

# TOWARD MIGRATION TRANSITION IN ROMANIA\*

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**Abstract:** *Most studies regarding the contribution of migration to development are limited to an isolated analysis of the economic effects of migration. But the migration process is in turn influenced by other processes. So a wider framework including migration and other processes of development would be more appropriate. The experience of South European and East Asian countries have shown us that, during development, countries can change their migration profile from emigration to immigration. The present paper shows the stages of the migration transition experienced by these countries trying to match them with Romania's experience. So, focusing on the case of Romania, this paper examines the evolution of international migration starting with 1990, in the context of the broader transition process, offering prospects regarding a possible migration transition in this case as well.*

**Keywords:** international migration, development, migration transition, Romania

**JEL Classification:** F22, O15

## INTRODUCTION

International labour migration has always been and continues to be a controversial process. This is due to the complexity of the migration process, due to the economic effects on both origin and destination countries. Until the '90s the vision upon migration was rather unilateral, either optimistic or pessimistic (see Taylor (1999); de Haas (2007); Castles, (2008); Abreu (2010); de Haas (2012)). Optimistic theories emerged after World War II, considering that migration will cover the lack of existing capital especially through remittances, and that migration will lead to a better allocation of resources, favouring at the same time the convergence of the incomes level until international migration is totally discouraged. The developing countries were expected to follow the same development path like the U.S. and Western Europe, which encountered a transition from emigration to immigration. The migration cycle was appearing to be related to economic development. The transition to immigration was preceded by massive waves of emigrants. The first migration wave emerged during the 19<sup>th</sup> century, when about 55 million Europeans (between 1820 and 1920) emigrated towards the *New World*- North and South America, Australia and Asia (Hatton and Williamson, 1998, p. 4). In the second wave, during the 1950s and 1960s (Salt and Clout, 1976) a massive number of Europeans emigrated from South of Europe (Portugal, Spain, Italy,

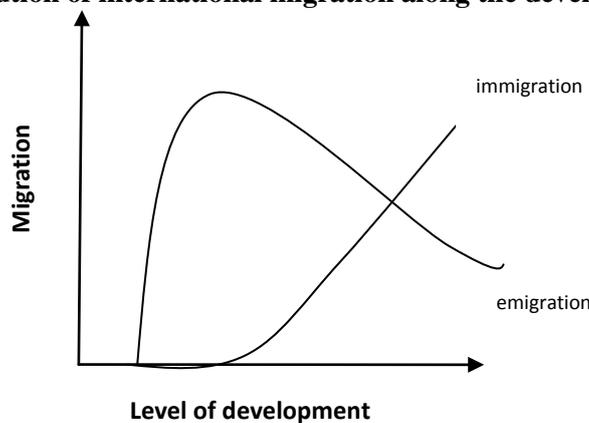
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Yugoslavia, Greece and Turkey) towards Central and North of Europe (especially France, Switzerland, West Germany and Benelux countries). Starting with the 1970s migration has been regarded with scepticism, considering not only that it had failed to reduce development gaps, but even more, that it had contributed to their enlargement (by both creating a dependency on developed countries and depleting them of the highly skilled and the most dynamic people - *brain drain*). Finally, starting with the 1990s a "pluralist" vision came into being, comprising both positive and negative effects of migration; so, although migration can deprive the country of origin of skilled labour, return migration can regain the lost benefit if emigrants return (*brain gain*), by sharing the experience accumulated abroad and by the economic networks (favouring generation trade flows and foreign investment) created between the destination and the origin country.

Migration complexity and the difficulty of separating it from other social, economic or political processes have led to a global vision that integrates migration between other development processes. In other words, if the population is allowed to be mobile, development will lead itself to migration, first internally and then internationally. It has been shown that during development, emigration is following an upside down "U" shape, being overreached by immigration, while the country changes its migration profile from emigration to immigration (see Zelinsky, 1971 in Gedik, 2005; Martin and Taylor, 1996; Skeldon, 1997; de Haas, 2010).

