Some Socio-Economic Effects of Labour Migration on the Sending Country. Evidence from Romania

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Evidence from Romania

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Abstract. The paper presents the recent labor migration flows and trends and the impacts of these movements on Romanian economic and social life. After Romania joined the EU, the travel of Romanians inside the EU is totally free and they fructified this opportunity. There are important economic consequences of this movement. In the paper we analyze the demographic consequences, since category that emigrated for economic reasons in the last years is composed of youngsters (around 30). There are also important economic consequences on financial aspects and life quality of Romanians, since the volume of remittances was about 7 billion euros in 2007. There is also a social impact particularly on the lives of migrant families. The most problematic issue is the temporary abandonment of minors by their labour migrant parents, and that forced authorities to formulate policies to monitor the situation.

Key words: regional labour migration, sending countries, human migration trends, migration impacts, Romania, transition economy

JEL codes: R23, A14, B22, H26

REL codes: 3B, 5B, 13I
1. Introduction

After 1989, when the border barriers had fallen, migration reaches a peak in Romania. Romania rapidly becomes a country of net emigration and this fact implies severe consequences at different levels: demographic, social or economic. It is crucial to point out that the statistical data on migration captures only the regular emigrants who change their permanent residence. Labour migration is hard to quantify, although in the late years it become the most important component of Romanian migration.

Migration is usually defined as the movement of a person or group of persons from one geographical unit to another across an administrative or political border, wishing to settle permanently or temporarily in a place other than the place of origin. Since the movement between two geographical units does not have to occur directly, one further differentiates between the place of origin or sending region, transit regions, and the place of destination or receiving region. Movements within a country are usually defined as internal migration and, accordingly, movements across international borders are called international migration. In this paper we exclusively focus on international migration.

The objective of the paper is to present and explain some of the effects of labour migration at microeconomic level (individuals, families) and macroeconomic level in Romania. In this respect, we consider Romania as being a sending country and one of the important labour resources for European labour market.

The paper is structured as follows. In the first part we briefly present the most relevant findings in the research focused on migration impacts on sending countries. The literature on East European countries is affected by the lack of statistical data on labour migration in most of the countries.

To better understand migration and its specificity in Romania, in the second part there are presented the most important trends in permanent migration after 1989. There were identified five phases of migration in Romania. The most significant component of Romanian migration is temporary labour migration, presented in section four. We present in the fourth part the most important impacts of labour migration, both positive and negative, at individual and social level. Some relevant conclusions are drawn in the final part.
2. Literature

Theoretical literature is rich in analyzing the connection between economic growth and migration, from the perspective of receiving countries. Beside this, there are only a few empirical studies in this respect. The results of these empirical studies on the link between immigration and growth come to conflicting results. Barro/Sala-i-Martin (1992), for example, find for the US and Japan that migration has a positive, though small effect on growth. Concluding that migration is negatively related to the convergence between regions, the empirical results of Blanchard/Katz (1992) however, are diverging with those of Barro/Sala-i-Martin (1992). The lack of evidence and the conflicting results indicate that much more research is needed on this important issue.

As mentioned above, the overarching theme of the current migration debate is the nature of the economic effects for the receiving economies. Yet, neither are the causes and consequences of migration well understood, nor is it obvious how to predict its development into the future. Most importantly, immigration has become a more variegated phenomenon, making a shift of research particularly to the receiving region Europe indispensable. Within Europe the free movement agreement of the EU, in principle, smooths the way for labor migration across national borders.

The main approach of migration impacts on receiving countries is to estimate the impact of immigration on the labor market outcomes of natives. Several studies estimate a production function to calculate the elasticity of substitution between immigrants and natives. Most existing studies, however, look at the labor market effects of immigration on natives by estimating a reduced-form wage or unemployment equation, where the share of immigrants in a region or an industry is the main explanatory variable of interest.

Reviewing the European literature, Bauer and Zimmermann (2002) come to the conclusion that there is no evidence of economically significant reductions in native employment. So far it has not been possible to quantify any of the presumably positive demand side effects working via goods markets, let alone indirect (positive) effects of increasing variety of products and services, or (negative) effects of excessive crowding on the housing market.

