

THE ECONOMIC EFFECTS OF MIGRATION. A ROMANIAN OVERVIEW

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Abstract

Migration is a complex phenomenon, with complex and diverse implications. Meanwhile the society is in a constant change the major changes occurring internationally may generate new migratory flows or different views regarding this phenomenon. The most obvious consequences are arising from economic and social area. Issuing country can experience both increases and losses in the short term, but long-term gain. For receiving countries, new workers can address short-term needs of existing labor market, but in the long term they can cause decreases in wages on the labor market, because the problem isn't migration itself, but the integration of migrants in host societies.

Key words: *emigration; migration; remittances.*

JEL Classification: *F22; F24; E24.*

I. INTRODUCTION

Migration is a global phenomenon that gradually increase in scope, impact and complexity. Today, practically all countries are simultaneously countries of destination, origin and transit for migrants. Migration flows have become a tradition while migratory waves are complemented by the new changes generated by economic, demographic, political or social conditions. These trends are affecting the size and structure of the migrant population and also the economies and societies in countries of origin and destination.

Few international economic transactions and agreements are affecting living standards and financial stability of developing countries in the same way as migration. The views are of course different. On one hand, for some it is a priority to strengthen and promote the positive impact of migration as an opportunity for individuals to increase productivity in the interest of home country. Others are seeing migration as a safe and, from case to case, quick method to leave a country's human resources to effectively drain to other horizons and for the economic interests of other horizons.

II. THE MIGRATION AND ITS ECONOMIC EFFECTS

In the absence of migration the working population could not be absorbed by the mother country to be engaged in the labor market. But the economic benefits of migration are found mainly in remittances as they are often the only source of income for their families back home. The remittances are helping the national consumption stimulated by housing construction, purchase various consumer goods and a direct result is the creation of jobs in related fields (construction, trade, etc.).

The migrants are returning with financial resources and sometimes with different business ideas and visions following the exposing to a higher degree of civilization, civic spirit and attitude toward work in the receiving country (cultural impact). The negative effects, however, occur as negative demographic and social consequences, which are hard to ignore. Going abroad to work postpone marriage and childbearing and married people leave their children in the care of relatives (Alexe, 2011). Anyway, the labor migration creates national product through international transfer and is an important substitute for exports and if we talk about currency exchange, it has an important word in the forex market (Coste, 2005).

Centralized, positive and negative effects of migration most important are listed below (Suditu, 2013):

Table. 1: Positive and negative effects of migration

Positive effects	Negative effects
Surplus cash resources for: consumption, investment property, investment for creating income (shareholding in companies, government securities), investment for development of local communities by initiating new business.	The substantial decrease in the national supply of labor, quantitatively and qualitatively.
Access to quality services, including private ones.	Limiting opportunities for reducing income differences from other countries and thus encouraging labor migration.
Developing working relationships appropriate to the competitive environment - attitude towards work, work habits, productivity, responsibility, innovative spirit etc.	The emergence of national level of poor qualifications segments of the workforce.
The development of interpersonal relationships in the workplace and in the local community to support training and carry out for actions involving mutual benefit - charity etc.	Emphasizing severe demographic aging with package of social problems that it raises.

Unfortunately, remittances are difficult to measure due to multiple interactions at the level of macroeconomic variables but an observable impact on household consumption appears reflected in domestic demand as GDP component. Transfers have particularly visible effects on short-term investments and savings, being sources of household income growth and temporary reducing poverty and social inequality.

The estimations are showing that remittances have reached 529 billion \$ in 2012, of which 401 billion took the way to developing countries in 2013. The statistics are including formal channels of transport which indicates that the amount of remittances is surely bigger. Worldwide remittances to developing countries are projected to increase by 5 percent to 435 billion dollars in 2014. For Europe and Central Asia, the growth will be modest because the whole economic recovery is projected to be modest, especially due to the uncertainties surrounding the conflict in Ukraine and western countries sanctions targeted to Russia. The remittances issued by Russia to the countries of the region will be affected. In terms of ranking preceptor countries, Ukraine perceived the highest volume of remittances in the region, followed by Tajikistan, Kyrgyz Republic and Moldova. Regarding the development of the country, the estimations are showing that remittances will go to middle-income countries, followed by high-income countries and then the so-called poor countries (World Bank, 2014).

