PROS AND CONS IN DISCUSSING THE MIGRATION OF ROMANIAN WORKERS IN THE OTHER MEMBER STATES OF THE EUROPEAN UNION

Răzvan Ștefan RAB
The Bucharest Academy of Economic Studies, Romania
r_razvan@yahoo.com

Abstract

The start point of contrasting advantages and disadvantages of the international migration of Romanian workers is an inventory of the multiple effects of this phenomenon on the national economy as a whole, on households and on individuals. Labour force migration is mainly motivated by economic reasons. Migrant workers expect to get for equal work higher incomes in another EU member state than in Romania. Differences existing between the EU member states in terms of GDP per capita, the average income per inhabitant or the real income of citizens, as well the differences concerning the capacity of the member states to assure decent living standards are the determining factors of the migration flows inside the European Union. The paper discusses the concept of labour motivated migrational climate specific to a country in a given moment. It integrates and interprets economic, political, social, cultural and geographical aspects that act as pull- or as push-factors for those migrating for economic reasons.

Keywords: labour force migration, migration impact, differences existing in terms of living standards, socio-economic factors of migration

JEL Classification: J62, J01, J11, J21, J30, E24

There is a general consensus that temporary migration flows can contribute to improving the performances of an economy. At the same time, however, the negative effect they may have on the economic development is also acknowledged. Therefore, in order to achieve a balance between the advantages and disadvantages arising from migration, the governmental policy needs to control strictly not necessarily the migration as such (because free movement cannot be restricted), but especially the effects of migration.

On the EU internal market, Romania is one of the largest net exporters of labour force, its citizens representing, according to Eurostat data, approximately 19% of the people who have recently exercised their mobility within the EU and have resided in another EU member state over the past five years.

From the perspective of the country of migrants' origin, the positive effects of the external migration for work can be described briefly as follows:
• The decreasing pressure caused by unemployment on the domestic labour market, the export of labour being also export of unemployment if those persons who leave to work abroad do not have a suitable and paid job in the country. Moreover, the by emigrants released vacancies may be covered by unemployed persons remained in the country;
• The increasing employment rate which contributes to a lower real economic dependency ratio – defined by the number of unemployed persons (economically inactive or registered as unemployed) per thousand of employed persons;
• The decreasing of poverty, given that migration enables migrants and their families to obtain the income meant to finance their needs for consumption;
• The money transfers in terms of remittances through their positive impact on the consumption, savings, investment, economic growth, etc.;
• The transfer of new technological know-how and applied technologies in the country of destination;
• The transfer of new organizational cultures and the increasing participatory accountability both within the organization and in the relationship between the organization and the community;
• The development of the migrants’ entrepreneurial skills and their use, together with the migrants’ financial resources, in the country of origin as direct investments.

On the other hand, the list of negative economic effects of emigration for work on the labour exporting country entails:
• The loss of GDP caused by the quantitative reduction of the workforce available in the country. Most of the economic growth models based on the contributions of different factors indicate that the reduction of labour supply compromises the potential for economic growth;
• The loss of GDP caused by the reduced potential for work and thereby the “brain drain”. The “brain resources” are part of the national wealth with a great impact on the labour productivity and the pace of economic development since they include the education level, the capacity for research, the scientific, social, democratic, cultural, artistic values etc.;
• All labour exporting countries are faced with a decrease of the local active population compared to the total population, given that most of the emigrants are in the age range between 18-30 years;
• Against this background, there is an increasing economic dependence of the elderly, which will require a considerable increase in public spending for health and social services;
• An increase in the cost of labour on the domestic market due to the labour supply reduction;
• The loss of the professional qualification of those who emigrate or the erosion of the quality of human capital;
• The net loss of revenues to the state budget due to decreased contributions in taxes related to the work of those who emigrate. To be noted as
well the increasing fiscal burden due to a lower ratio of active people in the total population and the emigration of former contributors to the social budgets;

- The existence of an increased quantity of money in the economy via the remittances and of an excessive demand for certain goods, such as land and houses, leading to an artificial increase of prices and fuelling inflation.

All these effects lead to changes, whether on short or long-term, as regards the economic development of Romania as a country of origin of migrants. Its economic growth depends also on the quantity and quality of the existing labour force, on the quantity and quality of the people’s income and consumption, on the stability of the national currency, on a balanced budget, on the level of taxation, the demographic structure of population, etc.

In analyzing the arguments in favour of labour migration from Romania, the considerable amount of remittances transferred by Romanian emigrants in the country in recent years is by far the biggest advantage, both for the individual households of relatives left home and for the national economy as a whole. World Bank data show that emigrants of Romanian citizenship working abroad have sent home from 2005 until the end of 2010 over 38 billion USD, the lowest value being registered in 2010, and the highest in 2007 - 2008 (6% of GDP). The figures above exclude amounts resulting from activities on the “black” market, which would significantly increase the volume of real remittances towards Romania. To note also that among the EU countries, during the same period, the remittances towards Romania have registered the largest share of GDP (4.4%).