The economic impact on the sending country received a few decades a limited attention from the research community, but recent years have witnessed an intense debate on the extent and the consequences of so-called brain drain migration. This is put into a demographic context. Europe’s societies are aging, placing their pay-as-you-go social security
systems under considerable demographic pressure. It becomes increasingly well understood that a regulation of future immigration that is tailored to attract young and economically successful migrants can alleviate some of the demographic burden associated with an aging population (Bonin et al. 2003).

The increasing interest in analyzing the migration effects on sending countries is proven by the report *Effects Of Migration On Sending Countries: What Do We Know?* (Louka T. Katseli, Robert E.B. Lucas and Theodora Xenogiani, 2006), which devotes a special attention to remittances. Remittance flows do benefit both the migrants’ households and the non recipient ones through multiplier effects of spending. Temporary migration tends to be more conducive to higher remittance flows than permanent settlement to the host country, especially when it involves low-skilled migrants, not accompanied by family members, who expect to return to their country of origin. León-Ledesma and Piracha (2004) look at the case of eleven transition economies in Eastern Europe between 1990 and 1999. In this context, they also find a significant positive association between remittances and aggregate investments, after controlling for GDP per capita, the real rate of interest and inflation.

There are a few studies devoted to Romanian migration and its economic effects. Nicolae (2007) concludes that if the EU countries will continue to attract human capital from Romania, then their economies will evolve faster, and the Romanian economy will lag behind and on long term the EU’s and the Romania’s economic growth will have different configuration. Silasi and Simina (2008) analyze migration and mobility issues in the context of an enlarged European Union (EU-27). They consider that Romania, a country with a labour market that faces distortions, will benefit from migration on short term, but will need to import labour force in order to maintain the development trend. Constantin (2004) analyze migration from a regional perspective and in connection with European Union integration. Gosschin, Constantin and Roman (2009) approach some collateral effects of migration, such as human trafficking.

3. **Trends in permanent migration**

The demographic trends and population structural changes occurred after 1989, as consequences of the political and economic transition crossed by Romania, are characterized by a severe population decline.

A decrease of population number may be the distinct or cumulative result of three factors:

- negative net external migration higher than the natural growth;
- increase of death rate and exceeding the level of birth rate;
- Recoil of birth rate under the level of death rate.

All these changes occurred in Romania after 1989. In 1990 and 1991 the emigration was very high and outbalanced the moderate natural increase. Starting with 1992, the natural decrease was added to the negative external migration, as a result of a sharp and deep drop in the birth rate and an upswing in the death rate.

**Figure 1. Romania. Natural growth of Romanian population and net external migration, 1991-2005 (persons)**

The demographic evolution during the last 10 years was influenced by a complex of factors, among which it has to be mentioned: freedom of couples to decide upon the desired number and spacing their children, high economic and social costs supported by population during the transition period, the housing crisis and the low access of young people to an own dwelling, the changes in population behaviour with respect to family formation and dissolution, the social unstableness and unemployment. External migration, stimulated by the political factors, has an important contribution to population decline (figure 1).

Romania is subscribing to the worldwide migration phenomenon, having a history of migrations marked by booms and declines, based mainly on internal political, social and economic conditions. It is in human nature to try to find better living conditions, and therefore more developed regions are attracting people from poorer parts of the world. The process of migration involves a subject (emigrant or immigrant), at least two countries (the origin and the destination country, but also the transitory countries) and an intention to get settled or to find a job in the destination country.
The Romanian external migration has two faces: the legal one, statistically recorded emigration & immigration, and the migration for work. The first component is not very important as size: 10 to 15 thousands emigrants and a few thousands of immigrants by year. One can notice the high proportion of emigrants having university level education – around 25%. The main destination countries are Germany, Italy, USA, and Canada.

The immigration flow has two components: a returning migration and a moderate number of immigrants from the Republic of Moldova. This is the country of origin for most of the Romanian immigrants; some of these are interested in obtaining Romanian citizenship in order to find better opportunities in European Union.

Figure 2. Romania. Emigration and net emigration flows, 1985-2005

There is possible to identify several phases in migration history in Romania after 1989, presented bellow.

- **1990-1993**: mass permanent emigration of ethnic minorities [German, Hungarian] plus Romanians fleeing political turmoil and poverty. The latter tended to apply for political asylum in the West, peaking at 116.000 applications in 1992 (Ethnobarometer, 2004).

