Austerity, “Impaired” Industrial Citizenship and Post-Communist Migration: The Neoliberal Baltic Model Versus the Social Europe Model

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New Frontiers for Citizenship at Work
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The Baltic roller-coaster ride
The Baltic Tigers
‘The way we were’ GDP growth y-o-y 2006
The ‘Hard Landing” – a foreseeable disaster

Baltic boom states face hard landing
By Robert Anderson
Published: July 5 2007 03:00 | Last updated: July 5 2

Baltic Boom: The adjustment is likely to be painful and to start soon

Economist.com

Eastern Europe’s economies
Worrying about a crash
Jul 5th 2007 | RIGA
From The Economist print edition

East European economies are still powering along—but the region is ill-prepared if the weather turns nasty

Peter Schrank

Saturday, October 13, 2007
Inflation soars in all three Baltic states, triggering renewed fears of contagion

Overheating economies and fixed exchange rates: a risky mix. Some fear the region could be eastern Europe’s Achilles heel.

Latvia is in the worst situation. Year-on-year inflation in September was a whopping 11.4%; the current-account deficit over a fifth of GDP. Bank lending, much of it in foreign currencies, has soared, creating a property bubble in the capital, Riga. Overheating has hurt competitiveness. To some the national currency, the lat, looks like the likeliest casualty.

IMAGINE some souped-up old bangers driven confidently but not expertly on a smooth road in fine weather. That is the economic picture of the ten east European countries that are now in the European Union. If the road gets wet or slippery, bad brakes and bald tyres make a crash, even a pile-up, horribly likely.
GDP Growth Rates (%) Lithuania and Greece (2005-2013)

* Source: countryeconomy.com
### ‘Internal devaluation’ Baltic household consumption 2009, % change compared to same quarter of 2008

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Unequal burden-sharing in the crisis: new “winners” and “losers”
Primary and secondary labour markets during the crisis

• Those in (large) **primary state sector** experienced **wage reductions** but generally **stable employment**

• Those in the **secondary sector** business and manufacturing experienced **larger wage reductions** and **mass unemployment**

• A new generation of ‘**winners**’ and ‘**losers**’ in a dualised labour market
The State sector and the new “nomenklatura”

• **EU Structural funds**: 25% of the state budget; €6.8 billion in 2007-13; 10% increase in 2013-20

• Highly coveted and prestigious public sector jobs—’permissioning’ power:

• 11,318 applications 2007-13 distributing €9.2 bn

• **Networks of patronage** and “bureaucratic enclosure”—the country of “brothers in law”

• **“Valdininkai”** — a cast of bureaucrats who are the object of populist anger and demonization
Growing dependency on EU funds

Dualised labour market

Primary public sector; hypertrophy & “enclosure” by nomenclature

Primary private (mostly “oligarchs” who acquired wealth during privatization of the 1990s)

Informalization from above

Secondary Private Sector

Informalization from below

Exit/Emigration of the “Austeriat”
“Lithuanian Exports and Imports”

The export of the ‘austeriat’
Who are the ‘austeriat’?

From ‘precariat’ to ‘austeriat’

• mainly young, unemployed, but increasingly family groups with young children
• using mobility or EU “free movement” – as a ‘survival strategy’ under condition of austerity
• Vulnerable to exploitation and ‘brain waste’
• Increasingly less likely to embark on ‘circular’ or return migration
Emigration from Lithuania 2003-2013
Remittances to Baltics and Poland
% of GDP (2004-2011)

Source: World Bank and Eurostat
Demographic crisis of the periphery
The ‘geo-demographic wastelands’

Fastest population decline in EU in 2011 reported for Šiaulių apskritis (-22.7 per thousand)

We are creating the future together
‘The Wilding’ of Lithuania
(Klaipeda City 1 May 2014)

Demographic projections for Baltic states 2010-2060 (Eurostat)

- Latvia: Census 2011: 2,041,763, Projected: 1,398,567
- Lithuania: Census 2011: 3,007,700, Projected: 1,835,498
- Estonia: Census 2011: 1,092,858, Projected: 1,092,858
Myth of the “success” of the Baltic austerity model
EU and Lithuania GDP growth rate (2005-2013)

GDP Growth Rate % change on previous year

2005 2006 2007 2008 2009 2010 2011 2012 2013
EU average
Lithuania

“IMF chief Lagarde hails the recovery of the Baltics”

“A triumph of austerity: What Britain can learn from the Baltic states”

Anders Aslund Peterson Institute

“Just how did the Baltics do it? And what lessons should policymakers elsewhere learn from their experience?”
How Latvia Came through the Financial Crisis
Anders Aslund and Valdis Dombrovskis

Was $21.95, now $17.56
Percentage change in household disposable income due to policy changes 2008-2013 by household income decile group
Size of Lithuania Informal Economy % of GDP 1997-2012

Source: LLRI 2012, p. 4
GDP per capita (PPP) and Wages in Greece and Baltic States (US$ in 2012)

- **Greece**: GDP per capita (PPP) - 28,574 US$, Average Wage - 26,041 US$
- **Lithuania**: GDP per capita (PPP) - 24,356 US$, Average Wage - 9,339 US$
- **Latvia**: GDP per capita (PPP) - 21,810 US$, Average Wage - 11,647 US$
- **Estonia**: GDP per capita (PPP) - 24,450 US$, Average Wage - 14,138 US$

* Source: countryeconomy.com; World Bank Data Base.
- Lithuania labour costs €6.2 per hour, Latvia €6.3; EU average €23.7 per hour;
- Lower labour costs only in Romania €4.6 per hour; Bulgaria €3.7 per hour.
- Sweden labour costs more than €40 per hour or 6.5 times more than in LT; in Norway €48.5 per hour.
A European Social Model?
Total expenditure on social protection per head of population 2011 (Eurostat)
Proportion of population at risk of poverty or social exclusion (%) 2013

Source: Eurostat
Trends in suicide rates in selected European countries, 1995–2010
The costs of the ‘Baltic model’

- Growing social inequality
- Unequal ‘burden-sharing’ between labour and capital
- Permanent export of *austeriat*
- Low road of social development based on low value-added
- Growth of shadow economy and loss “impairment” of industrial citizenship
The book .....a health warning....