxed. However, the onset of the economic crisis substantially changed this balance, as labor market outcomes for immigrants began to change. Immigrants were among the first to be laid-off by larger employers in manufacturing (like Škoda Auto, which is part of the multinational Volkswagen Group) and construction. Losing regular employment, some immigrants left the country, others speculatively registered as self-employed, and others relied on undeclared work arrangements and remained in the country illegally.

Starting in 2011, fiscal consolidations greatly reduced public expenditures on large-scale construction projects such as highways and train corridors. Residential and administrative construction was also substantially reduced, leading to a drop in labor demand in the construction sector, which employed a large share of immigrants, primarily from postcommunist countries, and in particular from the Ukraine. These major labor market trends changed the profile of newly-arriving migrants, affected their labor market performance in the Czech Republic, and affected their departures from the country.

The economic crisis also initiated the adoption of stricter immigration policies, including both legislated and regulatory measures. Some of these changes imposed additional administrative and financial burdens on immigrants who were already in the country, as well as on newly-arriving and potential future migrants.

Immigrants were among the first to be laid-off by larger employers in manufacturing and construction

This report examines labor market integration of new immigrants in the Czech Republic, based on the Czech Republic Labor Force Survey (CZ-LFS) collected by the Czech Statistical Office (see Box 2). The analysis follows four cohorts of immigrants to the Czech Republic over the course of the 2000s. The cohorts correspond to years of arrival, allowing the analysis to report the outcomes for immigrants to the Czech Republic based on the time frame in which they arrived. The four groups are the 1999-2001 cohort, 2002-04 cohort, 2005-07 cohort, and 2008-10 cohort.

For each group, the report presents snapshots of labor market performance during four different periods between 2002 and 2012. With only four observations in time, the fluctuations in outcomes are more visible than smooth trends. These marked fluctuations are in part due to the relatively small sample sizes in the data, but are also the result of a tumultuous decade, showing the different effects of EU entry and the economic crisis.

The next section reviews the basic characteristics of the immigrant cohorts, analyzing their profile based on educational attainment, gender, age, and job tenure. The following section examines employment patterns among migrants and natives, focusing specifically on low-skilled immigrants. Each of these sections offers insight on each cohort of migrants over time, parsing out the different outcomes depending on time of arrival in the Czech Republic. The data presented compare the profile and outcomes of immigrants from postcommunist countries, immigrants from Western and developed countries, and native Czechs.

The analysis provides a first and relatively reliable indication of the overall situation, and an initial insight into the trajectories of the immigrants who entered the Czech labor market during last decade.



Box 2. Methodology and Definitions

Survey Overview

The Czech Republic Labor Force Survey (CZ-LFS) is a standard survey of households according to Eurostat guidelines. It is a rotating quarterly panel of households and its members are followed for five consecutive quarters. It focuses primarily on employment, unemployment, and nonemployment but lacks information on income, earnings, and wealth. The survey was established in late 1993. The sample is representative of the Czech Republic but has standard caveats, such as poor coverage of socially-excluded groups (such as the homeless and unauthorized immigrants). The scope of these caveats adheres to the standards used in other EU countries. Moreover, given the persistently low social and economic inequalities in the Czech Republic, the survey misses only a small share of the whole population.

Definition of Immigrant

Using CZ-LFS data, this study creates the subsample of immigrants as follows:

1. People born outside of the Czech Republic or the Slovak Republic. (Note that there have been favorable arrangements for Slovaks in the Czech Republic since the dissolution of the former Czechoslovakia in 1993. There are also no language barriers. For these and other reasons, Slovaks are not considered immigrants).
2. People who do not have Czech or Slovak citizenship.
3. Those between the ages of 18 and 64 at the time of survey.
4. People (cohorts) arriving to the Czech Republic after 1998.

Classification of Regions of Migrant Origin

1. Postcommunist countries: Central and Eastern Europe, including the former Yugoslavia; Vietnam; and countries of the former Soviet Union.
2. Western and developed countries (EU countries excluding the postcommunist countries, and non-EU countries including Switzerland, the United States, Canada, New Zealand, and Japan).

Note that each of these regions includes mobile EU citizens and immigrants from non-European Union countries. This report uses the terms “immigrant” and “migrant” to encompass both these groups.

Time Periods

For each year, one quarterly survey (the first quarter) is used. To secure a sufficient number of observations for statistical reliability, the study uses three-year time windows. Note that data for 2013 are not yet available and statistics for the last time window (2011-13) are based on two years of data (2011 and 2012) rather than three.

Cohorts of Immigrants

This study divides immigrants into cohorts by year of arrival, and their years of entry are marked by time windows such as 2002-04. The study follows labor market outcomes for several cohorts of immigrants. Note that the CZ-LFS only contains information on country of birth beginning in 2002, but given that the data contain information on the duration of stay in the Czech Republic, it is possible to identify the arrival year for migrants who arrived earlier.

Employment Outcomes

We define low-skilled occupations according to International Standard Classification of Occupations (ISCO) code 9, titled Elementary Occupations. “Elementary occupations consist of simple and routine tasks which mainly require the use of hand-held tools and often some physical effort.” Low educational attainment refers to lower secondary education at most. The former indicator is used only for working individuals while the latter can be applied to all, including those who are unemployed and inactive. The study also distinguishes three basic work statuses in accordance with the International Labour Office’s definitions: employed, unemployed, and inactive.

Source: International Labour Office (ILO), “Major Group 9: Elementary Occupations,” September 18, 2004, www.ilo.org/public/english/bureau/stat/isco/isco88/9.htm; ILO, “Key Indicators of the Labour Market,” October 16, 2011, www.ilo.org/empelm/what/WCMS_114240/lang--en/index.htm.



II. Overview of the Migrant Population in the Czech Republic

A. Countries of Origin

During the last decade, the foreign-born population of the Czech Republic has been dominated by immigrants from postcommunist countries, who comprised 82 percent of the immigrant population in 2002 and 77 percent in 2011.¹ According to official statistics, within this group the largest countries of origin are Ukraine (almost 34 percent in 2002 and 48 percent in 2011); Russia (6 percent and 12 percent in the same years), and Vietnam (10 percent and 14 percent).

Soon after the Velvet Revolution of 1989 that ended communist rule in Czechoslovakia, and the formation of the Czech Republic in 1993, the country became an attractive destination for job-seeking migrants from the Ukraine, which was suffering from a shortage of jobs and low income levels. The Czech labor market offered a wide range of manual labor options in its booming construction and private-services sectors.² The Slavic language skills of Ukrainian migrants offered a distinct advantage—most Ukrainians speak Russian, which had been mandatory in the Czech education system until 1989. Another advantage is the well-connected travel system between Slovakia and the Czech Republic—a legacy of their past—offering Ukrainians an easy way to enter the country.

The majority of the Czech Republic's immigrants from formerly communist countries are from non-EU countries.

The Czech Republic is also an attractive destination for wealthy Russian families, thanks to a low language barrier and a relatively short distance to Russia, while still being close to Western Europe. And during the communist era, a long-term workforce exchange program between Czechoslovakia and Vietnam established strong links between these two countries. As a result, Vietnamese families are now integrating relatively well into the Czech society, with second and third generations of Vietnamese-origin children showing high levels of integration in terms of language skills, social networks, and cultural habits.³

The majority of the Czech Republic's immigrants from formerly communist countries are from non-EU countries. Approximately 19 percent of postcommunist-origin migrants in 2002 and 13 percent in 2011 were from EU Member States, primarily Poland (3.3 percent in 2002 and 5.7 percent in 2011), followed by Bulgaria (1.4 percent and 2.9 percent in each year) and Romania (0.4 percent and 1.8 percent). According to official statistics (as well as the author's CR-LFS-based computations), the share of any given cohort that comes from postcommunist countries increases over time, suggesting that these individuals are

1 These numbers exclude Slovaks, for reasons reviewed in Box 2. Aggregate statistics presented in this section come from administrative records as published by the Czech Statistical Office (CSO). See CSO, "Foreigners: Number of Foreigners," updated February 12, 2013, www.czso.cz/csu/cizinci.nsf/engkapitola/ciz_pocet_cizincu; and CSO, "Vývoj obyvatelstva České republiky 2012- Migrace," updated September 11, 2013, www.czso.cz/csu/2013edicniplan.nsf/p/4007-13.

