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Petronela Daniela FERARU

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Migration and Economic Development Comparative Study: Romania-Italy

Ph.D. Candidate Petronela Daniela FERARU¹

Abstract

The article „Migration and development. Comparative Study: Romania-Italy” is part of the doctoral thesis entitled Religion and migration in contemporary Romania. Case study: Romanian citizens from Italy and represents in fact the second perspective approached by the thesis, namely migration and development, the first perspective being migration and religion.

Migration is the social process with increasingly high influence on the Romanian society of these days. It is selective and dynamic and therefore it requires a complex approach.

Over the past years, the remittances of Romanian citizens from other countries have represented the safest external deficit financing source. After several years of constant growth and in the current context marked by social and political changes, the remittance flows decreased significantly. This evolution is based on the background of international economic and financial crisis and of the deteriorating economies of countries all over the world.

The topic of this paper is the interaction between migration and development, having as starting point the information provided by various authors in the field of migration and economy, as well as statistical data, slowly progressing towards the various facets of development and migration from a wide conceptual viewpoint and the specific theory of current development and migration. The entire study is focused on the neoclassical economic theory with both macro and micro applications as well as on the current variant of international migration – transnational migration.

The general premise is that the external migration of Romanian population is mainly determined by economic differences.

Keywords:

external migration, economic development, sustainable development, remittances, transnationalism

¹ Ph.D. Candidate Petronela Daniela FERARU – PH.D. Candidate at Faculty of Philosophy and Social-Political Sciences, «Alexandru Ioan Cuza” University, Iași, Romania.

I. Introduction

The article “Migration and development. Comparative Study: Romania-Italy” is part of the doctoral thesis entitled *Religion and migration in contemporary Romania. Case study: Romanian citizens from Italy* and represents in fact the second perspective approached by the thesis, namely *migration and development*, the first perspective being *migration and religion*.

Migration is the social process with increasingly high influence on the Romanian society of these days. The paradox lies in the fact that the interest in international migration is more and more intense, although the accuracy of the concept seems to fade. Migration is selective and dynamic and therefore it requires a complex approach. It is a fundamental issue of the Romanian society because nearly 35% of Romanian families have at least one person who was or is abroad. Labour force migration represents one of the most important phenomena illustrating the transformations experienced by Romanian migrants after 1989. The remittances of these migrants increased significantly from 958 million euro in 2000 to 1,2 billion euro in 2007, to 120 billion euro in 2009 but decreasing in comparison to 2008, when remittances amounted to 500 billion euro.

According to the National Bank of Romania (NBR), the remittances of Romanians from abroad, the safest external deficit financing source over the past years, collapsed in July 2009, dropping to 90% compared to the level from the same period of last year. Data show a slowing down of remittance flow triggering the deceleration of nominal wage growth rate, of loan activities and the decrease of household consumption. It is worth mentioning the fact that over the past years, Romanian migrants have been considered the most diligent in Europe from the viewpoint of money sent back home. According to World Bank data, in 2007, Romania ranked first in Europe and tenth in the world, as far as remittances were concerned. After several years of constant growth and in the current context marked by social and political changes, the remittance flow decreased significantly. This evolution is based on the background of international economic and financial crisis and of the deteriorating economies of countries all over the world.

The topic of this paper is the *connection between migration and development*, having as starting point the information provided by various authors in the field of migration and economy, as well as statistical data. The entire study is focused on the neoclassical economic theory with both macro and micro applications. The emphasis is put on the current approach of international migration, namely cross-border migration which provides data about both countries involved in the phenomenon of migration. The economic effects of Romanian population migration to another country are related to both host and home countries.

The general premise is that the external migration of Romanian population is mainly determined by economic differences.

Starting from the specialty literature focused on the connections of migrant remittances we gradually progress towards the various facets of development and migration from a wide conceptual viewpoint and towards the specific theory of current development and migration. Thus we are dealing with a mixture of data provided by the most prominent institutions and authors in the field of migration and development, a series of empirical studies and social-economic analyses from around the world.

Migration and remittances are integrated in the risk distribution and life strategies for providing a decent standard of living, which represents the objective of migrant families and households. Both bring their contribution to welfare, encourage economic growth, and reduce directly or indirectly migrant families' poverty, although most empirical studies are focused on their negative effects. The progress made in this field is significant, both empirically and theoretically, being highlighted the *heterogeneous* nature of migration and of remittances in connection with the idea of development (economic, social, human).

Remittances and population migration are a direct solution for migrant households and families and indirectly trigger the settlement of some structural issues of development. When the migrants' home countries do not manage to clearly and efficiently enforce overall social and economic reforms, migration and remittances intervene, playing a significant part, although they do not contribute to the national sustainable development.

The solutions provided by migrants by means of remittances are on short or medium term because remittances cannot determine development in unattractive investment environments. Therefore, to increase the contribution of migration and remittances to development (mainly social development) policies should be rethought, restructured. I especially have in mind those policies which aim at developing welfare and the quality of life, market functioning, social security, public services improvement (healthcare, education).

The discussion of the two complex themes migration and development is approached from the wide perspective of migration theory and of social theory. The scientific debate on migration and development changed from the optimism of development in the '50s and '60s to the pessimism and even scepticism in the '70s and '80s. These variations added new connotations to the opinions influenced by the new labour force migration economy, by the migrants' life strategy, by the transnational approaches of migration studies in the '90s. The changes of discourse in the scientific debate on migration and development should be regarded as part of the general paradigm in the social theory. The shift which started in the '90s was part of a shift away from structuralist or functionalist theories towards more pluralist and structuralist

approaches attempting to reconcile structure and actor perspectives. However, attempts to combine different theoretical perspectives are more problematic than sometimes suggested due to incommensurability issues and associated disciplinary divisions.