The effects of remittances on the national economy are reflected also when comparing remittances with the consumption registered during 2005-2010 at the level of the whole economy. Thus, the final consumption measured as GDP share responds to the capital inflows expressed as influx of remittances, having both the same dynamic: until 2008, due to the economic growth, the GDP and the consumption registered a period of increase stimulated also by the high volume of inflows in terms of remittances (in 2008, remittances of 9.4 billion USD and a GDP of 200 billion USD). Subsequently, the decrease of remittances has contributed to the decrease of Romania’s GDP, translated into a decrease in domestic consumption (in 2010, remittances of 4.5 billion and GDP of 160.5 billion dollars).

Moreover, a reduced number of people active on the labour market in Romania could lead to a decrease of the unemployment rate due to a better redistribution of employment. This could be followed by an increase in wages and incomes, which then contributes to the increase in living standards. All this increase modifies the consumption dynamics, enabling the economy to produce revenues for the state budget, such as those from VAT or excise duties. In the same category of positive effects of migration regarded from the perspective of a decreased unemployment rate can be included the diminished pressure on the social budgets for unemployed and assistance. Through its emigration, a part of the population ceases to be beneficiary of unemployment benefits or other forms of social assistance from the state. The same principle applies to the expenditures made by the public health
system with the medical treatment of those who emigrate, those expenses being
directed towards treatment of people remaining in the country. Although the
inflows from contributors are diminished due to the decrease of contributors caused
by emigration, the amount to be paid to those who benefit from the social system
decreases as well due to their integration on the labour market and their increased
incomes. Among these two effects with different values, it is desirable to have the
positive one as predominant.

On the other hand, perhaps the most visible and highly experienced disadvantage
and therefore an argument against migration of Romanian workers is the
phenomenon called "brain drain". This is considered a major issue facing many
countries worldwide including of the EU, among which Romania. While exercising
professional skills in places with greatest reward seems to be perfectly justified in
the context of labour globalization, including by making use of the free movement
of workers, it is important to note that countries of origin lose by migration an
important part of their educated population. This causes then a possible further
deterioration in their potential production, plus the tax loss and a gradual
deterioration of their human and social capital.

From this perspective, migration is an important loss for the country given the
intellectual, scientific, civic and economic potential of migrants and the investment
in their education. The “brain drain” adversely affects the economic growth
through the lost investment in education and the “impoverishment” of the economy
of valuable human capital, reducing thus its competitiveness. Usually, persons
subject to this exodus are precisely those that the home country can least afford to
lose.

In this context two problems arise, one of moral nature and another of economic
efficiency: The investment in these highly skilled persons through the public
education system cannot be recuperated by the society, which cannot benefit from
the results of their education. Moreover, due to limited resources, from access to
education have benefited only certain people (subjects to “brain drain”) whereas
others that could have brought a similar contribution to the society had not
adequate access.

In general, due to the “brain drain” all states are faced with labour shortages in
certain sectors of their economy, deficits that differ from country to country.
Usually, skilled human capital losses are registered in those sectors where
primarily the payment, followed by the working conditions, career prospects and
professional recognition are lacking attraction from the worker's perspective.

Romania is no exception and is currently experiencing an increase in migration
flows affecting several economic sectors (construction, textile, medicine, scientific
research, etc.). The size of these flows impacts on the economic development,
especially for those who are found on several levels - simultaneously for already
trained specialists and for graduates or students. It is especially the case of doctors,
IT specialists, different specialists in construction but also in physics and
mathematics. World Bank data (Migration and Remittances Factbook 2011)
indicate a high rate of emigration of Romanian highly educated, placing Romania from this perspective as 3rd in a top of countries in Europe and Central Asia. In 2004, the Romanian National Institute of Statistics estimated that 72.1% of the permanent migrants were highly skilled, being graduates of university, post-university studies, or of high professional training programs.

One of the biggest problems facing Romania is the emigration of doctors/physicians, this phenomenon affecting directly the status of the entire population. Although there is no updated database with these movements, some studies reveal alarming statistics. For example, the World Bank (Migration and Remittances Factbook 2011) included Romania in the world top of countries of emigration for doctors, ranked as 21st with 2,300 migrant doctors. Among European countries in this top, Romania was ranked 10. In 2010, the Romanian College of Physicians announced that nearly 60% of Romanian doctors wanted to emigrate and that 8,331 had already left the country in recent years to work in European hospitals. Out of these, 1,000 left only during January - June 2010. Against this background, in 2010 in Romania were only 1.95 doctors per thousand people compared to 3.18 in EU Member States. Moreover, the number of nurses was 3.72 per thousand, compared to 7 in the EU Member States. Doctors leave the country for higher salaries, better working conditions (means of emergency intervention, working capacity of health units, stock of necessary drugs, number of auxiliary staff, required technical equipment in hospitals, hygiene in public buildings, etc.), but also for the superior prestige enjoyed by their profession in other states. They prefer as countries of destination France, Germany, Italy and Great Britain and target the family medicine, intensive care and psychiatry.

