Migration and the new *austeriat*:
the Baltic model and the socioeconomic costs of neoliberal austerity

Charles Woolfson (Linköping University, Sweden)

Jeffrey Sommers (University of Wisconsin-Milwaukee)

Arunas Juska (East Carolina University)

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Abstract

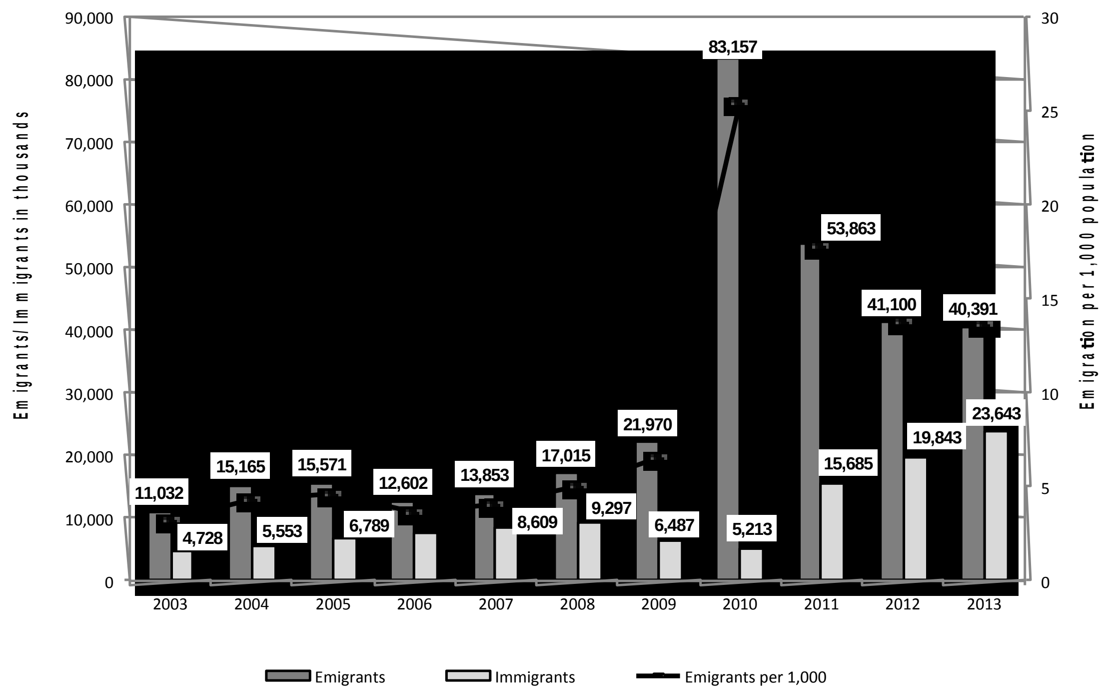
The Great Economic Recession was experienced with particular severity in the peripheral newer European Union member states. Baltic governments in particular introduced programmes of harsh austerity known as 'internal devaluation'. The paper argues that austerity measures have accelerated the fragmentation of the labour market into a differentially advantaged primary (largely public) sector, and an increasingly 'informalized' secondary (largely low-skill manufacturing and services) sector. It is suggested that the production of a segmented labour market has acted as a major stimulus towards creating, in both Latvia and Lithuania, among the highest levels of emigration in the European Union, especially during the years of the crisis from 2008 onwards. In the absence of effective state policy to address a gathering socio-demographic crisis in which this migration is a key component, so-called 'free movement' of labour raises troubling questions for wider societal sustainability in the European Union's neoliberal semi-periphery in an era of protracted austerity.

Keywords: Austerity, crisis, migration, Lithuania, labour market segmentation, neoliberalism, informalisation, European periphery

Introduction

The onset of the global economic crisis has led to a dramatic increase of emigration from a number of East European countries that have become members of the European Union (EU) (Galgóczi, Leschke, and Watt 2012). This was especially the case in Baltic countries that have experienced among the highest rates of emigration across the EU countries (Eurostat 2013b), see also Figure 1). At the peak of the crisis (2009-2010) emigration reduced the size of Latvia's population by 3.6 percent and Lithuania's population by 3.3 percent (Latvijas Statistika 2012; ELTA 2013). As crisis-driven emigration turned into what looked like a veritable exodus, threatening depopulation of Estonia, Latvia and Lithuania, it also has become a subject matter of both heightened scholarly interest and policy analysis (Apsite, Krisjane, and Berzins 2012; McCollum et al. 2013; McDonald 2010; OECD 2011, 2013).

Figure 1. Emigration, Immigration, and Emigration Rate in Lithuania, 2003-2013



* Source: (Statistikos Departamentas 2014).