**Figure 1- Evolution of international migration along the development processes**



Source: de Haas, 2010.

## 1. MIGRATION TRANSITION IN SOUTH EUROPE AND EAST ASIA

The case of South European countries (Greece, Italy, Spain and Portugal) represents a recent example of migration transition. For a better understanding of the evolution of the other

development processes along with migration, we continue by presenting a systematic analysis of the migration transition process. King, Fielding and Black (1997, pp. 10-13) identified three stages. In the **first stage** (in the 1950s and 1970s) the technologisation of industry was achieved through entering of higher productivity industries from Northern Europe and America, industries that were able to support the export. Population growth and rural-urban migration preserved a high labour supply, keeping wages low and attracting many investments which fostered economic growth. Because the labour was abundant, domestic workers began to look for other opportunities. An important part of the population decided to migrate to Northern Europe, America or Australia. In the **second stage** (the 1970's and early 1980's) wages began to rise (especially in high productivity sectors due to strikes that took place here and due to the fact that entrepreneurs could afford reducing the profit in order to attract labour from other sectors by offering them higher wages), as internal and international migration lead to rural depopulation, losing the labour surplus created during the first stage. Moreover, the labour started orientating towards higher productivity sectors, where wages were higher. Along with internal migration, the international migration decreased as well, because of the welfare benefit along with the higher wages. Even more, the unemployed labour had preferred to receive unemployment benefits rather than occupy a low paid job, while the welfare state was beginning to take shape in Southern Europe.

In the last stage - the **third stage** - (late 1980s and 1990s), although the recession had generated more unemployment, the resident unemployed population were preferring, once again, to receive unemployment benefits rather than occupying the lower paid jobs from low productivity industries; these kind of jobs had already been labelled as immigrant jobs (see *labour market dualism theory* developed by Piore, 1979; Massey et al., 1993). Because the domestic population was refusing the low paid jobs, the import of labour force became one of the convenient solutions. So the immigration from the *Third World* has considerably grown, generating the "new immigration" phenomenon and the migration transition in Southern Europe.

A similar evolution occurred in East Asia (Hong Kong, Korea, Singapore and Taiwan) where the economic growth oriented to exports has determined a two distinct stages evolution of labour markets (see Fields, 1994). In the **first stage** (starting after the World War II and until the early to mid 1960's) wages remained stable due to abundant labour supply and increasing employment. In the **second stage**, the labour force stopped being abundant thanks to the international migration and the growing labour demand (along with the continuous economic growth) and the employment reached a high level. The sustained economic growth further increased labour demand particularly in export-oriented sectors. Unlike the Southern Europe where labour markets were segmented,

labour markets in East Asia were well integrated and the wage growth in the better paid sectors was easily transmitted to other sectors in order to keep/attract the current/new workforce. While the employment stayed high, wages have continuously increased generating the largest real wage increases in the world (Fields, 1994, p. 12); the real wage annual growth rates were similar with national income growth rates. These large wage increases have led companies to seek other solutions. As long as they could remain competitive through technological changes or importing labour, they stayed in the region. Importing labour, on the one hand, and improving living standards, on the other hand, has caused a migration transition in the region by increasing immigration and reducing emigration aspiration. However, some companies, especially from labour-intensive sectors, decided to relocate their activities in a cheaper labour cost economy. An example is the relocation of companies from the textile industry (Fields, 1994, p. 18). Although initial production centres were located in the northern U.S., they moved to the southern U.S., then to Asia; as wages rose in Japan, this labour intensive industry moved to countries that were at the beginning of the economic boom, like Hong Kong, followed by Korea and Taiwan, then Sri Lanka and the Philippines.