Since 2000, there was a remarkable and sudden renaissance of optimistic views, in particular in the policy debate, as well as a boom of empirical work on migration and development. Simultaneously with these changes, remittances are rediscovered as financing source for the development of migrants and of their origin societies. Hein de Haas² writes about this optimism of the 2000s which went along with the amnesia of decades of prior research. Hein de Haas believes that “Migration and development is anything but a new topic.” The accumulated theories based on empirical evidences stress the migration development interactions as well as their contingency on spatial and temporal scales of analysis and more general processes of social and economic change, which should hinder any blanket assertions on migration-development interactions.

Current policy and scholarly discourses are focused on migration, remittances and transnational engagement, shifting attention away from the relevance of structural constraints and the important role states and other institutions play in shaping favourable general conditions for social and economic development. All these changes towards optimistic views reflect a veritable change in (increasingly transnationally framed) migration-development interactions, in the study of methodological tools used in general.

The lack of theoretical bases and the descriptive nature of empirical work have affected the improvement of theories. As a result of the general lack of a common theoretical thread, most empirical works on migration and development remain isolated, scattered, and theoretically underexplored.

II. Data sources on migration and development in Romania

In Romania, **Dumitru Sandu** coordinated a series of projects and programs on migration and development, through the **Open Society Foundation (OSF)**. For example the project *Temporary dwelling abroad. Economic migration of Romanians: 1990-2006* and the program *Migration and development*³, project initiated, financed and implemented by Soros Foundation Romania. The objective of this program was to identify the integration patterns of temporary external migration, as well as its effects on central and local authorities' policy and to promote patterns, which allow minimizing the negative effects and maximizing the positive ones. The available data indicate that migration has both positive and negative effects when it comes to mentalities and social

² Hein de Haas, *Migration and development: A theoretical perspective*, IMI Working Papers, International Migration Institute (IMI), Paper 9, University of Oxford, 2008.

³ <http://www.soros.ro/ro/program.php?program=13>

aspects. Local economic development, entrepreneurial attitude and increasing tolerance within areas with high migration rates are among positive effects, whereas the negative ones consist in a rather high rate of dependence on income obtained from migration, abandoned children, and human trafficking.

The conclusions drawn by the authors of the program were that at that moment, there was no coherent and noticeable policy to integrate the effects of external migration within the community development. At the central level, bilateral agreements with destination countries that are proficient both at managing the migration networks and at preventing are generally initiated by the foreign partners. At this moment, Romania doesn't have a labor force well-defined policy which should include the migration aspects. In some communities with high migration rate the local authorities have implemented some actions to prevent the adverse social effects, but the impact cannot be estimated without a preliminary research.

In Romania we also have the paper *Sociology of migration*⁴ by **Remus Gabriel Anghel** and **Istvan Horvath** which examines some earlier evolutions (such as processes of drawing labour force to other countries, the occurrence of problematic situations regarding the social-cultural integration of these populations) which manifested in the context of Romania's conversion into a immigrating country. In relation to the effects of migration, Remus Gabriel Anghel shows a case study (*Social change or development?*)⁵ conducted in a town from Romania (Borşa – mountain town from Maramureş) where he noticed an increase of financial flows; he actually observed two contrary trends at the level of the origin locality: decrease of migrant remittances who begin to relocate their families to Italy and a new, massive migration associated to a new flow of remittances. In all cases presented by these authors, remittances altered household consumption. After the socialist period with scarcity of assets, followed by the poverty from the post-socialist stage, migration was the only economic strategy which managed to meet the needs of households. The conclusion of authors is that through remittances from Italy, local economy started to monetize.

⁴ Remus Gabriel Anghel* and István Horváth** (coord.) *Sociologia migrației* (Sociology of Migration) Polirom Publishing House, Iași, 2009, pp. 31-33. *Researcher of ISPMN (Institute for the Study of National Minority Issues) from Cluj-Napoca; he is also a PhD student of sociology at the University of Bielefeld within the doctoral college DFG 844, "Global society. Concepts on the world and global structures", and *International Graduate School in Sociology*. Fields of research approached: migration, transnationalism, shifts in Eastern Europe. ** Associate professor at the Faculty of Sociology within "Babeş-Bolyai" University, from Cluj-Napoca, and president of ISPMN (Institute for the Study of National Minority Issues), Cluj-Napoca. Fields of research approached: interethnic relations, international migration

⁵ *Ibidem* 3, pp. 249-267.

III. Dynamics of migration-development relation

When examining the trends related to migrant remittances and their impact on economic growth the starting point is the relative importance of migrant workers' remittances as a source of development funding, with no emphasis on the industrial measures taken by Romania as developing country, measures leading to economic growth. The main topics of discussion might be: remittances are the second largest source of financing for developing countries; improvement in policies and relaxation of foreign exchange controls which might encourage the use of remittances for investment; strengthening financial-sector infrastructure and facilitating international travel countries could increase remittances' flow, this way bringing more funds into formal channels; facilitating international labour mobility as vital means for increasing remittances' flows in developing countries. According to Ratha's opinions⁶ international migration represents a precondition for remittances. She analyses the means of strengthening infrastructure by money sending and examines the impact of remittances on economic growth, investments and income distribution in beneficiary economies.