- **1994-1996**: low levels of Romanian economic migration to Western Europe -mainly for seasonal or illegal work- along with continued very low levels of ethnic migrations and asylum-seeking

- **1996-2001**: the development of several parallel trends and increases in emigration, making this a complex phenomenon to analyzem:
(a) Permanent migration increasingly to the USA and Canada, rather than legal migration to European countries.

(b) The emergence, especially since 1999, of illegal “incomplete” or circular migration to European countries, for illegal work (1).

(c) Growth of trafficking in migrants, a phenomenon overlapping illegal migration but distinguished by violence and abuse by traffickers/employers. This type of migration is thought to be predominantly of females.

(d) From 1999, a small usage of labour recruitment agreements with various European countries [Germany, Spain, Portugal, Italy];

(e) Some return migration of Romanians, notably from Moldova, as well as a developing circular migration of Romanians between Germany and Romania.

- 2002- 2007: elimination of the Schengen visa requirement promoted a rapid growth in circular migration, even to the extent that Romanians who had previously been “stranded” in Schengen countries were able to return to Romania to enter the circular migratory system (Ethnobarometer 2004). With the possibility of 3 months’ legal tourist stay, a sophisticated circular migration system developed, focused primarily on Italy and Spain (IOM 2005). This new strategy succeeded in evading European labour market controls by migrants’ working illegally for 3 months – essentially, job-sharing with other Romanians

- 2007- to date: free access to European labour market.

**Figure 3. Phases of Romanian migration after 1989**
4. Intensity and consequences of temporary migration

Migration for employment became the most important component of Romanian migration during the last years. Unfortunately its description in figures is not complete and official statistics regarding migration for employment begin to exist only with the year 2005. According to the Romanian Office for Labour Force Migration’s estimates (2), there are about 2 million Romanians employed abroad in non seasonal activities, which represents more than 10% of Romania’s inhabitants.

In this study we use data from Living Abroad On A Temporary Basis, The Economic Migration Of Romanians: 1990-2006, conducted by Open Society Foundation (OSF) and which is representative at national level. The sample of 1,400 people used for data gathering at national level was designed based on a probabilistic, two stage pattern, with stratification in the first stage. The unit of selection in the first stage was the voting station, and in the second stage, the person to interview.

According to OSF, more than one third of the households had at least one migrant for employment in the period mentioned above.

Figure 4. Romania. Persons temporary living abroad per 1000 inhabitants, 1990-2006

![Graph showing persons temporary living abroad per 1000 inhabitants from 1990 to 2006]


Socio- demographic effects of labour migration

From a demographic perspective, the consequences of migration are very important. The tendency of definitely remaining in the destination countries is well installed and that involves a permanent human loss, which in the long run is affecting economic growth of the country. Human factor is the most important source of economic growth, growth rates are expected to
be lower than in case of remaining at home and contributing to the value production in the native country.

International mobility is bigger among persons having the appropriate age to work; as a consequence, emigration countries face an accelerated demographic aging process of their population, which is currently a demographic phenomenon present in Romania.

Those who emigrate are young people and their share is constantly increasing, so that we can argue that emigration affects age groups with high specific fertility rates thus it can reduce the potential of newly born in Romania, mostly if the emigration becomes permanent. The emigration structure by gender reveals some changes, migrant women become more numerous in the last years, in 2004, 62% of the migrants being women and the age group 26-40 years accounts for 58% of the migrant population. There is an increasing tendency in these figures and therefore in 2008 65% of emigrants were women. The effects on birth rate and fertility are starting to be noticed since a large number of children are born outside the country.

The labour migration effects at family levels are multiple, both positive and negative. Money sent by emigrants to their families is increasing their quality of life and has positive effects on the family relations.

Beside this, families suffer for loosing one or more members on a temporary basis. In fact, the longer the time of departure is, the more significant the effects on the family are. The departure of one of the members determines reorganization of the roles within the family. In that case, the remaining members of the families take over the roles/functions of those migrated for employment which it can affect the well being of the family or of the couple relationship. This could lead to family disbandment (divorces).