Therefore, the key behind migration transition is the region's population aspirations for better paying jobs, emphasizing the pull factors from the *push-pull model* (see Lee, 1966). In East Asia, well-integrated labour markets have allowed the wage growth generated in some sectors to be easily transmitted to other sectors as well, in order to keep current labour or attract more labour. As a result, working conditions have improved, which discouraged emigration, drawing back the old emigrants and attracting new immigrants. In Southern Europe, labour markets were segmented. Labour market became dual due to native labour aspirations to better paid jobs from capital-intensive sectors and due to abundant immigrant labour from the *Third World* (King and Ribaczuk, 1993, pp. 178-184) that either was working legally (most) or illegally it had received lower wages in labour intensive sectors.

## **2.PROSPECTS REGARDING A POSSIBLE MIGRATION TRANSITION IN ROMANIA**

As we have seen in the cases of South Europe and East Asia, the international migration evolution is closely related to economic development and internal migration (there is a mutual influence). In Romania, after the communist regime had collapsed, we have identified two distinct stages. The **first stage** (1990-2002) started along with the new political regime and it was

characterized by high economic volatility, as a result of the implemented reforms (although a truly economic “shock therapy” was implemented later, by the new political coalition governing after the 1996 elections (see Scriciu and Winker, 2002, p. 8)). The exception was the 1995-1996 period, when the Romanian National Bank managed to ensure financial stability by reducing inflation). The new wave of economic reforms has generated high unemployment once again through the required privatization and reorganisation processes. The private sector could not benefit of a favourable economic environment, so it could not encounter a quick development as to absorb the labour market surplus (Carothers, 1997, p. 4; Neef, 2002, p. 301). Under deteriorating living standards (the high inflation has drastically reduced real incomes), people started to migrate to rural areas where living costs were lower, working in agriculture (after the reinstate of the private property and the lands were given back). Employment in agriculture exceeded employment in industry or commerce. The international migration represented a second choice. After the ethnic international migration in the early '90s, international migration began to grow as migration networks developed.

The **second stage** - early 2000s (after 2002) - is characterized by the success in ensuring a stable economic environment, which has allowed the private sector to attract large foreign and domestic investment flows. After the visas for entering the Schengen Area were not required anymore, the migration substantially increased along with the migration networks development and Italy and Spain became the dominant destinations for Romanian emigrants (Sandu, 2006). The facile access to foreign jobs and the much higher earnings received abroad were attracting more and more Romanian labour, despite the increased labour demand in the Romanian labour market. Therefore, Romanian firms began to face recruitment problems (see Elias, 2007; Cindrea, 2007, GSA, 2008). Romanian labour from the rural areas was rather leaving directly abroad than returning/migrating to the urban areas (Sandu et al., 2004, p. 8). Unemployment has considerably dropped down, and real wages have increased. Labour import solution has become a truly alternative since 2007, when the immigrants were finally allowed getting paid at the minimum wage level (Business Standard, 2007). The number of immigrants in Romania for temporary or permanent employment sharply increased, from about 3500 people in 2005 to 9000 in 2007 (Oficiul Român pentru Imigrări, in Alexe and Paunescu, 2011, p. 26). The economic crisis from the late 2000 caused the labour deficit to disappear after de labour demand had decreased, and the number of immigrants got to 7000 in 2010.

The annual number of emigrants continued to stay far above the number of immigrants, especially after the visa requirements removal (2002), when it increased from approximately 90,000

