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The Bitter Taste of *Strawberry Jam*: Distortions on Romanian Labour Market beyond 2007

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- abstract -

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We consider that our paper could bring an important contribution for the debates of the conference, having in mind the issues of the research we propose. We chose Romania as case study for our research because we consider it as the best example for proving that the history is cycling and we do not need to reinvent the wheel: we could analyse the migration phenomena at a small scale and to extend the previsions to the European Union as a whole. Romania is an experimental country and a laboratory for analysing the policies and links between migration and development. From the demographical point of view, Romania is a big country, the second large country in the Central and Eastern Europe after Poland. In this way is an important source for economical migration. Being a borderline country for European Union, is a transit space for migration flows too. From an important source for European migration in the last decade, Romania tends to become a target for labour migration from non-EU countries. Taking in account the fact that 46% of the Romanian population lives in rural areas, where the rural workers could hardly find jobs (the males are agriculture workers, while the females are home keepers), Romania acts as a major actor both on the seasonal agricultural market and on the illegal prostitution market within the European Union.

Three and a half years ago, on May 1st 2004, the ten new EU Member States celebrated the accession with the sound of car horns, toasts and the symbolic removal of border barriers between “the East” and “the West”. For the Central and Eastern Europe, it was a historical moment. The removal of barriers remained symbolic since then, because the old Member States, the so-called EU-15, imposed restriction on the free movement. Huge celebrations were held in Bucharest, marking a historic New Year for the country at the beginning of the year 2007, when it was the Romania's turn to celebrate the entry into the EU [and to face labour movement restrictions for its citizens]. While most EU nations have already placed restrictions on workers from both new member states, it is expected that free trade and movement will help Romania rise to higher levels of prosperity, as exemplified by the Eastern European countries that joined the EU in 2004. The year 2007 could be seen as a turning point both for the European Union and for Romania, one of the newest Member States which joined the European family just before its 50th anniversary. With 27 members, the European Union faces with a new stage of development and needs new institutions and new rules. In the same time, Romania just changed the previous status of accession country which still implements the European *acquis*; nowadays Romania is a country which tries to build proper post-accession strategies in order to benefit from the experiences of the previous waves of enlargement, to apply the implemented pieces of legislation and to reform the economy.

After the biggest wave of European Union enlargement [2004], we noted that the economic literature, both at the global/European level and in Romania, widely targets the migration issues. Migrants' quota, financial flows / remittances, the way the money from migration are used, development and fear of Eastern immigrants were preferred subjects for media. More and more events deal with migration and mobility matters. The European Commission declared the year 2006 as the *European Year of Workers' Mobility*, in order to raise the awareness on mobility consequences at European level. In the same time, starting with the year 2005, and most pregnant after the first semester of the year 2006, when the European Commission requested the official positions from the Member States as regarding the free access to the labour market for the new members, the European media chose migration as a core issue for the public debate. Both academic researchers and the European media are wondering that Europe's future will largely turn on how to admit and integrate the new immigrants, especially the non-Europeans. “*Due to restrictions on the free access to employment for nationals of the new Member States, the founding idea of the*

European Communities i.e. to unite people and not only economies seems to be only half-achieved.” (ECAS 2005: 30)¹.

During the 20th century, Europeans were no strangers to social, economic, and political change, but their major challenges focused mainly on the intra-European construction of stable, prosperous and capitalist democracies. Nowadays, one of the major challenges is flows across borders. Massive immigration has long troubled the Western Europeans who tend to blame the rise of crime and drugs in their cities on illegal immigrants - accusations not entirely without justification, but at the same time accusations that have frequently been exaggerated. Immigration consistently occupies the headlines. Connected to demographic change, economic growth and welfare state reform, immigration – usually connected to slowing economies, high unemployment, loss of nationals’ jobs, anti-immigration sentiments, crime, and terrorism – is often presented by politicians as having mostly negative effects. One can see scary news into printed media all over the Europe (and especially UK). We noted they chose Romanians [all Romanians were seen as would-be emigrants] as being the “public enemy” for the European Union’s welfare and social protection system, as soon as Romania joins the European Union in 2007.