In an article Gabriela Prelipcean examines some issues related to the migration and remittances' euphoria showing the outcomes of current economic crisis.⁷ According to her, migration may be beneficial for the parties involved, whether we are talking about home countries, host countries or about migrants themselves. One cannot deny the existence of profit and of losers within this process; however the overall net effect is positive. Pritchett points out the fact that labour force international mobility may determine global welfare.⁸

The economic research in the field of migration may be conducted in various manners (cost-benefit studies, modelling of empirical study data, dynamic financial analysis). The existence of large gaps between salaries or GDPs triggers migration. Migrant flows alter income distribution in both host and home countries. The complexity of migration-induced processes and their effects or consequences drew the attention of experts in the field of research, fact which determined the existence of several schools of thought or movements.

⁶ Ratha Dilip, „Worker Remittances: An Important and Stable Source of External Development Finance”, in **Global Development Finance: Striving for Stability in Development Finance**, Washington, DC: International Monetary Fund, 2003.

⁷ <http://www.sferapoliticii.ro/sfera/137/art02-prelipcean.html>

⁸ Pritchett Lant, *Let Their People Come: Breaking the Gridlock on Global Labor Mobility*, Washington, DC: Center for Global Development, 2006.

There are studies conducted by Frederic Docquier and Rapoport Hillel⁹ analysing the equilibrium between the income from remittances considered unexpected financial gifts for the economies of emerging countries and the risk of brain drain. Ratha shows that remittance inputs counterbalance the losses which the origin country incurs by migration. Other authors such as Miguel Leon-Ledesma and Matloob Piracha¹⁰ demonstrate that in the countries from Central and Eastern Europe, the remittances' positive effects are felt both by investments and private consumption and the consumption flexibility is almost double by analogy with investments. In 1998 Massey and other authors believed that this last aspect related to the renaissance of interest for migration and development in the migrants' origin societies corresponds to the radical shift from the pessimistic to the optimistic view.¹¹

Against the earlier overall climate of scepticism related to migration and development, it is quite surprising, according to Massey, that today the topic of debate is the interaction between migration and development. This interest was triggered by the increase of remittance flows. Devesh Kapur¹² presents a series of data in this regard, therefore, remittances sent to developing countries increased from 31, 1 billion dollars in 1990 to 76,8 billion dollars in 2000 to 167,0 billion in 2005 and 328 billion euro in 2008.

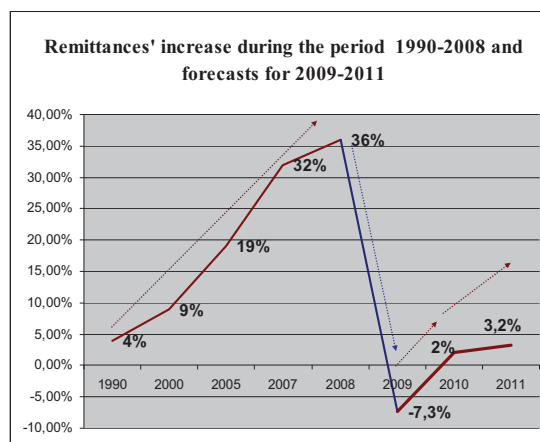
The experts from the World Bank make forecasts for the following period in relation to the global evolution of money transfers during the period 2009-2011 and despite the significant decrease of 7-10% in 2009, data show a slight increase of 2% in 2010 and respectively of 3,2 % in 2011 (see diagram 1).

⁹ Frederic Docquier, Hillel Rapoport, "Skilled Migration. The Perspective of Developing Countries" in Jagdish Bhagwati and Gordon Hanson (eds.), *Skilled Immigration Today: Problems, Prospects, and Policies*, Oxford: Oxford University Press, 2009.

¹⁰ Miguel Leon-Ledesma, Matloob Piracha, *International Migration and the Role of Remittances in Eastern Europe*, July 2001, <ftp://ftp.ukc.ac.uk/pub/ejr/RePEc/ukc/ukcedp/0113.pdf>

¹¹ Douglas S. Massey, J. Arango, G. Hugo, A. Kouaouci, A. Pellegrino, JE Taylor, *Words in motion: Understanding international migration at the end of the millennium*. Oxford: Clarendon Press, 1998.

¹² Devesh Kapur, *Remittances: the new development mantra?*, Harvard University and Center for Global Development, UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT, G-24 Discussion Paper Series No. 29, April 2004.

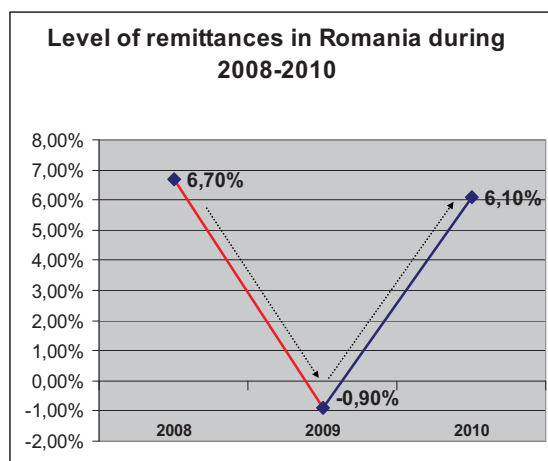


Source: Adapted from data forecasted by World Bank in 2008.

