

## Migration and (Macro) Economic Risks – Romania's Case

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**Abstract:** Migration is one of the predominant phenomena in debating core issues of politics, economy and society at the beginning of the 21<sup>st</sup> century. In order to understand the complexity of this phenomenon, it is necessary to investigate its main determinants that maintained from historical perspective some of the characteristics from the beginning of the 20<sup>th</sup> century; however, at increased complexity, in the context of constant changes of geopolitical and economic regional configurations. The European enlargement towards the central and eastern part of the continent brought about also changes regarding increased demographic and economic risks in the absence of global migration governance, but also due to the frailty of national institutions in the field of migration and labor market.

The paper intends to briefly enumerate main (macro)economic and demographic risks for Romania by underpinning the contribution of institutional factors to improving the management of this phenomenon at national level.

**Keywords:** migration, demographic risk, labor market, determinant push and pull factors

**JEL Classification:** J10, J11, J61, N34, N44, O49, P29, P39

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### Introduction

In the period preceding the Great Recession and also in the present incipient, uncertain and unstable post-crisis period on multiple levels, one of the most

influential phenomena as political, economic and social effects is migration. Firstly, because of political reasons – as solution for the geopolitical crisis in the Middle East – and of economic reasons it underwent a permanent increase, the outcomes of which have severe economic and social impact.

The Great Recession had multiple consequences almost impossible to anticipate before its outbreak which are all more or less correlated with migration and with the associated phenomenon of mobility. Some examples in this respect are: the increased trends and tendencies of reversing the globalization processes; the more often mentioned and stated intentions regarding the renegotiation of various bi- or multilateral trade agreements, treaties and associations, such as NAFTA, CAFTA etc., including here regional conventions and treaties like the one of the European Union; it might even be considered that one of the current subtexts of the proposals about a Europe with various speeds is also migration, with the actual example of the recent Brexit (2016) which reduced to its essentials the dispute about migration, about increasing higher waves of immigrants in the country and about the advantages/disadvantages of being included into an enlarged political and economic supra-structure which brings with it multiple conditionalities, including with respect to mobilities and freedom of movement; the diversification of the types of inequality not only between migrants and the population of the host-country, but also between migrants depending on their region/country of origin; the increased polarization of jobs by pushing the middle-skilled levels towards the low-skilled level, and the low-skilled level lower still and into even more difficult situations and instances which are close, if not clearly below the poverty threshold.

Migration is again one of the most debated phenomena – under various forms and approaches – as it is placed at the core of concerns for political and economic decisional factors, because during the current period, between migration under its various forms and the economic development degree an increasingly more severe vicious circle takes shape both for origin countries and countries of destination. One way of explaining and ‘disrupting’ the vicious circle and creating a ‘virtuous’ one, is acknowledging the crucial role that institutions play or should play in the current period of critical political, economic and social redesign and rearrangement both for migration and for the economic outcomes. Thus, migration reaffirms its crucial role played in the evolution of contemporary institutions, economies and societies, because similarities between the migration

options by the end of the 19<sup>th</sup> century and beginning of the 20<sup>th</sup> century with the ones by the end of the 20<sup>th</sup> and beginning of the 21<sup>st</sup> century are to be found much more than differences, especially in relation to motivations, aspirations and objective determinants. The main coordinates are still the higher propensity to migrate of the youths, associated to the technological and industrial progresses corresponding just the same to each of these historical periods, and just like then, now even more complex network generate specific effects (Bertocchi, G. 2008), a fact that contributes (even if temporary) to increasing immigration to a certain region, and more specifically to a certain country from the region (see the immigrant flows not only from conflict regions, but also from the poorest regions of the Middle East and Asia, and even Africa to Germany).

In this context, economic refugees are those faced with most problems, as there are various sets of expectations that risk remaining unfulfilled – frequently their situation being just a change in the poverty parameters – from poverty in the country of origin to the ‘managed’ poverty in the country of destination, however this situation being perceived as satisfying and ensuring several chances for surviving.

One of the less debated and researched aspects at national and international level refers to the role played by institutions, by political and policy rules to which should be associated more specific the role of economic and/or social institutions and institutional arrangements which are both representative and determinant for migration, due to the direct or indirect impact on the migration phenomenon. The obvious vocation of the institutions to be the general framework of any ‘trade-off’ requires, in this context, a specific correlation between institutional factors determining the push and pull factors of migration.

An essential role and more attention should be given to institutions on the national and/or international labor market, including social institutions which, by the way they are built, based on their attractiveness or non-attractiveness determine the decisions included in the migration process both in the country of origin, and in the country of destination.