According to our observation and the research done, we consider that Romanian labour market faces specific phenomena, distortions, and some problems and difficulties occur as following the 2007 accession to the EU. Our study aims to analyse the enlargement consequences beyond the celebration moment. Romania is not only a source of emigrants and a gateway for East-West international migration (in the same way likes Portugal, Spain, Italy and Greece for the South-North direction), but a labour market in need of workers. With a labour market already confronted with distortions, Romania is twice more tempting for migrant workers’ flows. We consider that Romania, a country with a labour market that faces distortions, will benefit from migration on short term too, but will need to import labour force to maintain the development trend. Remittances, as result of Romanians labour emigration after 2002, helped the economic development of the country in the last years (remittances’ inflow doubled the FDI in the last years; unfortunately, the remittances are mostly seen as compensatory measures for helping the family for bad economy or bad luck, not generally acting as source of capital for economic development). As a response to the media debate regarding Romania’s emigration, we consider the reasons why Romanians do not face mass migration to the UK. Using the Maslow’s theory of human motivation, we describe the patterns of Romanian emigration. Many migrants from Romania are already present in countries such as Italy and most especially in Spain. Thousands of immigrants had been attracted by Spain’s liberal amnesty policy (i.e. before joining EU, special flights were organised by Spain to send illegal immigrants back to Romania, stopping in France and Italy to pick up more). Having in mind that we do not need to re-invent the wheel², we consider that mass emigration from Romania will likely not be a concern (as it is now very easy to find work at home and wages are rising). Anyway, it is generally felt that that the majority of Romanians inclined to work outside of Romania are already doing so [even before January 2007].

¹ Please see the following research papers from the European Citizens Action Service: ECAS (2005) ‘*Report on the Free Movement of Workers in EU-25: Who’s Afraid of EU Enlargement?*’, European Citizen Action Service, Brussels, September; ECAS (2006a) ‘*Report on the Free Movement of Workers in EU-25: The Functional Arrangement – Two Years after Enlargement*’, European Citizen Action Service, Brussels, July; and ECAS (2006b) ‘*Report on the Free Movement of Workers in EU-25: Who’s Still Afraid of EU Enlargement*’, European Citizen Action Service, Brussels, October.

² Please see Peter van Krieken ‘*A need to reinvent the wheel?*’, European Population Forum 2004, Geneva, February 12 -14, retrieved from (20/01/2007): <http://www.unecce.org/ead/pau/epf/present/ts4/vankrieken.pdf>

While the European (and mostly British) media cries on the threat of Bulgarians and Romanians' emigration, as following to the 2007 accession, the scientific reports say that the CEE countries' migration benefits to economy of both EU15 countries and the A8 countries. However, the European world is still considered as being divided in two, as according the economic development: the "West" and the "Rest". That means the Rich and the Poor. The West is now a relatively homogeneous group in terms of living standards. This is not true of the Rest: they have "the cheap" workforce. Three years after the largest accession wave, the European media and public opinion still use these stereotypes. But we believe the cost of Romanian labour will not be cheap any longer: while the managers from the foreign companies share the same hard work and huge financial wages with their colleagues from western countries³, the un-skilled workers don't accept small salaries: they refuse the offered work places and choose to migrate. In the same time, the Romanian media and the Romanian entrepreneurs announce the 'Chinese invasion' and the major lack of workers in construction and industry. We rather have problem with finding available workers on the Romanian labour market. While a big part of the labour force is already migrated, mostly to the SE Europe (some 2m workers are cited to be abroad, with perhaps another one million illegal workers that are now eligible to register and work legally), the Romanian companies could not find local workers to use them in order to benefit from the money inflow targeting Romania in the light of its new membership to the European Union (foreign investments and European post accession funds). Instead of increasing the salaries, the local employers rather prefer to 'import' workers from poorer countries (Chinese, Moldavians or Ukrainians, who still accept a lower wage as compared to the medium wage in Romania, but bigger enough as compared to those from their country of origin).

