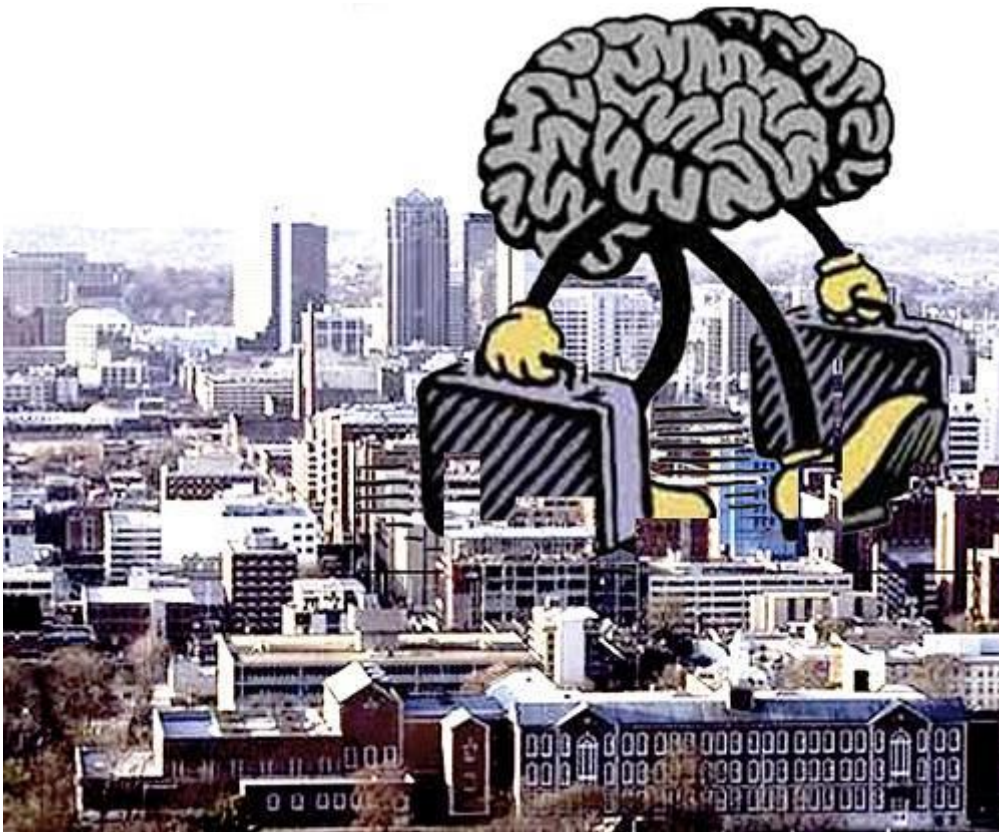


**The ‘brain drain’ and Hungary’s ostrich strategy:  
The approach of the government to the human  
capital flight from Hungary since 2010**



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Master's thesis

MA International Relations: European Union Studies

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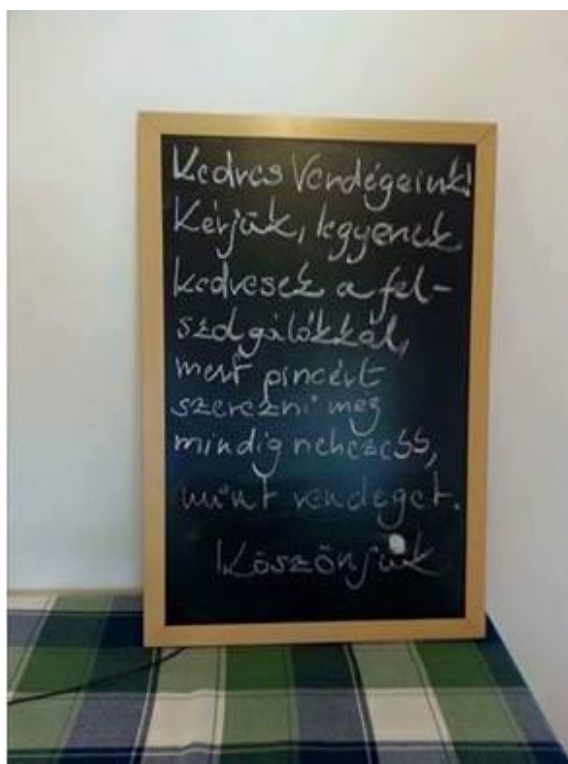
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*Front image: [Digital image] (2014, September 11). Retrieved from: <http://one-europe.info/user/files/Andreea%20Anastasiu/braindrain.jpg>*

## Abstract

Since its accession to the European Union in 2004, but especially since 2010, emigration rates from Hungary have significantly increased. Migration patterns have shifted; young, highly skilled professionals are most likely to migrate and they are increasingly leaving the country with no intention to return. This leads to severe shortages in the Hungarian labour market in several sectors, such as academia, IT, tourism, and in particular healthcare. Studies on the ‘brain drain’ have been mainly concerned with the effects of the phenomenon on receiving and sending countries, whereas research focused little on the determinants of migration and solutions to controlling the human capital flow. Opposition parties, the media and several sectors are putting pressure on the government to act and scholars have highlighted the role states can play in influencing the ‘brain drain’ (Vas-Zoltán, 1976; De Haas, 2011). The government approach is contradictory and at times controversial. This thesis studies the approach of the Hungarian government to the ‘brain drain’ based on attitude demonstrated as well as policies pursued and whether it addresses the causes of migration.



*“Dear guests! Please be kind to our staff, because it still is more difficult to find waiters than guests. Thank you.”*

*[Digital image] (2015, July 16). Retrieved from [http://vaol.hu/data/cikk/171/3628/cikk\\_1713628/1527071\\_10205942583781946\\_4341196298977883250\\_n.jpg](http://vaol.hu/data/cikk/171/3628/cikk_1713628/1527071_10205942583781946_4341196298977883250_n.jpg)*

## Contents

Introduction.....	5
1. Literature review.....	11
1.1 Defining the `brain drain’.....	12
1.2 Early brain drain research – 1950s to 1980s.....	13
1.3 New Brain Drain literature – 1990s.....	14
1.4 Challenging the New Brain Drain literature – 2000s.....	16
1.5 Motivations for migration and influences on the ‘brain drain’.....	18
2. Emigration processes in Hungary.....	22
2.1 Emigration rates in Hungary from 2010.....	22
2.2 Decisive factors in emigration in Hungary.....	28
3. The role of the state in Hungary’s ‘brain drain’ – ostrich strategy?.....	33
3.1 The attitude of the government towards the human capital flight.....	33
3.2 State efforts to curb or reverse the emigration trend.....	38
3.2.1 “Gyere Haza, Fiatal!” – “ <i>Come Home, Young Person!</i> ” – return campaign.....	38
3.2.2 “Röghöz kötés” – “ <i>serfdom</i> ” – student agreements in higher education.....	42
3.2.3 General education and healthcare policies.....	44
Conclusion.....	50
Bibliography.....	53

## Introduction

The topic of this thesis is the phenomenon aptly named the ‘brain drain’, which refers to the emigration of highly skilled professionals from one – usually economically less developed – country to another – usually wealthy – country, causing a shortage of skills and expertise in the country of origin and thus affecting its economy. When the term ‘brain drain’ was coined, it was initially used to refer to the large numbers of British scientists and doctors moving from Britain to work in the United States, but the phenomenon is present in several geographic areas around the world and has been a topic of public debate and concern for decades.<sup>1</sup> Large-scale emigration has occurred from Britain and Ireland to primarily the United States and other Anglophone countries such as Australia and New Zealand, but also from countries in Asia and Africa to developed parts of the world. Within Europe, it is not hard to imagine why emigration from the Eastern part to the more prosperous Western and Nordic countries would take place. In the decades after the Second World War, however, while it took place to a certain extent and it was regarded with significant concern even then, emigration from Eastern Europe was largely restricted by the communist regime.<sup>2</sup>

The year 2004 saw the ‘Big Bang’ enlargement wave in which ten Central and Eastern European countries acceded to the European Union. This enlargement extended the free movement provisions to these ten accession countries, and one of the logical and expected consequences of this was the emigration of workers from the newly acceded Central and Eastern European countries towards the Western European member states. Especially considering the fact that many of these accession countries were economically less developed than the EU15 member states, it was to be expected that the Accession would make for a mostly one-sided migration from Central and Eastern Europe to Western European countries. From the perspective of these workers, as citizens of the European Union enjoying the rights conferred upon them by the treaties, this can of course be considered a positive development. However, this migration as viewed from the perspective of their countries of origin may reveal certain downsides as well. Many Central and Eastern European countries have had to cope with the so-called ‘Brain Drain’ – their educated professionals leaving their home country in search

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<sup>1</sup> Giannoccolo, P. (2009). The Brain Drain. A Survey of the Literature. Working Paper No. 2006-03-02, Università degli Studi di Milano-Bicocca, Department of Statistics.

<sup>2</sup> Travel was more or less unthinkable at the time.

of better careers and living standards abroad, creating a shortage of knowledge and expertise at home, which negatively affects these countries' productivity and their economy as a result.<sup>3</sup>

This thesis will focus on Hungary and the outflow of Hungarian skilled labour to Western European countries such as the United Kingdom, Germany, Austria, the Netherlands, Sweden and so on. Since the accession to the European Union, but in particular since all European member states of the EU15 lifted the restrictions on the labour market, there has been an upsurge in emigration numbers from Hungary.<sup>4</sup> Being from Hungarian origin, born to Hungarian parents who emigrated not long before I was born, I grew up with an interest in the history of Hungary and its economic, political and social situation. Not only do I know several examples of skilled labour migration in my own family, but I also noticed the upsurge in human capital flight over the past several years and growing concerns with regard to the growth and welfare in the country, voiced for example by various media sources, political parties, affected sectors and the public.<sup>5</sup> The subject of emigration and loss of skill in the country is increasingly perceived as a significant threat to the Hungarian economy rather than a marginal problem. "Brain drain" is a relatively new phenomenon in Hungary, as mere travel to Western Europe was virtually impossible in Central and Eastern Europe before the end of the communist era in 1989-1990.<sup>6</sup> Moreover, Hungary may be to some extent unique, considering its language. Being the only non-Indo-European language-speaking people in Central and Eastern Europe, Hungarians are linguistically isolated. This understandably creates challenges in the acquisition of foreign languages, which therefore arguably creates more challenges abroad and a higher barrier for people to leave, and may contribute to the fact that emigration from Hungary was relatively low – and remains so in comparison with other Central and Eastern European countries – for a long time.<sup>7</sup>

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<sup>3</sup> As evidenced for example by Bhatwati & Hamada (1973) and Beine, Doquier & Rapoport (2008). Chapter 2 will further elaborate on existing studies on the 'brain drain' phenomenon.

<sup>4</sup> It is estimated that about 600,000 Hungarian citizens currently live outside of Hungarian borders.

<sup>5</sup> The topic of emigration has been 'trending' in Hungary for quite some time: it is on the minds of several opposition parties trying to draw attention to it for example in parliament; the media reports on the issue almost daily; several sectors and associations have expressed their concerns; a blog has been set up with about 1500 members for the exchange of experiences by emigrants and surveys show concern among the general public as well. Later chapters in this thesis will return to this.

<sup>6</sup> People were generally not in possession of a passport, obtaining permission to travel was a daunting and uncertain process. Yet, a small number of people managed to escape to Western Europe, for example, by outstaying their approved leave; such people were referred to as dissidents and their relatives who stayed behind often faced severe punishments by the state. Travel within the socialist block was permitted and occurred by and large to an equal extent, therefore bearing no significant consequences for human capital in the country.

<sup>7</sup> Gödri, I. (2014). Emigration from Hungary: an increasing tendency. *Research Highlights*, (17), Budapest: Demographic Research Institute.

The scope of this thesis will be restricted to the past six years, roughly from the year 2010. This is because from that time up to the present, the emigration of highly-skilled professionals increased considerably and the number of those people who are intending to emigrate – without the intention of returning – at the moment is higher than ever.<sup>8</sup> In this period Hungary has seen a shift in the emigration pattern. Furthermore, when Hungary joined the European Union in 2004, most of the Western European member states applied restrictions to their labour market. The only exceptions to this in 2004 were the United Kingdom, Ireland and Sweden, where the free movement of persons into these countries was by no means restricted. These labour market restrictions expired in all member states of the EU15 by 2011 at the latest. Therefore, it makes sense to focus on the period covering roughly the past six years within which the system remained largely the same and there were no restrictions to emigrants' or would-be emigrants' free movement. In addition, this period also coincides with the period since the most recent change of government: Viktor Orbán, current prime minister of Hungary, came into power in 2010. As 2010 marks the start of the second Orbán government, and 2014 that of the third,<sup>9</sup> the situation of the past six years is a 'homogenous' one in which there has been a continuity in politics and policies. Therefore, the actions in the focus of this thesis are those of one government – the current one – in particular.

As mentioned above, emigration rates in Hungary have soared since about 2010, with the most worrisome and urgent loss of skill occurring in the field of healthcare. This has led to likewise increased concerns about the future of the economy and increased pressure on the government to make a change.<sup>10</sup> Various scholars have similarly stressed the responsibility of the state in influencing emigration.<sup>11</sup> This thesis will look at emigration patterns and the role of the state in influencing them. The aim of this thesis is to analyse the approach of the Hungarian government to the human capital flight otherwise known as 'brain drain' of the past years. The question at the forefront of the academic debate has been whether or not one can

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<sup>8</sup> Sik, E. (2015). *Migrációs potenciál Magyarországon 1993–2015* [Migration potential in Hungary 1993-2015]. Budapest: TÁRKI Social Research Institute.

<sup>9</sup> Viktor Orbán was Prime Minister once before, from 1998 to 2002.

<sup>10</sup> Hungary. National Assembly. Parliamentary Proceedings, (2014, November 19). Vol. 28. (Bertalan Tóth; István Apáti); Hungary. National Assembly. Parliamentary Proceedings, (2014, November 20) (Zsolt Egyed; István Tukacs). Vol. 29.; Hungary. National Assembly.; Parliamentary Proceedings, (2014, November 24). Vol. 31. (Gergely Farkas); Hungary. National Assembly. Parliamentary Proceedings, (2014, December 3). Vol. 36. (Ildikó Borbély).

<sup>11</sup> Vas-Zoltán, P. (1976). *The Brain Drain: An Anomaly of International Relations*. (P. Tamási, Trans.) Budapest: Akadémiai Kiadó.; De Haas, H. (2011). *The determinants of international migration: conceptualizing policy, origin and destination effects*. International Migration Institute Working Paper 32.

actually speak of a “brain *drain*” as opposed to, for example, as certain scholars argue – however odd it may sound – a “brain *gain*”.<sup>12</sup> Thus, there has been a focus in the literature on the *effects* of migration, rather than on the *determinants* that drive people to migrate in the first place, and, moreover, the debate has given but little attention to the approaches to take – from a source country perspective – when acting in the case of a ‘brain drain’ and to policy solutions to the ‘brain drain’ problem.<sup>13</sup> The next chapter will elaborate further on the academic debate and relevant literature.

The approach of the current government of Hungary may be regarded as somewhat contradictory, which both indicates a lack of awareness and determination on their part and constitutes a possible explanation as to why its actions are ineffective. I divide the government approach in two categories, one being the attitude expressed by the government in relation to the ‘brain drain’ and the other the concrete policy actions pursued by the government. These two elements are significantly interlinked. The relevance of government policies intended to influence migration patterns is straightforward. The display of attitude by the government plays a role as well, as the perception of government attitude in itself may influence the general opinion and the migration trend. Government attitude is therefore also helpful in understanding the phenomenon at hand. It has been, to date, largely neglected in the literature. In order to maintain an effective approach to the ‘brain drain’ problem, this approach needs to be coherent.<sup>14</sup> Therefore, this thesis will analyse the approach of the government on the basis of the attitude demonstrated and the actions taken by the Hungarian government in relation to the ‘brain drain’ phenomenon.