2 The private-services sector includes jobs such as sales and cleaning. These jobs mainly attract women, while the construction sector is male-dominated.

3 Existing research on the integration of East Asian communities is only in Czech. See Ivona Barešová, *Současná problematika východoasijských menšin v České Republice* (Olomouc, Czech Republic: Univerzita Palackého, 2010); Ondřej Hoffrek, "Vietnamská imigrantská ekonomika v České republice," *MigraceOnline.cz*, June 2009, www.migraceonline.cz/cz/e-knihovna/vietnamska-imigrantska-ekonomika-v-ceske-republice; Hana Mendlíková, "Integrace vietnamských dětí na 1. stupeň základní školy," (BA thesis, Masarykova univerzita, April 2011), http://is.muni.cz/th/266072/pedf_b/BP.pdf; Jan Semrád, "Integrace vietnamské menšiny v České republice se zaměřením na dnešní mladou generaci Vietnamců," (BA thesis, Masarykova univerzita, June 2012), http://is.muni.cz/th/361449/ff_b/; Vladimíra Soudkova and Tomáš Soudek, *Bariéry mezi námi očima cizinců* (Prague: European Training and Consulting, 2008).



less likely than other migrants to leave the Czech Republic. For example, among the 1999-2001 cohort of immigrants, those from formerly communist countries constituted 81 percent of the cohort in 2003, compared to 88 percent in 2011-12.

According to official statistics, the proportion of migrants from high-income Western and other developed countries (henceforth referred to as the West) experienced a temporary peak soon after the Czech Republic entered the European Union in 2004, reaching 17 percent of migrants in 2005-06. Since then, the share of migrants from the West has declined to 12 percent. Major countries of origin among this group include Germany (19 percent in 2002 and 32 percent in 2011), the United Kingdom (10 percent in both years) and the United States (12 percent in 2002 and 11 percent in 2011). Note that this group of migrants is rather small, which imposes statistical limits on the reliability of the more detailed analysis provided in following sections, especially when investigating low-skilled migrants, who form a very small share of Westerners in the Czech Republic. The share that each Western cohort makes up of all immigration also diminishes over time—the converse of the trend among migrants from formerly communist countries—which almost certainly reflects higher return migration among this group.

In 2011, about 20 percent of all migrants⁴ were from EU countries, primarily from Poland, the United Kingdom, and Germany. This share is more than double that observed in 2003, before EU accession. While analyses of immigration in many other EU countries distinguish between EU and non-EU nationals (and also between nationals from new and old Member States), this distinction makes less sense in the Czech Republic; sample sizes are not sufficient to further divide the EU and non-EU categories into higher- and lower-income origin countries. As a result, an analysis of labor market outcomes based on EU membership would provide a less clear picture than one based on the postcommunist and Western groups. This report uses the latter distinctions throughout.

B. Characteristics of Migrants and Natives: Differences in Distributions of Educational Attainment, Gender, Age, and Job Tenure

There are some notable differences between native Czechs, immigrants from postcommunist countries, and immigrants from the West. On average, immigrants from the formerly communist countries have lower levels of educational attainment than both natives and migrants from the West. They also tend to arrive at a younger age, and are more likely to be women, while the Western immigrant population is heavily dominated by men.

I. Educational Attainment

The Czech Republic exhibits one of the lowest early school dropout rates in the world (at about 6 percent) and one of the highest levels of upper-secondary education. On the other hand, the country's proportion of people with tertiary education is low by Organization for Economic Cooperation and Development (OECD) standards, but is somewhat higher among 20- to 30 year-olds than in the rest of the population.⁵ Overall, the average educational attainment of Czechs has grown steadily during the 2000s, and those with a secondary-level education or less are increasingly more likely to be among the older generations (50 and above), driving a swift decline of the proportion of low-educated Czechs during the last decade from 14 percent in 2011 to 10 percent in 2012. Meanwhile, the growth of the university sector is driving an increase in the proportion of highly-educated Czechs (meaning those with a tertiary education).

⁴ Again, excluding Slovakia.

⁵ Organization for Economic Cooperation and Development (OECD), *Education at a Glance 2012: OECD Indicators* (Paris: OECD, 2012), www.oecd-ilibrary.org/education/education-at-a-glance-2012_eag-2012-en.

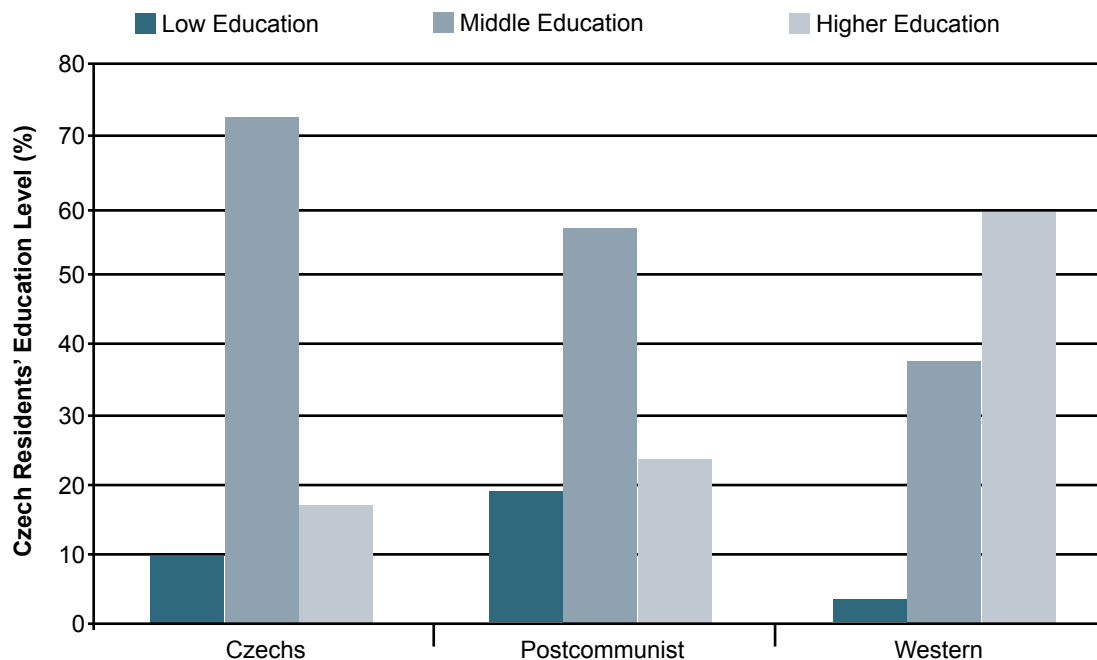
The educational attainment of migrants in the Czech Republic differs substantially from that of natives. On both ends of the education spectrum, there are proportionately more immigrants from postcommunist countries who fall into each of these groups than natives (see Figure 2). During the last years of the financial crisis (2011-12), the proportion of low-educated migrants in more recent cohorts grew notably, indicating a higher departure rate among recent immigrants with higher skills. *At the same time*, recent immigrants in these cohorts have also become more educated over the past decade. Anecdotal evidence suggests that many recent immigrants from formerly communist countries are highly educated people (for example teachers) who could not find sufficient work and salary opportunities in their home countries.

The educational attainment of migrants in the Czech Republic differs substantially from that of natives.

The data show that there are significantly lower numbers of immigrants from postcommunist countries who fall into the middle education category than among the native population. This is probably due to the extraordinarily high proportion of the adult Czech population with complete upper-secondary education and relatively low proportions of both tertiary education and incomplete upper-secondary or lower education. This educational structure of the Czech Republic is rather unique (together with Slovakia) within Europe and is due to the historical developments of the educational system during the second half of the 20th century.

Among migrants from Western countries, 50 percent to 60 percent have a tertiary education, a rate that is far above natives as well as migrants from the postcommunist region, and indicates that many of these migrants may be linked to multinational businesses in the Czech Republic.