Car la Roumanie, la Chine de l'Europe, cet eldorado des délocalisations aux salaires défiant toute concurrence, manque désormais cruellement de main-d'oeuvre. Le pays a rejoint l'Europe le 1er janvier, avec la Bulgarie. Mais les entreprises, elles, n'ont pas attendu. Cela fait plusieurs années qu'elles savent que c'est en Roumanie qu'on trouve au meilleur prix ingénieurs, opérateurs de centres d'appels, ouvrières textiles, menuisiers... (Les Roumains, people migrateur. Quand la Roumanie importe des Chinois', in Le Nouvel Observateur)⁴

The economic analysis of migrations deals, mainly, with two problems: why people migrate and what the consequences both for host countries as well for origin countries concerning the functioning mechanism of labour market are. The emigration decision refers to a plurality of motives. The migration decision could be the result of a cost – benefit analysis. In this analysis take part more variables: the salary differences among different countries; differences in unemployment rates; the grade of social protection (social policies); an assembly of costs related to migration (information costs, transportation costs, costs of installation in a foreign country, psychological costs related with the moving off the birth place). The data show that migration rate is lowering as the medium income in the host countries grows up and the medium level of income in the origin country begins to lower and the migration costs begin to grow. From the perspective of the new economy of migration, migrations are a result of collective decisions in the background of

³ The public opinion hardly debated the case of a manager from an important audit company who was found dead while overload working for some projects, after two weeks of work without rest. They suddenly realised that Romanians faced with the same syndroms like the Europeans: workoholicism, lot of work for huge money.

⁴ Approximate translation: *Romania, the China of Europe, an El-Dorado of delocalisation, with salaries defying all concurrence, is in deep need of labour forces. The country has joined Europe on January 1st, together with Bulgaria. But the firms were not waiting for [this moment]. There are some years for now since Romania is known as a country where there could be found engineers, call-centres, textiles and manual workers, at a very good price...*, 'Les Roumains, people migrateur. Quand la Roumanie importe des Chinois' [Romanians, migratory people: When Romania imports Chinese], Le Nouvel Observateur, Hebdo / Économie, No.2200, 4 January 2007, retrieved from <http://hebdo.nouvelobs.com/p2200/articles/a32761.html>

incertitude situations and market imperfections. According to the "labour market dualism", the migrations are explained by the labour force need originating from host organization (enterprises). Based on this theory, the salary hierarchies represent the prestige hierarchies. The aliens will accept to deal with "degrading" activities, because they want to gain more material resources in order to return, richer, to their home country. Other theories allocate migrations to socio-historical factors. The final destinations of this labour force are countries with a rich historical background.

Due to the lack of data and of scientific research as regarding the effects (both financial and non financial) of migration and of remittances as migration result on the Romanian economy, the scientists hardly could design economic policies to manage the migration issue: no migration trends available, nor provisions beyond the accession to the EU. In our research we will detail the theory of distortions of the labour market, using the so-called "new economy of migration". The migration decision is taken after the would-be migrant analyse for himself the costs and benefits of migration (regardless of its form, legal or illegal).

We use microeconomic analysis on the basis of functions of utility (maximisation of utility of migration), costs (minimisation of costs incurred, from the point of economic and social costs, and maximisation of benefits; the cost of opportunity). Using of the indifference curves, we explain in graphs the results of research. We did comparative analysis and a wide, complex approach of the problem in discussion, according to the purpose of research. For data processing, we used statistical methods as synthesis (synthesis of the major theories regarding the international migration, benefits, remittances and development; press monitoring), classification, static and dynamic comparative analysis, induction and deduction. In our research, we talk about *the Strawberry pickers* and *the South-Eastern Europe Syndrome*.

