

The Effects of Interregional Wage Differentials on Linguistic Heterogeneity

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Non-Technical Summary

The article proposes to contribute to the literature of labor migration by inquiring about the effects of voluntary labor migration on national minority groups living in less developed neighboring countries. The cases are Hungary, Romania and Transylvania (the north-western province of Romania). This is important because explanations dealing with the ethnic composition of local labor markets focus on the role that community and the political choices have in minority policy rather than that of economic factors. Also, migration policy in receiving countries is under the stress of contradicting policy objectives. It can be both an instrument to cover missing or undersupplied skilled labor and an instrument to influence negative population trends. To evaluate the effects of migration on the minority community, a three-level hierarchical CGE model is applied.

The study finds that between 1995 and 1999 the wage gap between the Hungarian and Romanian labor market almost quadrupled (from 93.48 to 341.05 PPP/USD). This indicates that there is large and growing wage differential to produce unidirectional migration to the region with higher wages. Further findings on migration trends indicate that, under conditions of sufficiently large interregional wage differentials, linguistic match between the receiving region and a segment of labour in the source region might lead to the selection of migrant labour speaking the local language.

The general conclusion is that labour liberalisation under conditions of significantly large wage differentials and language preferences on the host market produces language homogenization in formerly mixed regions. For the case of Central and Eastern European countries, this implies that national minority groups living in neighboring countries face the pressure of being absorbed by the labor market of the “mother” country.

Key word(s): labour migration; ethnic migration, language skills, CGE