Diagram no. 1

Any anti-crisis program for Romania must take into account the prospects for money inflows from those working abroad. In 2008, the forecasts of World Bank placed us on the eighth position in the group of emerging countries and in relation to development seen as amount of global flows. A substantial decrease of foreign capital inflows (in other words, remittances) such as the one forecasted by the World Bank, shall compel us to adjust consumption to the resources saved, which are really small, to the available European funds and to current income. Since November 2008, the World Bank has published negative, extremely abrupt forecasts for remittances in 2009. The labour earnings' increase rate, estimated at 6,7% in 2008 suddenly shifted to -0,9% in 2009. The basic scenario is doubled by a more pessimistic one with a dynamics of -6% for the same year. The equally sudden recovery forecasted for 2010, reaches almost +6,1%.¹³ (See Diagram 2)

¹³<http://www.curierulnational.ro/Opinii/2008-11-18/Prognose+negative+foarte+abrupte+pentru+remitente+in+anul+2009&hl=Andre%20Vass&tip=toate>



Source: Adapted from the forecasts of World Bank.
Diagram no. 2

However, we are certain about the fact that Romanians got used to earning money in western countries but this makes us wonder if and how Romanians become dependant on these remittances. Therefore the level of remittance dependency of our living standards is much higher when compared to those of new EU member states. The only exception is Bulgaria, with dependency level similar to that of Romania.

3.1. Romanian citizens prefer Italy, Spain...

According to Eurostat data¹⁴, at the end of 2007 nearly 1,7 million Romanian citizens were living in other European Union member states. Romanian immigrants represent the largest group of immigrants from an EU state that is, 15% of all community citizens which are living in another European Union member state. Thus, during the period 2001-2008, the number of Romanians who were living in other countries of the European Union grew from 300,000 to 1,7 million.

At present, the number of Romanian immigrants from EU member states is estimated to be 2,3 million persons (80% in Italia and Spain) according to the data showed in the study *Romanians from Italy, between rejection and approval* (Romania, Immigrazione e lavoro in Italia)¹⁵ conducted by Caritas Italia Foundation under the coordination of „Dossier Statistico Immigrazioni” editors. The Italian sociologist Antonio Ricci asserted that the estimation of 2,3 million Romanian immigrants throughout the European Union territory was made based on a calculation which gathered formal data from member states’

¹⁴ <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>

¹⁵ <http://www.dossierimmigrazioni.it/romeni.htm>

institutions, data from EU bodies and other data collected by Caritas network of the Catholic Church.

The phenomenon of Romanian immigration is examined in that study by laying emphasis on the harmonisation of relationships between Romanian and Italian citizens. Italy is the country preferred as destination outside national borders by the majority of Romanian citizens. (See *Diagram no.3*)

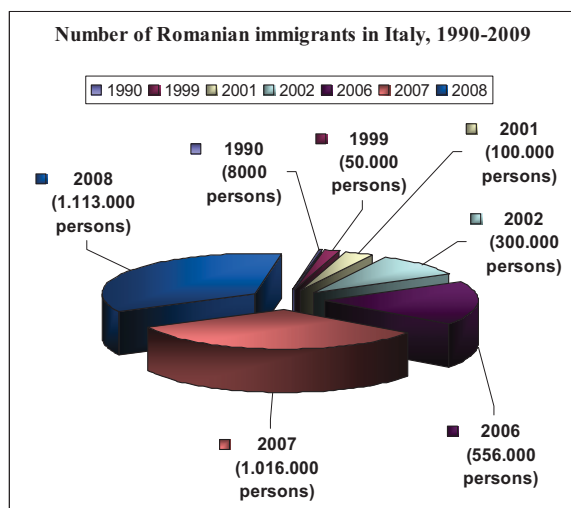


Diagram no.3

Nevertheless, according to a report of the European Citizen Action Service (ECAS) Romanians prefer besides Italy (29%) other destinations such as Spain (22%), Germany (13%) and Hungary (6%).

Most Romanian citizens living in Italy come from villages from Moldova region, that part of Romania which is one of the poorest regions of the country. According to the volume *Romania, immigration and labour in Italy*, the remittances sent to the country by Romanian immigrants who are working in Italy mostly originated from the North of Italy (45,5%) and from its Central area (38,1%). Most money sent to Romania came from Rome Province, representing a percentage of 24,8%. New data show the fact that global remittances shall drop to 317 billion dollars in 2009 although in 2008 the forecasted figure was of 338 billion dollars. However the World Bank¹⁶ warns that remittances may have only an artificial recovery in 2010 and 2011. Even so, remittances shall probably stay stronger than other type of income and these days, they turn out to be the most significant development financing sources in several developing countries.

¹⁶ <http://www.worldbank.org>

3.2 Social-economic effects of migration-development interaction in Romania

According to the World Bank¹⁷, the flow of remittances in Romania as well as in Poland dropped significantly in 2009, but this is mainly triggered by economic weaknesses and the increase of unemployment in the European Union. The GDP of countries who went into recession decreased by 10% or even more in 2009. Recent flows and trends of labour force migration have influenced economic and social life from Romania. The economic consequences were felt in relation to the financial issues and remittances to Romania which in 2007 represented nearly seven billion dollars, slowly decreasing in 2009, but the forecasts for 2010 show a gradual increase.