The research question this thesis attempts to answer is twofold: *What is the attitude of the current government of Hungary towards the ‘brain drain’ phenomenon in the country and do government policies effectively address the reasons causing the human capital flight since 2010?*

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<sup>12</sup>Mountford, A. (1997). Can a brain drain be good for growth in the source economy? *Journal of Development Economics*, 53, 287-303.; Stark, O., Helmenstein, C., & Prskawetz, A. (1998). Human capital depletion, human capital formation, and migration: a blessing or a "curse"? *Economics Letters*, 60, 363-367.; Vidal, J.-P. (1997). The effect of emigration on human capital formation. *Journal of Population Economics*, 11, 589-600. Chapter 1 will briefly return to this statement.

<sup>13</sup>Csanády, M. T., Kmetty, Z., Kucsera, T. G., Személyi, L., & Tarján, G. (2008). A magyar képzett migráció a rendszerváltás óta. [Hungarian educated migration since 1989] *Magyar Tudomány*, 169(5), 603-615.; De Haas, H. (2011). *The determinants of international migration: conceptualizing policy, origin and destination effects*. International Migration Institute Working Paper 32.

<sup>14</sup>De Haas, H. (2011). *The determinants of international migration: conceptualizing policy, origin and destination effects*. International Migration Institute Working Paper 32.



In order to answer these questions, I will look into government behaviour in terms of attitude as well as actions. Firstly, in order to provide the reader with the necessary background information, Chapter 2 will provide insight into the outward migration in Hungary; how it has evolved over the past years and what the motivating factors in these processes are. Then, I will analyse what the attitude of the government has been toward these emigration rates and raised concerns about the phenomenon, as demonstrated by members of the government when speaking about the issue for example in parliamentary debates, public performances and media appearances, in which I argue that there is a lack of awareness in the government with regard to the ‘brain drain’. Subsequently, I will analyse a number of policies that should serve to tackle the large-scale emigration of Hungarian citizens. These concern, for example, initiatives aimed at reversing the brain drain and incentivising the return of already emigrated professionals, or attempts to prevent the outflow of human capital in the first place, but also include some more general policies that influence the ‘brain drain’ and emigration patterns. I will argue that the government efforts take a mostly short-term view, with little attention to those areas that take longer to show their influence.

The structure of this thesis is as follows. Chapter 1 will serve as a review of the literature and relevant theoretical frameworks. I will first provide the definition of ‘brain drain’ that will be applied in this thesis, after which I will describe how the academic debate around the ‘brain drain’ phenomenon has been shaped over the past decades. Subsequently, I will outline the main motivation factors – determinants – underlying the ‘brain drain’ and discuss relevant theories with regard to these determinants and ways of influencing migration, which will be used in this thesis.

Chapter 2 will provide an analysis of the outward-migratory movements in Hungary since the beginning of the decade. This involves the extent of and main reasons for emigration in Hungary, which I argue should be subject of the counterbalancing efforts by the state. I will make use of statistical data on Hungarian emigration numbers and migration potential gathered by Eurostat and research institutes such as TÁRKI and the Hungarian Demographic Research Institute, reports in independent, reliable media outlets and opinion polls and first-hand experiences detailed online by emigrants. Statistical data from various sources are not identical, but they are consistent. It should be noted that available statistical data on emigration rates may

still be inaccurate.<sup>15</sup> In fact, emigration rates are most probably underestimated due to the fact that many emigrants will keep their registered address in the source country. Chapter 2 draws on research conducted by other researchers, research groups and institutes for the presentation of the determinants of migration. With due caution as to credibility, certain online sources prove useful as well, such as online blog and expat community *Határátkelő*, which contains ample soft data on how the phenomenon is perceived, and thus contributes to our understanding of motivations and atmosphere.

Chapter 3 will examine more closely the role played by the state in these migration processes. I will analyse the attitude of the government towards the ‘brain drain’ phenomenon as demonstrated in expressions by members of the current government – which largely follow the same line. To this end, I gather data from sources such as interviews conducted in the media, public performances and parliamentary proceedings, in which the discourse of the government can be analysed and which allow for the identification of consistent external communication. Lastly, through policy documents, reporting in the media on quantitative progress of these policies, legislation and OECD statistics on Hungarian economic performance in the relevant areas, I will analyse some of the main policies and circumstances influencing – or intended to influence – the ‘brain drain’ in Hungary.

I will argue that firstly, through its attitude – or external communication –, the government displays a lack of awareness as it denies or fails to recognise the scale of the emigration, insisting on arguments along the lines of one trend in the literature discussed in Chapter 1, and secondly, the government is engaging mainly in policies that will likely have only short-term, limited effect, with little regard for the determinants of migration. Due to the topical nature of the issue, the data available on the most recent initiatives and developments are often very limited. Therefore, some information derives from economic and political periodicals, in the use of which I scrupulously examined the available sources. HVG and 168 Óra, for example, have been two of the leading economic and political periodicals for decades. As a certain degree of bias may be inevitable, I concentrate on the facts presented in these news outlets. Finally, the thesis arrives at the conclusion, which states that the government approach to the brain drain is characterised by a so-called ‘ostrich strategy’: the demonstration of a lack of awareness of the problem and the pursuit of incoherent and controversial policies.

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<sup>15</sup> Gárdos, É & Gödri, I. (2014). *Analysis of existing migratory data production systems and major data sources in eight South-East European countries*. SEEMIG Working Papers, No. 2, Hungarian Demographic Research Institute, Budapest.

## 1. Literature review

Before I go on to discuss the brain drain phenomenon in Hungary of the past years and the initiatives embarked upon to halt and/or reverse it, I will use the following sections to shed light on the academic debate around the ‘brain drain’. It has been one of considerable controversy. The main question which has been at the centre of the debate is whether or not one could even speak of a ‘brain *drain*’ at all; whether one could argue that sending countries were in fact reaping the fruits of their educated people living and working in foreign countries instead of suffering from the gap of expertise they left behind. In the events that they identify emigration as a problem and reason for concern, however, the scholars do not typically go into possible solutions. Similarly, the academic debate is but little concerned with the underlying *reasons* for emigration, although these would largely determine the necessary or desired course of action. Moreover, where the literature deals with ‘brain drain’ in a more practical, rather than theoretical sense, this concerns publications from several years or even decades ago, possibly rendering them outdated.

Section 1.1 will first provide more clarity with regard to the definition of the ‘brain drain’ notion, in order to establish what the ‘brain drain’ phenomenon entails and thus at whom emigration policies are to be targeted. Sections 1.2 to 1.4 will then go into the connotations of the phenomenon over the course of the debate, in order to establish whether or not the ‘brain drain’ should be regarded as a problem requiring a solution and thus to position the Hungarian emigration pattern and the government reactions within this debate. As Section 1.2 will show, there had been a general idea that the outflow of human capital had destructive effects on the economy of the source country. In reaction to this, contrastively, scholars argued that this idea had been wrong and concerns about the ‘brain drain’ were unfounded. As I will demonstrate later on, this line of thought is reflected in the response of the government as well. At the same time, as the Hungarian government has introduced a number of measures and initiatives to alleviate the problem, it seems to recognise growing concerns as well. On the one hand, the government seems to deny the brain drain, on the other hand, it does pursue certain policies in the interest of countering it. Lastly, Section 1.5 will discuss relevant theories with regard to the determinants of migration and ways to influence them, which will be used later on in this thesis.

## 1.1 Defining the 'brain drain'

The term 'brain drain' was introduced in 1957 by Ayn Rand in her novel *Atlas Shrugged* to refer to "what happened when innovators and entrepreneurs 'evaporated' out of research and production for social, economic and political reasons." The Royal Society<sup>16</sup> took this term in 1963 and applied it in Britain to the loss of high-skilled professionals, mainly scientists and doctors, due to emigration from the United Kingdom to the United States (Gaillard & Gaillard, 1998).

There is not one unique definition for the 'brain drain' and various definitions highlight different aspects of the phenomenon (Giannoccolo, 2009). In some definitions, for example the 1981 entry in *The Dictionary of Modern Economics*, brain drain refers to the outflow of skilled labour from richer to poorer countries.<sup>17</sup> Kwok & Leland (1982) emphasize the transfer of technology as a result of the migration<sup>18</sup> (as cited in Giannoccolo, 2009). Another definition identifies the social and political aspects that might be underlying migration, by pointing towards the possibility of "family connections, political influence and corruption" being the basis for good jobs in poorer countries, in contrast to a "more meritocratic basis" for employment in richer countries<sup>19</sup> (Black, 1997, as cited in (Giannoccolo, 2009). Nevertheless, in broad terms, the definition applied by Anne Marie and Jacques Gaillard (1998), according to which the 'Brain drain' is the phenomenon of skilled migration "causing loss to the country of origin, and, marginally, gain for the host country" provides a useful starting point for application in research.

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<sup>16</sup> The Royal Society is the Academy of Sciences in the United Kingdom.

<sup>17</sup> Full definition: "Brain drain: The migration of educated and skilled labour from poorer to richer countries. Education skill, which represents investment in human capital, is usually cheaper to acquire in poorer, labour-abundant countries, since its provision is usually a labour intensive activity. Those with the skills or education then move to more developed countries where the return to their human capital is higher. Such migration is often encouraged by laws and institutional factors, as most countries look more favourably on immigration by those with skills than those without." (Pearce, D.W. (Ed.) (1981). *The Dictionary of Modern Economics*. London: The Macmillan Press) as cited in Giannoccolo, P. (2009). *The Brain Drain. A Survey of the Literature*. Working Paper No. 2006-03-02, Università degli Studi di Milano-Bicocca, Department of Statistics.

<sup>18</sup> Full definition: "The brain drain is an expression of British origin commonly used to describe one of the most sensitive areas in the transfer of technology. It refers to skilled professionals who leave their native lands in order to seek more promising opportunities elsewhere." (Kwok & Leland 1982, as cited in Giannoccolo 2009))

<sup>19</sup> Full definition: "Brain Drain: a pejorative description of the tendency for talent people from poor countries to seek employment in richer ones. Sometimes this migration occurs because, while similar skills are needed in both poor and rich countries, the rich pay more for them. In other cases, brain drain occurs because the technical and economic backwardness of poorer countries means that job opportunities there are limited or non-existent. It is also possible that brain drain is encouraged because of tendencies in poorer countries to fill such good jobs as there are on a basis of family connections, political influence, and corruption, while on average richer countries, though subject to some of the same problems, tend to fill posts on a slightly more meritocratic basis" Black, J. (Ed.) (1997). *A Dictionary of Economics*. Oxford, NY: University Press. as cited in Giannoccolo, P. (2009). *The Brain Drain. A Survey of the Literature*. Working Paper No. 2006-03-02, Università degli Studi di Milano-Bicocca, Department of Statistics.

Early studies on the brain drain phenomenon focused on the emigration of professional doctors and scientists. Péter Vas-Zoltán (1976), for example, explicitly argues against including students in brain drain research, because they have not made use of all investments in their education in their home country and in many cases their move abroad is considered temporary. Nevertheless, in later stages of brain drain research, the ‘brain’ part of the definition came to refer also to students – who are still in the process of being trained – and not purely to those who have already made use of their share of investments in education. “At the same time, it is less ‘brainy’, so to speak” (Gaillard & Gaillard, 1998), as the definition has widened a bit to not only include the top layer of intellectual people and scientists, but with more emphasis on the “drain” part of the term: “the term no longer defines a specific migration, *i.e.* the movement of scientific or intellectual minds, but rather a phenomenon that occurs through migration, and connotes a country’s real or potential loss of professional skills at all levels.” (Gaillard & Gaillard, 1998). Therefore, in this thesis, I will apply this last definition and use the terms skilled labour and professionals more or less interchangeably to refer to the loss of skill resulting in shortages in any sector in the Hungarian economy. This will also include students as prospective professionals.

In Hungary, the emigration of people in scientific fields are still central to the issue, for example in the field of academia and, most importantly and urgently, health care personnel such as doctors, nurses and dentists, but shortages are perceived in other areas of work, for example in IT, tourism and hospitality, as well.

## 1.2 Early brain drain research – 1950s to 1980s

Starting from the 1950s when the term ‘brain drain’ came into use and the phenomenon began to be a topic of research, it has been a topic of active debate. Various researchers have dealt with the subject for the past decades and it has been a matter of significant controversy. The academic debate on the ‘brain drain’ phenomenon has centred around the question of whether and to what extent the outflow of human capital would lead to a decline of the source country’s economy, or whether the migration of skilled labour would ultimately benefit the home economy through positive effects mitigating or even reversing the loss suffered by the source country. The debate could be characterised by the clash of two main perspectives on the phenomenon: the nationalist approach and the internationalist approach (Gaillard & Gaillard, 1998; Milio, et al., 2012).

The nationalist perspective views the brain drain phenomenon with a focus on the – less developed – source country and home economy. The nationalist perspective, also referred to as the ‘standard view’ (Milio, et al., 2012), concludes that as there are inequalities in terms of income and wages internationally, and skilled workers tend to move from less developed countries to wealthy countries with better opportunities and salaries, the flow of human capital is more often than not one-sided, resulting in a welfare loss in the home country to the benefit of the destination country.

Jagdish Bhagwati and Koichi Hamada (1973) produced seminal research from the nationalist perspective. They emphasise that by bearing the cost of the education of its students, the state makes investments on which it expects a return through taxation of these workers. However, when these students leave their home country in order to take up employment elsewhere, the home country ‘loses’ its investments – creating a gap in the economy – while the destination country gains the benefits without having borne the costs. Thus, as all theorists agree that human capital is essential for economic growth (Beine, Docquier, & Rapoport, 2001), the outflow of human capital contributes to the destination economy and constitutes a limitation on the economic growth and negative impact on the social welfare in the country of origin (Bhagwati & Hamada, 1974). Moreover, Bhagwati & Hamada (1974) mention a number of efforts imaginable which could be seen as curbing the negative implications of migration for economic growth and social welfare in the home economy, and claim that counterintuitively, these do not have the desired effects. According to their calculations, even if the workers were to bear the costs of their education themselves, or the home country would impose a tax upon leaving workers, or the destination country were to pay into the source economy so as to compensate, the negative effects of emigration on the home economy may still persist (Bhagwati & Hamada, 1974).

### 1.3 New Brain Drain literature – 1990s

The internationalist or cosmopolitan perspective views migration and the mobility of skilled workers with a focus on a global development, and this school of thought asserts that these migratory movements are natural flows and will equally benefit both the host countries and the countries of origin (Gaillard & Gaillard, 1998; Milio, et al., 2012). The general expectation here is, for example, that while it is true that workers made use of education funded by their home country and moved to another country for work purposes, their move would be temporary; they would return to their home country and thus benefit their home country

through additional skills obtained abroad. In addition, the skilled workers would contribute to their home economy through remittances, thus at least mitigating and possibly reversing the negative effects of their migration experienced by the home country.

This perspective gave rise to new theories in the brain drain debate, referred to as the “new brain drain literature”, which gained ground in the 1990s (Schiff, 2005). Theorists within this school of thought stress the possible positive externalities of international labour mobility, as a result of which the ‘brain drain’ would become a ‘brain gain’.

Mountford (1997), Stark, Helmenstein & Prskawetz (1997; 1998) and Vidal (1998), for example, reject the view that associates labour mobility with a loss in welfare in the country of origin. They provide an alternative scenario, according to which the outflow of human capital would ultimately have a positive effect on the country of origin. In their assumption, as workers from a less developed country can earn a higher salary working in more developed countries, they will *want* to migrate, and the mere *possibility* to migrate creates an incentive for these countries’ workforce to invest in education. As not all these educated workers would in fact emigrate, this increased investment in education – or, in other words, human capital formation – in fact raises the average level of education of the remaining population in the country to a level higher than it had been before the possibility of migration appeared. Thus, the prospect of high-skilled emigration results in a contribution to the human capital and raised welfare in the home country, otherwise known as a “brain gain”. (Stark, Helmenstein & Prskawetz, 1997; 1998; Mountford, 1997; Vidal, 1998). Vidal (1998) claims that “labour emigration can lead the source country out of an underdevelopment trap” and Stark, Helmenstein & Prskawetz (1997; 1998) warn policymakers against embarking on policy measures that “hinder migration”.