Figure 2. Education Levels among Natives and Migrants, 2011-12



Note: Low education refers to those with at most lower secondary education; middle-educated individuals have more than lower secondary, but less than tertiary education; higher education refers to the tertiary level.

Source: Author's calculations based on Czech Republic Labor Force Survey data.



2. Gender

There are slightly more women than men among immigrants from postcommunist countries. By contrast, immigrants from the West are much more likely to be men, with the male share of newly-arrived cohorts rising from almost 70 percent in 2002-04 to approximately 80 percent in 2011-12. In 2011-12, only one in five Western migrants was a woman.

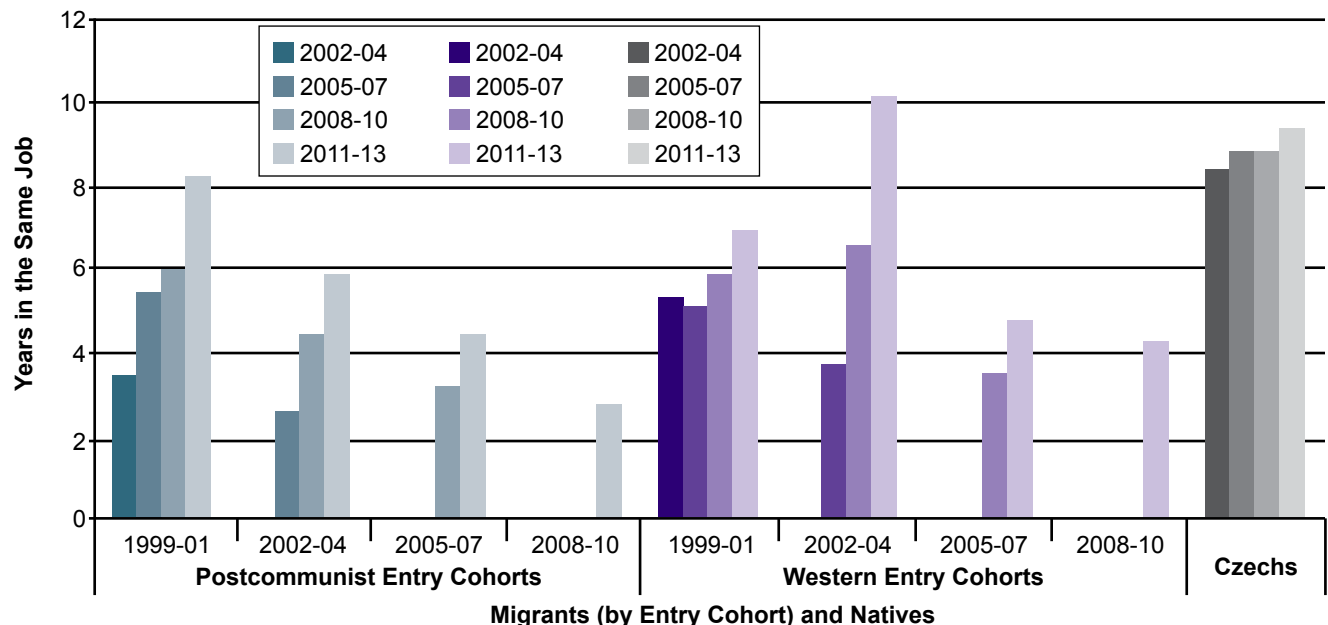
3. Age at Arrival

At arrival, migrants tend to be considerably younger than the Czech population, whose average age is 40. During the 2000s, migrants from the West had arrived at the average age of approximately 32, compared to 28 for migrants from formerly communist countries. These ages have fluctuated slightly over time, and for the most part do not show clear trends; however, within some cohorts of both Western and postcommunist-origin migrant groups, the age at arrival has declined over time, suggesting that those who arrive at a later age are more likely to migrate out of the country again. Observation and anecdotal evidence confirms this explanation, given the prevalence of non-tourist Westerners who arrive with new ventures, often the daughter companies or local branches of international firms. This is particularly the case with bankers, since after 1998 the Czech government sold the country's major commercial banks directly to well-established Western banks (such as Erste Group of Austria, KBC Group N.V. of Belgium, Société Générale of France, and General Electric Group). At that time, the weak financial and managerial operation of the Czech banks required a temporary influx of foreign managers from the multinationals that acquired them.

4. Job Tenure

During the last decade, the average tenure with an employer among Czechs has increased modestly, growing from 8.4 years in 2003 to 9.3 years in 2012 (see Figure 3). Among migrants, the average job tenure has increased more dramatically with the duration of their stay in the Czech Republic. But with the exception of the oldest cohort (who arrived between 1999 and 2001), by 2011-12 most migrant cohorts had been with their employers for well below the average length of tenure among Czechs—a fact that should not be surprising in light of migrants' more recent arrival into the labor market. There do not seem to be strong and persistent differences between groups of migrants. Among all cohorts of Western migrants observed shortly after entering the country, average job tenure is longer than average years spent in the country, suggesting significant proportions of workers enter on intracompany transfers that do not interrupt tenure within a firm.

Figure 3. Average Job Tenure of Natives and Migrants (by Entry Cohort), 2002-12



Source: Author's calculations based on Czech Republic Labor Force Survey data.

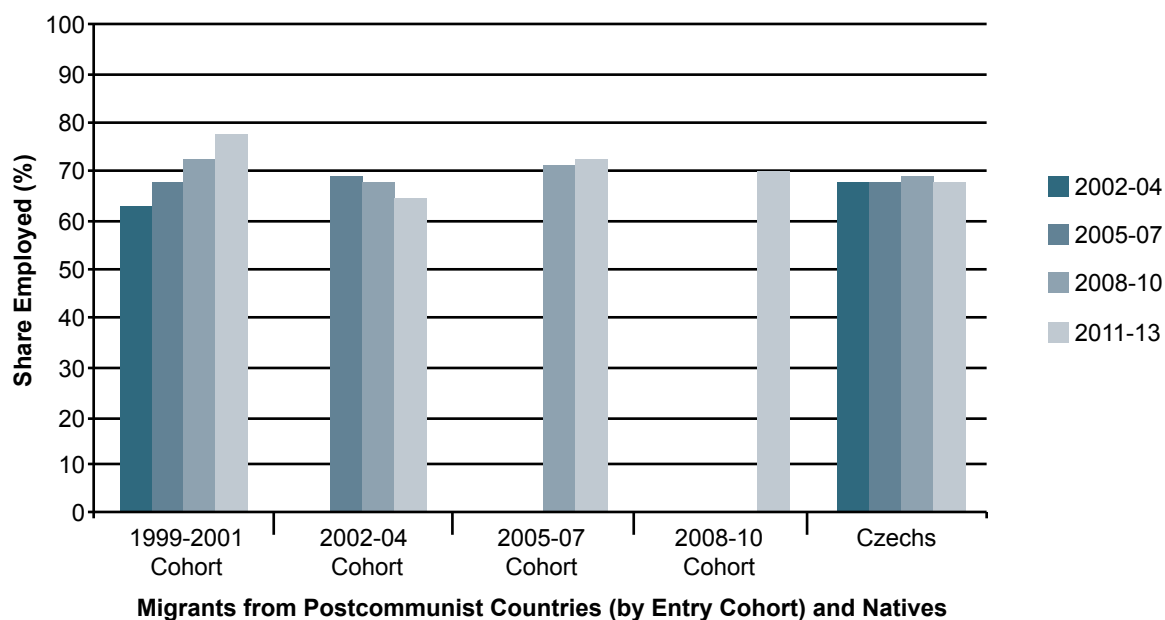
III. Immigrant Employment Outcomes during the 2000s

A. Employment Rates

The share of adult Czechs who are employed has been extraordinarily stable at 68 percent during the entire decade. Employment rates of immigrants from both the postcommunist and Western regions grew during the decade and surpassed the rates for Czechs, reaching 72 percent and 85 percent, respectively, in 2011-12 for all cohorts.