Most of current research on the scope and causes of this emigration has tended to rely on a combination of neoclassical macro- and micro-economic theories in their analysis (for a review Baltic literature see (Barcevičius and Žvalionytė 2012, 31-74). Thus, in this view, the surge in emigration from the Baltics has been interpreted primarily as a response to a significant contraction of the economy and an increase in unemployment and poverty in the region, and the imposition of stringent austerity measures such as cuts in wages, reductions in social benefits, and increases in taxes (Parutis 2011; Hazans 2012; Lulle 2013; Sippola 2013). There have also been attempts to analyse Baltic emigration during the crisis using transnational and migration networks analysis (Bučaitė-Vilkė and Rosinaitė 2010; McCollum et al. 2013), as well as by discourse analysis and ethnography (Woolfson, 2010). None of the above approaches adequately addresses the actual dynamics of the labour market during the crisis.

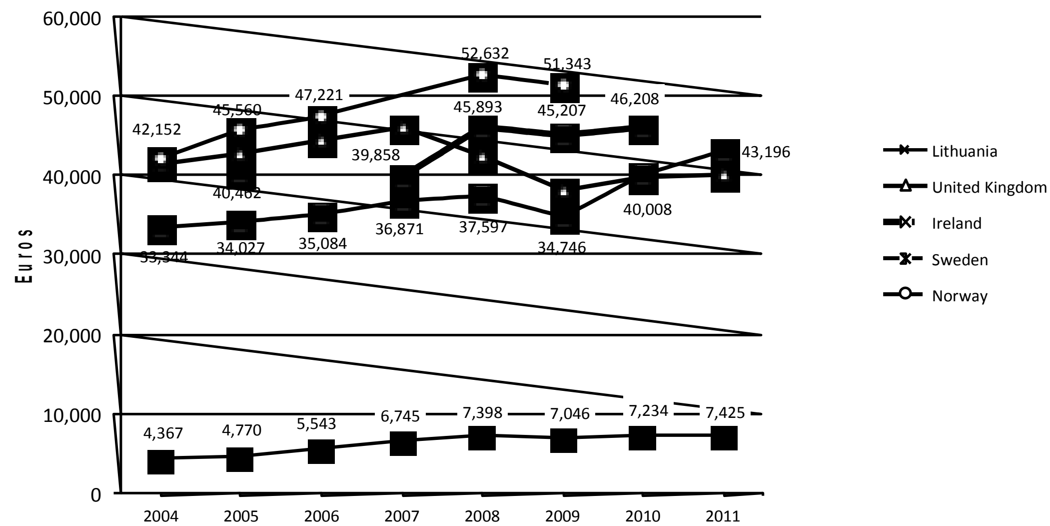
This paper acknowledges existing studies of migration, but will suggest that there are limitations in explanatory power with regard to the sheer scale and intensity of Lithuania's out-migration. It will apply instead the less-often used labour segmentation theory in order to theoretically apprehend the most recent surge of migration. The paper will argue that austerity measures adopted since late 2008 have accelerated the formation of bifurcated labour markets of a character that is particular to such post-communist countries, reflective of their economic underdevelopment as well as their dependent and peripheral position within European Union and the global economy. Viewed thus, the Lithuanian experience has wider resonance with problems of peripheral societies in the current era of crisis and austerity. An analysis follows of how the economic boom of the mid-2000s followed by the bust of 2009-2010 and economic recovery since 2010 have affected the (re)production of bifurcated labour markets and acted as a stimulus to ongoing (hyper) emigration. The paper concludes with a discussion of the key impacts that neoliberal orthodoxy associated with austerity and 'Baltic-style' internal devaluation (in contrast with external monetary devaluation), have had in terms of further dualisation of the labour market and the most recent wave of emigration from the region.

Dual Labour Markets in Core and Peripheral Regions: Theoretical Considerations

Following the collapse of the Soviet Union the Baltic states enthusiastically followed neoliberal prescriptions in the creation of new market economies post-1989, with low controls on capital, open markets, reduced provisions for social welfare and depleted labour rights (Bohle and Greskovits 2012, chapters 3 and 6). These factors combined to present serious challenges to the assimilation of Western European labour standards and a broader European 'social dimension', but also 'created much worse employment regimes', even compared to the near neighbour Central European Visegrád countries (Hungary, Poland, Czech, Slovakia) (Meardi 2012, 6). The lowest levels of trade union representation in the EU are to be found in the Baltic states, and in Lithuania the prevailing situation is one of 'hollowed-out' labour rights with a mere 9 per cent of the workforce who are trade union members. Restrictive strike laws especially in the public sector, a generalised absence of collective bargaining and poor collective representation in the workplace through organised trade unions have combined to make organised protest and worker 'voice' extremely difficult (Eironline 2013). Against this background, the harsh austerity measures introduced since 2008 have accelerated internal division of the labour market into differentially advantaged primary and secondary sectors that, in turn, have contributed to the further social and political fragmentation of the wider society. This fragmentation is manifest in the consequential 'exit' of the labour force.