In addition, Stark, Helmenstein & Prskawetz (1997; 1998) point out the brain gain that may occur through the knowledge and expertise highly skilled professionals obtain abroad and bring home when they return, with which they add value to the economy of their home country. Lastly, highly skilled professionals who earn higher salaries working abroad than they would at home send home large sums of money to their families, filling the gap otherwise left by these migrants in the economy of their country of origin, thus mitigating the negative consequences felt by the source countries and possibly even positively impacting economic growth (World Bank, 2003 as cited in Faini, 2005).

Beine, Docquier & Rapoport (2001) acknowledge that the emigration of highly skilled workers – the outflow of human capital – may have effects detrimental to the country of origin, but also pay attention to the positive externalities of high skilled labour migration. They distinguish two effects of this migration. Firstly, there is the case also argued by Stark, Helmenstein & Prskawetz (1997; 1998), Mountford (1997) and Vidal (1998) that the prospects of migration and higher returns on education in a more developed country incentivise investment in education. Beine, Docquier & Rapoport (2001) call this the *ex ante* “brain effect”. Then, there is the effect that some, though not all, of these educated people actually do move abroad. This is termed the *ex post* “drain effect” (Beine, Docquier & Rapoport, 2001). In this model, a “beneficial brain drain” – meaning a net gain – occurs when the positive “brain effect” outweighs the “drain effect”. This is the case when the average level of education – the total human capital – in the source country is higher following the emigration than the level had been before the prospects of emigration existed.

#### 1.4 Challenging the New Brain Drain literature – 2000s

A little later in the 2000s, theorists started to formulate a reaction to what they called the “new brain drain literature” of the 1990s (Schiff, 2005). These scholars argue that the scenarios described by Stark, Helmenstein & Prskawetz (1997; 1998), Mountford (1997), Vidal (1998) and Beine, Docquier & Rapoport (2001) are too simplistic and the analyses of “early brain drain literature” scholars such as Bhagwati & Hamada (1974) may be closer to reality. In Schiff’s observation (2005), the claim by the “new brain drain literature” that a brain drain would in fact raise welfare and economic growth in the source country through a net brain gain is exaggerated. Schiff’s analysis suggests that the size as well as the impact on economic growth and social welfare of the brain gain are likely to be significantly smaller. Faini (2007) and Niimi, Ozden and Schiff (2008) challenge the claim that the negative effects of the brain drain are offset by high remittances. The claim was that highly educated professionals earn higher salaries in their destination countries and therefore remit larger sums. Faini (2007) and Niimi, Ozden and Schiff (2008) show this to be untrue: higher remittances do not necessarily follow from a higher level of education or salary. In fact, Faini and Niimi, Ozden and Schiff show in their analysis that the higher the level of education, the less likely the migrant is to send remittances and the smaller the sum the migrant is remitting. Faini (2007) observes that highly educated migrants are often from a relatively wealthy environment and from educated families, where remittances are less needed, reducing the incentive to remit. Furthermore, Faini



points out that “the flow of remittances tends to decline with the length of migrants’ stay” and the higher the level of education, the longer the migrants tend to stay in their destination country, and the smaller the chance that these migrants will return home. Moreover, such highly educated migrants are possibly reuniting with their families in their destination country rather than their country of origin.

According to Faini, it is therefore more probable that the more highly educated people emigrate, the bigger the gap in the country of origin that is not filled by remittances. Niimi, Ozden and Schiff (2008) find that remittances are lower when they concern migrants with tertiary education. Their analysis suggests that as the level of education of the migrants is higher, the money being remitted will be lower. Niimi, Ozden and Schiff (2008) emphasise that these results are an additional reason for concern for the source countries, in particular where countries with a low level of human capital or very high migration rates are concerned and that these findings should make source countries aware of the consequences of large-scale skilled migration.

Beine, Docquier and Rapoport (2008) make a somewhat more nuanced statement compared to the arguments in their earlier work. Their more recent model calculates that when the highly skilled emigration rate increases by 100 per cent, there will be a human capital formation increase of 5 per cent in the national population – this includes the emigrants. Furthermore, they conclude that for source countries with a low human capital level and likewise low skilled emigration rates, this means a positive net effect and these countries will thus experience, in Beine, Docquier and Rapoport’s words, a “beneficial brain drain”. However, for source countries where the skilled migration rate and/or the share of people with tertiary education is high, this will have a negative net effect, which is indeed harmful to the source country’s economy. A beneficial brain drain is likely to be experienced mainly by developing countries. Beine, Docquier and Rapoport (2008) show in their analysis that overall, there are more countries experiencing the negative effects of skilled migration than there are countries experiencing a beneficial brain drain. In the case of Hungary, a country with an open economy, high emigration rates and a relatively large share of people with tertiary education, Beine, Docquier and Rapoport (2008) assess the economy as experiencing a net loss and thus suffering from a “*detrimental* brain drain”.

### 1.5 Motivations for migration and influences on the 'brain drain'

As mentioned above, the questions at the centre of the debate are those of how to define the 'brain drain' and more prominently, what its effects and impact are on the economy of the source country, rather than what the circumstances are that underlie the migration. Indeed, it is necessary to take the effects of the phenomenon into account in order to be able to devise a strategy to counter it (Vas-Zoltán, 1976), but these studies fail to take into account the motivations for the decision whether to emigrate or remain (or return) that are also instrumental in establishing possible solutions. Similarly, the debate has focused very little on what initiatives have been taken and what policies have been or should be attempted in order to curb or reverse the 'brain drain'. Vas-Zoltán (1976), for example, observes that "there have been no sufficiently realistic proposals to curb or lessen the effects" (p. 7). More than thirty years later, Csanády, Kmetty, Kucsera, Személyi & Tarján (2008) point out that the composition of the debate has not changed much: most of the literature says little or nothing about possible solutions to the 'brain drain' problem. Furthermore, Hein de Haas (2011) similarly observes that while there is a "plethora of research on the social, cultural and economic *impacts* of migration on sending and, particularly, receiving countries, (...) there has been much less theoretically driven research on the nature and causes of migration processes themselves" (p. 7, emphasis in original).

The factors underlying these migration processes are most frequently referred to as 'push' and 'pull factors'. 'Push' factors are those factors that are the incentives for people to leave their home country and move to another, whereas the 'pull' factors are defined as those that determine to which country these people are then drawn (Vas-Zoltán, 1976; Kahanec, 2013; Zimmermann, 1996). Szilveszter Vizi (1993), however, attaches a somewhat different definition to 'pull' factor: he distinguishes between 'push' factors as "the factors that encourage large-scale migration" and 'pull' factors as "those that tend to reverse it" (p. 103). Likewise, Ágnes Horváth (2016) applies this definition of 'push' factors as those connected to the receiving country, and 'pull' factors as those connected to the home country. Among the main 'push' factors are commonly listed, for example, lower salaries in the home country, an unfavourable working environment and lack of career prospects in the home country, a lack of funding and so on (Vizi, 1993; Vas-Zoltán, 1976). Vizi's compilation focuses on the science and medical professions only, but the aforementioned factors can largely be applied to a wider range of industries.

In Vas-Zoltán's definition of 'push' and 'pull' factors, the distinction is somewhat obscure and 'push' and 'pull' factors may overlap. The systems applied by Vizi and Horváth are more useful for this research. From the perspective of the sending country, one may identify factors that *drive* people away from the home country and are, in other words *outward forces*, referred to by both Vizi and Horváth as the 'push' factors, while factors that tie people to their home country, which Vizi and Horváth consider 'pull' factors, could be otherwise referred to as *inward forces*. Within the inward forces, or 'pull' factors, one may further distinguish between factors that *retain* people in their home country and factors that incentivise their *return*, although these may overlap. Both 'push' and 'pull' factors are always present, though they may greatly vary in weight or number. If one considers 'push' and 'pull' factors along a scale, there is a balance when the net 'push' factors equal the net 'pull' factors. In other words, a person contemplating a move is likely to stay as long as the factors *pulling* him or her – possibly sentimental factors such as family, history, culture, native language etc. – outweigh the factors *pushing* him or her away. Once either the 'push' or 'pull' factors reach the threshold which tips the scale, he or she will leave. Obviously, different thresholds may apply to a person already residing in a foreign country.

De Haas (2011) disapproves of the classification of migration motivations into a system of 'push' and 'pull' factors, arguing that this makes the – false – suggestion that it is an objective, involuntary system in which the migrants in question are not agents with their own free will, but follow a logical, natural pattern; a system in which human capital automatically – as a rule – flows into the wealthier country. Vas-Zoltán, however, had provided a more elaborate system of 'push' and 'pull' factors, which takes into account the various natures of the factors and could thus be seen as a solution to the objections mentioned by De Haas. While Vas-Zoltán's categorisation of push and pull factors is less useful than Vizi's, he does make a useful distinction between objective versus subjective factors. Objective 'push' and 'pull' factors are those factors that are "beyond the competence of the given country yet characterise its circumstances", whereas subjective 'push' and 'pull' factors are those that "can be influenced, at least to some extent, by decisions of a given state" (p. 40). It is these subjective 'push' and 'pull' factors that are the interesting factors, as opposed to the objective ones, and therefore these are the circumstances that government policies ought to address. In the subsequent chapters on the motivations in Hungarian emigration and government actions addressing them, I will apply the notions of Vas-Zoltán's objectivity-subjectivity divide along with Vizi's distinction between push and pull factors.

Csanády et al. (2008) conducted a detailed survey via email with over 350 people, the results of which show that one of the main 'push factors' – motivations to migrate – for skilled workers is the higher pay, but the opportunities for professional development, and in addition, the domestic political situation in the home country are also decisive factors. Furthermore, Csanády et al. (2008) emphasise that efforts need to be made to fight for the academic elite. In addition to raised salaries, in order to really motivate people to work in their country of origin, the atmosphere, education, living standards and society as a whole would need to change, but even small investments could make a big difference in the migration patterns. Csanády et al. (2008) highlight three ways to reduce the negative effects of the brain drain. Firstly, reducing the number (and the quality) of workers leaving the country could be achieved for example through administrative restrictions. However, Vas-Zoltán (1976) had already firmly disapproved of such practices, and indeed, within the European Union, any policy formally restricting citizens' freedom to move abroad and take up a job is simply out of the question. Alternatively, reducing the outflow of people could be achieved through addressing the layer of people who have not yet left but are considering a move, and encouraging them to stay through financial means such as well-paid jobs and perspectives. This would thus require increased investment in the relevant sectors. Secondly, financial compensation for the loss of human capital caused by those people who have left their home country, for example through added taxes to be paid by emigrants or by compensation paid by the host country to the sending country. The problem with this, however, is that it is extremely difficult to calculate the loss suffered and therefore to determine the amount to be paid. For this reason, while this idea had been entertained frequently in the 1970s, it is no longer considered a viable solution. Thirdly and finally, Csanády et al. (2008) mention the "diaspora option", referring to actions aimed at maintaining intensive connections with those people who have emigrated, so that the home country could benefit from their workers abroad even without necessarily encouraging their return.

Lowell (2002) listed six possible policy solutions to the problems caused by a 'brain drain', referring to them as the 'six Rs': return, restriction, recruitment, reparation, resourcing and retention. "Return" is aimed mainly on permanent return of emigrated workers, and in this situation the country of origin would especially stand to gain from the knowledge and skills acquired by their workers while abroad. Restrictive policies are intended to make it difficult for people to leave their home country and take up employment in a foreign country. Recruitment concerns the attraction of foreign workers to come to the country experiencing a

loss of human capital, in other words encouraging circular migration. Reparation refers to the compensation in financial terms of the loss suffered due to emigration, which, as mentioned above, is no longer considered to be a realistic option. Resourcing is synonymous with “the diaspora option” and refers to initiatives aimed at “increased communication, knowledge transfer, remittance and investment” (Lowell 2002). Finally, retention policies are the relevant ones in the longer run. In retention, the creation of a favourable environment in the home country creates incentives for workers to stay. Lowell mentions policies concerning the educational sector such as increased investment in education and raised salaries, a system encouraging young graduates to stay, as well as general economic developments. While stimulating return of emigrants would perhaps have the greatest immediate impact (Lowell 2002), the question remains whether this is a lasting effect. In order to reverse the trend of large-scale emigration, the focus needs to be on long-term solutions. Long-term effects can be achieved through policies aimed at incentivising people’s stay by improvements in the economic and educational systems.

Like Vas-Zoltán (1976), De Haas (2011) specifically emphasises the role of government policies, which have been significantly underestimated in the migration processes. Moreover, De Haas asserts that “there can be no doubt that *states* can play an absolutely crucial role in shaping and transforming migration patterns” (emphasis in original). The government has a responsibility and a certain room for action. In terms of the course of action to be taken by governments, De Haas (2011) also makes a distinction between migration policies – policy measures specifically aimed at influencing the migration processes, in this case curbing the outflow of human capital – which, according to De Haas, influence the “negative freedom in the form of the right to leave or enter a national territory, and non-migration policies, which influence “people’s positive freedoms”, such as general economic circumstances, education, inequalities in income (p. 20). According to De Haas, “state influence is primarily felt through general policies rather than migration policies *per se*, as the latter have a limited influence on the main determinants of migration” (p. 25). It is therefore important to consider emigration policies in their wider context.

Chapter 3 will make use of the six R’s as types of brain drain policies and the divide between migration and non-migration policies in the frameworks by Lowell (2002) and De Haas (2011) in analysing the Hungarian policies.

## 2. Emigration processes in Hungary

Before discussing government attitude and the policies aiming to prevent or solve the problems resulting from emigration, it is necessary to establish the scope of the issue and relevant factors at play. The following section will serve to outline the development of emigration in Hungary over the past years, during which growing emigration rates – from the medical field in particular – caused concern, and the underlying motivations among the Hungarian emigrants that need to be addressed.

### 2.1 Emigration rates in Hungary from 2010

A large number of the Hungarian working population has left the country for better conditions over the past years, and in addition, the potential migration rates, that is to say, those people who have the intention to leave Hungary and may therefore be expected to migrate, have significantly increased as well. Despite the change of the regime in 1990, the migration potential was relatively low in the 1990s, but it increased sharply after the accession of Hungary to the European Union in 2004. After 2005, however, emigration rates started to decrease again, until 2010, when, following the change of government, potential migration rates went up once again, only showing a minor decrease between 2012 and 2014.<sup>20</sup> On the other hand, mirror statistics from receiving countries' statistics on immigration suggest the number of emigrating Hungarians has further increased in 2013 as well.<sup>21</sup> Figure 1 below shows the migration potential of the past years according to Hungarian statistics. The number of people with plans to take up employment abroad has increased again from 2014 onwards, reaching its 2011 high level.<sup>22</sup> Moreover, as Figure 2 below shows, the number of people with the intention to move abroad permanently is at its highest ever level at the time of the survey by the TÁRKI Social Research Institute in April 2015.<sup>23</sup>

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<sup>20</sup> Sik, E. (2015). *Migrációs potenciál Magyarországon 1993–2015*. [Migration potential in Hungary 1993–2015] Budapest: TÁRKI Social Research Institute.

<sup>21</sup> Gödri, I. as cited in Balítélet [Prejudice]. (2015, May 23). *Vasárnapi Hírek*.

<sup>22</sup> Sik, E. (2015).

<sup>23</sup> Sik, E. (2015).