One of the most important negative effects of the labour migration seems to be in relation with the migrants’ children which remain, (in the happiest cases) with just one of their parents. But there are lots of cases when both of the parents migrate for employment abroad and therefore the grandparents or other relatives, even friends or neighbours care for their children. Sometimes, the migrants abandon their children which end up in the state’s care. So, children are affected in certain extent (and some of them traumatized) by their parents leaving as the persons responsible for their well being cannot fulfill the parental roles. Also, the elderly (or other dependent persons) could be affected by the migrants’ leaving, especially within communities with high level of migration.
In some cases, children are leaving the country along with their parents. They have to pass an accommodation period, to learn a new language and to live in a different social environment. This is stressful for them.

According to the mentioned study, Living Abroad On A Temporary Basis The Economic Migration Of Romanians: 1990-2006, most of the individuals in households with members who have been gone abroad do not feel any change related to the children or family relations. We analyzed the variable *The fact that someone in your household has been abroad for a while, has brought – for you – changes in children* and we found that only 11% from the respondents claimed that they have problems in relation with their children in this respect.

**Figure 5. The impact of living abroad on the relationship with children**

![Bar Chart](chart.png)

Source: based on data from *Temporary Living Abroad. Economic migration of Romanians: 1990-2006, Open Society Foundation, December 2006*

However, there are differences between the various categories of respondents. Thus, we notice that the individuals with work experience abroad state, in a higher percentage than the others, that the experience abroad generated certain changes with respect to family relations and children. (Fig 5)

We consider that migrants tend to think that the foreign experience has a positive influence on family relations and on the understanding with the life partner, as the money earned from working abroad contributes to an improvement in the quality of life, in the migrant households, and implicitly to an improvement in the relations within the family. They are not aware by the impacts on their children’s personal life and they are neglecting the consequences on their future development.
Economic Effects of labour migration

From the point of view of our paper, it is it is relevant to explain to what extent migrants may benefit from their (temporary) stay abroad. There is widespread consensus that temporary migration may contribute to higher skill due to the higher level of technological development in the new workplace.

Therefore, we aim to verify the hypothesis if temporary migration abroad has a significant influence on the income of the person who worked abroad, compared to those who did not have migration experience.

We consider income as being the dependent variable and select several variables as explanatory variable: work experience, education, computer skills, foreign languages knowledge and working abroad experience. We run a multi-linear regression on LTS database, with 1032 individuals with or without temporary migration experience during 1990-2006. Table 1 shows the results of the linear regression analysis, with income level as dependent variable, used by logarithmation in the regression pattern. All coefficients marked with bold are significantly different from zero for \( p = 0.05 \). The final pattern was obtained through the “backward elimination” method. Adjusted \( R^2 \) is 0.336 and therefore the selected factors explain 33.6% from the variability of individual income.

<table>
<thead>
<tr>
<th>Factors</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.924</td>
<td>.198</td>
<td>4.658</td>
<td>.000</td>
</tr>
<tr>
<td>Education (last school</td>
<td>.194</td>
<td>.012</td>
<td>15.946</td>
<td>.000</td>
</tr>
<tr>
<td>graduated)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer skills</td>
<td>.410</td>
<td>.067</td>
<td>6.142</td>
<td>.000</td>
</tr>
<tr>
<td>Work Experience</td>
<td>.169</td>
<td>.024</td>
<td>7.023</td>
<td>.000</td>
</tr>
<tr>
<td>Temporary external</td>
<td>.221</td>
<td>.073</td>
<td>3.024</td>
<td>.003</td>
</tr>
<tr>
<td>Migration experience</td>
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However, analyzing the relations between several factors that could affect the individual income, the regression analysis shows that:

- the work experience abroad positively affects the income. Persons with a work experience abroad have a higher income after their returning to Romania.
• as it was expected, the main factor that directly affects the income is the education. A high number of school years determine a larger income.
• Income is also positively affected by computer skills and work experience.
• We also control for the knowledge of foreign languages and this factor was not significant and was excluded from the model.

The direct impact of the migration abroad can be easily “counted” by analyzing the investments made with the money earned from working abroad. The analysis of the investments also allows us to observe to what extent the households invest this money in activities that produce income or, on the contrary, just in durables that do not produce income.

