Abstract. The paper presents the recent labor migration flows and trends and the impacts of theme 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 money transfers was about seven billion Euros in 2007. There is also a social impact particularly on the life of migrant families. The most problematic issue is the temporary abandonment of minors by their labor migrant parents, and that, forced authorities to get policies to monitor the situation.

Keywords: labor migration; sending countries; migration trends; migration impacts; Romanian economy; European Union.

JEL Codes: H26, J61, P25, R23.
REL Codes: 10G, 12E.
Introduction

After 1989, when the border barriers had fallen, migration reaches a peak in Romania. It is well known that Romania rapidly becomes a country of net emigration and this fact implies severe consequences at different levels: economic, social and demographic. It is crucial to point out that the statistical data on migration captures only the regular emigrants who change their permanent residence. Labor migration is hard to quantify, although in the late years it becomes 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 (OIM, 2003, p. 8). 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. Taking this into account we will focus only on international migration.

The objective of the paper is to present and explain some of the effects of labor 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 labor resources for European labor 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 labor 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 labor migration, presented in section four. We present in the fourth part the most important impacts of labor migration, both positive and negative, at individual and social level. Some relevant conclusions are drawn in the final part.

1. Literature review

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, finds 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, fact that is convenient for our research.

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, 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 goods 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.

2. Trends of 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. More than that, in 1990 and 1991 the emigration was very high and outbalanced the moderate natural increase. Starting with 1992, the natural decrease of population 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.
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It is easy to observe that 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 behavior 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


Figure 1. Natural growth of Romanian population and net external migration (1991-2005. Romanian case)
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 opportunities for a better life in European Union.

**Figure 2. Emigration and net emigration flows (1985-2005). Romanian case**

In Figure 2 there is possible to identify several phases in migration history in Romania after 1989, presented below.

- **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 analyze:
  - (a) permanent migration increasingly to the USA and Canada, rather than legal migration to European countries.
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(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 labor 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 labor market controls by migrants’ working illegally for three months – essentially, job-sharing with other Romanians;

- 2007- to date: free access to European labor market, fact that favors both market creation of labor and severe sideslips on local labor markets, as we can observe from Figure 3.

\[\text{Source: own estimation.}\]

**Figure 3. Phases of Romanian migration after 1989**
3. 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 Labor 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. Persons temporary living abroad per 1,000 inhabitants (1990-2006). Romanian case

3.1. Socio-demographic effects of temporary 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 and even decline of economical
activity. 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 labor 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 labor 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 neighbors, 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. Starting with OSF, we analyze as a 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.

![Bar Chart]


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

However, the percentage of respondents is low, 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 (Figure 5).

We observe 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.
3.2. Economic effects of temporary migration

From the point of view of our paper, 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 as logarithm 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, because of the experience accumulated by immigrant person.

<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>0.924</td>
<td></td>
<td>4.658</td>
<td>0.000</td>
</tr>
<tr>
<td>Education (last school graduated)</td>
<td>0.194</td>
<td>0.474</td>
<td>15.946</td>
<td>0.000</td>
</tr>
<tr>
<td>Computer skills</td>
<td>0.410</td>
<td>0.206</td>
<td>6.142</td>
<td>0.000</td>
</tr>
<tr>
<td>Work Experience</td>
<td>0.169</td>
<td>0.073</td>
<td>3.024</td>
<td>0.003</td>
</tr>
<tr>
<td>Temporary external Migration experience</td>
<td>0.221</td>
<td>0.078</td>
<td>3.024</td>
<td>0.003</td>
</tr>
</tbody>
</table>

As a result of our research method, using regression to analyze the relations between several factors that could affect the individual income, the regression analysis shows that:

1. The experience of temporary work abroad positively affects the income. Persons with a work experience abroad have a higher income after their returning to Romania (positive correlation);

2. As it was expected, the main factor that directly affects the income is education. A high number of school years determine a larger income (positive correlation);
3. Income is also directly influenced by computer skills and work experience (positive correlation);

4. In present study we had also control the impact of the knowledge of foreign languages but this factor was not significant, for this reason it was excluded from the model.

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 or spend for consumption goods.

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 behavior, 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 behavior level, and on an intentional level.

Above conclusions generates other effects of labor migration on economical level. The external migration causes divers effects at macroeconomic level. The most important impacts are connected with severe disequilibrium and dysfunctions on the labor market, such as:

- potential employment capacity of the labor force;
- unemployment rate and its characteristics;
- emigration of high qualified labor force, – the loss of “brains”, capable of creating a high level of added value;
- wage distortions and the segmentation of the labor force;
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- increasing of underground economy (black labor);
- diminished potential of local labor force – use immigrants in order to complete the lack of local labor 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 favorable 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 unemployment rate). Migration reduced reform pressure on Romanian government. For some areas/regions, migration for employment abroad release the pressure from the local labor 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 labor force shortage and affects the potential of local economic and social development. In fact, the highest labor force shortage is displayed by those Romanian regions which display high migration flows.

One positive effect of migration is money transfers, with strong implications at macroeconomic at microeconomic level. The estimates of the National Bank of Romania regarding workers’ remittances equaled 1,753.5 million US $ in 2004 and 4,440.9 million US $ in 2005\(^{(4)}\), which accounts for 4.51% of the 2005 Romania’s GDP.

Money transfers’ 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 transfers is on the households’ consumption, important at macroeconomic level as being part of the aggregate domestic demand, component of the GDP. But transfers also affect investments and savings. Transfers 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.
Concluding remarks

The future of Romanian external migration is partially known only. Western countries need now foreign labor 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 this paper we analyze the demographic consequences, since category that emigrated for economic reasons in the last years is composed of youngsters (around 30). There were identified important economic consequences on financial aspects and life quality of Romanians, since the volume of remittances was about seven 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 labor migrant parents, and that forced authorities to formulate policies to monitor the situation, which involves more public spendings.

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 figures, after a severe recession caused by the economical crisis, in Romania, the first signs of recovery are not easy to observe. We will conclude this paper sustaining with faith that migration phenomenon is influenced primarily by economic evolution, fact that preserves new possibilities for further analysis.

Acknowledgements

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Notes

(1) For a detailed analysis of demographic decline in Romania, see Ghețău Vasile. Declinul demografic și viitorul populației României. Editura Alpha MDN, 2007.
(4) National Bank of Romania: Mihai Copaciu, Irina Racaru, Romania’s external balance – qualitative and quantitative approaches, October 2006; the estimates include also unofficial transfers.

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