Similarly, in the IT&C field more and more students and graduates on the one hand, but also already trained specialists, on the other hand, choose to work abroad due to salaries several times higher they can get there. Given the current economic situation of Romania and the strong need for its computerization, this “brain drain” affects strongly its development. Faced with lack of skilled staff, private companies and public institutions are forced to opt for outsourcing of software and databases. According to companies, almost half of the 5,000 yearly university graduates in this field emigrate from Romania. Moreover, students from Romania show a great preference to emigrate. A Eurobarometer survey conducted in 2007-2009 shows that on average about 18% of students would like to emigrate, ranking Romania from this perspective as 1st in Europe.

Over time, there were a number of proposals to counter the negative effects of “brain drain”, including the option for those states which absorb human capital to provide "compensations" to the countries that suffer from this phenomenon. Other proposals included a drastic limitation of the right to free movement of persons, but also policies to encourage the return of young educated through increased salaries for researchers, facilities for those who return with the aim to open a business, a more modern infrastructure in education and research etc. However, too few of these proposals were actually translated into expected results.
Possible solutions for the labour and skills shortages in the areas mentioned could be the return migration of Romanians to their home country, the immigration in Romania of citizens from other countries and the professional training of new specialists in Romania. The success of these policies will, however, depend on the specific salary offer in Romania compared to the countries of immigration (for Romanians) or emigration (for immigrants coming from other countries), on the relative cost of living in Romania compared to that in the countries wherefrom immigrants come or return, on the quality of public institutions and services in Romania, compared to the quality in their countries of origin etc..

The recent economic crisis has contributed to a natural contraction of the Romanian migration flows which registered a reduced number of departures for work abroad and an increase in the number of returns. Nevertheless, in Spain and Italy, the main destination countries for Romanians, despite the contractions linked to the crisis, the communities of Romanians have continued to consolidate mainly through their social inclusion at the level of the first and the second generation (children accompanying their parents). Therefore, it would be wrong to predict for the future a massive influx of Romanian migrants that would return to their home country.

On the other hand, however, the recent decision adopted by Spain to restrict the labour market for Romanian nationals will increase the contraction and reduce considerably the number of Romanians who will leave for work in this country. The measure will not affect Romanians already employed legally in Spain since it does not apply retroactively and as such, is not expected to significantly influence returns to Romania. According to the Spanish Ministry of Labour and Immigration, approximately 850 thousand Romanians were living in this country at the end of 2010. It is noteworthy in this context that the EU legislation allows an EU member state to opt for the "safeguard clause" and restrict the access to its labour market for citizens from another EU member state even if the market was previously liberalized (Spain opened partly to Romanian workers in 2007 and totally 2009). However, the country imposing restrictions needs to present strong arguments to the European Commission. Spain has based its decision on the 20% unemployment rate, the social dumping by Romanians accepting lower wages than the legal minimum in Spain, but also on the fact that many of the Romanians employed in seasonal activities do not leave Spain after the end of these activities.

Immigration of foreigners to work in Romania could also have a beneficial role on the national economy if the labour inflows could be possibly managed selectively based on the potential and costs of the migrants' inclusion in the Romanian society. Entries would need to be linked to the economic sectors identified with labour deficit based on annual assessments of labour demand. Moreover, these inflows should avoid the creation of human agglomerations living in poor conditions which can be sources of increased criminality, possible reactions of intolerance on behalf of the local population and employment in informal economic activities. It goes without saying that immigration from abroad should not be detrimental to local labour force. Priority will need to be granted to employment of Romanian citizens living in the country or working temporarily abroad.
Furthermore, migration policies will need to be tied to the regional development policies aimed to create jobs and better living conditions in Romania. Thus, for example, the conversion of definitive external migration into internal migration could be encouraged. Moreover transnational activities that take place both in the country of origin and in that of destination linked with migration between these countries could be promoted. There are positive examples of migrants or former migrants doing business in Romania and abroad (transnational entrepreneurship) or of partnerships which link Romanian villages or regions source for migration to regions from EU countries.

In conclusion, it is extremely difficult to assess in a balanced way the pros and cons of a possible national strategy which would encourage or rather limit migration from Romania to the EU countries. The difficulty is given also by the dynamics of the economic context, which makes the factors in favour or against migration to weight differently in time. Therefore, perhaps the Romanian external migration policy aim should be not necessarily to encourage or restrict emigration and immigration, but rather to optimize the mobility for work abroad, favouring the temporary migration and the return of Romanian migrants to their home country. Such a policy could significantly decrease the permanent emigration from Romania and also contribute to the development of the areas of migrants’ origins, without inflating the negative demographic consequences of migration.

Bibliography

* "Risks and social inequities in Romania", the Presidential Commission for the Analysis of Social and Demographic Risks, Bucharest, 2009 www.presidency.ro

Sites consulted
http://www.bnro.ro
http://www.insse.ro
http://www.migrationinformation.org
http://www.oecd.org
http://www.mmssf.ro
http://www.worldbank.org