For migrants from formerly communist countries, the employment rates of the 1999-2001 cohort grew steadily over the past decade, from 63 percent to 78 percent (see Figure 4). Later cohorts from this group entered with higher employment rates and—as the next section shows—were less likely to be in low-skilled jobs, but do not show the same clear improvement over time. This pattern might be explained by the steadily-tightened Czech immigration policies and the government’s imposition of stricter requirements, including that immigrants must be employed, over that period. Restrictions following the economic crisis came into full force in year 2011, and are not fully reflected in the statistics shown. Specifically, the new regulations terminated the automatic process for renewing expiring visas, affecting incumbent immigrants in different times depending on the date of visa expiration.

Figure 4. Employment Rates of Migrants from Postcommunist Countries (by Entry Cohort) and Natives, 2002-13

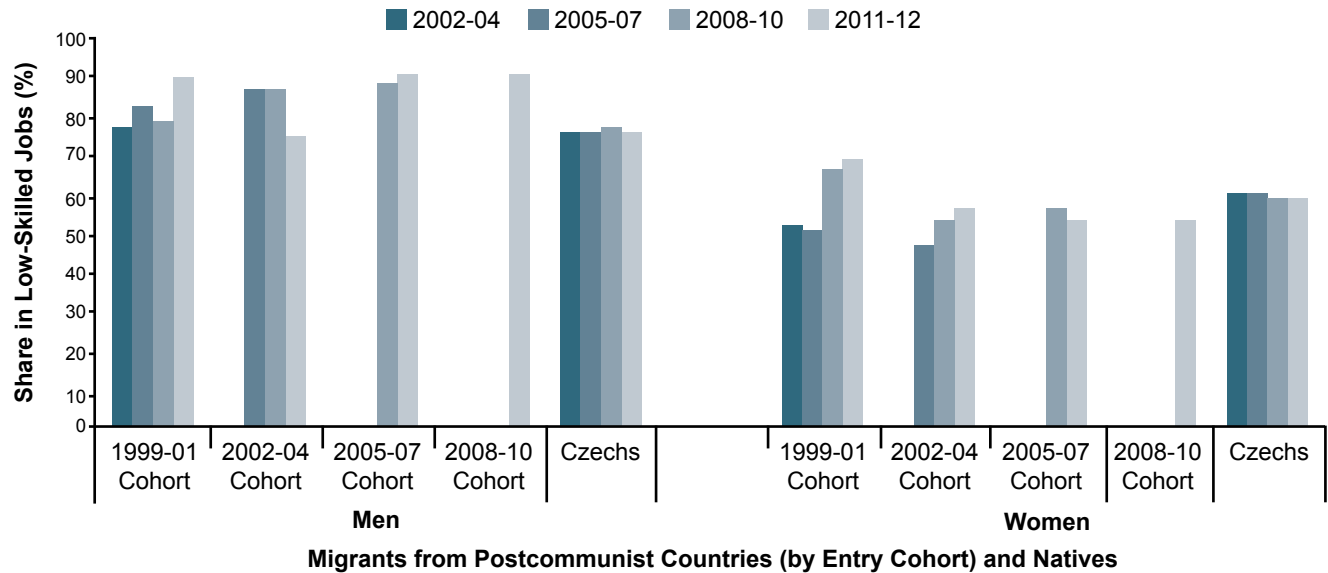


Source: Author’s calculations based on Czech Republic Labor Force Survey data.

As is commonly the case, employment rates differ markedly by gender. Men from postcommunist countries arrived with comparable or higher employment rates to Czech men. Migrant women from these countries arrived with significantly lower employment rates than their Czech counterparts, but showed clearer gains over time (see Figure 5). Both the 1999-2001 and the 2002-04 cohorts show clear improvement, and by 2011-12, the 1999-2001 cohort had surpassed Czech women by approximately 10 percentage points.



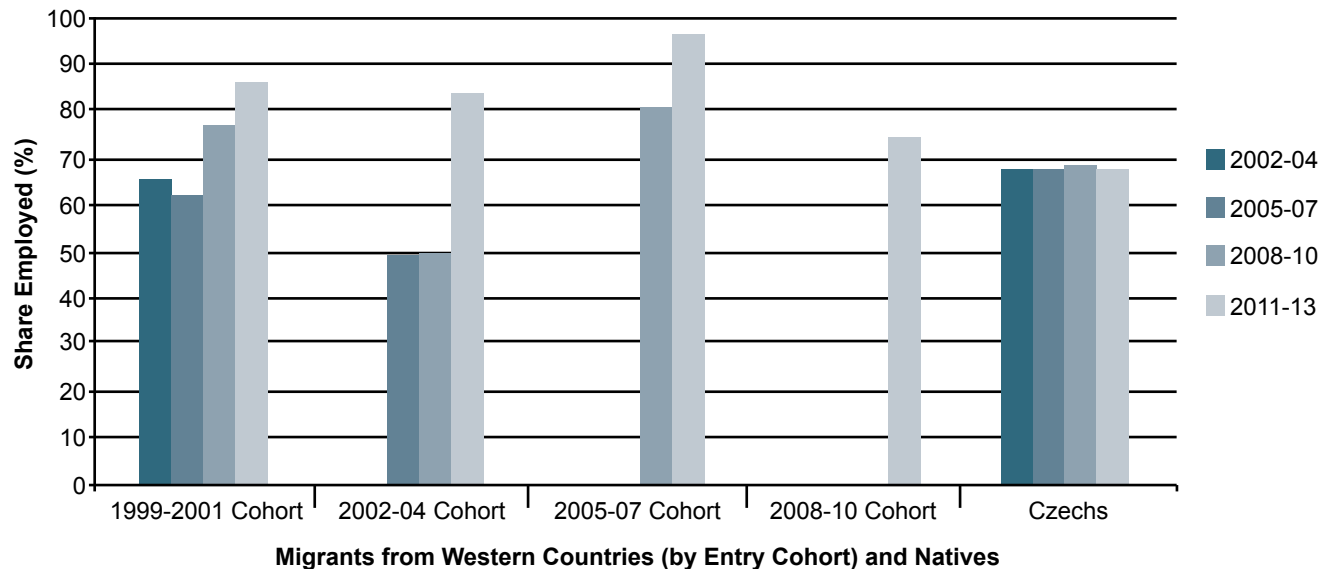
Figure 5. Employment Rates of Migrants from Postcommunist Countries and Natives, by Entry Cohort and Gender



Source: Author's calculations based on Czech Republic Labor Force Survey data.

For immigrants from Western countries, employment rates at entry varied considerably, and were somewhat higher for cohorts arriving later in the decade (see Figure 6). For each cohort, employment rates rose over time, surpassing the employment rate for Czech nationals. Sample sizes in the data are not sufficient to provide a breakdown by gender for the Western immigrant cohorts.

Figure 6. Employment Rates of Migrants from Western Countries and Natives, by Entry Cohort, 2002-13



Source: Author's calculations based on Czech Republic Labor Force Survey data.

Until this point, the analysis has focused on the share of migrants and natives who have been employed over the past decade. Similarly detailed statistics cannot be provided for rates of unemployment, however, because small sample sizes make these statistics unreliable. (Note that the unemployed must be distinguished from those who are not actually seeking employment and are simply out of the workforce).