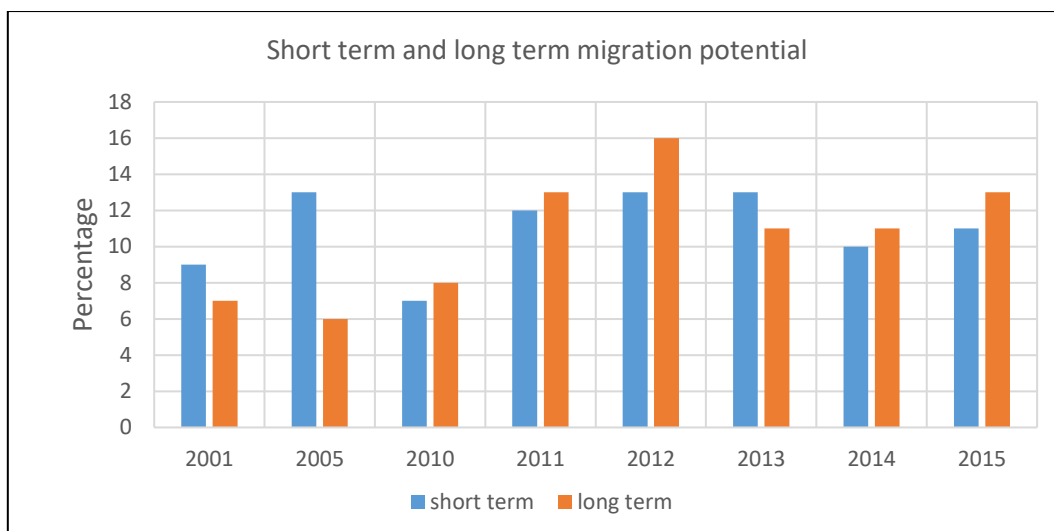


Figure 1: Number of people planning to take up short-term or long-term employment abroad<sup>24</sup>

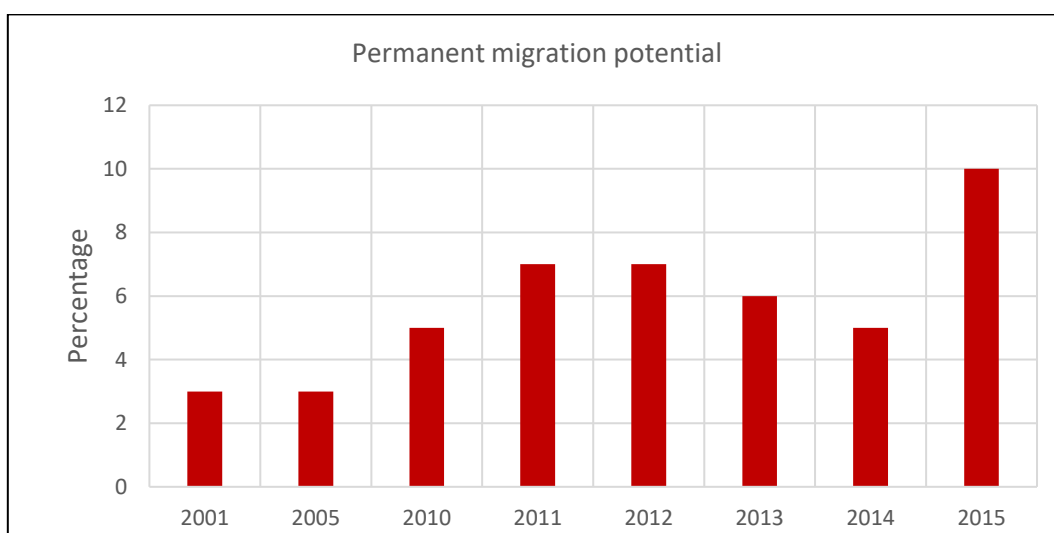


Figure 2: Number of people planning to emigrate permanently<sup>25</sup>

According to the aforementioned survey, one in ten interviewed Hungarians has said explicitly to have plans to emigrate permanently, compared to one in twenty people saying they want to leave the country for good in the same survey one year before.<sup>26</sup> This development is particularly worrisome.

It is important to note that statistics on the number of expatriates may significantly underestimate the extent of the issue, as many people who move abroad for work keep their

<sup>24</sup> Sik, E. (2015).

<sup>25</sup> Sik, E. (2015).

<sup>26</sup> Sik, E. (2015).

official residence in their home country. Therefore, the rates of emigration are in fact likely to be higher. As mentioned above, mirror statistics may suggest different emigration rates. According to data gathered by Eurostat (2016), emigration from Hungary has been on the rise continuously, with a sharper increase after 2011, as shown in Figure 3 below.

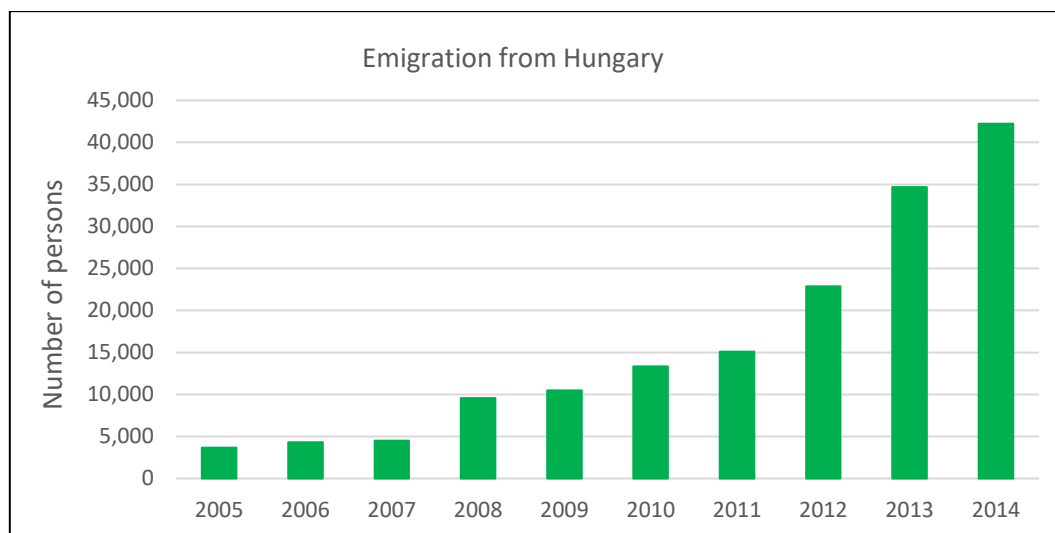


Figure 3: Number of persons emigrating from Hungary, 2005-2014<sup>27</sup>

Furthermore, Blaskó, Ligeti & Sik (2014) find that the probability of migration increases with level of education. Current emigration rates to a large extent involve highly educated, young people below the age of thirty.<sup>28</sup> Similarly, according to a study conducted by research group *Aktív Fiatalok Magyarországon* (Active Youth in Hungary) in 2015, 63 per cent of Hungarian students enrolled in higher education would like to take up a job in a foreign country for a limited time, and, as shown in Figure 4 below, 52 per cent would like to be in long-term employment abroad, and no less than 37 per cent of higher education students in Hungary has plans to leave the country permanently.<sup>29</sup>

<sup>27</sup> Eurostat (2016). Emigration. [Datafile].

<sup>28</sup> Blaskó, Z., Ligeti, A.S. & Sik, E. (2014). Magyarok külföldön – Mennyien? Kik? Hol? [Hungarians abroad – How many? Who? Where?] in T. Kolosi & I. Gy. Tóth (Eds.), *Társadalmi Ríport 2014* [Report on Society 2014] (pp.351-371). Budapest: TÁRKI Social Research Institute.

<sup>29</sup> Szabó. (2015). *Egyetemisták és főiskolások Magyarországon, 2015* [University and College Students in Hungary, 2015]. Aktív Fiatalok Magyarországon Kutatócsoport [Active Youth in Hungary Research Group]. Szeged: Belvedere Meridiane.



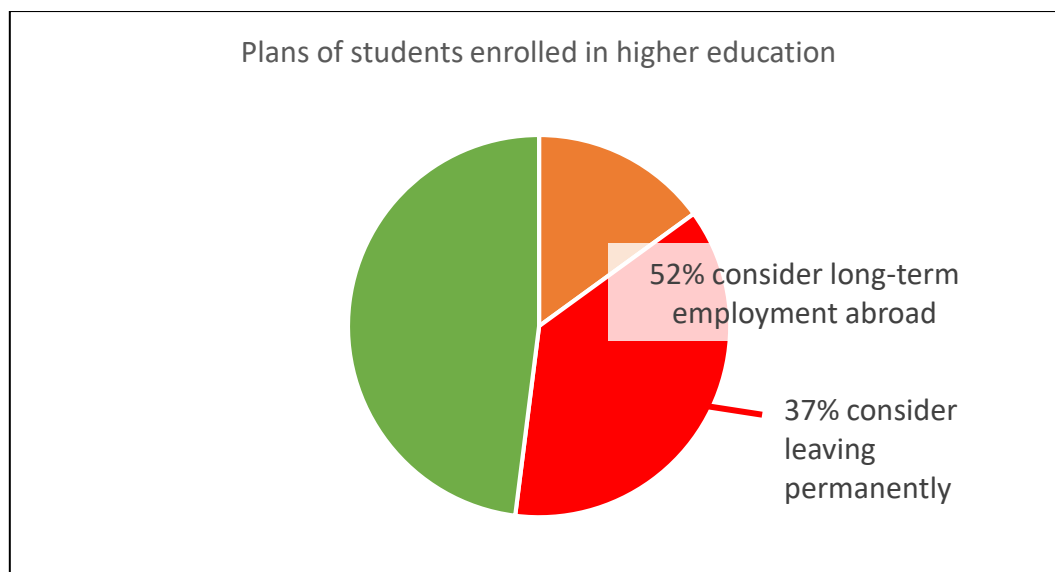


Figure 4: Emigration plans of students graduating from a higher education institute<sup>30</sup>

The Demographic Portrait of 2015, a study conducted by the Hungarian Demographic Research Institute,<sup>31</sup> finds that between 2011 and 2014 there has been a decrease in the Hungarian population of 100,000 people due to emigration. The research predicts that by 2060, the Hungarian population will have decreased to 8 million, down from the current 10 million, as a result of an ageing population, decreasing birth rates and unstoppable emigration. According to Irén Gödri, researcher of the institute and co-author of the Demographic Portrait 2015, at the start of 2014, over 330,000 Hungarians were living and working outside of Hungary. This is 3.5 times the number in 2001.<sup>32</sup>

The most recent research by the *Diplomás Pályakövető Rendszer* (DPR), a system tracking higher education graduates' careers, collected data from 33 institutes of higher education. This report suggests that one third of fresh graduates plan to take up a job abroad within five years to come.<sup>33</sup> Intrum Justitia's European Consumer Payment Report 2015 suggests that 35 per cent of all Hungarians who took part in the survey are considering a

<sup>30</sup> Szabó, A. (2015).

<sup>31</sup> The Hungarian Demographic Research Institute is an independent institute; an independent public organisation under supervision of the president of the Hungarian Central Statistical Office and in a close relationship with the Hungarian Academy of Sciences.

<sup>32</sup> Gödri, I. (2015). Nemzetközi Vándorlás [International Migration]. In J. Monostori, P. Óri & Z. Spéder (Eds.), *Demográfiai Portré 2015: Jelentés a Magyar Népeség Helyzetéről* [Demographic Portrait of Hungary 2015] (pp. 187-211). Budapest, KSH Népeségtudományi Kutatóintézet [Demographic Institute].

<sup>33</sup> Veroszta, Z. (2015). *Frisssdiplomások 2014. Kutatási zárótanulmány*. [Fresh graduates 2014. Final Report]. *Diplomás Pályakövető Rendszer* [Graduates' Career Tracking System]. Educatio Nonprofit Kft. Felsőoktatási Osztály [Educatio nonprofit company Higher Education Department].

permanent move abroad. This rate is higher among young people: 44 per cent of all young people are considering a permanent move abroad, young families with children represent 41 per cent and young people without children 45 per cent.<sup>34</sup> Among the most likely destinations are Germany, Austria and recently the United Kingdom.<sup>35</sup> Figure 5 below shows the increase in the estimated number of Hungarians living in certain Western European countries between 2001 and 2014.<sup>36</sup>

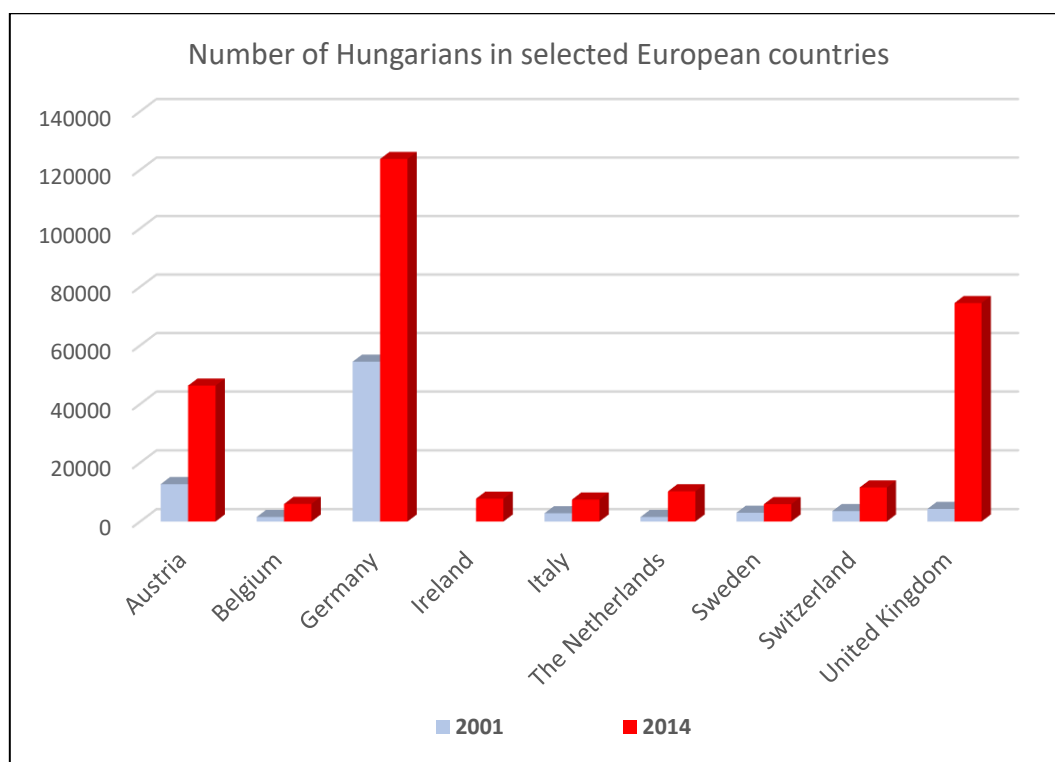


Figure 5: The most popular destination countries within Europe for Hungarians working and living abroad<sup>37</sup>

<sup>34</sup> *Európai Fogyasztói Fizetési Jelentés* [European Consumer Payment Report] (2015) Intrum Justitia.

<sup>35</sup> This was written before the British referendum on EU membership took place. It is obvious that the referendum outcome will have implications for Hungarian citizens, both for those in the United Kingdom and for those in Hungary intending to move to the UK, but as the current situation is marked by uncertainty and the effects are not likely to come into play for a number of years, the referendum has not been taken into account in this thesis.

<sup>36</sup> Gödri, I. (2015). Nemzetközi Vándorlás [International Migration]. In J. Monostori, P. Óri & Z. Spéder (Eds.), *Demográfiai Portré 2015: Jelentés a Magyar Népeesség Helyzetéről* [Demographic Portrait of Hungary 2015]. Budapest, KSH Népeességtudományi Kutatóintézet [Demographic Institute].