International migration should also be examined from the viewpoint of international development programs as well as national strategies. In fact, migrant labourers' remittances contributed considerably to economy in general and in particular to the economy of developing countries, from where most migrants come, and allowed the improvement of living standards of many families and communities. Certainly the departure of highly skilled labourers and professionals from these countries had negative outcomes, especially in the case of small countries with low income, where especially fields such as health and education are deteriorating. Therefore, international cooperation should take into account not only the benefits which a country may draw from the relation with another country, but also the needs of the latter. Thus, it is important that the governments of origin countries should strengthen bonds with its citizens from abroad. In fact, these gestures may bring a significant contribution to their country's development, not only by means of the remittances sent home by migrants, but also thanks to the „import” because when they return home they also bring new skills and new technologies acquired abroad.

Besides the multitude of negative effects (divorces, human trafficking, labour exploitation, delinquency and crimes, prostitution etc) migration may also cause social frictions connected to immigrant integration, which may or not take the shape of discrimination, racism and xenophobia – different realities, with the same effects – especially when the number of illegal immigrants is quite high. Therefore, we should take a closer look at the condition of migrants from host countries.

Romania is an emigration country and one of the most significant labour force suppliers on the European market. Monica Roman and Cristina Voicu made an extensive study on the social-economic effects of labour force

¹⁷ Global Economic Prospects, Fiscal Headwinds and Recovery, Regional appendix: Europe and Central Asia, Summer 2010, Washington DC: The International Bank for Reconstruction and Development / The World Bank, www.worldbank.org

migration on Romania as important emigration country.¹⁸ In their opinion, the study of migration from the perspective of emigrating countries was not thoroughly analysed in the past decades, however, in recent years it caught the attention due to the process of „brain drain”, which was not examined in all its complexity. This process is often approached in a demographic context. The conclusion drawn was very clear, that migration movements determine significant economic outcomes. They pinpointed important economic consequences related to financial aspects and Romanians’ quality of life. In accordance with existing scenarios, after the severe destabilisation triggered by the economic crisis, the first signs of recovery are really vague in Romania. The conclusions drawn were focused on a series of external migration influences at economic level. The most significant effects are connected to the serious missteps and the multitude of dysfunctions on the labour force market, such as: labour force employment capacity; unemployment rate and its features; mass emigration of skilled labour force – „brain drain”, which would have been able to give more added value; wage distortions and the segmentation of labour force; expansion of underground economy (work „under the table”); reduction of local labour force potential; the use of immigrants to compensate the lack of local labour force .

A beneficial effect of migration is represented by currency transfers, with strong effects both at microeconomic and at macroeconomic level. The assessments of the National Bank of Romania, as far as these transfers are concerned, amount to 1,753.5 billion US dollars in 2004 and 4,440.9 million dollars in 2005, which represents 4,51% of Romania’s GDP in 2005.¹⁹ The outcomes of money transfers at macroeconomic level are rather difficult to quantify and measure due to the multiple interactions of macroeconomic variables. This explains why the empirical study data on remittances from most countries are focused more on the microeconomic level and less on the macroeconomic one. One reason for this situation is the fact that most countries which record significant remittance inflows do not declare the accurate amounts at central level and thus, the information received by the World Bank is often incomplete. Nevertheless, most researchers believe that remittances have evident effects on investments and savings. The most obvious impact of these transfers is registered by household consumption, which is really significant at macroeconomic level and which is part of the domestic aggregate demand, a component of GDP. Money transfers to households represent direct

¹⁸ Monica Roman, Cristina Voicu, “Câteva efecte socioeconomice ale migrației forței de muncă asupra țărilor de emigrație. Cazul României”, *Economie teoretică și aplicată*, Volume XVII, 2010, No. 7(548), pp. 50-65.

¹⁹ Mihai Copaciu, Irina Răcaru, “Echilibrul extern al României - abordări calitative și cantitative”, National Bank of Romania (BNR), *Caiete de Studii* no.18, October, 2006. The estimates also include unofficial transfers, www.bnro.ro.

sources of their income increase, which leads to consumption growth and implicitly the provisional reduction of poverty. These amounts are able to limit social polarization thanks to their redistribution effects but at the same time, they significantly increase social inequalities within the origin community of migrants.

The impact of remittances and their consequences at macroeconomic as well as microeconomic level should be studied in detail in Romania. Temporary migration tends to trigger remittance flow increase, by analogy with permanent migration, especially when skilled workers are concerned, who are waiting to return to their home country. In this paper I try to follow the correlation between the level of remittances and the level of investments. The studies conducted in Romania on the effects of migration show that if western countries keep on drawing labour force from our country, economic growth shall be affected considerably.

At the level of *current transfer balance*, the dynamics is given by the evolution of current transfers to other sectors, whose surplus represented in the past two years over 95% of the total surplus of current transfer balance. Moreover, the preliminary data for 2005 indicate that a share of 4,53% from GDP corresponds to current transfers to other sectors. According to the estimates made by the National Bank of Romania there are two possible causes for this evolution: the *de facto* increase of amounts sent by residents from abroad and the methodology approached by NBR which required reviewing the coefficient for assessing amounts transferred from abroad to residents by unofficial means, generating a significant increase of the share of these amounts within the total current transfers to other sectors.²⁰

(1) In relation to the first cause aforementioned, it is assumed that the trend of sending money from abroad shall continue on medium and short term, taking into account the fact that no major event might generate the interruption of these transfers. On the long term, we should also consider the impact of gradual decrease of these amounts as the Romanian economy becomes increasingly competitive and it is slowly aligned to the European standards. Moreover, since 2007, the level of attracted structural funds grew, which brought an addition to the surplus of current transfer balance.