III. AN OVERVIEW OVER ROMANIAN MIGRATION AND ITS EFFECTS

We mentioned earlier that the most important effects of migration are arising from economic and social perspective. From a social perspective, an International Organization for Migration study for Romania from 2006 shows that socially speaking the migration has the following implications:

- positive for migrants from Romania (finding a job, getting higher incomes for hundreds of people) and also for socio-economic activities that have a lack of workforce in the receiving countries;
- negative for Romania (depopulation of villages and areas, the gap between the sexes, loss of specialists and a part of the young workforce) and for the destination countries (export of infractions, begging, prostitution, organized crime, etc., which generated repatriations of the authors and have compromised or polluted the country's image in the world) (Cojocaru, 2006). And at the European level at least our nation branding doesn't count as much fans and this badly exports have surely a contribution to this fact (Cotîrlea, 2014).

A study of the Soros Romania Foundation from 2011 splits Romanian recent migration into 4 large waves:

- Phase I: 1990-1995, the rate of emigration was 3‰ – the first wave of Romanian migration;
- Phase II: 1996-2001, the rate of emigration was 7‰ - the second wave of Romanian migration;
- Phase III: 2002-2006, with an emigration rate of 28‰ - the third wave of Romanian migration;
- The fourth wave of Romanian migration starting 2007 (Alexe, 2011).

The fourth wave refers to a social phenomenon of migration that has special features significant at both analytical and macro-social effects level, in relation with the first three waves of Romanian migration. During 1989-2012 Romania's stable population decreased by over 3.1 million people and more than 77% of the decline of the resident population (stable) from this period was determined by emigration. This decrease in the resident population of Romania is based on three major causes:

- international migration, which led to an annual average reduction of almost 104,200 people of Romania;
- family planning, in various forms, has constantly reduced the annual number of births during the transition;
- the high mortality after 1990.

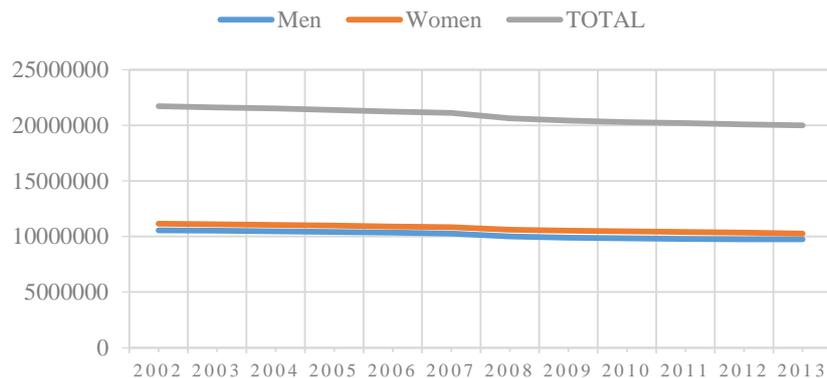


Figure 1. Evolution of the resident population of Romania during 2002-2013, by sex
(Adapted by the author after the Romanian National Institute of Statistics, 2014)

Migration had a global effect in population decline and loss of a significant amount of labor, including highly qualified. Compared to the census of January 1992, the resident population of Romania decreased by 4.2%, or 1,111,854 inhabitants; if in 1992 there were 22,810,035 people, after ten years, in 2002, there were 21,852,600 people (Otovescu, 2005). Later, official statistics show that the resident population declined in the last 11 years with over a million and a half inhabitants, more than 7.8% to just over 20 million in 2013 (9,761,480 men and 10,258,594 women) (Romanian National Institute of Statistics, 2014).

Another interesting aspect of the effects of international migration on employment comes from selectivity phenomenon. Whatever type of migration, young people are, predominantly, those involved in international travel. In terms of countries of origin, such departures are a loss. Migration makes the investment in the education of these young people non profitable for the home state (the one that pays all or a part of tuition), but profitable for the destination state. On the long term, such departures affect the developing capacity for society of origin, depriving it of some of its most capable individuals (Cojocaru, 2006). In this case migrant labor remittances associated could be regarded as compensation for human capital outflows (Prelicean, 2009). The result of demographic changes over the past years has recorded emphasis on the process of aging. In the last 10 years there have seen an increase in the average age of the resident population of the country from 37.8 years in 2002 to 40.9 years in 2013, marking also the changes in the gender and age structure of the stable population stable, a fact pointed by the national statistics (Romanian National Institute of Statistics, 2014).