<sup>37</sup> Gödri, I. (2015).

One of the areas in which the increasing emigration rates are most worrisome is the area of healthcare. Doctors and specialists are leaving the country for employment abroad in large numbers. According to data from the Hungarian Health Registration and Training Centre (*Egészségügyi Nyilvántartási és Képzési Központ, (ENKK)*), over 900 people in the health care profession moved abroad in the first six months of 2015, amongst whom are mainly internists, surgeons, anaesthesiologists, general practitioners and paediatricians<sup>38</sup>. Moreover, young people within age groups 25 to 29 and 30-34 make up a significant share of the emigration numbers.<sup>39</sup> Júlia Varga, researcher at the Economic Research Centre of the Hungarian Academy of Sciences, gathered data on doctors' emigration in the years 2003 to 2011, and found that within this time period, 12 per cent of all Hungarian physicians had left the country. Although the focus period of this thesis is beyond the scope of Varga's research, it is worth noting that her research shows the same trend: increased emigration of doctors after 2007, then a further increase from 2010 onwards and an accelerated increase from 2011.<sup>40</sup>

Research conducted by the University of Pécs suggests that 30-40 per cent of the medical students in Hungary have the desire to leave the country for work abroad. According to the Association of Hungarian Doctors (*Magyar Orvosok Szövetsége (MOSZ)*), every day Hungary loses 3 physicians and 2 nurses to hospitals abroad.<sup>41</sup> There are currently 1700 Hungarian doctors working in the United Kingdom alone.<sup>42</sup> Newspaper *Népszabadság* wrote that there is at present a shortage of 3000 doctors in the country and there have been years in which the number of emigrants was higher than the number of medical graduates.<sup>43</sup> Furthermore, the IT and tourism sectors are coping with grave shortages as well.<sup>44</sup> According to Ágnes Hárs, lead researcher at Kopint-Tárki Institute for Economic Research Co., the outflow of skilled workers is unlikely to stop in the coming years.<sup>45</sup>

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<sup>38</sup> H.J. (2015, September 9). Folytatódott az orvosok elvándorlása Magyarországról. *Világgazdaság*.

<sup>39</sup> H.J. (2015, September 9).

<sup>40</sup> Varga, J. (2016, January). Hova lettek az orvosok? Az orvosok külföldre vándorlása és pályaelhagyása Magyarországon, 2003-2011 [Where have all the doctors gone? [Migration and attrition of physicians and dentists in Hungary between 2003 and 2011]. *Közgazdasági Szemle* [Hungarian Economic Journal], 63, 1-26.

<sup>41</sup> *Naponta három orvos hagyja el Magyarországot* [Every day, three doctors leave Hungary]. (2015, January 28). *HVG*.

<sup>42</sup> *Ujhelyi: a magyar reformok működnek, a magyar fiatalok meg elmenekülnek* [Ujhelyi: The Hungarian reforms are working, and the Hungarian youth is fleeing]. (2016, June 8). *24.hu*.

<sup>43</sup> Danó, A. (2015, November 26). Tíz kórháznyi orvos hiányzik, a hallgatók közel fele külföldi [Shortage of doctors of ten hospitals, nearly half are international students]. *Népszabadság*.

<sup>44</sup> Haszán, Z. (2015, June 29). Tényleg nagyon nagy baj van a Balatonnál [There is big trouble at Lake Balaton]. *444.hu*.

<sup>45</sup> Hárs, Á. as cited in Haiman, É. (2014, July 21). Emigráció: nincs alternatíva [Emigration: there is no alternative]. *Világgazdaság*.

## 2.2 Decisive factors in emigration in Hungary

There is a multiplicity of factors at play in the outflow of human capital from Hungary. As mentioned above, scholars such as Vas-Zoltán, Vizi and Csanády et al. have set out several factors that influence these emigration patterns in Hungary. They emphasise that it is the opportunities in Western European countries that make employment abroad, be it temporary or long-term, so attractive for Hungarian workers. Western European countries offer much higher salaries, better career opportunities and working conditions and an overall much better welfare system (Vas-Zoltán, 1976; Vizi, 1993; Csanády et al, 2008).

Looking more closely at recent developments in Hungary, an opinion poll carried out jointly by *Vasárnapi Hírek* (The Sunday News) and the Publicus Institute asked respondents about their opinions regarding emigration. 62 per cent of the respondents cite economic reasons as the cause of rising emigration numbers, and, it is interesting to note, 36 per cent is of the opinion that political factors are responsible. In more detail, respondents indicate that emigrants leave because the salaries in Hungary are too low to sustain oneself, because of a lack of jobs, because of the unfavourable economic situation in general or because of Fidesz – the political party in government – and Prime Minister Viktor Orbán in particular.<sup>46</sup> Furthermore, Irén Gödri argues that – even though it might be argued that the intention to leave the country does not necessarily mean these plans will be carried out – these numbers indicate that the general well-being of Hungarian society is changing, dissatisfaction is increasing, there is a lack of perspective on the future and people are losing hope. Therefore, Gödri warns, it will be harder and harder to reverse the process as the number of people emigrating continues to grow.<sup>47</sup>

The Hungarian website *Határátkelő* – meaning “crosser of the border” – is a news website, blog and online community with nearly 1500 members, where Hungarian nationals who have gone to live abroad or who have plans to do so share their experiences, life stories and advice. It is intended as an informative blog and community run *by* emigrants and *for* emigrants. These personal accounts therefore provide some insight into the circumstances which people are eager to leave behind, and the circumstances which draw them to particular countries. People featured on this blog highlight the higher salaries on the one hand, but also

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<sup>46</sup> Balítélet [Prejudice]. (2015, May 23). *Vasárnapi Hírek*.

<sup>47</sup> Gödri, I. (2015). Nemzetközi Vándorlás [International Migration]. In J. Monostori, P. Őri & Z. Spéder (Eds.), *Demográfiai Portré 2015: Jelentés a Magyar Népeesség Helyzetéről* [Demographic Portrait of Hungary 2015]. Budapest, KSH Népeességtudományi Kutatóintézet [Demographic Institute].

the bad atmosphere at home – both in the workplace and the feeling in the country in general –, the state of Hungarian education, worsened health care and insufficient social security.<sup>48</sup>

Bernadett Szél, leader of the LMP party,<sup>49</sup> argues there are insufficient funds dedicated to education and health care and this causes further emigration. According to Szél, professionals are not leaving Hungary out of a desire for adventure – as the government has suggested on numerous occasions – but out of sheer necessity, in hopes of earning a decent living.<sup>50</sup> In terms of salary, the statutory net minimum wage in Hungary in early 2016 was no more than HUF 111,000 per month, which corresponds to approximately EUR 352 per month.<sup>51</sup> In the first quarter of 2016, the average gross wage earned in Hungary was HUF 253,831; approximately EUR 805.<sup>52</sup> The numbers are significantly higher for Budapest, where the average salary amounted to HUF 328,243, approximately EUR 1042 per month.<sup>53</sup> Nevertheless, in comparison, the minimum wage in 2016 is GBP 7.2 or EUR 9.5 per hour in the UK<sup>54</sup> and EUR 1537.20 per month in the Netherlands.<sup>55</sup> In addition, the Hungarian system knows little social security. Unemployment benefits can be granted for a maximum of 90 days, and the amount cannot exceed the minimum wage applicable at that time.<sup>56</sup>

Furthermore, changes to the higher education system are likely to be a factor in the emigration tendencies of young people. The costs of higher education can be quite high and there is little financial support from the government. In the Hungarian higher education system, institutions of higher education apply minimum scores on the secondary school leaving examination required for admission into the programme. A limited number of state-funded places are available in most programmes, which are awarded to a limited number of students in order of secondary school leaving examination results. For those students who are accepted into the programme but who do not make it into a place with a scholarship, the full tuition fee applies. In recent years, the number of available state scholarships has drastically decreased, to

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<sup>48</sup> Határátkelő. (n.d.) *Határátkelő: Az ország átlépte a határt, úgyhogy mi is átlépjük!* [“Border Crosser: The country has crossed the line, therefore we cross it, too!].

<sup>49</sup> Lehet Más a Politika (LMP) [*Politics Can Be Different*], Hungarian left-wing political party founded in 2009, in opposition.

<sup>50</sup> Hungary. National Assembly. Parliamentary Proceedings, (2015, May 26). Vol. 75. (Bernadett Szél)

<sup>51</sup> EuroFound (2016) “Statutory minimum wages in the EU 2016”.

<sup>52</sup> KSH (2016), “Az alkalmazásban állók havi bruttó átlagkeresete” [Average net monthly earnings of employees], Központi Statisztikai Hivatal (database).

<sup>53</sup> KSH (2016).

<sup>54</sup> EuroFound (2016) “Statutory minimum wages in the EU 2016”.

<sup>55</sup> Rijksoverheid. (2016) Minimumloon.

<sup>56</sup> Act IV/1991 on the promotion of employment and unemployment benefits

the point where in some programmes none can be offered at all and all students have to pay the full tuition fee.

The costs of higher education vary from one programme and university to the next. In 2014, the costs for a degree in finance, for example, ranged between HUF 250,000 – EUR 793 approximately – per semester at the University of Szeged and HUF 400,000 – EUR 1269 approximately – per semester at the Budapest University of Technology and Economics. Tuition fees for the engineering programmes at the Budapest University of Technology and Economics vary from EUR 2270 to EUR 3200 per semester for a BSc degree and from EUR 2750 to EUR 3800 per semester for a MSc degree, depending on the department. Unsurprisingly, medical degrees are the most expensive. Without a state scholarship, the tuition for one semester in medical school amounts to HUF 950,000 – which corresponds to EUR 3012 approximately – at the University of Pécs and the University of Szeged, HUF 1,000,000 - EUR 3170 approximately – at the University of Debrecen and no less than HUF 1,020,000 – corresponding to EUR 3234 approximately – at the Semmelweis University in Budapest. Tuition fees in dentistry range from HUF 950,000 – EUR 3012 approximately – to HUF 1,350,000 – EUR 4280 approximately – per semester, depending on the university. With a study programme of twelve semesters, medicine has the highest tuition fees overall.

Taking the minimum and average wage into account, these tuition fees may be considered very high. Having to bear these costs themselves – or being simply unable to afford university in Hungary this way – may prompt young people to opt for higher education in another country – for example in Austria, where higher education is free – after which it is not unlikely that they remain there when they start their career. In Hárs' opinion, the reforms and uncertainty regarding the higher education system drive many people away from Hungary.<sup>57</sup> She asserts that many young students decide to pursue their studies – and the number of those who are going already for secondary school is even on the rise – in the United Kingdom, Austria or Germany, and she predicts that those who graduate abroad will not return to live and work in Hungary in later life.<sup>58</sup>

Furthermore, it is important to take into account how the motivations for emigration have evolved over the years. As mentioned above, professionals are increasingly moving

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<sup>57</sup> Krúg, E. (2015, August 27). Ha a bevándorló Magyar. Százvezrek külföldön [When the immigrant is Hungarian. Hundreds of thousands abroad] (pp. 22-25). *168 Óra*.

<sup>58</sup> Krúg, E. (2015, August 27).

abroad indefinitely, without the intention to return to Hungary. Euwork, a recruitment agency specialising in international employment for Hungarians, conducts interviews with their clients and enquires about the reasons for them to seek employment abroad. Where previously people worked abroad mostly for a limited time in order to earn enough money to get a head start back home, to save money for the purchase of a house, to pay for their studies, to see the world and to use their languages, nowadays people list more pessimistic reasons for their decision to leave – and more strikingly, for not wanting to come back – besides the obvious argument that Western European countries offer higher salaries: they do not see opportunities in Hungary for their careers in the long term, they regard the situation in their home country as bleak, and they do not expect this to change. They are “fleeing from the circumstances” and are fed up with Hungarian politics – not purely with the current government, but with domestic politics in general.<sup>59</sup> People mention that the “bad mentality” in Hungary bothers them, that they “do not get enough recognition for their work” and that “they need to work too hard as there is no money to hire more people”.<sup>60</sup>

The promising prospects of a life and career in wealthy Western European countries are undeniable and difficult to counterbalance. Indeed, it is simply not realistic to think that Hungary will become a country which is economically equally prosperous as for example the Netherlands and which will have the same appeal, therefore it is unlikely that the push factor of lower salaries at home and higher salaries abroad could be completely eliminated. Then again, as both Vas-Zoltán (1976) and Vizi (1993) note, while the higher salary certainly has a great appeal, it is not necessarily the single most important factor in the migration decision; better career opportunities and recognition for work as a whole are likewise decisive push factors. A study conducted by psychologist and researcher Agnes Tóth-Bos in collaboration with airline WizzAir found that especially to those people who work and live in the Netherlands, money is not highest on the priority list. Their move is primarily about happiness, time and opportunity to relax.<sup>61</sup>

In addition, emotional pull factors should not be underestimated. Homesickness and family ties may play an important role in the considerations whether to stay or return back home. Families, for example, may want to raise their children in their home country,

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<sup>59</sup> Torontáli Zoltán. (2016, April 21). A kilátástalanság elkezdte végleg külföldre vinni a magyarokat [The hopelessness has started driving Hungarians abroad for good]. *HVG*.

<sup>60</sup> Amiért nem költözöm haza [Why I am not moving back home]. (2016, June 22). *Határátkelő*.

<sup>61</sup> A Hollandiába kivándorló magyarok köszönik, jól vannak [The Hungarian emigrants in the Netherlands are very well, thank you for asking]. (2016, May 30). *24.hu*.

surrounded by family, in their native tongue, and so on. Indeed, it might be argued that the country of origin and the destination country are not 'equal' competitors in the same game. The country of origin will likely have, for example, family ties, the sense of roots and *homeland*; such emotional pull factors can be significant in holding back potential emigrants. It is therefore unlikely that the sending country would have to offer the exact same sum in salary in order to influence the outflow of human capital. Likewise, Vizi (1993) argues that these ties to the homeland can be strong enough to 're-attract' people, provided that the atmosphere in the home country is favourable.

In addition, it is important to consider what it takes to take up employment abroad and move, or move abroad in order to search for work. High salaries do not automatically follow from moving abroad. Emigrants and relevant people provide warnings on Határátkelő blog that a smooth career abroad must not be taken for granted. For example, for those who are middle-class at home and highly educated, the United Kingdom may be a disappointment at first. Many highly educated young professionals, for example, start out their career in the United Kingdom washing up in a restaurant. It is worth taking into account that looking for employment abroad – be it short term or long term – may not be an easy process.

As discussed in the previous chapter, the push and pull factors influencing a person in a decision whether or not to move can be described as balancing on a scale. When push factors increase in number or weight and/or pull factors weaken, the balance is shifted and a person will decide to move. Alternatively, it may be the threshold that is affected. In other words: people's motivations may reach their boiling point sooner. Government policies affect potential emigrants' motivations to stay and/or to leave, but the demonstrated attitude may also be perceived and will arguably have an impact on the balance of push and pull factors in individuals as well. An imbalance may result from a change in one's expectations of whether home conditions are likely to improve or deteriorate.