Migration is one of the phenomena with considerable demographic and economic impact especially from the viewpoint of the human capital, of the labor market and of the society as a whole. This impact involves, thus, the requirement of analyzing institutional arrangements for the above mentioned components not

only for understanding and managing the phenomenon as such, but also for approaching some policies and measures that would provide the (still inexistent) perspective of a unitary governance of the phenomenon at world level (Betts, A., 2011). We consider that the absence of some common instruments and tools for the governance of the phenomenon is one of the essential reasons leading – in particular lately – to various displays of true global migration ‘crises.’ In its turn, this lack of common governance is determined by the various national institutional arrangements, which are reflected in the agreements by bi- and multilateral conventions and treaties concluded for better managing the phenomenon between states. Obviously, ensuring a universal governance framework for migration is a utopia at present, but delineating some new specific institutions, corresponding to the current stage of globalization, but also to the fluid and changing geopolitical contexts might be a first step in this respect.

The present migration crisis evolves between two opposite and contradictory poles – from the phenomena of demographic ageing, in particular among the member-states of EU-27(28) and which have as last solution for replacing the cohorts exiting the labor market attracting immigrants from other regions of the world, to the increasing phenomena of contesting this need as result of yet another two complex developments that are still not completed and maintain their unpredictability on short- and medium-term, respectively: the uncertain post-crisis period and the economic shift due to technological progress. The common denominator is found in the labor market and in the way in which migration is perceived according to the effects generated on this market both for origin and host countries.

One of the regions facing acutely nowadays this issue is the western part European Union. The recent immigration wave from Middle East of sizes considered almost unsustainable – beyond the statement “Wir schaffen das!”, that is “We can do it”, made by the German Chancellor Angela Merkel – contributed to highlighting a cascading institutional ‘void’ in an apparently ordered line of European bi- and multilateral treaties between the member-states. From the debates about the refugee quotas (a specific category of migrants which should have its own regime of institutions and governance) to the possibility of national states to support and integrate immigrants, all issues came again to surface, especially for the New-Member States of the European Union that – after World War 2, and under the Soviet umbrella for more than 45 years – lacked the experience of immigrants

from all categories and instances of life in their countries. Essential issues were brought to the forefront of debates related to migration, but also the economic performance, labor market and also social and cultural issues.

The paradox is increased if we refer to the period foregoing the crisis when Europe aimed to increase the attractiveness of the region for working, studying, researching and innovating at world level, as this general objective of the Lisbon Agenda 2000 for increasing mobility had as aim not only attracting migrants for work, but also for study and research, and the implicit increased opportunities for valorizing competences, skills by continuing studying, or even at superior levels thus improving individual perspectives of better career and social status.

It should be mentioned that the accession of Central and Eastern Europe occurred on this optimistic background of economic growth in which, though unemployment continued to be among the first issues of concerns of European policies, the perspectives of generating increasingly more jobs continued to exist along with expectations of increased labor force demand. However, despite this optimistic outlook there were several concerns expressed at the level of the political decision factors about the effects that migration from the new access countries would have on the EU-15 labor markets.

The solutions came based on the option of limiting (temporary) the access on the western European labor markets of the migrants from Central and Eastern Europe based on bi- or multilateral agreements. Thus, in the period of massive enlargement towards Central and Eastern Europe, including towards the southeastern part, only 11 of the then member-states granted a chance to migrants that were assumed to head to the more advanced western member-states, the others opting to conclude transitory agreements and conventions restricting the access on the labor markets for migrants from the New Member-States of EU.

## **1. Migration from Romania. General presentation**

The migration phenomenon in the case of Romania after the year 1945 and up to 2015 might be divided into several (wide) distinct periods: the period 1945-1990; 1990-2007 and 2007-2015. However, the amendment must be made that for the period 1990-2015 some experts suggest the division of this period into three stages: 1990-1995, 1996-2001 and 2001 up to date (Danacica, D.

2010). These stages, with particular emphasis on the period 1990-2015 should be much more detailed, in our opinion, into several phases that would take into account national developments in a more specific manner because each of these stages has distinct features and characteristics, influenced also by the political regime, next to the economic one. The data for the years sixties up to the end of the eighties are rather limited but according to the UNHCR (UN Refugee Agency) statistics the number of Romanian emigrants – who in the respective period benefitted from the statutes of refugees and applicants for political asylum increased from 2.864 in 1980 to 14.864 in 1989 (UNHCR, 2001). In the respective period, the general practice of the western countries was to give assistance to these categories of emigrants that managed to cross over the ‘Iron Curtain’. Additionally, legal emigration was represented by Romanian citizens of German ethnicity that migrated both legally and illegally, by Jews and, as of 1987 even by Hungarians (who had especially irregular forms of migrating to the neighboring Hungary) (Anghel, R.G., and Horvath, I. 2009)<sup>1</sup>. The general conclusion is that, in order to avoid complete discredit, the regime chose to mask the number of emigrants, the records being in our opinion still imprecise and unreliable, while the motivations of the regime are found in an equal number of elements that contributed to creating an institutional void in managing national migration and its correlative immigration at the beginning of the nineties. The only ‘official’ form of migration in the respective period was a carefully managed migration for labor, based on contracts concluded between the Romanian state and countries from the Middle East and the Gulf by which the state ensured and cashed hard currency incomes as contributions to the state budget. In this framework family reunion was strictly forbidden, and the personnel returned in the country after the conclusion of the determined period of the work contract. The state cashed hard currency in the respective period also from the emigration of the members of the German community from Romania (Transylvania Saxons and Swabs) – a practice initiated by the end of the sixties and until the end of the eighties. Otherwise, this was also the period in which, next to the migration of the Jews, one of the most significant losses of human capital of the communist period occurred and it still resonates to the present. For instance, we mention that the weight of German migration was felt already in the year 1977 when the