Related to this the flow of migrants by age and sex are presented in the next figure (the latest data are from 2012):

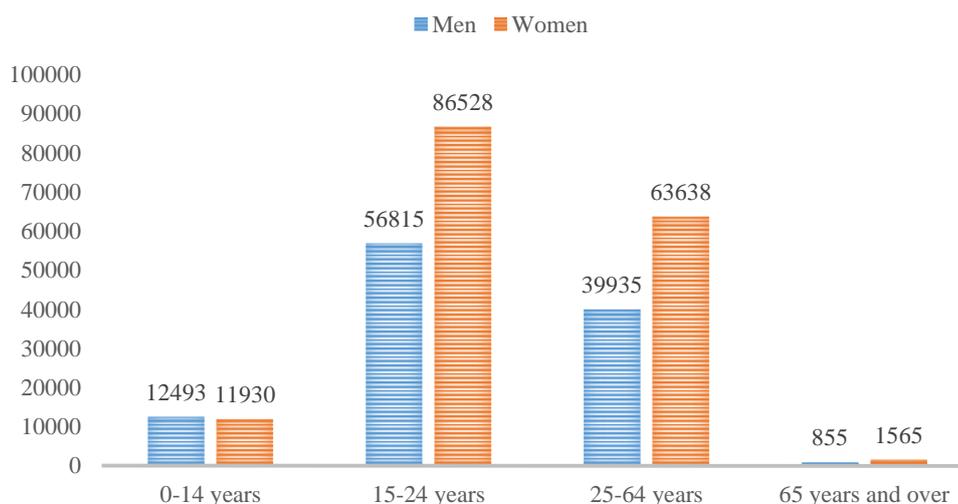


Figure 2. The flow of migrants by age and sex
(Adapted by the author after the Romanian National Institute of Statistics, 2014)

Largest share of emigration is the people in the age group of 25-64 years. In 2012 this age group represented 74% of total emigration, given that in 2002 the indicator was 65% (Romanian National Institute of

Statistics, 2014). The destinations are already known like Italy and Spain, plus Germany and the UK. Surprisingly, Hungary in 2012 was a destination country for 3% of the emigrants, as shown below:

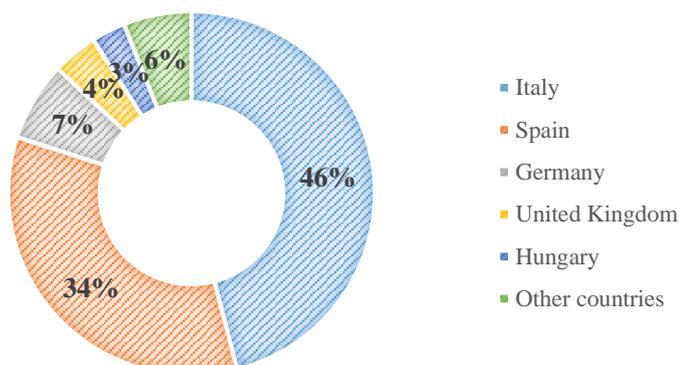


Figure 3. Purpose of migrants by country

(Adapted by the author after the Romanian National Institute of Statistics, 2014)

The International Organization for Migration shows that migration has expanded greatly in the last 16 years and the main reason for leaving is the financial gain that can't be obtained from the family at home, an issue very well known by the family's children. Research has highlighted a number of specific issues such as:

- parents who decide to go to work abroad and there are forming young families with two or three children generally organized;
- there are common situations in which both parents decide to go leaving children in the care of others;
- separation of children from one or both parents working abroad for a prolonged period of time generates a feeling of abandonment with repercussions on their personality;
- at school the main problems of these children is how to relate to peers and, especially, how to fulfill the school requirements (Cojocaru, 2006).

With all these issues according to a 2013 study in the period 1998-2011, remittances sent by Romanians abroad were over 50 billion euros. After 2008, the year with the highest volume of remittances (8.64 billion euros), they were reduced to the level of 6 billion in 2011. Remittances can also have negative effects, including: a low pressure on the government to implement reforms, community inequitable growth, inflationary pressure, dependence on remittances which does not help the individual initiative etc. (Suditu, 2013).

IV. CONCLUSION

The migration effects are concerning various fields and sciences but the most obvious consequences are arising from economic and social terms. Issuing country can experience both increases and losses in the short term, but long-term gain. For receiving countries, new workers can address short-term needs of existing labor market, but in the long term they can cause decreases in wages on the labor market.

Labour migration creates national product by international transfer and the incomes joins the consumption national fund, the development funds and to some extent the budgetary resources of the economy. The economic benefits for the host country are indeed the remittances which are unfortunately difficult to measure but their impact on household consumption it's noticeable.

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