### 3. The role of the state in Hungary's 'brain drain' – ostrich strategy?

#### 3.1 The attitude of the government towards the human capital flight

De Haas (2011) specifically points out the role of the state in the human capital flight phenomenon. As discussed in Chapter 1.5, the government ought to recognise its responsibility and utilise the available room for action. Looking at the attitude the Hungarian state seems to take towards Hungarian emigration processes, it is arguably characterised by denial and down-playing. On numerous occasions, the government seems to have tried to avoid the subject of emigration. Members of the government or affiliated officials at times seem hesitant to acknowledge the issue, showcasing this by focusing on word choice, the definition of the term and insisting that it is incorrect. According to István Ujhelyi, MEP for the Hungarian Socialist Party (Magyar Szocialista Párt - MSZP),<sup>62</sup> “the problems are severe, but the government refuses to see them, and has been denying the facts for years”.<sup>63</sup>

After five years in office, several members of the government and connected key figures were interviewed in a video by online news portal Index about the emigration issues in Hungary. This was shortly after Vasárnapi Hírek published the result of their poll conducted in collaboration with the Publicus Institute, which suggests that the majority of the Hungarian population is more concerned about the ‘brain drain’ due to large-scale emigration than about immigration in the country. 67 per cent of the respondents in the poll said they attach greater importance to the emigration problem than the supposed immigration problem, in contrast with 23 per cent of the respondents who feel immigrants are a bigger problem to the national situation than emigration.<sup>64</sup>

The government has received a lot of criticism and has been accused of attempting to divert attention away from the economic and political problems relating to the ‘brain drain’ by blaming immigration instead.<sup>65</sup> Upon being asked by news portal Index whether he thinks

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<sup>62</sup> In opposition.

<sup>63</sup> Krúg, E. (2015, August 27). Ha a bevándorló Magyar. Százvezrek külföldön [When the immigrant is Hungarian. Hundreds of thousands abroad] (pp. 22-25). *168 Óra*.

<sup>64</sup> This poll was conducted around the time the Hungarian government ran a hugely xenophobic anti-immigration poster campaign. All over the country, large posters featured texts such as “If you come to Hungary, you cannot take the Hungarians' jobs away from them”, “If you come to Hungary, you must abide by the law” and “If you come to Hungary, you must respect our culture”.

<sup>65</sup> Fábrián, T. & Szabó, P. (2015, May 29). A fideszesek szerint nincs kivándorlás [According to Fidesz, there is no emigration]. *Index*.

immigration is a bigger problem than emigration, György Matolcsy, president of the Hungarian National Bank and Fidesz politician<sup>66</sup> made the following answer before turning and walking away: “I am not emigrating. I feel very good in Hungary.”<sup>67</sup> He avoids the subject entirely by making a completely unrelated joke.

Pál Völner, Fidesz politician and Secretary of State for Justice, answered to the same question: “Yes, emigration is an important issue, it should be dealt with.”<sup>68</sup> He does not specify *who* is responsible for dealing with it, nor does he go into detail as to *what* they could do. Moreover, he hastens to add emphatically that “anyway, this cannot be called emigration” and that the people in question should instead be called “guest workers”.<sup>69</sup> Although this term is slightly problematic in English, as this concept would in fact normally be referred to in English as ‘migrant workers’, which would thus fail to show the supposed difference as was intended, Völner specifically aimed to stress that this type of employment abroad has nothing to do with the emigration which is the subject of some complaint.

Responding to Fidesz’ rebuttal that they do consider emigration an important issue, Index remarked that “notwithstanding, it seems as though the government is focusing more on immigration”, to which Péter Harrach, KDNP parliamentary group leader,<sup>70</sup> replied: “They are right to do so! I, too, think immigration is a bigger problem!” and continued by firmly stating: “There is no question of emigration, there is simply employment!”. He later added that “this is a process, and [the emigrated young people] will be coming back”. Upon being asked why people would come back, Harrach replied: “because it is good here at home”. When Index asked him what made home good, Harrach made no reply.<sup>71</sup>

András Giró-Szász, Secretary of State for communications at the Office of the Prime Minister, stressed that “first of all, there is no such thing [in Hungary] as emigration; what it is, is the freedom to work anywhere in the EU. [A person] takes up a job in an EU member state, but [his or her] family lives here at home, [he or she] transfers the money earned there, they remit more than two billion euros a year, and significantly contribute to the Hungarian

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<sup>66</sup> Served as Minister for National Economy from 2010 to 2013.

<sup>67</sup> Fábíán, T. & Szabó, P. (2015, May 29). A fideszesek szerint nincs kivándorlás [According to Fidesz, there is no emigration]. *Index*.

<sup>68</sup> Fábíán, T. & Szabó, P. (2015, May 29).

<sup>69</sup> Fábíán, T. & Szabó, P. (2015, May 29).

<sup>70</sup> KDNP, the Hungarian Christian Democratic People’s Party, is officially in a coalition government with Fidesz, although in fact KDNP functions as a satellite party to Fidesz.

<sup>71</sup> Fábíán, T. & Szabó, P. (2015, May 29).

national economy, and this does not cause any tension whatsoever”.<sup>72</sup> Moreover, he adds that “these numbers are incorrect, the claim that emigration rates have increased since 2010 is false, the majority of these people left before 2010 and this does not cause any problems whatsoever”.<sup>73</sup>

In the same interview, Fidesz politician Szilárd Németh argued that at present, the attention should be at immigration as “this is currently the big issue”.<sup>74</sup> Furthermore, he is convinced that all the young people who are currently living abroad will return to their birthplace. Németh also refers to the campaign ran by the government to incentivise return – which will be discussed in the next section of this thesis –, which, he says, in time will “draw *all* young people home”.<sup>75</sup>

The issue of Hungarian emigration was debated in the National Assembly in late 2014, at the initiative of 50 members of parliament from opposition parties – both left-wing and far-right – who submitted a request for a so-called *day of parliamentary debate* about “the causes of emigration from Hungary and possible solutions to control this process”. During this debate, Dr. Judit Bertalan, state secretary for education at the time, held that ‘migration’ in itself is not a negative word nor process, and insisted that “migration is a good thing because everyone is or can be a winner”. She also claimed that in the past, when people made the decision to take up a job or pursue studies abroad, they would stay in the foreign country for good, and this is no longer the case.<sup>76</sup> Various studies discussed in Chapter 2, however, contradict this claim, as they find it is precisely the other way around: migration patterns have shifted in the direction of increased permanent migration.

Erik Bánki, MP for Fidesz, pointed out that the opposition is using the term ‘emigration’ wrong. In his opinion, the term ‘emigration’ concerns the circumstances known in the communism years, when leaving the country meant emigrating; when these people were called dissidents as they had left without permission of the state and this meant that they were not allowed to return. As this is no longer the case, Bánki argued, “it is pointless to talk of emigration if this concerns students who study abroad or people who work abroad for a number

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<sup>72</sup> Fábíán, T. & Szabó, P. (2015, May 29).

<sup>73</sup> Fábíán, T. & Szabó, P. (2015, May 29).

<sup>74</sup> Fábíán, T. & Szabó, P. (2015, May 29).

<sup>75</sup> Fábíán, T. & Szabó, P. (2015, May 29).

<sup>76</sup> Hungary. National Assembly. Parliamentary Proceedings, (2014, December 3). Vol. 36. (Dr. Judit Bertalan).

of years to lay the groundwork for their easier and better life back home”<sup>77</sup>. Bánki disagreed with the claim that people would be moving to another country because they want to leave Hungary and do not wish to return, and argued that “young people in the ages 20 to 30 do not associate travelling abroad with ‘emigration’, but purely with the opportunity to learn about new cultures and immerse themselves in them”. This, to Bánki, is simply what free movement entails and he therefore considers the claim that people leave because they are dissatisfied with Hungary, its domestic political climate or economic circumstances false.<sup>78</sup>

Moreover, Bánki argued, people who are in employment abroad contribute to the economy of their country of origin, as they remit large sums of money, help their families at home and prepare for their own return. While it is clear to Bánki that it would be impossible for Hungary to compete with salaries in Germany, the United Kingdom, or even Italy, he pointed out that “it would be no disadvantage for Hungary at all if this attraction in these countries meant that as a result a few tens of thousands, or even a couple hundred thousand, people were to take up employment abroad”. In fact, he argued, there is no reason to think that “a person who takes up a job abroad will settle in that country for good”.<sup>79</sup> Bánki’s experience in his own circle of friends is that “after having spent three to four years abroad, these people add much more value to the home economy than if they had never left”. Lastly, Bánki contradicted the claim that emigration rates considerably increased after 2010.<sup>80</sup>

In January 2015, Prime Minister Viktor Orbán likewise told on national radio that emigration in this respect is not an issue: “It is absurd to speak of emigration from Hungary to Germany or the United Kingdom. These people are not emigrants, because we ourselves *wanted* to create one common economic realm in which people are free to take jobs anywhere”.<sup>81</sup> Some time before, Orbán provided the line followed by Giró-Szász, emphasizing that these young people “do no wrong whatsoever to their home country, and moreover, within one year they send home amounts worth two billion euros”, adding that “these people should be thanked!”.<sup>82</sup> A few years earlier, Orbán, in a speech delivered at a conference of the youth wing of his political party, had reassured his public that within just a few years, young people

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<sup>77</sup> Hungary. National Assembly. Parliamentary Proceedings, (2014, December 3). Vol. 36. (Erik Bánki).

<sup>78</sup> Hungary. National Assembly. Parliamentary Proceedings, (2014, December 3).

<sup>79</sup> Hungary. National Assembly. Parliamentary Proceedings, (2014, December 3).

<sup>80</sup> Hungary. National Assembly. Parliamentary Proceedings, (2014, December 3).

<sup>81</sup> Cited in *Orbán szerint nincs kivándorlás* [According to Orbán there is no emigration]. (2015, January 18). *Index*.

<sup>82</sup> Hungary. National Assembly. Parliamentary Proceedings, (2014, February 3). Vol. 339. (Viktor Orbán).

would be returning home in huge numbers.<sup>83</sup> In a more recent speech, Orbán claimed that those people who leave Hungary to work elsewhere do so merely out of a desire for adventure and this is absolutely no reason for concern. Moreover, he essentially called those who stay home and never go abroad cowards.<sup>84</sup>

To summarise, these comments by members of the government – members of the governing party – indicate that the issue is a controversial one. The government strongly disagrees with the usage of the term ‘emigration’, as this term would involve settling in another country forever, while the government insists that the migratory processes observed in Hungary are not permanent. It is convinced that the present issue merely concerns people who leave for a number of years and that most of them will return. Furthermore, the government highlights that instead of ‘emigration’, the issue in question is simply the free movement within the European Union, which is what all countries wanted and therefore a good thing. In addition, the government suggests that it is a sense of adventure, curiousness about the unknown and available opportunities that are responsible push factors for migration, rather than economic and/or political circumstances in the home country, whereas various studies have suggested otherwise. At times, members of the government have outright denied the statistics. Lastly, the government relies on the claim that people’s employment in a foreign country benefits the Hungarian economy through remittances and in time, when they return, through the added value of their experiences gained abroad and insists that the Hungarian economy has indeed experienced economic gains owing to people’s temporary work abroad.

The attitude of the government follows the optimism of ‘New Brain Drain’ scholars in that it appears not to consider the ‘brain drain’ that big of a problem, owing to the amounts of money people working abroad are remitting and the confidence that these people will return home. However, loss of human capital is causing shortages in the current labour market even if these people were to return at a later stage. Moreover, the government fails to recognise that at present more and more people are leaving their home country with no intention to return. Various studies found that permanent emigration is on the rise, and many people want to leave for long-term employment, not knowing whether or not they will want to return. As discussed earlier in this thesis, earlier research indicates that the higher the education level and the longer

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<sup>83</sup> Szalay, T.L. (2012, July 24). Orbán Viktor: tömegével jönnek majd vissza külföldről a fiatalok [Viktor Orbán: young people will be coming home in huge crowds]. *Népszabadság*.

<sup>84</sup> Jenei, M. (2016, March 10). Orbán: A bátor fiatalok külföldre mennek [Orbán: the brave ones go abroad]. *Index*.

the stay abroad, the lower remittances will be and the less likely it is that return migration will follow.

### 3.2 State efforts to curb or reverse the emigration trend

Although several members of the government have on numerous occasions appeared reluctant to admit the earnestness of the ‘brain drain’ phenomenon, the government stance may seem somewhat contradictory considering that at the same time, it has also introduced a number of measures intended specifically to address the human capital flight. As previously mentioned, De Haas (2011) emphasises the role of the state and the difference government policies can make, in which he distinguishes between migration policies and non-migration policies nevertheless influencing emigration patterns.<sup>85</sup> The following two sections will serve to discuss some of the actions taken by the Hungarian government in relation to the “brain drain”.

#### 3.2.1 “Gyere Haza, Fiatal!” – “Come Home, Young Person!” – return campaign

In April 2015, the Hungarian government launched a programme entitled ‘Gyere Haza, Fiatal!’, (*Come Home, Young Person!*). This campaign, ran by the National Employment Foundation (*Országos Foglalkoztatási Közhasznú Non-profit KFT – OFA*), targeted young Hungarian professionals living in the United Kingdom, and provided assistance in moving back home and finding a suitable job in Hungary. The OFA described the programme’s intentions as follows: “the ‘Come Home, Young Person’ programme aims to reach out to Hungarian citizens living abroad. Our primary goal is to create opportunities for our compatriots to take up a high-quality job in Hungary, make a decent living. Together with our partnering companies, we are committed to this programme, because we strongly believe that it is worth your while.”<sup>86</sup> Some 125 businesses were connected to the programme. The programme offered a monthly allowance of HUF 100,000 – about EUR 325 – for the duration of one year, to cover accommodation costs (or a part thereof) or travel expenses if the distance was over 100 kilometres or the commute took more than 5 hours back and forth. Young professionals in London who were interested in the “Gyere Haza, Fiatal” programme could register and apply on the particular website. Under the programme, the applicant was first interviewed and his or her background and skills were assessed by a representative from the OFA, followed by an

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<sup>85</sup> De Haas, H. (2011). *The determinants of international migration: conceptualizing policy, origin and destination effects*. International Migration Institute Working Paper 32.

<sup>86</sup> Cited in Erdélyi, P. (2015, July 9). Nem fogja elhinni, hogy hozza haza a fiatalokat a magyar állam [You won’t believe how the Hungarian state is bringing its people back] *444.hu*.

interview with a representative of the prospective employer – a company taking part in the initiative. If these were successful, the applicant went on to have a personal meeting with the company, the flight costs of which would later also be compensated by the OFA.

The campaign targeted young people with a higher education degree or a profession in a sector which is struggling with a significant shortage of manpower in Hungary. It was specifically directed towards young people living in London, because in this city, the average age of Hungarian professionals is the lowest, and the average education level the highest. The “Gyere Haza, Fiatál” programme aimed to incentivise the return to Hungary of 50 young professionals, and the total budget allocated to the campaign amounted to HUF 100 million – roughly EUR 300,000.

After just some weeks of running the programme, Sándor Czomba, who served as Secretary of State for Employment in the Ministry of National Economic Affairs until October 2015, told M1, the national news broadcaster, that the programme was already considered a great success. According to Czomba, 40,000 people had signed up for the programme.<sup>87</sup> This would be an enormous number after one month. However, it quickly turned out that Czomba’s conclusion was hasty and the numbers hugely inaccurate; at that point, the Facebook page for the website had been ‘liked’ by 202 people, and the total *reach* of the Facebook page amounted to 40,000, although this does not necessarily mean that all these people have even clicked on the link, let alone registered on the web page. The ministry later rectified Czomba’s statement and stated that while the Facebook page had reached 40,000 people, by that time 581 people had registered for information on the website.<sup>88</sup>

Although the direct impact of the programme is difficult to measure, journalists kept track of the programme. By the end of June 2015, when the program had been running for over two months, the number of young persons the programme had seen return to Hungary from London was four, out of 54 people who were said to be “sincerely interested” in the option.<sup>89</sup> The same sources reveal that in December 2015, after eight months, the ‘Gyere Haza, Fiatál’ programme was cooperating with 125 partnering companies and would have been able to offer

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<sup>87</sup> Fábíán, T. (2015, May 20). Hány fiatal akar hazajönni a kormány hívó szavára? [How many young people want to accept the government’s invitation?]. *Index*.

<sup>88</sup> Sok fiatal szeretne hazajönni [Many young people want to return home]. (2015, May 20) Magyarország Kormánya [Government of Hungary].

<sup>89</sup> Erdélyi, P. (2015, July 9). Nem fogja elhinni, hogy hozza haza a fiatalokat a magyar állam [You won’t believe how the Hungarian state is bringing its people back]. *444.hu*.