In migration theory the dual labour market approach is usually used to explain 'pull' factors that stimulate emigration from underdeveloped to more developed countries and regions (Hasmath 2011; Massey et al. 1993; Piore 1979). According to the dual labour market thesis, in developed countries the labour market is segmented into a high-skill and high-value added primary sector, and a secondary one, which is labour-intensive and requires low-skilled workers. The native labour force in developed countries does not want to take jobs in the secondary sector due to low pay, low prestige, poor working conditions and a general lack of mobility in routinized low-pay employment. Thus, governments and businesses in developed countries face a dilemma: either to significantly increase wages in the secondary sector to attract native-born labour and consequently face the threat of rising wage-led inflation, increasing costs of production and therefore decreasing profitability, or to import cheaper labour from abroad. The preferred choice by far, appears to be the importation of labour from peripheral countries. Thus, the policies of liberalization in terms of 'free movement' of labour within the European Union can be seen in terms of a wider process of bifurcation in which the peripheral newer member states from the East were consigned to provide a ready supply of lower-cost labour to the older core member states (see for example the Cecchini Report (1988). With the first wave of eastern EU enlargement in 2004, wage differentials of up to seven times provided a powerful 'pull' factor for workers to migrate westwards, even into economic sectors and positions on the labour market well-below qualification and skill levels.

Figure 2. Average gross annual earnings of full-time employees in Lithuania, UK, Ireland, Sweden and Norway (in Euros, 2004-2011)*



Source: (Eurostat 2012a, 2013a).

As Figure 2 demonstrates, these wage differentials remained irrespective of economic downturn that occurred in any of the core countries during the 2008-2010 crisis. Thus, while declines in wages in the core countries were significant, especially during the depth of the recession, these did not substantially affect ongoing comparative wage differentials, and their persistent strength in stimulating 'pull' factors, despite growing unemployment in the major destination countries.

At first sight therefore the classical theories of push/pull would seem to have much in their favour in providing a set of explanations for migration behaviours. However, this would be to misrepresent the deeper underlying structural forces which produced these outcomes and which have imbued 'push' factors with a special dynamism not at first apparent. The dual labour market thesis can be modified to analyse and describe a unique constellation of 'push' factors which stem from the specifically post-communist and peripheral economic relations of dependency of Lithuania, as a less developed country within the European Union. Such a geo-spatial and historical constellation of factors has generated an intense domestic labour market bifurcation that, in turn, stimulates a level of emigration to the more developed European core countries that is, with the exception of neighbouring Baltic Latvia, without parallel.

The beginnings of labour market bifurcation in the Baltic states can be traced to the process by which, in the early 1990s, the economies and the state apparatus of these former Soviet republics were restructured from being an integral part of the unified Soviet state and economy to a dependent (peripheral) position within the EU–wide as well as the global division of labour. This reorientation of the region from East to West initiated a process of bifurcation of labour markets into a primary sector, composed mostly of public employment and a secondary labour sector, constituted by predominantly private employment of low-wage, low-skill, unprotected and 'flexible' labour, typical to peripheral regions of the global economy.

This pattern of bifurcation where primary/secondary segmentation roughly corresponds with the public/private employment was a result of the selective application of neoliberal policies to these two economic sectors within the region. More specifically, the private sector was formed under the neoliberal 'shock therapy' type of reforms of the early 1990s. Under tutelage of international organizations such as IMF, World Bank, and various EU agencies, Baltic governments pursued monetarist economic development strategy based on the primacy of attracting foreign direct investment and massive privatizations as the preferred path to post-Soviet reconstruction and the free market (Bohle and Greskovits 2007; Kolodko 2002; Hirschhausen 1998).

Such policy preferences led to de-industrialization of the whole region (Bohle and Greskovits, 2012) and the virtual disappearance of especially higher-skill and higher-wage industrial employment, with the accompanying relatively high levels of social benefits and security typical of the Soviet period. In conditions of what Raudla and Kattel (2011, 182) called a 'no-policy policy' of economic development, the manufacturing-based economy inherited from Soviet era (although globally uncompetitive) was subjected to asset stripping and seizure, leading to enrichment of a few so-called oligarchs and the simultaneous impoverishment of the majority of the population (Maldeikis 1996). At the same time, neoliberal social and employment policies were adopted to compete internationally and attract foreign direct investment on preferential terms, providing a cheap, well-educated and 'flexible' labour force, low taxes and lax regulation for (low value) export-directed assembly manufacturing, initiating the process of secondary labour market formation with few representational and collective rights (Sommers 2009).