The impact of the Romanian migrants remittances *at macro-economical level* is an obvious one, but also possible as Romanian economy specialists say. Taking into account this possible impact of the remittances as incomes over the source-economy, the transfers of the residents working abroad represent an intensely mediated and a phenomenon associated with the legal migration of the labour force towards more developed markets that offer financial rewards higher than in the origin country. In order to study the impact of these transfers

²⁰ For example, after being reviewed, the surplus of current transfer balance was increased with 475 million euro for 2004 (BNR, 2005).

we must first determine the level of these money flows. According to the estimations of the authors Mihai Copaciu and Irina Răcaru²¹, in 2006 was a problem concerning the lack of clear methodologies that could offer very credible results, although there were concerns connected to the harmonization of such a methodology both at state level and also at international organization level, and also at level of European Union, FMI, World Bank or International Organization for Migration (IOM).

Among the most used methods we mention: (1) extraction of data from payment balance elements adjusted to show the official transfers or (2) performing surveys at regional and national level. This last method has as advantages the possibility of interception of the non-official transfers, and also the destination of the respective transfers.

This aspect became so much more important for Romania because it considered the increasing migration of the labour force towards other European countries. Until 2004, the main component of the payment balance that includes the official transfers of the Romanian migrants, meaning the transfer balance, offered details only among two panels, the current administration transfers and private transfers, respectively. From 2004 there was achieved a division of the private transfers for transfers of Romanian migrants and other private transfers, the first value being estimated based on an adjustment coefficient of the data received from official channels (approximately 60% of the flow). To these values we must add the credit from labour incomes from the income balance that has a low weight. Therefore, the magnitude of the respective transfers is increasing and in 2005 its value was estimated with 2.12 higher than the value for 2004 (an increasing rate of 152%). Against GDP the respective transfers represented 2.4% in 2004, and 4.51% in 2005, respectively.

(2) The second research modality, meaning the survey at households level, was not very used in Romania although only recently began to function. According to a survey performed by the International Organization for Migration (IOM) in 2005, during 2001-2005 the weight of the households that registered migration was relatively constant, 10% respectively. In addition, also for the same period of time, the migration had a temporary character with an average time of 2 years.²² Also, as another survey of the **Open Society Foundation (OSF)** shows, at urban level, 53% from the households that received money from migrants working abroad use this money to cover their daily necessities, while only 4% use this money to begin a new business.²³

²¹ *Ibidem* 18.

²² International Organization for Migration (IOM), *Risk of Irregular Migration to EU countries 2003-2005: What has changed?*, Bucharest, 2005.

²³ Open Society Foundation (OSF), *România urbană*, 2005,
http://www.osf.ro/index.php?option=com_content&task=view&id=60&Itemid=32

In addition, besides the main destination of the money, respectively consumption, most studies underline that investments are focused on dwelling purchasing. Therefore, the increase in demand determined an increase of apartment prices.

If the impact at micro-economic level is much easier to be observed, the influence at macro-economic level of the current transfers and migration can vary and be very difficult to quantify. The conclusion is that the impact over the source economies depend whether the respective transfers are invested or consumed.

In Romania, the transfers must not be seen as a source for growth and development on long term, but their effects on short term can be favourable depending on the above mentioned elements.

The external competitiveness (and implicitly the current account deficit) is negatively influenced by the real increase in the value of national currency²⁴, to this contributing mainly the nominal value increase of the exchange rate as a result of capital increase. The sterilization of this process in order to avoid value increase does not represent an optimal long term solution taking into account the high costs associated to this operation.

In the following table is presented the complete data for Romania concerning the remittance costs from countries as Germany, Italy, Spain and United Kingdom and also shows the average costs for all suppliers, costs mean for all suppliers, average cost established among banks, average cost among the money transfer operators (reaching an agreement) and average cost for Western Union (WU) (*see* also charts 4 and 5).

Table no. 2: Remittance costs in Romania from 4 countries (% from 200 \$)

Country sending the money	Country receiving the money	Average cost –all suppliers (%)	Cost mean - all suppliers (%)	Average cost of banks (%)	Reaching an agreement for average cost (%)	Average cost of Western Union (%)
Germany	Romania	20.95	20.89	31.60	15.63	20.89
Italy	Romania	7.02	6.86	4.45	8.95	10.00
Spain	Romania	6.41	5.93	-	6.90	-
United Kingdom	Romania	11.51	9.51	-	11.51	18.02

²⁴ Although in a panel type approach, Copaciu and Racaru (2006) quantify the impact of the real exchange rate as not being so high.