The national data show that, in the last five years, a significant part of the Romanians invested in durables: 50% of the Romanians bought household appliances, 37% expanded/modernized their home, and 16% bought cars, etc. However, regardless of the goods purchased, about 10% of the investments were made with the help of the incomes from migration. If we narrow the analysis to just the individuals who purchased goods with money from the migration abroad, we notice that more than 50% of them invested in expanding/modernizing their home, and that the same percentage also invested in purchasing household appliances. A significant percentage (about 21%) represents the households that, in the last five years, spent money from migration in order to purchase one or several cars.

The work migration and the entrepreneurship are life strategies tightly interconnected. Work experience abroad positively associates both with entrepreneurial behaviour, and with the intentions to develop a business. As the migrant accumulates financial, human and relational capital abroad and satisfies his/her basic needs, he/she tends to invest this capital in productive activities, becoming an entrepreneur on his/her own. For an important part of the Romanian migrants, working abroad represents an intermediate strategy before putting into practice the entrepreneurial strategy, fact revealed by the strong connection between the work experience abroad and the entrepreneurial orientation, both on a behaviour level, and on an intentional level.

The external migration causes divers effects at macroeconomic level. The most important impacts are connected with severe disequilibrium and dysfunctions on the labour market, such as:
• the potential employment capacity of the labour force;
• the rate and the characteristics of unemployment;
• the emigration of high qualified labour force – the loss of “brains”, capable of creating a high added value;
• wage distortions and the segmentation of the labour force; an increased “shadow or informal economy”;
• a diminished local labour force – use immigrants in order to complete the lack of local labour force.

Beside these negative aspects, migration has positive consequences on sending countries economies. The most positive short-term impact is decreasing unemployment, as it can be experienced in all large sending countries such as Romania, but also Poland, Slovakia, Bulgaria. If migration includes mainly otherwise unemployed people, also the budgetary impacts are positive (less unemployment benefit to be paid). Moreover, neither the favourable socio-political impact should be ignored, since high unemployment is generally accompanied by higher social tensions and, as a consequence, by higher budgetary expenditure on social stability (particularly in regions with very high share of unemployed people). Migration reduced reform pressure on Romanian government. For some areas/regions, migration for employment abroad release the pressure from the local labour markets, as well as the pressure from the social assistance schemas with respect to migrants which are their potential beneficiaries. For other areas/regions, migration for a better employment produce labour force shortage and affects the potential of local economic and social development. In fact, the highest labour force shortage is displayed by those Romanian regions which display high migration flows.

One positive effect of migration is the remittances, with strong implications at macroeconomic at microeconomic level. The estimates of the National Bank of Romania regarding workers’ remittances equaled 1753.5 million US $ in 2004 and 4440.9 million US $ in 2005 (4), which accounts for 4.51% of the 2005 Romania’s GDP.

Remittances’ effects at macroeconomic level are rather difficult to capture because of their action on a large number of macroeconomic variables. The most visible and immediate impact of remittances is on the households’ consumption, important at macroeconomic level as being part of the aggregate domestic demand, component of the GDP. But remittances also affect investments and savings. Remittances received by households directly increase their disposable income; hence increase consumption which leads to temporary poverty reduction. They can also reduce inequalities through their distributional effects.
6. Concluding remarks

The future of Romanian external migration is partially known only. Western countries need now foreign labour force for economic reason. But some western countries start facing a small natural decrease of population. Immigration covers this natural decrease and the number of population is not declining. Other western countries will have natural decrease during the next years. To avoid population decline, the western countries will increase the immigration level and the reservoir of this migration will be the eastern countries – including Romania (and not the South, as during the post-war economic boom).

There are important economic consequences of this movement. In the paper we analyze the demographic consequences, since category that emigrated for economic reasons in the last years is composed of youngsters. There were identified important economic consequences on financial aspects and life quality of Romanians, since the volume of remittances was about 7 billion Euros in 2007. There is also a social impact particularly on the lives of migrant families. The most problematic issue is the temporary abandonment of minors by their labour migrant parents, and that forced authorities to formulate policies to monitor the situation.

The Romanian external migration will be influenced in the future by how strong and stable will be the national economic growth; to what extent this growth will raise significantly the standard of living, and the immigration policies of western countries. According to the most optimistic figures, after a severe decline during 2009, caused by the effects of financial crisis in Romania, the first signs of recovery will be noticed in 2010. The migration phenomenon is influenced by the economic evolution and open new possibilities for further analysis.

Acknowledgements

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Notes

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