The share of unemployed natives remained stable over the decade at about 5 percent of the population. For postcommunist-country migrants, unemployment was slightly higher during the earlier period from

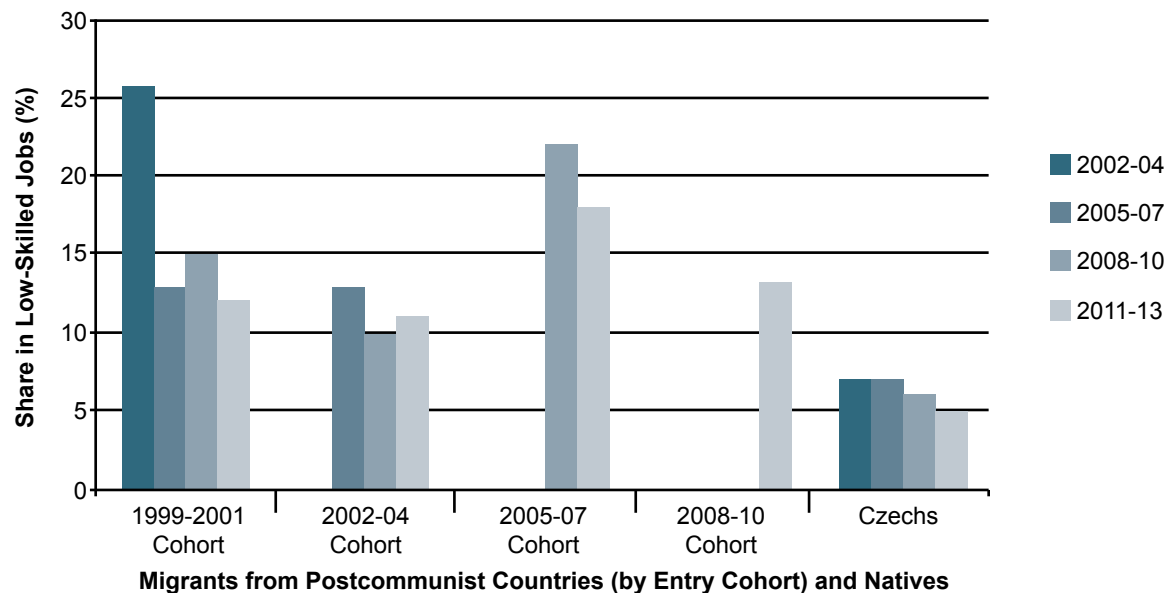
2002-07, and over time, declined to shares comparable to unemployment rates among natives. New cohorts of migrants from formerly communist countries entered with decreasing rates of unemployment (7 percent of the population in the 2000 cohort immediately after arrival, compared to 2 percent for the 2008-10 cohort), a fact almost certainly related to tighter immigration policies, particularly after the crisis. The 2000 cohort saw considerable declines in the share of unemployed migrants (to 3 percent in 2011-12), but there was no appreciable improvement for later cohorts (and a modest increase in unemployment for the 2003 and 2006 cohorts at the end of the decade, coinciding with the crisis).

The Czech Republic's unemployment registry reports a much smaller proportion of migrants receiving unemployment benefits compared to Czechs.⁶ This is rather an exception among EU countries, and it seems to be due to the rather restrictive institutional setup (such as high eligibility requirements) in the Czech Republic.

B. Occupational Skill Levels

The proportion of Czechs employed in low-skilled jobs is low, and declined from 7 percent to 5 percent over the decade.⁷ The proportion of migrants from postcommunist countries in low-skilled occupations is notably higher. Upon arrival it fluctuated between 13 percent and 26 percent, depending on the cohort (see Figure 7). There is notable decline in participation in low-skilled work as the duration of stay in the country increases, although this trend also varies considerably by cohort (with the largest decline occurring among the cohort that arrived from 1999 to 2001). The share of Western migrants working in low-skilled jobs is virtually zero, and thus is not shown here.

Figure 7. Share of Migrants from Postcommunist Countries (by Entry Cohort) and Natives Employed in Low-Skilled Jobs (as Share of All Employed), 2002-12



Source: Author's calculations based on Czech Republic Labor Force Survey data.

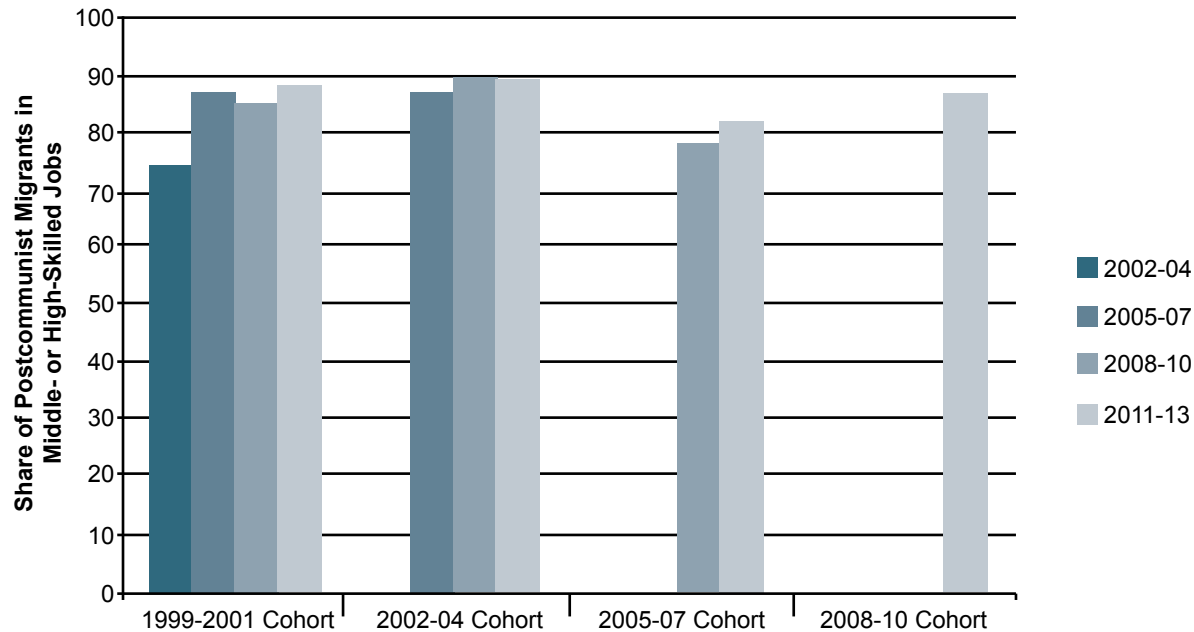
6 Reported by Martin Guzi, "Essays on Access to Higher Education, Welfare Traps, and Welfare Migration" (dissertation, Center for Economic Research and Graduate Education- Economics Institute [CERGE-EI], June 2013), www.cerge-ei.cz/pdf/dissertations/2013-guzi.pdf.

7 For the purposes of this analysis we distinguish three occupational groups by the skills intensity: low (International Standard Classification of Occupations [ISCO] code 9), medium (ISCO codes 4, 5, 6, 7, and 8), and high (ISCO codes 1, 2, and 3). See the "Major Groups" listed at International Labour Office, "ISCO- Major, Sub-Major, Minor and Unit Group Titles," updated September 18, 2004, www.ilo.org/public/english/bureau/stat/isco/isco88/major.htm.



This declining share in low-skilled jobs mirrored an increase in employment in middle- or high-skilled jobs (see Figure 8). For the 1999-2001 cohort, which experienced the clearest improvement over time, it is interesting to note that the growth in *high-skilled* work was responsible for most of the occupational gains. The share working in middle-skilled jobs remained roughly constant at just over 50 percent of employment. These trends in high-skilled employment are discussed later in this section.

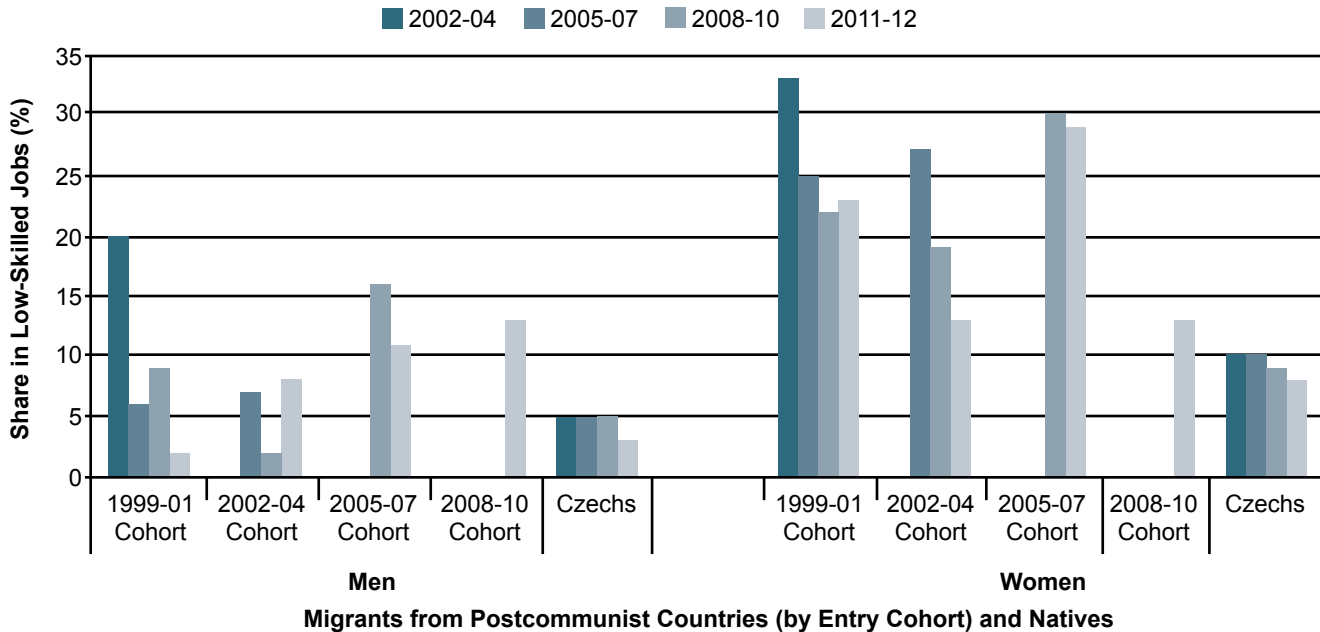
Figure 8. Share of Migrants from Postcommunist Countries (by Entry Cohort) and Natives Employed in Middle- or High-Skilled Jobs (as Share of All Employed), 2002-12