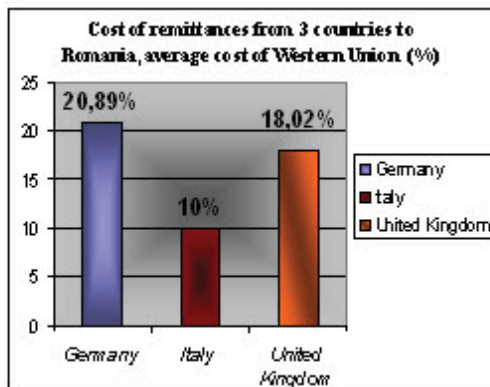


Chart 4

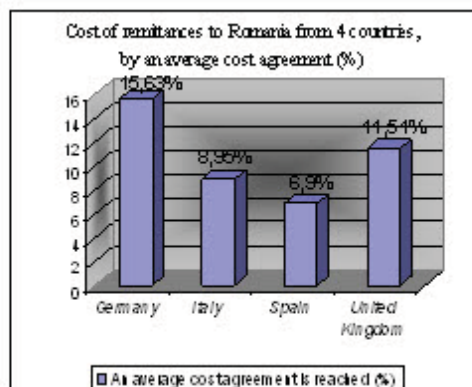


Chart 5

As an example, a useful tool for the Romanian citizens working in Italy is the portal made by the Italian Ministry for Foreign Affairs beginning with 15th of January 2010 that allows comparing the costs of different operators from money transfer domain, money sent from Italy to other countries. The Italian Ministry for Foreign Affairs launched the portal www.mandasoldiacasa.it in Rome at the end of 2009 with support of some partners from public and private area. This initiative is intended to stimulate the market operators to improve the financial offers for the immigrants and to ensure a greater transparency of the services performed by different operators in this area. The portal represents a useful tool for the information of Romanian citizens working in Italy concerning the costs that different operators have, Romania occupying the second place, after China, as concerns the volume of money transferred from this country (representing 12% of the total transfers officially registered in Italy)²⁵

The financial institutions that operate on the money transfer market abroad generally apply the „externalization” strategy based on a partnership with a Money Transfer Operator (OTB) and this implies smaller operational costs, but also a certain dependence upon fees and the policy enforced by the partner OTB, OTB that may not possess the same values (especially social values) as the financial institution. For example, Western Union (WU) is one of the greatest players at a global level in rapid money transfer. (See figure 1)

²⁵ <http://www.juridice.ro/95464/transfer-de-bani-din-italia-in-romania-comparare-costuri.html>

Figure 1: Fees established by Western-Union for money transfer, in Euro

Suma	Comision (euro)
România - România:	
50-100	9
100-200	15
400-500	32
1.000-1.250	47
Spania - România:	
200-350	17,5
Italia - România:	
195 - 260	22,5
325 - 390	24,5
630 - 775	39

Source: Western Union Company

According to Western Union specialists, their customers sent smaller amounts of money than before the economic crisis. The average amount sent to Romania is of 250-300 Euros. In the last period the amounts sent were with 10%-15% smaller.²⁶ Under these conditions, the Western Union incomes increased in a lower rhythm than the one that increased the transaction number. Locally, Western Union has 4.500 branches that can perform money transfer, possessing partnerships with several banks.

As a conclusion, the remittances of the Romanians abroad decreased less than anticipated, under conditions that they are more flexible as workers and they could adapt more easily, even if in Spain or Italy the conditions on the labour market considerably deteriorated. In addition, during the crisis period many chose to use "formal channels" for fund transfer, channels that are offering more security.

²⁶ <http://www.zf.ro/banci-si-asigurari/romanii-trimit-bani-acasa-din-pest-170-de-tari-7435704>

IV. How much money send Romanian Migrants “Home”

According to CURS data from 2008, the average value of a money transfer from abroad is of 700 Euros. According to the surveys performed in Italy and Spain, this value is higher, of 670 and 760 Euros, respectively, and according to the surveys performed in Romania, the value is estimated by the persons receiving this money as being about 650 Euros in 2008. It refers to an average value for the money transfers for one migrant computed for the migrants that send money, meaning approximately 60% of them that effectively send remittances in the country. Also, according to these surveys, the average of the money transfers is one in 2-3 months. If we accept a minimum of 5 such transfers per year then we obtain a value of 3,500 Euros per year, average money sent in the country by a Romanian migrant that uses this method. If we consider the hypothesis that the situation would be similar for all migrants that left to work abroad, meaning 700 Euros per transfer, 5 times a year, then we can estimate a value of 6.3 billion Euros sent in the country officially only in 2008. If to this value we add also a percentage of 50% representing the value of the money sent through informal channels or brought by persons, then we can talk about 9.45 billion Euros that enter annually in the country (official or informal) from Romanian migrants working abroad.

These numbers correspond to the data supplied by the National Bank of Romania (BNR) concerning the value of remittance entering the country in 2008 with a value of 6.3 billion Euros (6.2 billion Euros in 2007), money officially registered. Unfortunately, the data for 2009 is missing, but according to the estimations made by BNR, the value of remittances has dropped with about 30%. As a result, the number of migrants found presently abroad can be practically the same as in 2008, the number of the persons that came back and of the new persons leaving abroad cancelling each other. Therefore, the value of the official and unofficial remittances for 2009 could be estimated to about 6.7 billion Euros (meaning 70% from 9.45 billion Euros sent in 2008), money that entered in the country even in this economic crisis period of time. These numbers exceed the official estimations precisely because they include also the money not officially registered. Therefore, the reference space of Romanian migration is still represented by the community in the country, this being the main beneficiary of the fruitful work of the migrants working abroad.

According to a study of the International Agency for Information about Source States (IASCI) an ONG (nongovernmental organization) from Austria specialized in researches concerning remittances, in Romania there are being sent annually approximately 8 billion Euros²⁷. According to National Bank of Romania (BNR) in 2009 the money transfer amount from abroad was of 6.6

²⁷ <http://botosani.einformatii.ro/stire/economie/4/20064/studiu-iasci-emigrantii-romani-au-40-de-miliarde-de-euro-depusi-in-banci-straine/0/>

billion Euros, a decreasing number against 2008 when in the country entered 8.7 billion Euros or the equivalent of 6.2% from GDP. In 2003-2009 the Romanians abroad transferred in Romania approximately 37 billion Euros, and as a comparison, the direct foreign investments registered in the same period were a total of 45.7 billion Euros. Only in the first months of 2010, the transfers were with 40% higher than the direct foreign investments, and this shows also that 2010 is a year when the biggest “foreign” investors from Romania will be Romanian migrants working abroad. In 2009 the transfers were with 35% (1.74 billion Euros) higher than the direct foreign investments (ISD).