In case of Lithuania, such knowledge-intensive and high-value added sectors inherited from Soviet times as mechanical engineering and tool production, TV and radio electronics, shipbuilding, and electro-mechanics went bankrupt and were replaced by production of packaging materials, printing, and plastic manufacturing (Veidas 2011). Characteristic in this respect was deindustrialization of the major seaport and third largest city of the country, Klaipėda. If in Soviet times the city had a diversified economy that was dominated by shipyards, chemical and paper industries, in the post-independence period the two largest facilities that had replaced this were a pet food processing plant and Philip Morris cigarette manufacturing. Currently Lithuanian exports are dominated by petroleum refinery products and fertilizers, food and agriculture products, furniture, textiles, paper, and plastics, for the most part requiring only semi or unskilled labour forces.

In comparison, the extensive public sector inherited from the Soviet era was reformed only gradually and mostly on *ad hoc* basis, in response to contingent and short-term political considerations (Cook 2002; Aidukaite 2009). In Soviet times this apparatus was used not only for surveillance and control of the population, but also for a massive redistribution of wealth through an extensive social policy network of services in which trade unions had an important role, covering full employment, free education and health care, and social security, in themselves valued ‘social goods.’

Rolling back public services from those who had grown up with them as an entitlement was one of the least popular aspects of transition to the market. In Lithuania resistance to dismantling social protection bureaucracies was strong, especially on the part of one of the leading parties most supported by that older generation which had grown up with socialism—the so-called social-democrats or reformed Communists. Ironically, the conservatives (Homeland Party) were not very keen on major public sector reforms either, if only because the extensive state apparatus could be gainfully used for political influence and patronage. Furthermore, the deep and protracted economic crisis of the early 1990s following independence from the Soviet Union, only strengthened centralization of the state as the government responded with a slew of emergency measures to stabilize the situation (Daugirdas and Mačiulytė 2006).

Finally, by the late 1990s, the growth and predominance of the public sector within the national labour market became driven by the preparation of the Baltic states for EU membership. This entailed achieving formal alignment of national regulation and state administrative functions and procedures with those of the European Union, in order to meet the stringent requirements of the EU *acquis* across the legislative panoply of economic and social affairs. Following accession in 2004, the administering of large inflows of EU structural funds to the region led to further bureaucratic expansion and consolidation.

In sum, the reforms of the early 1990s and Baltic entry into EU in 2004 had produced a bifurcation of labour markets specific to the neoliberal post-socialist Baltic states. The relatively large primary sector was composed of mostly self-regenerating public employment. For example, by 2011 public sector employment accounted for 29.4 percent of the labour force, while in most EU countries it was closer to 15 percent (in Hungary 18 percent, Germany 12 percent, Austria 10 percent, etc. (Eurostat 2013c). Only Scandinavian countries such as Norway and Sweden had such large public sectors, although in Sweden government expenditure in 2011 accounted for 51.3 percent of GPD while in Lithuania government expenditure accounted for 37.5 percent of GDP, third lowest among EU countries (Eurostat 2012b).

Because of the chaotic process of de-industrialization and the absence of strategic state policy for economic development, very few high-skill and high value-added jobs were added to the newly created corporate and SME-dominated primary sector. Those high-end jobs that were created were limited to financial services, privately funded research and development, corporate management, and to a few upper level niche markets. For example, high-value added industrial production in Lithuania (such as lasers and bio-pharmaceuticals, both previously leading sectors in Soviet times) accounted for only 0.1 percent of GDP (Veidas 2011).

By contrast, the bulk of private employment became concentrated in a secondary labour market that was dominated by low-skill and low-wage employment, mostly in manufacturing (for export) and service sectors. Thus, in 2014 20.7% of all employed in the country were paid a minimum wage of 1000 Lithuanian litas (289.61 euros) or less per month; and more than a quarter of those paid the minimal wage were employed in the retail and hospitality industry (Mockus 2014). In addition, the degree of social protection and benefits in the secondary labour market segment was significantly lower than that which employment in the public sector provided.

Furthermore, strategies of wage-suppression pursued by Lithuanian manufacturing in response to 2008-2010 global recession had significantly depressed wages as industrial companies reduced employees' compensation in order to increase their international competitiveness, especially vis-a-vis China. Increasing exports were seen as the only viable option in a country pursuing austerity policies in response to the global crisis, reflected in the fact that currently, about two- thirds of Lithuanian manufactured output is being exported. Today, Lithuania specializes in labour intensive production of mostly of low-value added components and semi-finished goods that are sold on to other European producers. As one of the analysts had stated 'we are sawing and manufacturing (semi-finished) goods for sale to other European producers, which, in turn, plaster them with their well-known brand symbols, and sell these with a significant mark-up to consumers' (Veidas 2011). A typical example of such export is the products made by the largest national cheese producer 'Rokiškio Sūris.' Although RS produces high-end cheeses, its exports to EU countries and US are mainly limited to high-volume, cheap generic products with very low profit margins used in pizzas, or re-sold as supermarkets' own-brands in their delicatessen sections. In that respect lower-end manufacturing in Lithuania, the major driving force of economic recovery since 2010, went head-to-head in competition, not with other European producers in the single market but with China, and (at least in a short term) succeeded in getting ahead of competition within EU markets (Čičinskas 2012).