persons in 2001 to 140,000 in 2002 and 370,000 in 2006 (estimation by the data provided by Sandu, 2006). The increasing trend is in accordance with the *migration hump theory* (Martin and Taylor, 1996), which argues that when joining a commercial block, even if initially the emigration increases, on the long-run it will fall below the level it would have been reached if the joining had not occurred, as a result of the convergence in the development levels of the two regions. EU accession seems to explain the recent migration in Romania. Therefore, we expect the labour shortage to reappear and wages to keep growing, even with the increasing number of immigrants (and the number of immigrants to overreach the number of emigrants). But this scenario will not roll-on unless Romania continues an alert rhythm of development. Following this development path is neither compulsory nor irreversible and the reversibility of certain processes is possible depending on the relative progress compared with other regions and countries. So, we cannot expect migration to trigger development by itself. De Haas (2012) draws attention to the risk that an optimistic vision on migration may distract our attention from the more difficult/important problems, without which Romania cannot succeed in placing itself on the road of development. So, policies addressing migration, like those for attracting more remittances home and to encourage their orientation towards investment will have very limited effect. These kinds of policies cannot be successful without several indispensable conditions for a decent living which, conditions that Romania has yet failed to assure during the transition period after the communist regime had collapsed: a stable economic and political climate to attract investments, an equitable uncorrupted social system and a fair judicial system. These are the most important policy directions in order to embrace development and migration cannot directly do it by itself, so migration does not unavoidably lead to development; it is rather the assignment of national governance. Of course, the relative progress depends on international context as well. For example, in 2011, given the negative economic developments, for the first time in a long while, Spain recorded a negative net migration (Presseurop, 2011). Therefore, migration transition depends on changes in the wider economy and society and internationally and we cannot identify uniform stages of this transition. But it will certainly occur in Romania as well if we will continue to develop faster than other countries. Furthermore, the access of Romanian workers in the labour markets of all EU members will only be fully liberalized by 2014, raising questions about the slowdown in emigration from Romania. The difference of 2.5 million people between the two censuses indicates the magnitude of labour migration from Romania. *Migration hump theory* warns that if migration and trade remain complementary in the long-run, because of a slow development, migration will stay higher than it

would have been without trade liberalization, turning into a "migration plateau" (Martin and Taylor, 1996).

## CONCLUSIONS

The new theoretical approaches on labour migration are proposing a broader view that places migration within the broader processes of development, considering that development leads by itself to migration and the evolution of migration during development can be transposed to a upside down "U" shape. In the long run, the immigrants outnumber the emigrants and the country of origin becomes a country of destination - migration transition occurs. Following the examples of South and East Asia, we have identified some common elements of migration transition. As urban areas develop more and more export industries, labour demand increases, generating a massive rural exodus. These flows are higher than the job creation, which determine them to leave abroad. As labour supply does not meet the growing demand from urban areas anymore (due to rural depopulation and international migration) wages are starting to rise. With the wage increase, companies have three alternatives: improving technology, importing labour or relocation. Labour import becomes a viable alternative, especially for the low-paid jobs from labour intensive sectors, as the local population becomes increasingly oriented to the higher paying jobs. Rising living standards, as real wages increase, further encourage immigration while the emigration becomes more and more unattractive and the country changes its migration profile.

In Romania, the urbanization process was largely accomplished during the communist regime. Afterwards, during the transition period, the living standards had deteriorated so much that urban population started to return to rural areas. The economic growth after year 2000 increased the labour demand, but it did not manage to bring back labour from rural areas who was already preferring to emigrate abroad, being attracted by the much higher wages. A labour supply deficit was generated, raising wages and attracting more immigrants. The deficit disappeared during the recent economic crisis. Considering the migration transition in South of Europe and East of Asia, we expect the economic recovery after the crisis to further increase salaries, and the phenomenon of immigration to start growing again, transforming Romania into an immigration country on the long run. Therefore, we must focus on creating an attractive business environment and ensuring a high-quality education. Employment opportunities for high-wage jobs will motivate Romanians to extend their study, leaving unskilled jobs for immigrants from poorer countries. But it will happen only if Romania will be able to encounter rapid economic growth as before the crisis. Providing a truly

functioning market economy for creating a strong competitive environment should represent the main priority of Romania along with the consolidation of a just judicial system. Migration cannot generate these changes by itself, so it is governance assignment to do so. If living conditions continue its fast improvement emigration will certainly start to decrease, in turn immigration will increase and the migration transition will occur in Romania as well.

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