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<sup>1</sup> For more details see, *Sociologia Migratiei. Teorii si studii de caz romanesti*. [Sociology of Migration. Romanian Theories and Case-Studies].

ethnic German community already represented only 1.6% in total population and, on the whole, for the period 1975-1989 had a weight of 44% from total Romanian migrants (The Statistical Yearbooks of the Socialist Republic of Romania, 1975 and 1989).

After 1990 migration began to change gradually motivations: if in the first period up to the years 2000 it might be regarded from the viewpoint of the two previously mentioned major stages (1990-1995 and 1996-2001) and as expression of reflex-type motivations such as lack of confidence in the democratic path, combined with the drastic diminishment of employment opportunities due to the processes of liberalization and privatization that left the country in a state of deep crisis, and consumed by the absence of real privatization processes that were initiated only in the years 2000, and including here motivations such as family reunion and/or the swifter achievement of the 'western capitalist dream', thereafter migration underwent a change of motivations: now, it was not only about family reunion, and work, but also about better educational, occupational and wage gains. The intensity of the phenomenon varied for the entire period. Thus, if in 1990 were recorded a total number of 96929 thousand migrants, their numbers decreased to 21526 thousands in 1996 and to 9921 thousands in 2001. A considerable leap followed, as their numbers increased in the year immediately after accessing the European Union to 302796 individuals and in 2010 – the year when the crisis reached its peak after accession – to 197985 persons though, all in all, it might be considered that a diminishment of this trend occurred. However, for this last period is found that in the conditions of the accelerated and relatively chaotic dynamics of migration at the level of the entire European Union, the Romanian migration was of 1.642.488 individuals, which allows for an estimate of the Romanian migration as yearly average to about 205.311 individuals in the period from 2008 and 2015<sup>2</sup>.

In brief, the period 2007-2015, meant the migration predominantly of the most important segment represented by the young, active, working age population with high-skills, a fact that from demographic perspective contributed to accumulating following types of risks: a more marked and considerable demographic ageing of the population, as the chances for improving the natural increase of the country

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<sup>2</sup> The data were compiled according to the National Institute of Statistics of Romania and Eurostat data, 2008-2015.

diminished, because the majority concluded marriages and had children in other countries and changed frequently temporary labor migration into definitive migration. All in all, as general trend, if we analyze the Romanian migration on age groups and gender we find that most migrants pertain to the age groups 25 to 29 years of age and 30 to 34 years of age<sup>3</sup>.

Thus, also as a confirmation of the United Nations' estimates, Romania entered into the top 20 source-countries for emigrants, with over 3.4 million citizens outside the national borders, and if we resume to the intra-community level, Romania is on the 4<sup>th</sup> position, after Great Britain (4.9 million), Poland (4.4 million) and Germany (4.0 million). However, if we refer to a more extended period of time, respectively from 2000 to 2015, on average is found that Romania had a yearly migration increase of 7.3%, so that our country is ranked on the second position, after Syria (13.1%) and followed by Poland (5.1%), and India (4.5%) at international level<sup>4</sup>. In this context, a series of multiplied demographic risks of this massive migration phenomenon at national level might be identified, to which are associated entire series of economic risks with deep implications on the main institutions with direct, indirect or induce impact on migration and the national economy.

From the demographic perspective, emigration represents a loss with direct implications on the population's demographic ageing, the more so as for Romania is found also the existence of marked feminization of emigration, especially to Spain and Italy. Thus, if we take into account only the last years for which we have available data, respectively 2014 we register the emigration of 104887 women, respectively by 25171 more than males. These losses will impact the entire value chain with effects on the educational systems, and on the labor market, including here some determinant factors for the national competitiveness at European and international level.

Therefore, a more careful analysis is required regarding the determinant institutional factors and the policies in the field, at national level in order to formulate optimum policies and strategies in the context in which Romania will turn on medium- and long-term also into a country of immigration.