The conclusion resulting from these numbers shows that if we take into account the estimations concerning the money savings made by migrants in order to accumulate capital, these amounts would be much higher. Among the most important conclusions of the IASCI studies is to underline the fact that the migrants save an average amount with 5-7 higher than the one they send in the country, therefore the saving degree among the migrants can reach 50% from the accumulated incomes. As in Romania enters annually between 6 and 8 billion Euros, this would mean that about 3 billion Romanian migrants save between 30 and 50 billion Euros annually. Although this amount seems exaggerated for the present Romanian reality it also shows that the Romanian authorities have another reason to be happy besides the fact that the migrants send home 8 billion Euros and the fact that once they come home the migrants will bring with them important amounts of money that will be invested in economy. *Secondly*, after the savings made by the migrants, we have the fact that the amounts sent by a migrant in the country decrease as the period of time passed abroad increases. As the most Romanians left abroad in the last 5-6 years is very probably that the amounts sent by these in Romania (as economic percentage) would be higher than in the case of the countries which have emigrants that left 10-15 years ago. *Thirdly*, the saving rate among the migrants is of 50%, number that again seems high enough because the migrants income are generally under average and that is why seems impossible to be saved half of the obtained income. In other words, if the studies say that there are sent into the country 6-8 billion Euros annually, this means that an amount at least equivalent is deposited in banks as savings. This means that the Romanians abroad possess some scores of billions Euro, money brought presently in Romania from various reasons. An important problem that arises here is how we can convince the Romanians abroad to send their money in Romania.

A clear conclusion, including the studies personally performed from 2006 and until present date for the Romanian migrants in Italy, is that a part of the Romanians working abroad will not come back, no matter the opportunities offered in Romania. They consider themselves integrated in the society that adopted them, even temporarily, they have children born there or they perfectly

integrated in the educational system. Most of the Romanians abroad say that nothing awaits them here.

V. Conclusions

The remittances represent the main concern in the migration and development studies in the model of transnational migration for many years, as part of some concerns connected to the economical future of several countries. This time the accent was laid on the money remittances and consumer goods, on aspects connected with the economical development and in a lower measure on the sustained development and even lesser on the social, human development. This happens under the circumstances that many specialists consider impossible the debate concerning the economic development without taking into account the human and social development, even the sustained development. That is why the major difficulty in the present analysis consisted in choosing tools and indicators for an efficient measuring of the economic progress in case on international migration in general and especially, in case of Romanian external migration. Why? The data alone in the migration and development area offer an insufficient source concerning the remittances, because of the lack of these statements for remittance entering and exits both in the emigration and in the immigration countries. This fact determines us to have a greater number of micro-researches in area of migration and development then macro-researches. In other words, most analyses concerning remittances are achieved more at micro-economic level and less at macro-economic level. Since 1970, the Non-Governmental Organizations recommended that GDP (gross domestic product) to represent the main indicator of the progress. That is why GDP still remains today undisputed in the discussions concerning the society progress. If we consider the *sustained development*, we must at least to complete the GDP with strong signals concerning progress or decline of our natural resource base, our life quality and society correctness. As concerns the *human development* index, this combines three indicators: *longevity*, *knowledge* and *standard of living*. This indicator mirrors the society welfare much better than other indicators. But it doesn't mirror the environment degradation or disproportions inside the respective country and between sexes, and depends on information that is not always available, especially in countries with low income (for example age average, knowledge and education). This indicator is also useless as development indicator: if there is a major and positive relation between this indicator and one of its components, this offers little detail about the development levels inside a country. The human development index is mainly concerned with the social dimension, therefore an environment component should be included if it is desired the use of this indicator for the completion of GDP. These represent only a part of the reasons for which the

present analysis refers to money remittance, sustained development and less to *social remittances* (for example those ideas, practices and even identities that connect the adoption country and the origin country).

This study represents a shy attempt to analyze the tendencies concerning the migrants' remittances and their impact on the economic growth. The conclusion is a clear one, namely that the migrants' remittances have a relative importance as financing source for development. Not the same is ascertained in case of our country where the situation is an atypical one, meaning that the remittances are oxygen source for the national economy. The arguments are found in this paper and either they remind of investments, consumer practices, their value against the foreign investments value, the volume of this remittance amounts in general, and especially during holidays (Easter, Christmas, August – a preferred holiday month for the majority of the Romanian migrants spent in the country) in Romania, one thing is certain, namely that the remittances help and considerably contribute to the economic development at local, community and national level.

Another important conclusion is the one referring to the measures the governments of the countries in course of development should adopt for an increase of their migrants' remittances by means of improving the policies and relaxing the currency exchange controls in order to encourage the use of remittances for investments, and also by consolidating the infrastructure in the financial area and facilitating the international passenger traffic to increase the remittance flow, generating more official money transfer channels.

Another conclusion is that we cannot discuss remittances starting with the impact of these transfers on the national economy or with the impact of migration on development, but rather starting with the interaction between migration and development. This under conditions that several countries do not recognize the value of these amounts that annually enter the country and the real impact they have on economy.

The present study closes by outlining some points of view, including what represents or should represent on long term the interaction between migration and development starting with the importance of the economic factor given by the remittance value in Romania.

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