1208 available jobs. The Facebook page of the campaign now had a total of 2200 ‘likes’, 3500 people registered on the website, of which 412 actually filled out the necessary online forms. By this time, the number of young Hungarians returned from London had risen to 52. The OFA declared that “the program was very popular, also among people in other Western European destination countries” and that there was therefore “clearly a desire for the programme to be expanded”. Moreover, OFA announced that “as the programme was introduced with the intention to facilitate the return of 50 people, this goal had already been achieved”.<sup>90</sup> Similarly, in January 2016, current Minister of State for Parliamentary Affairs and Deputy Minister for National Economic Affairs András Tállai stated that “interest in this programme is extraordinarily big, which is demonstrated by the fact that within just a few months [by then] 57 people have been retrieved”.<sup>91</sup>

The programme ran for one year. It was closed down in early June 2016, at which point over 2000 jobs were waiting to be filled in 134 partnering companies. According to data from the OFA, over the course of the programme, the ‘Gyere Haza, Fialtal’ programme had succeeded in facilitating the return of 105 young Hungarians from the United Kingdom.<sup>92</sup> With a budget of HUF 100 million – EUR 300,000 – in total, this means that the resources allocated to the programme were rather limited. Upon being asked during the weekly press conference of the government whether the programme would continue in one form or another, Minister of the Prime Minister’s Office János Lázár ignored the question and requested another.<sup>93</sup>

Despite the apparent enthusiasm of the government and its insistence that the programme is clearly a success, these arguments arguably lack solidity. It should be noted that upon simply browsing to the website, no information was readily available; in order to get past the home page and receive any sort of information about the programme, registration on the website was needed. Now that the programme has been shut down, the website is no longer accessible at all: the visitor is greeted with a short note from the OFA on a blank page saying that the programme has been completed and they are unable to accept new applications.

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<sup>90</sup> Stubnya, B. (2015, December 8). 52 fiatalt hozott haza a kormány [The government brought back 52 young people]. *Index*. /

<sup>91</sup> Stubnya, B. (2016, January 25). Már 57 fiatalt hozott haza a kormány [The government has already brought back 57 young people]. *Index*.

<sup>92</sup> Stubnya, B. (2016, June 8) 105 fiatalt hozott haza a kormány [The government has brought back 105 young people]. *Index*. Retrieved from: [http://index.hu/gazdasag/2016/06/08/105\\_fiatalt\\_hozott\\_haza\\_a\\_kormany/](http://index.hu/gazdasag/2016/06/08/105_fiatalt_hozott_haza_a_kormany/)

<sup>93</sup> Vége, megbukott a Gyere haza, fiatal! Program [The end: the Come home, young person! programme has failed]. (2016, June 13). *HVG*.



The initiative discussed above does not directly affect a person's "negative freedom in the form of the right to leave or enter a national territory", which is De Haas' (2011) criterion for a 'migration policy', but as it focuses on the permanent return of emigrated professionals and addresses one policy field only – that of emigration –, this makes it a return policy and therefore a migration policy according to Lowell's (2002) definition. According to Lowell, in return policies the immediate impact may be felt quickly. Indeed, the initial aim of the policy was to retrieve 50 Hungarian professionals and with 105 returns this goal has been surpassed. Yet it remains to be seen whether the return of 105 professionals to the Hungarian labour market will have a significant and lasting influence on the overall economy. Judit Kálmán (2016) points out that assessing whether such return policies are successful can be a difficult endeavour, as in addition to the fact that some policies may take time to show their impact – in this particular case, however, the programme is no longer being carried out, therefore it is unlikely that it would in this way generate more results in the time to come – it is difficult to determine how a situation would have evolved, had the policy not been introduced.

Nevertheless, looking at the figures, the impact of return policies on the loss of human capital flight in the home country is marginal at best and succeeds only in incentivising the return, or preventing the emigration of, a very small share of the group in question.<sup>94</sup> The aspects of the "Gyere Haza, Fiatal" programme – limited available funds, hasty exclamations on the estimated success and shutting down after one year of running without a follow-up plan yet calling the programme a great success – signal short-term thinking by the government. Moreover, taking into account the level of the funds allocated to this return policy and the salary levels and living standards in the Western European countries to which Hungarians are moving, it is likely that this return policy is but a small aid for mainly those people whose decision to move back home has already been made regardless of such a programme, or who need little convincing. Furthermore, as this return policy did little to influence the overall atmosphere in the country, it could not provide a solution to the increasing challenge of addressing the rise in the number of people who are considering or planning to move. The campaign could also be considered unfair, as it favours those who are currently working abroad, while those who have not even left are not rewarded in any way.

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<sup>94</sup> Kálmán, J. (2016) A hazatérést ösztönző közpolitikák Európában [Policies in Europe incentivizing return] In Zs. Blaskó & K. Fazekas (Eds.), *Munkaerőpiaci tükrök, 2015*. (pp. 116-120). Budapest, MTA Közgazdaság- és Regionális Tudományi Kutatóközpont Közgazdaság-tudományi Intézet [Hungarian Academy of Sciences, Economic and Regional Scientific Research Centre, Economic Department].

### 3.2.2 “Röghöz kötés” – “*serfdom*” – student agreements in higher education

The incentive campaign in the preceding section is a policy focusing on the return of emigrated professionals, rather than working toward retaining potential emigrants. The government devised a different measure in an attempt to prevent people from leaving Hungary in the first place. This measure concerns the field of higher education. As discussed in Chapter 2, along with ever increasing tuition fees, there are fewer and fewer government-funded places available. Nevertheless, in 2012, the government introduced new legislation in Hungarian higher education, under which financial aid towards tuition was subjected to certain conditions. As part of a larger reform of the higher education system, this legislation was included in the Constitution through the fourth amendment.<sup>95</sup> Prospective students of a Hungarian institute of higher education who wish to apply for a government-funded place are required to sign an agreement obligating them, within 20 years of completing their studies, to work in Hungary for a time period of the same duration as their studies. Should they fail to do so, they are obligated to pay back the financial aid to the state. This legislation is commonly referred to in Hungary – by its critics – as “röghöz kötés”, literally “binding to the land”, best translated as “*serfdom*”, as the term clearly reminds one of the medieval system in which workers were not allowed to leave a particular area.

Similarly to the policy discussed previously, this measure is also a migration policy, the aim of which is to curb emigration and thus counter the negative effects of the ‘brain drain’. In particular, this legislation affects the negative freedom of the students in government-funded higher education (De Haas, 2011). In line with Lowell’s (2002) definition of retention, this system might be regarded as “encouraging graduates to stay with the system”. This legislation, however, borders on restriction. Firstly, it involves an administrative measure preventing those who are bound by it from taking up employment in a different country and obligating them to work in their home country for a number of years after graduation. Secondly, the “encouraging” element is disputable, as the essence of the system is not to incentivise employment at home, but to inhibit leaving to work in a foreign country. Thus, this legislation does not serve to strengthen Hungary’s educational institutions, and therefore it could be considered to fall outside the scope of retention policies as defined by Lowell (2002). Vas-Zoltán (1976) was not in favour of administrative burdens on leaving, Stark, Helmenstein & Prskawetz (1997; 1998) similarly warn policymakers against embarking on policy measures that “hinder migration”.

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<sup>95</sup> *Fundamental Law of Hungary*. (2013, March 25).

Rózsa Hoffman, Secretary of State for Public Education from 2013 to 2014, insisted that they “were not binding anyone to the land” and the agreement in question was “based on a voluntary decision” (p. 70).<sup>96</sup> Strictly speaking, the restriction is accepted on a voluntary basis, as the decision to sign such an agreement is indeed voluntary. No student is coerced into signing agreements to which he or she does not wish to commit. The agreement applies only to those who wish to apply for a government-funded place in a higher education institute; those who wish not to be subject to any restrictions can pursue higher education at their own cost. However, as discussed earlier, as the number of government-funded places is limited, and tuition fees are high compared to Hungary’s living standards, many students are likely unable to afford to obtain a higher education degree without a scholarship.

Diána Szekeres (2013) raises the question whether this student agreement can really be considered a civil law agreement concluded on the basis of a truly voluntary decision. A contract under civil law requires a voluntary decision by two equal parties. In this legislation, she argues, due to the vulnerable position of the prospective student, the legal relationship between the two parties – the state and the student – is one in which the student is subordinate to the state.<sup>97</sup> Furthermore, the National Union of Hungarian Students (Hallgatói Önkormányzatok Országos Konferenciája – HÖÖK) argues that the measure violates people’s fundamental rights.<sup>98</sup> In Szekeres’ opinion, the legislation disproportionately affects fundamental rights – among which access to education, the right to free employment including free movement within the European Union. Moreover, she argues that the desired goals ought to be realised through economic and employment policy instruments, instead of through limiting people’s rights.<sup>99</sup>

The legislation essentially constitutes an inhibition on the free movement of persons. Although the European Commission found the measure legal, it has nevertheless been the subject of much criticism in and outside of Hungary and reason for many people’s discontent. Due to the criticism, the terminology in the legislation has undergone some rounds of changes. While at first the measure dictated signing a *contract*, students now have to sign a *declaration*,

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<sup>96</sup> Cited in Szekeres, D. (2013) *Hallgatói ösztöndíjszerződés, mint új elem a magyar felsőoktatásban* [Student scholarship contracts as a new element in Hungarian higher education] In BGF Gazdálkodási Kar Zalaegerszeg Szakkollégiumi Konferenciakötet. Budapesti Gazdasági Főiskola, [Management Faculty, Conference Proceedings Zalaegerszeg, Budapest Business School] (pp. 70-75). Budapest.

<sup>97</sup> Szekeres, D. (2013).

<sup>98</sup> Referenced in Szekeres, D. (2013).

<sup>99</sup> Szekeres, D. (2013).

but the contents and legal effect of the measure are identical to the previous version. As Szekeres (2013) maintains, in addition to the obligation being one-sided and the commitment of a disproportionately long duration on the part of the student, the imbalance in the situations of the agreeing parties and the dynamic of subordination remain, and the voluntary element in the declaration is questionable.<sup>100</sup> It is not unthinkable that rather than keeping potential emigrants from leaving, the legislation will effectively drive many young people away – already at an earlier stage – who will leave to pursue their entire higher education abroad instead of in Hungary. Furthermore, Szekeres (2013) raises the ethical question of whether this perception of the law in fact serves a moral and economic goal that corresponds with common sense and the common good.<sup>101</sup>

A similar “serfdom” policy is extended specifically to the field of medicine. A number of young doctors can apply for a grant under the *Markusovszky* scheme, which entails a monthly supplement of HUF 100,000 net – about EUR 325 – for the duration of their residency, granted on the condition that they do not accept gratuity money – a concept which I will return to briefly later on – and agree to stay in full employment in Hungary after completion of their residency for the period of equal length.<sup>102</sup> The same type of grant is available on the same conditions to pharmacists in specialist training under the *Than Károly* scheme.<sup>103</sup>

Legislation and measures involving the restriction – voluntary or otherwise – of potential emigrants work toward tempering the immediate impact of the loss of human capital in the short term, but – arguably even less than the previously discussed return campaign – do little to influence the push factors driving migration in the first place, and may in fact even add to them.

### 3.2.3 General education and healthcare policies

As discussed previously, while the aforementioned policies may have immediate effect to a certain extent, whether they have the desired lasting effect is disputable. These return and restriction policies are an attempt to counter the direct causes and negative effects experienced due to the human capital flight, but they do not particularly influence the root causes of

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<sup>100</sup> Szekeres, D. (2013).

<sup>101</sup> Szekeres, D. (2013).

<sup>102</sup> Markusovszky Lajos ösztöndíj [Markusovsky Lajos grant]. (n.d.) Egészségügyi Nyilvántartási és Képzési Központ [Health Registration and Training Centre].

<sup>103</sup> Than Károly ösztöndíj [Than Károly grant]. [n.d.] Egészségügyi Nyilvántartási és Képzési Központ [Health Registration and Training Centre].

migration. Lowell (2002) and De Haas (2011) argue that general policies which do not solely address the migration field but focus on general economic development are much more effective. In order to reverse the large-scale emigration trend, policies need to take a long-term focus, working to create a stable economic and social situation in the home country with favourable conditions that people will not want to leave behind. Following Lowell's (2002) theory, retention – based on true incentives in the form of a better outlook for the future – needs to be promoted in Hungary through improvements in the general economic situation and particularly through investments in the fields of education, research and development and healthcare.

On the one hand, significant effort is being made by for example the Hungarian Academy of Sciences (*Magyar Tudományos Akadémia – MTA*) to promote research and development. Although the Hungarian Academy of Sciences is a self-governing public body which thus has full autonomy over its expenditures, it is nevertheless worth including as it is an example of state funds put to good use. In 2009, the Hungarian Academy of Sciences launched a programme entitled “*Lendület*” or ‘Momentum’ for the first time.<sup>104</sup> The aim of this programme is the “dynamic renewal of Hungarian research institutions”<sup>105</sup> through the creation of new research teams in Hungary and grants for the most highly talented researchers. The programme lists among its goals the prevention of talented researchers from leaving Hungary as well as the re-attraction of young researchers from abroad and making the Hungarian academic environment more competitive,<sup>106</sup> but migrants or would-be migrants are not the only target groups. The “*Lendület*” programme encourages any highly talented researcher below the age of 40 to apply for a position and therefore it is not purely a migration policy. Furthermore, the MTA allocates significant amounts of funding to the programme, with HUF 400 million – approximately EUR 1.3 million – in 2016.

On the other hand, however, investing in education in general on the part of the government is a thorny issue. Public expenditure in education in Hungary has been low for several years and is decreasing even further. As shown in Figure 6 below, public expenditure on education in 2011 was no more than 4.4% of GDP and 9.4% of the total public expenditure

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<sup>104</sup> This programme was first launched under a different government. As it has nevertheless continued during the second and third (current) Orbán government, it is worth including.

<sup>105</sup> MTA [Hungarian Academy of Sciences] (n.d.) *Lendület* (Momentum) Programme of the Hungarian Academy of Sciences.