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3 Bălan, M. (2015): "Correlations between migration and employment among young people" in Management, Economic Engineering in Agriculture and Rural Development, Vol. 15, Issue 3, 2015

4 <http://cursdeguvernare.ro/romania-a-intrat-in-top-20-al-statelor-cu-cele-mai-mari-diaspore-potrivit-raportului-onu-pe-migratie.html>

## 2. Institutional Push-and-Pull Factors of Romanian Migration

The post-crisis period contributed to intensified debates about migration in the context of increasing differing opinions in several EU-27(28) member-states about immigrant quotas, but also because of the differences between ‘acceptable immigration’ from countries regarded historically as immigrant sources for the countries of destination (see for particularities the Brexit case) and the one regarded as ‘inacceptable’ from countries that became recently sources of immigration. In this context, the most significant paradox is the perception about migration at European Union level. If, regarding refugees from Middle East and other regions in difficulty of the world, there was a certain tolerance that tends to turn into intolerance, with respect to intra-community migration, assimilated to the concept of European mobility for work, study, and research, etc. a series of institutional factors emerge that represent as many arguments pro and against migration.

In Romania’s case is found that the migration propensity at national level was stimulated by the absence of clear criteria regarding some of the institutions on the labor market – unemployment emerged as institution only after 1989, as up to the respective it was nor recorded as such, but masked under various forms of voluntary activities in fields not necessarily related to the skills of the labor force – but also because of the lacking vision about wages, minimum guaranteed incomes, and policies for the labor force with respect to activating measures, or agencies for work intermediation, etc. Moreover, the absence of some clear active labor market policies that would provide incentives for both employers and employees for involvement in vocational-professional improvement, training, and re-skilling, next to activities of redirecting the complementary systems of education and vocational training contributed to increased migration of the young generation aiming to achieve personal and social goals based on a clear and transparent future economic and social status perspective.

Also, the stability of (political, economic and social) institutions that ensures better predictability of the educational and professional path in Old Member-States contributed to increased migration (either temporary or definitive, including circulatory migration) of the Romanian migrant stock within the EU-28(27).

In this respect, at national level would be necessary an in-depth analysis from the institutional viewpoint of the root-causes triggering the explosive migration, including the design of some formal multilateral institutional frameworks that would provide for answers to questions related to the implications of both low-skilled and high-skilled workforce.

Thus, policies in the field could better mitigate the push-type factors such as income/wage differentials, working conditions, training and promotion, including social ones related to living standard on one hand, and on the other hand, they could assist in elaborating a clear, transparent and efficient system for acknowledging competences and ensuring professional development from the perspective of the pull-type factors both for managing national migration, and also for the future as Romania prepares for its inevitable change into a country of immigration.

### **3. Conclusions**

Romania's migration pattern maintained a constant in time from 1947 up to date: it meant family reunion, increasing opportunities for developing successful careers, increasing chances for quality education and life. Still, this pattern underwent significant variations, and even certain 'refining' of options especially in the post-accession and post-crisis period.

The (in)existence of some institutions with direct impact on migration and which caused also the lacking experience in managing the phenomenon led to emergence of some significant issues for the Romanian area. Beyond the European impact, the most severe migration impact is felt at country level.

Remittances cannot compensate entirely for lacking labor force and economic risks take shape – including environmental ones – agricultural lands, abandoned land plots, together with intense deforestation might have effects on the quality of life in certain development regions, including arriving to the unwanted threshold of desertification of some areas in the southern and northern regions of the country.

In this framework we consider as necessary opening up new areas of research from the viewpoint of correlations that emerge between labor geography and migration geography, between the main economic institutions and institutional

factors that are nodal and convergence points between the two in the context of wide reconfigurations of the global and European north and south under the pressure of economic transition and of increasingly intense migration from conflict-ridden and less developed regions of the world. It is obvious that the various ways in which migrants related to the workplace in the country of destination have impact and change perceptions not only in this respect for both migrants and the population in the host country, but also the requirements for the various institutional configurations on the labor market that determine, finally, the manner in which labor policies mitigate the challenges resulting from jobs' polarization, the increasing wedge between minimum and maximum incomes, the extent to which the negotiation power is higher or lower regarding labor contracts, etc. Moreover, institutional reconfiguring of economic nature is reflected directly in substantial changes with respect to other economic, society and cultural spaces (Buckley, M. et al 2017).

Romania is still in a period of frailty from the viewpoint of institutions designed for managing the migration phenomenon and, labor market and labor force. The massive migration, leaving aside remittances, does not represent a solution in the absence of clear initiatives that would meet the economic imperatives of resuming economic growth after the crisis. To this end, it is necessary, first of all, to manage more clearly and according to main demographic criteria (age, gender) and economic ones (education, employment, etc.) the migrant categories from Romania, as well as to better investigate policies and measures for discouraging emigration and encouraging individuals to remain in the country and even return migration to the country of origin.

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