Economic Boom and Bust and Bureaucratic Enclosure of EU-financed 'Nomenklatura'

During the mid-2000s when the Baltic region economy was booming (the so-called 'fat years' of the Baltic Tiger economies), the impact of a bifurcated labour market on social reproduction and social mobility strategies of the population, including emigration, was actually diminishing to some extent. An unsustainable credit boom, with rapidly rising real estate prices and, to a lesser extent, increasing wages produced a contradictory outcome. Across all sectors of the labour market, excluding perhaps those marginalized populations (especially rural groups permanently discarded in the backwash of transition to the market), this period of rapid economic growth was felt to be benefiting the predominant majority of society. Even those who owned a dilapidated (privatized) apartment in a shabby Soviet-era urban housing project somehow felt that their net assets were growing in value, as indeed they were, if only temporarily. While migration flows to older member states accelerated during this period, they were to be dwarfed by the new wave of crisis-driven exit.

In late 2008 economic crisis engulfed the Lithuanian economy, and within a space of two years GDP had plunged by 17 percent, second only to Latvia where GDP slumped by 25 percent in the equivalent period (2008-2010), with the Baltics recording the most rapid and dramatic downturns anywhere in global terms (Eurostat 2012c). The bifurcation of the labour market began to increase rapidly in this context. As real estate prices plunged with the onset of the recession, banks began demanding the return of outstanding loans. Government-imposed austerity measures slashed wages and the unemployment rates quickly soared from 5.8 percent to 17.8 percent between 2008 and 2010 (Statistikos Departamentas 2013a). For those in the primary sector, however, with its greater employment security and job protection afforded by the state, and embedded in its expanding European Union-oriented bureaucratic functions, it appeared that there was considerably less loss in terms of real income than for those in the secondary sector. It was the latter who were more directly exposed to and, in consequence, bore the brunt of economic downturn in terms of job losses and wages reductions. The result of so-called internal devaluation was a sizeable increase in proportion of population at risk of poverty or social exclusion from 23.1 percent in 2009 to 32.6 percent in 2010 (Statistikos Departamentas 2012b).

Yet, despite the severity of the economic crisis, the size of the public sector in Lithuania remained remarkably stable and underwent relatively little change over the space of a decade. In 2000 public sector employment in Lithuania accounted for 33.9 percent of the labour force. Even at the height of the crisis in 2009, reductions in public sector employment were small (3 percent in 2009 and additional 2 percent in 2010) (Kallaste and Woolfson, 2013). Thus, the public sector absorbed the crisis more through wage cuts (in some cases amounting to 30 percent among the lower echelons, albeit that the senior ranks retained and even improved upon previous parities), than through employment reductions *per se*. Meanwhile, the rest of the economy bore the brunt of the burden of austerity in terms of both severe wage *and* employment reductions.

Second, public sector employment had been not only more advantageously remunerated, but with the onset of economic crisis, wage differentials with the private sector further increased. If by 2007, the last pre-crisis year, average public sector wages were 7.7 percent higher than in the private sector, by 2009 (at the peak of recession) the difference had increased to 19.3 percent, giving some measure of the scale of wage reductions in the private sector. Only as the Lithuanian economy began to recover in 2010, did wage differentials begin to decline, falling by 2012 to a still-sizeable 10.3 percent (Statistikos Departamentas 2013b, 159; 2012a, 158).

Finally, public sector jobs were characterized by higher security and significantly higher benefits, thus providing a protected enclave within the labour market in troubled times. The security of primary sector jobs was assured, in part, by involvement in administering an ongoing massive influx of EU money. During the peak of the economic crisis in 2010, EU transfers accounted for 37.4 percent of the government’s total annual budget, and in 2011 for as much as 5.5 percent of country’s GDP. By 2012, as the Lithuanian economy recovered to some extent and revenues collected by government increased, the relative weight of EU contributions within the budget decreased to a quarter of the annual state budget (Lietuvos Finansų Ministerija 2013). However, in the 2014–20 budget cycle, EU transfers to Lithuania are anticipated to again increase by 10 percent over the previous level to a massive 44.5 billion Lithuanian litas (12.89 billion euros) (Abišala 2013).

Access to, and with that authority over, the distribution and management of these EU funds are signal characteristics of strategic and highly coveted employment positions. Such jobs enable their occupants to accumulate significant cultural and social capital. A number of these sought-after positions are associated with prestigious perks, such as business travel to various European capitals, extensive networking with EU officials, with national and international business representatives, and with representatives of transnational institutions, such as the World Bank and the World Health Organization. The social interfaces generated in this process initiate what C. Wright Mills (2000) called the ‘circulation of elites’: from strategic government positions to lucrative jobs in banks, investment agencies, transnational corporations, 'free market' think tanks, opinion-forming positions in the mass media, and with the possibility of returning to government employment in direct or advisory capacities according to changing political administrations' preferences for their own trusted personal networks.