<sup>106</sup> MTA [Hungarian Academy of Sciences] (n.d.)

in Hungary. These rates were among the lowest in the EU22<sup>107</sup> and in the OECD countries.<sup>108</sup> In 2012, public expenditure spent on education was decreased to 3.9% of GDP and 7.5% of the total public expenditure, compared to 5.2% of GDP and 11,6% of total public expenditure on average in the OECD countries.<sup>109</sup> In 2013, only 3.8% of GDP was spent on education, which was 6,8% of the total public expenditure, compared to an average of 5,2% of GDP and 11.2% of the total public expenditure in the OECD countries.<sup>110</sup> In the period from 2010 to 2013, Hungary made the deepest cuts in the budget allocated to education among the OECD countries.<sup>111</sup> In addition, teachers' salaries decreased in the same period and remain low.<sup>112</sup>

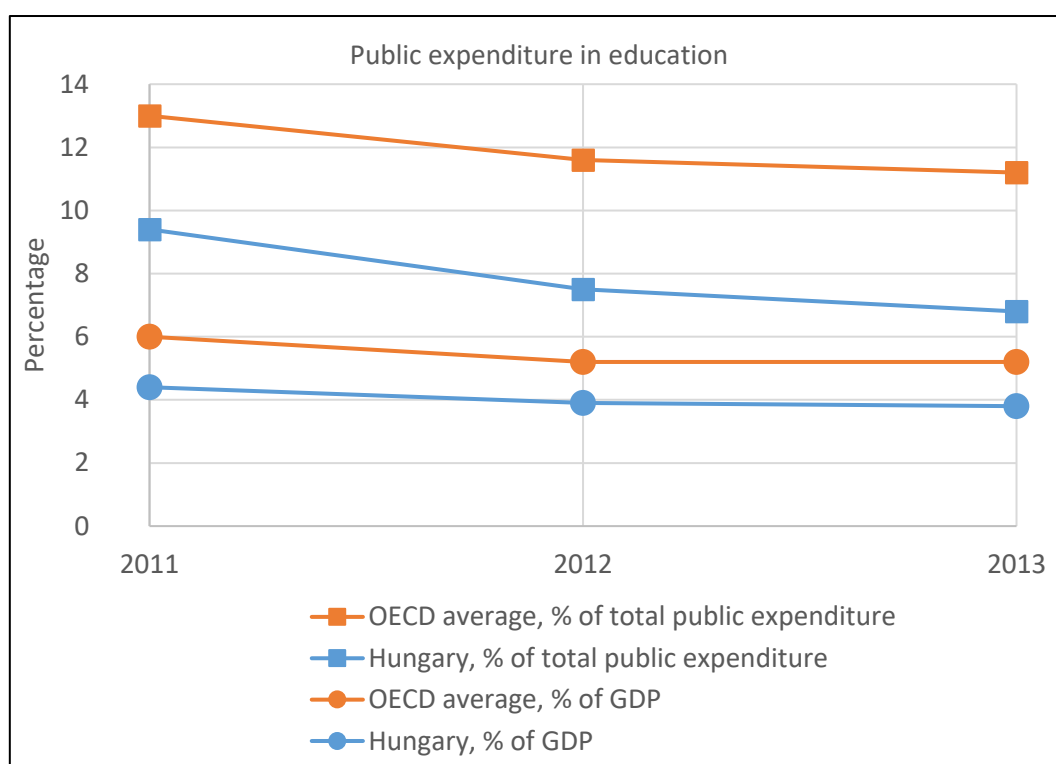


Figure 6: Public expenditure in education in Hungary, 2011-2013<sup>113</sup>

Unfortunately, to date, no data are available on the years after 2013. Nevertheless, the available data show that while it is known that emigration rates in Hungary soared from 2010

<sup>107</sup> Non-OECD member states of the EU are excluded from these OECD data.

<sup>108</sup> OECD (2014), *Education at a Glance 2014: OECD Indicators*, OECD Publishing, Paris.

<sup>109</sup> OECD (2015), "Hungary", in *Education at a Glance 2015: OECD Indicators*, OECD Publishing, Paris.

<sup>110</sup> OECD (2016), "Hungary", in *Education at a Glance 2016: OECD Indicators*, OECD Publishing, Paris.

<sup>111</sup> OECD (2016).

<sup>112</sup> OECD (2014), "Hungary", in *Education at a Glance 2014: OECD Indicators*, OECD Publishing, Paris.

<sup>113</sup> OECD (2014).; OECD (2015), "Hungary", in *Education at a Glance 2015: OECD Indicators*, OECD Publishing, Paris; OECD (2016), "Hungary", in *Education at a Glance 2016: OECD Indicators*, OECD Publishing, Paris.

onwards, the government had not anticipated the human capital flight and had made no preparations to counter it in the education field. In a time when proactive meddling on the part of the government was necessary to curb the loss of human capital through economic policies (Kálmán 2016), less and less was spent on education. It remains to be seen how this has developed in later years and what will happen in the time to come.

The other field in which action is most pressing is healthcare. There is a widespread dissatisfaction with the Hungarian healthcare system. As discussed in Chapter 2, salaries of professionals are low and this and other circumstances prompt an alarming number of doctors to leave the country, up to the point where the Hungarian healthcare system has a shortage of at least 3000 doctors. Improvement of the healthcare system, as a result of which emigration would be influenced for the better, is therefore an urgent matter. Yet, as shown in Figure 7 below, public expenditure on healthcare has decreased gradually from 5.1% of GDP in 2010 to 4.7% of GDP in 2015.<sup>114</sup> With this rate, Hungary had the third lowest public expenditure on healthcare in the EU22 in 2015.<sup>115</sup>

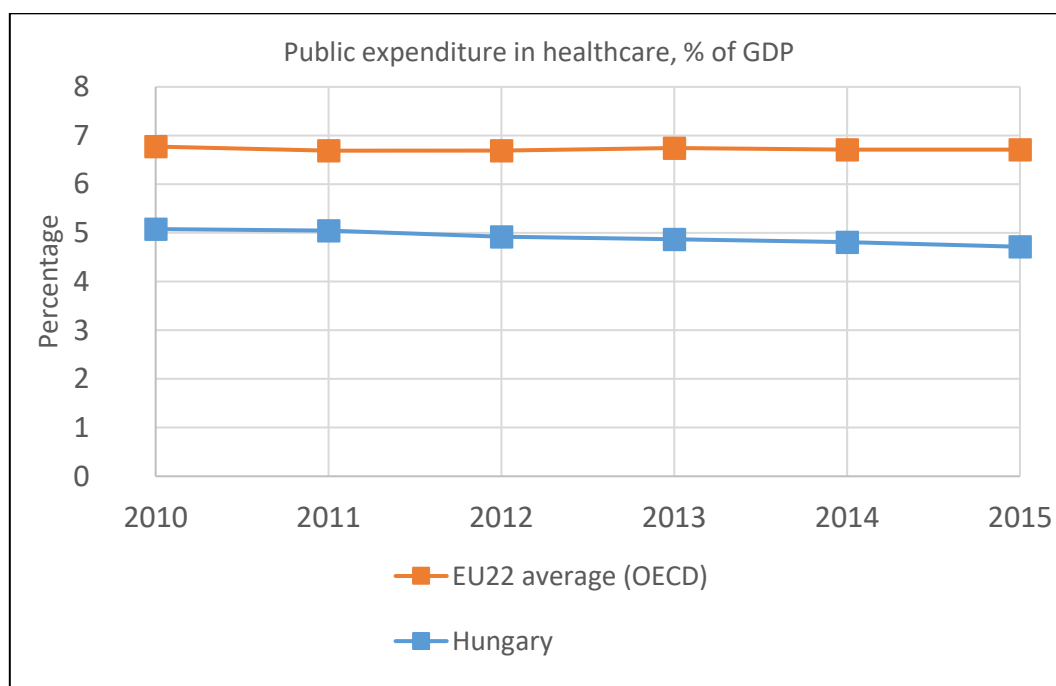


Figure 7: Public expenditure in healthcare in Hungary as a percentage of GDP, 2010-2015

<sup>114</sup> OECD (2016), "Health expenditure and financing: Health expenditure indicators", OECD Health Statistics (database).

<sup>115</sup> OECD (2016). "Health expenditure and financing: Health expenditure indicators".

The low expenditure on healthcare and the low wages are connected to another thorn in the side of the Hungarian healthcare system. The human resources crisis in the health sector is due to the loss of professionals in the field as well as to a concept called *parasolvency* or gratuity (Torzsa et al. 2016). The system in which patients express their gratitude to their physician after being treated in the form of gratuity of a certain amount dates back to the communist regime in Hungary between 1950 and 1989, when wages were approximated. Labourers' wages were raised and those of, for example, engineers and doctors were lowered. The money received in gratuity to some extent compensated doctors for their lower wages and patients were generally able to afford a small informal payment in hopes of receiving better healthcare. It should be noted that parasolvency is unevenly distributed, as specialists such as pathologists and anaesthesiologists who are not usually in direct contact with patients in the way other specialists are, get very little parasolvency or none at all. This explains the higher probability of pathologists and anaesthesiologists emigrating.<sup>116</sup> Several measures have been introduced over the years to regulate the conditions of parasolvency and to make it transparent, but the practice is a difficult one to control. As the concept is hugely outdated and morally and ethically highly questionable, the Hungarian healthcare system needs to be modernised and indeed there has been pressure on the government for a long time to abolish it altogether.

The criticism is coming from the medical field itself as well. Studies show that the vast majority of doctors would reject the notion of parasolvency – especially the younger doctors – but assert that due to the low wages in the medical field, at present the additional informal payments are indispensable.<sup>117</sup> In fact, it has been pointed out that the parasolvency system is used by the state to keep doctors' salaries low.<sup>118</sup> According to the Association of Hungarian Doctors (*Magyar Orvosok Szövetsége – MOSZ*), parasolvency is the only thing at the moment which is keeping the healthcare system from collapsing entirely.<sup>119</sup> The situation therefore

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<sup>116</sup> Hárs, Á. & Simon, D. (2016). A magyarországi orvosok külföldi munkavállalását befolyásoló tényezők [Factors influencing Hungarian doctors' employment abroad] In Zs. Blaskó & K. Fazekas (Eds.), *Munkaerőpiaci tükrök, 2015* [Workforce survey, 2015] (pp.96-103). Budapest, MTA Közgazdaság- és Regionális Tudományi Kutatóközpont Közgazdaság-tudományi Intézet [Hungarian Academy of Sciences, Economic and Regional Scientific Research Centre, Economic Department].

<sup>117</sup> Torzsa, P., Csatlós, D., Eőry, A., Hargittay, Cs., Horváth, F., László, ... Győrffy, Z. (2016). Hivatással és hálapénzzel kapcsolatos vélekedések a magyarországi családorvosok és családorvos rezidensek körében [Opinions of Hungarian family physicians and residents on vocation and informal payment]. *Orvosi Hetilap* [Hungarian Medical Journal], 157(36), 1438–1444.

<sup>118</sup> Torzsa, P., Csatlós, D., Eőry, A., Hargittay, Cs., Horváth, F., László, ... Győrffy, Z. (2016).

<sup>119</sup> *Még "nem elvárható" a hálapénz visszautasítása a szakorvosok szerint* [Rejection of gratuity is "not an option" yet]. (2015, March 12). *HVG*.



remains problematic; without parasolvency, wages in the medical field need to be raised considerably to compensate for the lower income.

Results of a survey carried out among family physicians and residents by Torzsa et al. (2016) show that about 68.2% of the physicians and 39% of the residents are of the opinion that the monthly income for a doctor in Hungary should exceed HUF 400,000 net – about EUR 1300 –, and 26.4% of the physicians and 27% of the residents said that in terms of salary, they could be satisfied with a net wage between HUF 300,000 and HUF 400,000 – EUR 975-1300 –, whereas in the older physicians' view, the average salary of a doctor in Hungary is currently between HUF 200,000 and HUF 300,000 – EUR 650-975 – and in the residents' view as low as HUF 100,000-200,000 – EUR 325-650.<sup>120</sup> This suggests that wages would not need to be raised to the exact same level as the relevant receiving countries in order to make a difference. Evidently, doctors entering the field in Western European countries can make up to six or seven times the wage of a doctor in Hungary and therefore it is expected raising home wages to an economically achievable level would not be enough to halt emigration completely. Yet, it suggests that even small changes would already make a difference.

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<sup>120</sup> Torzsa, P., Csatlós, D., Eőry, A., Hargittay, Cs., Horváth, F., László, ... Győrffy, Zs. (2016). Hivatással és hálapénzzel kapcsolatos vélekedések a magyarországi családorvosok és családorvos rezidensek körében [Opinions of Hungarian family physicians and residents on vocation and informal payment]. *Orvosi Hetilap* [Hungarian Medical Journal], 157(36), 1438–1444.

## Conclusion

This thesis looked at emigration patterns and the ways the state of the country of origin is able to influence them. The aim of this thesis was to analyse the approach of the Hungarian government to the ‘brain drain’ phenomenon: to establish the *attitude* of the government of Hungary towards this problem and to evaluate whether the *policies* relating to emigration effectively address the underlying reasons.

The human capital flight from Hungary to more developed Western European countries has significantly increased. While there has always been emigration to wealthier countries to a very limited extent and accession to the European Union in 2004 opened up new possibilities, it is especially from 2010 onwards that emigration rates have soared. At present, more and more emigrants are young people; fresh graduates and young families. Their emigration increasingly causes severe shortages in the Hungarian labour market, particularly in the IT, tourism and hospitality, science and healthcare sectors, which does not bode well for the future. Moreover, the characteristics of emigration have changed over the years. In the past, when the people in question would move to another country, they often did so for a limited time, in order to enjoy an impulse in career opportunities, acquire useful new knowledge and skills and save money to return to their life in Hungary with a head start, for example to be able to buy a house. It could be argued then that through remittances, return migration and people’s skills obtained abroad, the economy of the source country in the end benefitted from emigration. In recent years, however, people have increasingly left their home country permanently; with no intention to return to Hungary. This may change the effect on the Hungarian economy in that remittances tend to decline, the prospect of return migration is low if existent at all and thus relevant sectors face permanent shortages.

Therefore, the pressure on the government to act in relieving these tensions is high. ‘Push’ factors, which drive people away from Hungary, include – obviously – low salaries and living standards as well as insufficient social security and the worsened state of education and healthcare. High tuition fees affect access to higher education and may also even drive prospective students away completely. Low salaries and a lack of funds in healthcare drive doctors away – particularly the young ones, causing severe shortages and ageing in the medical field – which also severely affects the state of healthcare and adds to the reasons for people to

leave. These factors are the ones that 'brain drain' policies should address. In addition, government actions may also affect pull factors which encourage working in Hungary.

The response of the government to the 'brain drain' problem is twofold. Firstly, the attitude of the government is characterised by what seems to be a lack of awareness of the 'brain drain' in Hungary, demonstrated by the denial of the extent or even the existence of the phenomenon, the insistence that the occurring migration is beneficial to the economy and the assumption that emigrants will return home. A vast number of quality newspapers and other media outlets have been reporting profusely on the issue, surveys conducted among the public and research into the extent of the phenomenon suggest that the problem is tangible and cause for concern, yet, the government refrains from attaching the same importance to providing a solution to the problem, which it – at times – does not explicitly acknowledge. In essence, the government declares 'brain drain' in Hungary a non-issue; a response which reflects claims made by New Brain Drain scholars such as Mountford, Stark, Helmenstein & Prsawetz and Vidal that emigration would be beneficial to the source country.

Secondly, the policy response of the government is focused by and large on targeting migrants or potential migrants, through return and restriction policies, which show an immediate impact but fail to adequately address the determinants of migration and which may even prove counter-effective. The government is lacking in the pursuit of general policies of which the effects take longer to manifest themselves but which are effective in the long run. The 'Lendület' (Momentum) programme of the Hungarian Academy of Sciences, which makes an effective contribution to research & development, forms an exception to this. Notwithstanding, the government fails to invest sufficiently in educational development and healthcare, while these are the very areas in which state interference could influence emigration patterns most, and instead spends the time and money on often controversial initiatives of which the impact may be short-lived and of which it is disputable whether they serve the interest of the country in the long run. Policies should be aimed at addressing the relevant push and pull factors in order to create a more stable, favourable economic environment in which people would want to stay. However, several actions by the government in relation to the 'brain drain' attempt to hinder the direct causes of emigration, but fail to tackle the root causes of why people leave.

In conclusion, the controversial attitude and policies of the government render the response to the brain drain incoherent and therefore arguably ineffective. Put bluntly, the

approach of the government to the ‘brain drain’ phenomenon in Hungary is to bury its head in the sand and come up with window-dressing policies.

As a suggestion for future research, the study could be extended with a closer and more comprehensive look into the economic situation of the source country. It is generally accepted that completely stopping emigration is not feasible nor necessarily desirable, but if it is assumed that there can be a balance point, further research could help establish the requirements for an economic situation in which emigration takes place to some extent but the country is still able to maintain a well-functioning economy. Furthermore, I put forward the suggestion that a source country and a receiving country are not equal competitors, that is to say, the wealthy Western European country offers high salaries and career prospects which the home country is unable to mirror, but emotional factors may serve as retaining forces – pull factors – in the home country which should not be underestimated. Further research into migrants’ and potential migrants’ deliberations could provide more specific insight into the question of what levels in the push and pull factors – current or expected – tip the scales for people in the decision to move or not to move, and thus to what extent these determinants require attention in the home economy in terms of raised wages, social welfare and investments.

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