Source: Author's calculations based on Czech Republic Labor Force Survey data.

Women are much more likely to work in low-skilled jobs in the Czech Republic than men. The share of employees in low-skilled work during the 2000s was particularly high among migrant women; with the exception of the 2008-10 cohort—which was only slightly more strongly represented in low-skilled employment compared to Czech women—between one quarter and one third of all female cohorts worked in low-skilled jobs in the first three years after arrival (see Figure 9). This rate fell substantially over the decade for the 1999-2001 and 2002-04 cohorts, however.

Figure 9. Share of Migrants from Postcommunist Countries (by Entry Cohort) and Natives Employed in Low-Skilled Jobs (as Share of All Employed), by Gender, 2002-12



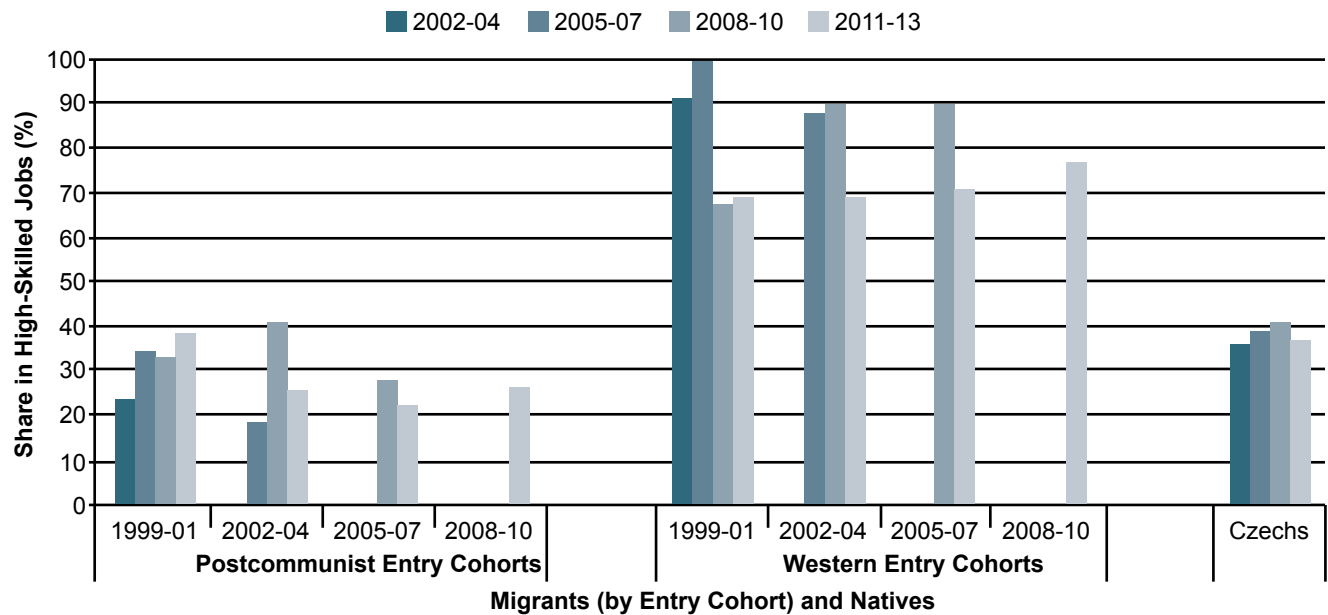
Source: Author's calculations based on Czech Republic Labor Force Survey data.

The proportion of Czechs employed in high-skilled professions increased from 36 percent in 2002-04 to 41 percent in 2008-10 (when the crisis started), before declining to 37 percent in 2011-12. This is in line with general observations that firms' reaction to the crisis affected employees at all ranks. Taken as a whole (rather than by cohort), migrants from postcommunist countries experienced similar trends, albeit they started with a lower share of workers in high-skilled employment by about one-third. Within this group, the analysis of separate cohorts does not follow a clear pattern; although the 2000 cohort does show gradual improvement, with the share of high-skilled jobs increasing from 23 percent immediately after arrival to 38 percent in 2011-12 (see Figure 10). It is notable that although migrant groups from formerly communist countries have higher proportions of people with a tertiary education than do natives, these higher levels of education do not translate into more representation in high-skilled jobs. This is due to mix of barriers that prevent these immigrants from occupying high-skilled jobs—such as language barriers, unrecognized diplomas and professional certificates, and inadequate knowledge. The salary difference between the Czech Republic and the countries of origin makes jobs requiring lower educational attainment still very attractive for immigrants from other less-developed postcommunist countries.

The share of migrants from Western countries in high-skilled jobs is about twice as high as among Czechs, but exhibited a steady decline over the course of the decade (see Figure 10). The cohort view suggests that migrants from the West may have faced adverse effects as a result of the economic crisis; their declining share in high-skilled jobs may also arise from the fact that these migrants leave high-skills professions after a certain duration of the stay—a phenomenon that could be easily explained by temporary managerial positions occupied by foreigners in multinational companies who then return home.



Figure 10. Share of Migrants (by Entry Cohort) and Natives in High-Skilled Jobs, 2002-12



Source: Author's calculations based on Czech Republic Labor Force Survey data.

C. Type of Employment

Among working Czechs, a stable share (83 percent to 84 percent) were employed in wage-based or salaried work during the entire past decade (others being either self-employed entrepreneurs or helping with a family business). The share of employee positions among working migrants from postcommunist countries was lower (67-75 percent). We observe a drop in the numbers of migrants from formerly communist countries after those countries' entry into the European Union, and a stable share thereafter. Entering cohorts of employed Westerners showed steadily increasing shares in employee positions: in the most recent period (2011-12), there was a substantial increase in the incidence of self-employment among the two oldest cohorts of Westerners. On the one hand, self-employment status offers notably lower tax burden, notably lower regulations than employment, and also venues for tax evasion. On the other hand, self-employment does not guarantee unemployment and sickness insurance benefits, paid vacation, lay-out notification period, and severance pay.⁸

D. Sectoral Trends

To secure statistical reliability, industries in the CZ-LFS data can be clustered at most into three main sectors: primary (agriculture, forestry, and raw materials), secondary (manufacturing), and tertiary (services). The services sector is the largest, employing 57 percent of Czechs in 2011-12, followed by manufacturing (36 percent), and a much smaller primary sector (7 percent) (see Figure 11). The share of employment in manufacturing in the Czech Republic is among the highest in the European Union and the OECD.⁹ As noted earlier, the proportion of Czechs working in low-skilled occupations had been low

⁸ It should be noted that over time, since about 2006, tax changes (direct taxes, including personal income tax and high levels of mandatory employee and employers' social security payroll contributions) made the tax treatment of the self-employed much more favorable relative to regular employment. The reason why these changes did not attract Czechs but did attract foreigners in switching from employee to entrepreneurial status might be that foreigners are not eligible for many social security benefits, even while they have to contribute as employees. In the case of Westerners, the purchasing power of social security benefits is rather low and many of them enter the Czech Republic with their own health insurance and pension plans.