Somewhat different from the phenomenon of criminal corruption, this largely unacknowledged process of a 'public' elite formation represents the sociological reproduction of an EU-financed '*nomenklatura*'—a category of highly educated, capable, and competent persons with 'insider knowledge' of how EU bureaucracy works and access to channelling, 'permissioning' and the power to engage in the preferential allocation of projects and funding. This new 'comprador' EU-oriented cadre force embodies a privileged and influential political-administrative class constituting itself in a new kind of primary sector employment.

One of the consequences of this process of social positioning by the new elites is a kind of bureaucratic 'enclosure' of the primary sector, further deepening labour market segmentation. Entry into this primary sector becomes regulated by credentialism and insider knowledge, while patron–client relationships typical of *nomenklatura* begin to develop. Such processes, to a large degree, explain the oft-repeated view (largely impenetrable to outsiders) of Lithuania as turning into a 'country of relatives', where social 'ennoblement' is dependent on access to particular patron–client networks from which the broader population is excluded. Yet if the public sector elites have seen the progressive entrenchment and consolidation of their privileged position in the primary labour market since enlargement and intensified during the crisis, the reverse appears to be the case with regard to the less favoured position of those in the secondary labour markets.

Growing Informalization of the Secondary Labour Markets

While the labour market security of the primary sector in Lithuania was assured by large EU transfers and increasing bureaucratic 'enclosure', the secondary sector has, by contrast, been subjected to an accelerating two-fold process of growing insecurity or precariousness captured in the notion of 'informalization', both 'from above' and 'from below' (Slavnic 2010). Informalization from 'from above' has been constituted in the austerity measures adopted by Lithuanian government in response to severe financial crisis. As a part of the austerity response package and internal devaluation, a series of labour market 'flexibilization' measures were adopted. These included the simplification of employment dismissal procedures, thus affording employers the opportunity for much easier hiring and firing, reduced or non-payment of severance pay, and an extension of working time. Fixed-term contracts were introduced for all new forms of employment, including those meeting a company's permanent needs, for a period of two years (later extended until 2015); changes to working time were imposed, with overtime liberalized up to a maximum of 120 hours a year, or 180 hours if collectively agreed (Clauwaert and Schömann 2012). These measures, as elsewhere in the Baltic states were unilaterally pushed through without reference to the established procedures of social dialog involving the trade unions, and provoked a deep anger among the representatives of organized labour who saw their remaining legitimacy and residual representational status as being profoundly undermined.

In addition to state-sponsored austerity measures eroding the level of legal protection for employees 'from above' through the rewriting of the Labour Code, informalization of employment was also given new impetus ‘from below.’ As the largely unorganized and non-unionised secondary sector workforce struggled to adapt to rapidly worsening economic conditions, this resulted in a significant expansion of the informal economy in which so-called ‘undeclared labour’ was perhaps the most telling proxy for the informalization of employment. Thus, by 2010 the informal economy was generating an equivalent of nearly 30 percent of the country’s GDP, the fourth largest among EU countries (compared with an EU average of 18 percent) (Schneider 2013, 3). About 23 percent of informal economic activities or about 6.36 billion litas (1.84 billion euros) was accounted for by wages paid ‘in envelopes’ and by various forms of non-legal employment (LFMI 2012, 14).

The growing importance of informal work and wages further underscored the preferential status of the public sector vis-à-vis private sector. Informal economic activities tended to be irregular, making wages paid out dependent mostly on the discretion of the individual employer; in turn, such payment systems further atomized and individualized the labour force, undermining possibilities for collective agreements and protection; finally, informal income unlike legal wages did not include contributions to social security benefits (such as pension funds, health insurance, etc.) further undermining workforce socio-economic security (Williams 2009).

In sum, although a decrease of income under austerity proved to be very painful across all social groups, even more traumatizing than cuts in wages were the gnawing vulnerabilities and long-term insecurities confronted by those employed in the private sector. They were now subject to irregular, unpaid or even withheld wages; constant threats of further unannounced wage reductions and cuts; persistent threats of being terminated or fired; overwhelming dependence on the whim of the boss; and little or virtually no legal recourse to address labour grievances. This radically deteriorated employment environment of heightened exploitation for labour was to have profound impacts in terms of a ‘centrifugal’ fragmentation in which the ‘disprivileged’ secondary sector of employment became increasingly socially and, so to say, physically ‘detached.’