We studied the experience of countries that accessed to the European Union in the last waves of accession, to compare the evolution of migration phenomena from that period with the migration of the CEE countries within the last decade. Some studies carried out before the 2004 accession expressed the aware of the mass migration from the eight CEE countries to the EU-15 member states as following the date of May 1st, 2004. The situation is quite different that it was forecasted some years ago. With the exception of the case of UK (one of the three country which allowed free movement of labours from the new Member States), the number of migrants is much less significant than has been portrayed in much of the media. The experience of previous enlargements of the EU shows that initial scepticism and fear of being "flooded" by migrants from the new members, with resulting attempts to restrict migration, have been unfounded. At the present, after two years of membership to the EU, the figures shows that Poland was the major "threat" for the EU labour market and the welfare system at a whole, in the condition that UK was a country which directly attracted the Polish workers.

Distortions on the Romanian labour market are caused by the migration of workers, but in the same time migration is cause of distortions on the labour market: Romania will hardly manage to surpass this *vicious circle*. The emigrated workers are mainly young, skilled and well trained. The investments into the Romanian economy mainly involved the development of the construction field, well connected to the real estate industry. But the Romanian labour market is lacking just the constructors: most of them are in Spain, helping the growth of that economy. Ironically, some Spain entrepreneurs announced the intention to develop some large projects in real estate in Transylvania (central Romania), to build houses for Romanians. Who will construct those houses and for whom, if Romanians are working in Spain? In Romanian they are generally called in a pejorative way: "*căpșunarii*" (the strawberry people/the strawberry pickers – because the first wave of migrants

going to Spain worked on the strawberry fields). The constructions are the engine of the growth. But now there are no more constructors to build the new factories, the new houses and to work in the infrastructure projects. So, we have an engine without fuel (workers). This is the reason we consider that the *Strawberry Jam* is not tasteful at all!

With the “*South-Eastern Europe Syndrome*”, we analyse the fact that the Romania will develop in the same way like the southern countries which joined the European Union in the previous waves of enlargement. The European Union has no reasons to fear that Romania will maintain its undeveloped economy. During the transition, Romania met different phenomena, due to the fact that all economic mechanism suffered strong structural crisis: Romania had a very powerful industry sector and a cooperative based agriculture, with workers trained for steel industry and mechanized agriculture. After the failing of the communist regime, the industrial companies were privatized and than closed, the land was returned to the farmers and the cooperative farms were destroyed. Romanians were prepared for an industry based productive economy, nowadays Romania is the land of the service industry, with investments in banks, distribution and selling industry. Soon after the changing of the regime, we met large unemployment and lot of people in need of identity. The solution: emigration for labour. Most of the former industrial areas are now transformed in investments for the real estate market. The agricultural land is used for developing large real estate projects. All major European retailers are landed on the Romanian distribution market, with huge hypermarkets and entertainment areas [even considered the capital city of a poor country, with low income, the Bucharest based hypermarket of *Carrefour* is the third in the world as talking about transit of customers during the Christmas holidays, when more than 100,000 people visiting the site per day]. In the same time, alike in countries as Spain and Portugal before their accession to the European Union, lots of investors have bought plenty of land and buildings, for speculation on the real estate market purposes (the price of real estate multiplied many times, as compared to the price just before the accession). The same situation is met mostly in western Romania, but even in Constanța county, south-eastern region: Italians and Greeks have bought almost all available agricultural and in-town land, with the purpose of eventually reselling it upon the Romania’s accession to the European Union.

Nowadays, Spain is one of the main receiving countries of older emigrants in Europe, the main destination for European retirees (mainly thanks to its tourist tradition), due to the economic attraction of tourism factors (pensions, expenses at the place of destination). In the same time, it economy is growing. Before to join the EU, the Spain workers migrated to the north of Europe to find jobs, but the capital migrated to Spain with investments in land and real estate. After the accession, Spain, Portugal and southern Italy benefited from the financial aid of the European Union. Then Spain launched policies to help the families in order to raise the birth rate and the demographic growth, attracting immigrants with regularisation measures. Those migrants supported the Spain economic development. The same situation is met in Romania, but using the “*fast forward*” style. We already need workers!