⁹ OECD, *STAN Indicators: Manufacturing Share of Employment 1970-2009*, <http://stats.oecd.org/Index.aspx?DataSetCode=STANINDICATORS>; and Eurostat, "Manufacturing Statistics – NACE Rev. 2," http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Manufacturing_statistics_-_NACE_Rev_2.

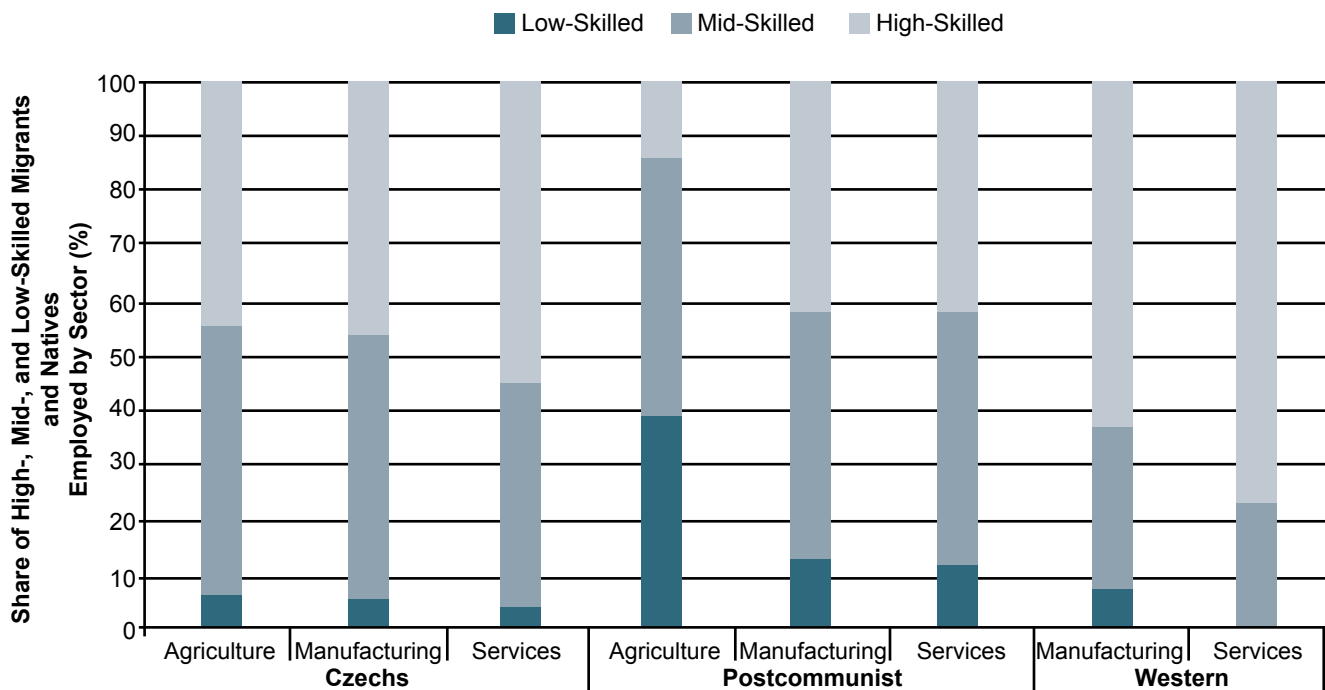
at 7 percent in 2002, and had declined to 5 percent by 2011-12. These trends remain basically the same across the three basic industrial sectors.

Immigrants who are employed in the primary sector are much more likely to engage in low-skilled work (see Figure 11). Thirty-nine percent of primary-sector workers from postcommunist countries were in low-skilled jobs in 2011-12, compared to 7 percent of Czechs, and a negligible number of Western migrants.

The proportion of Czechs working in low-skilled occupations had been low.

In the manufacturing and services sectors, migrants from postcommunist countries were less likely to be employed in low-skilled jobs (13 percent and 12 percent, respectively), although their representation remained considerably higher than among Czechs (6 percent in manufacturing and 4 percent in services). Interestingly enough, the proportion of middle-skilled jobs occupied by migrants from postcommunist countries is similar to Czechs, and it does not vary much across three industrial sectors. The proportion of Western migrants in middle-skilled jobs is much smaller, however, and these immigrants do not appear at all in the primary sector. Figure 11 shows the relative dominance of Westerners in high-skilled jobs. Detailed statistics decomposing cohort structure are at the margin of statistical reliability, and so are not presented here.

Figure 11. Skill Distribution among Migrants and Natives by Sector, 2011-12



Note: "Agriculture" includes all occupations of the primary sector, including forestry and raw materials.

Source: Author's calculations based on Czech Republic Labor Force Survey data.

Native Czech workers maintained a stable share of employment share in the secondary sector over the past decade, while their share of jobs in the tertiary sector grew from 54 percent in 2003 to 57 percent in 2012, at the expense of primary-sector employment, which declined from 12 percent in 2003 to 7 percent in 2012 (see Figure 12). The sectoral employment distribution of migrants from postcommunist countries is similar to that of Czechs. The economic crisis appears to have had an important impact on these distri-

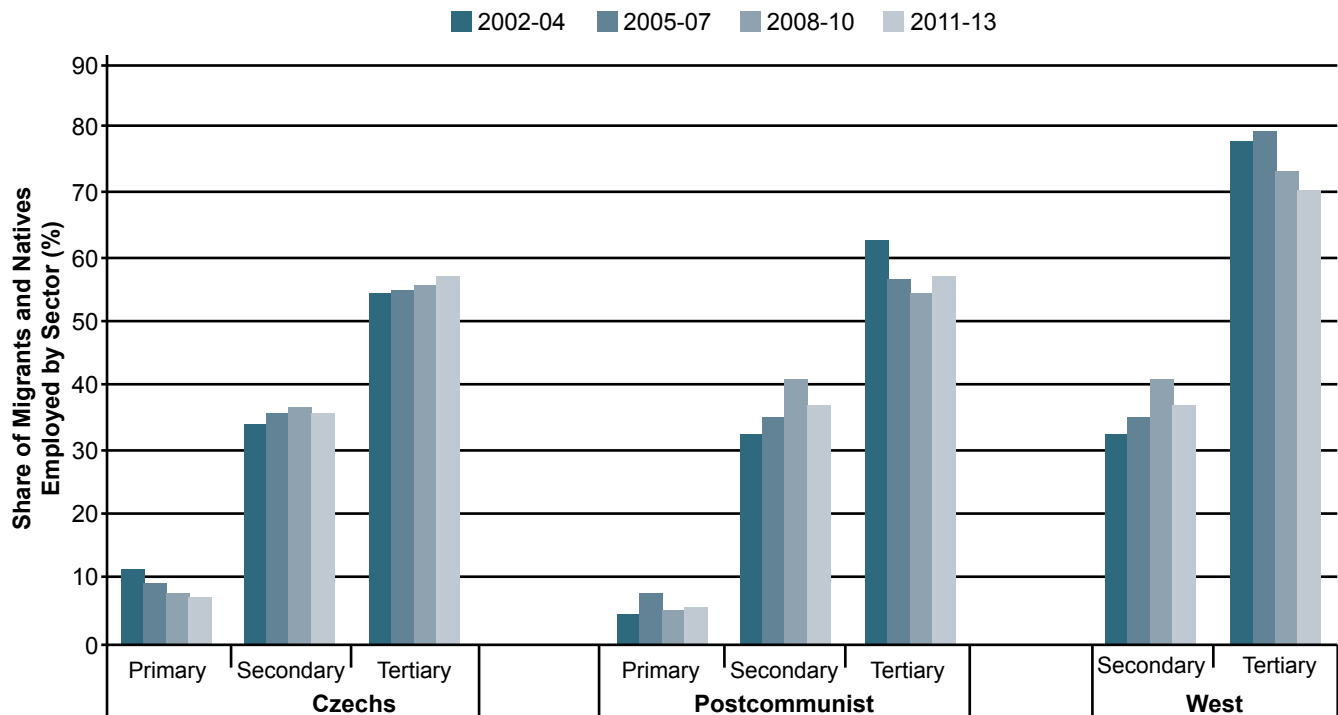


butions. While the shares of migrants from postcommunist countries was growing in the manufacturing sector before the crisis (in line with an overheated economy and well-performing industries that resulted in an excess demand for labor), this trend was reversed by 2011-12.