Growing bifurcation of the labour markets, especially since the early 2000s, has changed the dynamics of ‘push’ and ‘pull’ factors involved in migration from the region, even to the extent of shaping educational choices within the framework of employment preferences. This is particularly the case for the post-transition generation of middle-income young people, for whom the socialist period is now only a dim historical memory. Because of the seemingly preferential status of the public sector within the increasingly segmented labour market, the aspirations of a significant part of this generation appear to be directed first and foremost, not towards making their mark in the burgeoning world of free enterprise, but towards securing their future, particularly at the higher levels of the state and local public administration (Šliogeris 2012; Jegelevičius 2014).

Differentiation of social and professional mobility strategies into either applying for jobs within and entering the primary sector, especially state and local government administration, or (in case of failing such entry) choosing emigration, is reflected in the data on structural unemployment which became a matter of intense debate in Lithuania. Thus, as the Lithuanian economy has rebounded since 2010, businesses representatives began complaining about a growing and chronic shortage of engineers, technicians, and other skilled industrial labour. Technologists and engineers were especially in short supply (Markevičienė 2013).

At the end of 2012, even with unemployment at about 12 percent, the shortage of skilled labour persisted. The more general issue of skills formation for labour market needs resulted in the performance of the education system coming under increasing scrutiny. In 2012 disproportionally high numbers of the new student intake - 42 percent had chosen social sciences (management, accounting, law, economics, etc.), while only 13 percent enrolled in technical fields. Of the more than 600 who graduated from high school with perfect exam scores and enrolled at universities in Lithuania in 2012, not one chose to study technical and technological sciences (Malinauskas 2013). Social sciences remained the preferred subjects of choice despite the fact of an existing over-production of graduates in this field. The allocation of financial incentives by government did not seem to be effective in directing students to technical professions - only 22 percent of its higher education budget was spent on social sciences compared to 30 percent for technical fields.

In a context of deepening bifurcation of labour markets, the strong preference for higher education in social sciences may also be understood as recognition that this type of education is a necessary precondition for gaining access to coveted jobs in the public sector. This seems to suggest that public employment remains more desired, prestigious and secure, offering better paying jobs than employment in private sector. This is especially so when compared to manufacturing. In the words of one astute commentator, the question that therefore should be asked is not why students are choosing social sciences, but why "manufacturing is persistently failing to present itself in a way that gifted and capable people would want to work there?" (Malinauskas 2013).

By contrast, those who cannot compete or fail to enter this primary sector and to make a 'safer' career in state administration appear to be relegated to the status of the new 'losers.' For the latter, the choices in terms of accessible opportunity structures become infinitely more circumscribed. The 'losers' dilemma is one of seeking employment in one of two secondary sectors: either within the increasingly informalized low-skill and low-paid manufacturing and service sectors, or alternatively seeking higher pay and better conditions in terms of basic social protection through emigration to core EU countries, albeit in many cases, at the expense of the loss of intellectual and social capital in relatively low skill employment abroad.

Despite resumption of economic growth in 2010, wages in Lithuania have continued to stagnate. The first increase in real wages occurred only in 2013 and then by only 3.7 percent. Even so, this rise could only partially explained by an increase in demand for labour. Instead, wages growth was mostly likely stimulated by 17.6 percent increase of the minimum wage on January 1, 2013 (Bradley, 2012). Ironically, instead of increasing wages to attract those highly skilled in demand, businesses began a lobbying campaign to ease restrictions on immigration of skilled labour from third countries, mostly from Belarus, Ukraine and further East. Especially prominent and vocal in this respect were representatives of the biggest business association, The Confederation of Lithuanian Industrialists, supported by the largest daily newspaper in the country *Lietuvos Rytas* which also began arguing for opening national borders for immigration from the East (Užkalnis 2012).

At a time when unemployment in the country remains high and the country is witnessing a yearly population departure equivalent to that of a mid-sized city. Furthermore, importation of even cheaper labour from further East would not only reproduce, but also entrench bifurcation of labour markets even more deeply, overlaying underlying structural labour fragmentation with ethnic divisions in a small country with little experience, resources, political will or consensus on undertaking integration policies (Sipavičienė, Gaidys, and Jeršovas 2010).

Labour Market Bifurcation and Persistent Emigration

It is projected that by the end of 2014, almost 6 years after the start of global economic and financial crisis, Lithuanian GDP will finally regain its pre-crisis levels. However, despite the resumption of economic growth, currently one of the highest in the EU, a number of paradoxes have emerged that throw light on the limitations which the neoliberal state 'policy of no policy' imposes on economic revival, in the context of peripheral Baltic states such as Lithuania. First, despite renewed growth, unemployment remains persistently high: if in 2008 unemployment was 4.2 percent, then by the first quarter of 2014 it remained at 11.3 percent, although this marks a significant decline from the peak of 18.4 percent in August 2010; meanwhile, the size of the labour force in 2014 was about one tenth smaller (by about 138 thousand) than before the start of the crisis (Mačiulis 2014).