This drop in employment share in the manufacturing sector, and also the increase in the services sector, is consistent with developments observed during the economic crisis: foreign migrants employed intensively by larger manufacturers were among the first to be laid off. Since 2005, larger manufacturers increasingly relied on the workforce supplied by employment agencies, a situation allowed by the new Employment Code adopted in 2004, which issued a broad range of employment reforms including new rules on the conditions under which employees may be hired out to companies on a temporary basis. Employment via these agencies provided employers much greater flexibility compared to regular employment that was burdened by various restrictions and duties for the employers. Immigrants were highly represented in the workforce employed via these agencies. In the late 2000s, immigration policies and policies regulating the labor market activities of immigrants became more stringent (as there were more restrictions on jobs that were available to new or existing immigrants). The result was that many foreign workers who lost jobs registered as self-employed in order to secure a residence permit. In some instances, they continued performing very similar work, but were newly-labeled as service-sector workers (for example, a maintenance employee might become a self-employed entrepreneur in maintenance services).

Immigrants from the West find employment mainly in the tertiary sector (more than 70 percent over the whole decade) and they do not appear at all in the primary sector. That being said, their share in the tertiary sector declined somewhat over the decade. This proportional decline corresponds to a growing number of Westerners in both sectors, but with higher growth in the secondary sector.

Figure 12. Sectoral Distribution among Migrants and Natives, 2002-12



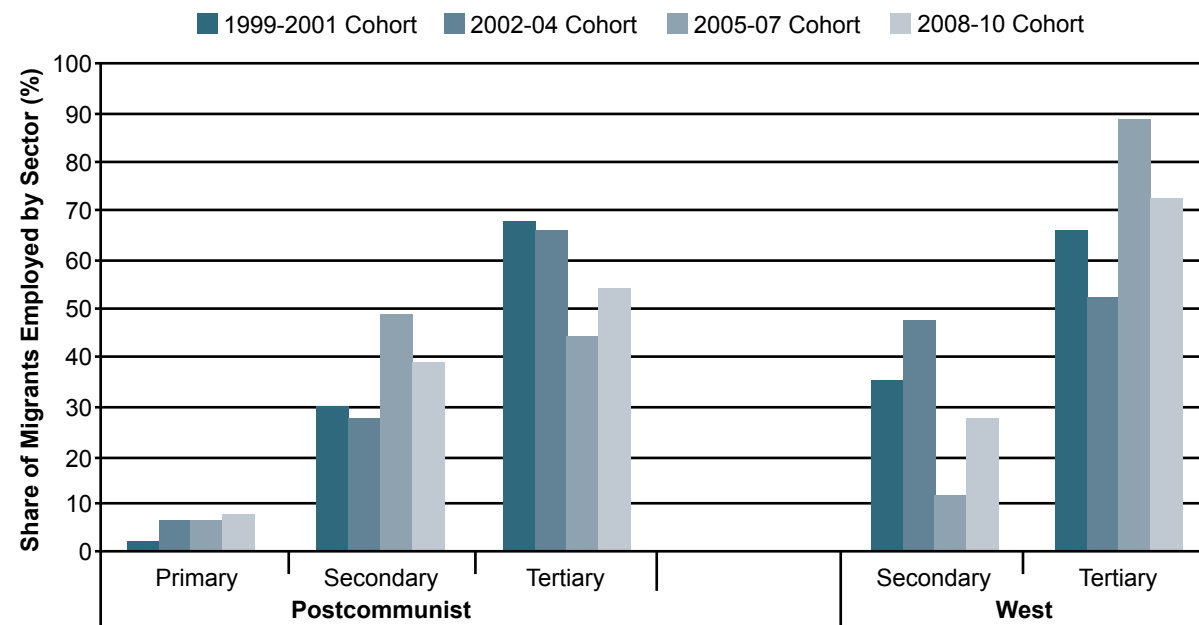
Source: Author's calculations based on Czech Republic Labor Force Survey data.

By 2011-12, migrants from postcommunist countries who had been in the Czech Republic for longer were more likely to be employed in the services sector than those who had arrived more recently (see Figure 13), suggesting either that workers moved into services work over time, or that those in manufacturing positions are less likely to stay in the country. The former effect could be attributed to the decline of

language barriers over the duration of an immigrant’s stay in the country. It should be also noted that the crisis arriving in late 2008 affected manufacturing industries the most—this sector experienced much higher rates of layoffs.¹⁰ The data also indicate a slight decline over time since arrival in the share of migrants working in the primary sector.

The pattern among Western migrants is less systematic. The unclear pattern is probably due to the mix of various simultaneous effects: the Czech Republic’s 2004 EU entry (such as a higher influx of workers into the underdeveloped services sector), overheated economy in 2007-08 and swift adverse impacts following the economic crisis in 2009 (which reduced foreign acquisitions as well as the need for foreign managers), and sample size limitations in the data that create statistical variability. Notably, Westerners who have arrived recently are more likely to be employed in the tertiary sector compared to the pre-EU entry (2004) cohorts (see Figure 13).

Figure 13. Sectoral Distribution of Migrants by Entry Cohort, 2011-12



Source: Author’s calculations based on Czech Republic Labor Force Survey data.

IV. Conclusions

During the communist decades before 1990, and even during the 1990s, Czechoslovakia and later the Czech Republic had few migrants. The influx of immigrants over the past decade has substantially changed the Czech labor market, despite the fact that the proportion of migrants in the country is still below the shares common in many other EU countries.

Numerous economic, noneconomic, internal, and external factors have affected the influx of migrants to the country, as well as their departure, either back home or to other countries. The multiplicity of these factors explains the relative lack of simple linear trends in the CZ-LFS data regarding migrants’ labor market outcomes.

The two major groupings of migrants for which sufficiently reliable statistical analysis can be performed—immigrants from postcommunist countries and immigrants from the Western and developed countries—have experienced relatively different labor market trajectories. Immigrants from Western and

¹⁰ Note that the moves into the service sector could also be an artifact of switching employee status to self-employed entrepreneurship.



developed countries do not seem to face obstacles to employment in high-skilled jobs (in fact, many of them are in the country because they are employed in high-skilled work); a negligible portion of them are low-educated and by and large, they do not occupy low-skilled jobs.

Migrants from the formerly communist countries have demonstrated some ability to progress from low- to middle-skilled jobs over time, although they remain overrepresented in low-skilled work even after as much as a decade in the country. These migrants face various and sometimes serious barriers preventing them from moving up the occupational skills track or integrating socially, but a detailed analysis of these is beyond the scope of this report. Among the most serious obstacles are their greater likelihood of having low levels of education (as shown in Figure 2), possessing qualifications that Czech employers do not recognize, language barriers, lesser eligibility for public benefits, and the almost nonexistent immigrant integration policies in the Czech Republic. Migrants also face various administrative barriers to acquiring real estate, obtaining full-fledged employment, getting access to education and training, receiving standard medical treatment, and obtaining professional licenses.¹¹ Such barriers are probably not so high for immigrants from the West given their higher ability to pay for legal and other advice, and also because many of those in managerial positions get administrative and lobbying support by their influential employers.

*Migrants from the formerly communist countries
have demonstrated some ability to progress
from low- to middle-skilled jobs.*

Looking forward, the current system faces several challenges, including the fact that it is administratively complicated, imposes bureaucratic obstacles on legal immigrants, and has failed to mitigate illegal immigration or immigrant involvement in undeclared work and illegal activities. So far, there had been little progress toward creating a strategic set of policies to support immigrant integration.

11 In a forthcoming report, the second phase of this project will offer details on these barriers and evaluate the effectiveness of integration and workforce development policies in helping foreign-born workers in the Czech Republic overcome them.

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