Emigration, although it has declined from its peak in 2010, continues unabated and at a level that is double that of even the surge produced by EU accession in 2004-2005. While the Lithuanian economy has resumed positive growth, increasing from 2010 by 1.5 percent, rebounding thereafter by an impressive 6.1 percent in 2011, subsequently it had slowed to a more modest 3.5 percent in 2012, and 3.4 percent in 2013 (AB SEB bankas 2014). However, contra expectations, the number of people leaving the country in 2012 and 2013, while recovery seemed to be firmly under way, did not decrease. Some 41.1 thousand departed officially in 2012, and another 40.4 thousand in 2013, a rate of emigration of over 13 per 1,000 (13.7 in 2012 and 13.6 in 2013). While there has been an increase in return emigration from 5.2 thousand in 2010 to 23.6 thousand in 2013 (Statistikos Departamentas 2014), this also can be only partly explained by the improving economic outlook in the country; more likely, return emigration has been stimulated by the protracted and worsening employment situation in the major receiving countries such as the UK, Ireland and Spain. In consequence, there appears to have been some redirection of flows of emigration towards the Scandinavian countries, and especially Norway. This continuing numerical outward flow of migrants appears counterintuitive to the expected outcomes of a simple economic model of 'push' and 'pull' explanations and requires an understanding of the constitutive structurally segmented labour market dynamics of Lithuania's 'hyper-migration.'

Conclusion

In the new 'age of austerity' and the aftermath of the global economic and financial crisis, much analysis has focussed on the unequal burdening of the costs of resolving the crisis on labour as against capital (Blyth 2013; Varoufakis 2011). Less discussed have been the divisive impacts of the unequal burdening of these costs on labour itself. This paper has examined a neglected dimension for labour in the context of post-communist newer EU member states, taking as an empirical case study the Lithuanian labour market. We suggest that a new segmentation is occurring as a result of the crisis, creating a new generation of 'winners' and 'losers', in which those most disadvantaged in terms of employment and life chances are now departing from the country in an emigration flow on an unprecedented and continuing scale.

For those workers in the peripheral states of the European Union, the crisis therefore represents a double burden, in terms of reinforcing the structural segmentation of their disadvantaged location within the European labour market, but also domestically, in the creation of a new internal segmentation of the labour force. Against this background of cascading internal and internalised segmentation, we have argued that simplistic 'push-pull' theories of labour migration need to be reassessed. Specifically, this theoretical paradigm does not account for the profound underlying tensions generated by differentially experienced impacts of austerity whereby labour turns in upon itself, marking its less advantaged 'outsiders' for sustained propulsive exit and the more privileged 'insiders' for defensive entrenchment. In this respect, the Lithuanian experience may have wider European resonance reaching beyond the post-communist periphery.

The impact of continuing austerity has generated a demographic crisis which seems unlikely to abate, whereby three quarters of negative population growth of Lithuania is currently accounted for by outward migration, and population projections suggest a reduction overall from 3.69 million in 1990 to 2.82 million in 2030 (United Nations 2012). Austerity emigration has become transformed from a mere 'exit' to a veritable 'exodus' now manifest in a demographic implosion resulting in profound labour market imbalances. This suggests an unsettling prognosis for long-term recovery, despite positive celebrations of improving marco-economic performance. Such recovery has a restricted economic and a shrinking demographic basis. Above all, it is vulnerable to external shocks and lacking in internal dynamism, and as such is typical of an underdeveloped 'extensive' mode of economic development based on informalized low-cost labour and cheap exports.

This 'model,' a necessary concomitant of Lithuania's dependent and peripheral position in the European and the global economy, is reaching its demographic and sociological limits. Courtesy of a state 'policy of no-policy', extensive capacities of economic development seem to have reached the point of exhaustion and be incapable of moving towards a high added-value path, based on innovation matched by advanced infrastructural and human resources. The crisis of the planned economy under socialism has become transmuted into the crisis of the unplanned economy under neoliberalism. Such public policy as exists is derived vicariously from the EU, addressing primarily contingencies in the disbursement of EU funded projects and programmes. The discourse of the domestic elites embraces a purely 'European' solution to current dilemmas in which the now-assured future adoption of the euro is the reward for radical austerity. Thus, the current trajectory has as its unintended effect a heightening and consolidating of the politically and economically-induced segmentation of the labour market, thereby further stimulating further ongoing exit. Lithuania today remains a country based upon the import of EU monies and the export of its people. If workers from Central and Eastern Europe previously 'voted with their feet' in response to the 'social failures' of enlargement (Meardi 2012), today, from the Baltic states, they are stampeding towards the exit door in response to the 'social failures' of neoliberal austerity. 'Free movement' that most valued of the fundamental freedoms of the European project for the populations of the East is generating its own perverse outcomes of societal unsustainability on Europe's periphery.

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