

The impact of migration on the labour market. Republic of Moldova case study

Mariana PRODAN

Doctor, Associate Professor
Department of Economic Thought,
Demography, Geoeconomics, AESM

Abstract. *The impact of the migration process on the labour market is very profound, starting with big changes in the population structure and ending with changes in the consumption preferences. The factors behind leaving one's country to work abroad are almost exclusively of economic nature. The dominant factor is usually the lack of opportunities to obtain an income sufficient for living in one's home country. In this context, the main reason for migration is the lack of jobs, followed by low wages, and the desire for long distance family reintegration.*

Keywords: *population migration, labour market, workforce, European migration crisis, circular migration, immigration policies, employment policies, demographical evolution.*

Introduction

Migration is usually defined as the movement of a person or group of persons from one geographical unit to another across an administrative or political border and wishing to settle permanently or temporarily in a place other than the place of origin [ILO, 2003, p. 8]. Movements within a country are usually defined as internal migration and therefore movements across international borders are called international migration. Migration can be considered "*an accurate indicator of the health of*

the social body and the result of cumulative phenomena, of which the most important is the continued impoverishment of the population." [1]. The country of origin or country of emigration usually has the following characteristics: a lower level of economic development; young people and working population constitutes a high proportion of the total population; the lack of opportunities for employing nationally available workforce; lack of investments in many economic sectors.

The receiving country or country of immigration usually has the following characteristics: a relatively higher degree of economic development, including salaries; higher demand for labour compared to the domestic supply share; low percentage of young people and working-age population on the total number of population.

International labour migration is a phenomenon that has deep implications for today's society. Over time, several theories were issued about the reasons for migration and its effects on the territory and economy of the involved states (countries of migration, transit countries, countries of emigration).

The large-scale migration to Western Europe had initially started between 1960-1976, the number of foreign workers in this region, doubling, from 3% to 6%. The biggest flow of immigrants turned to Britain and France, the access being facilitated for newcomers from the former colonies. In Germany, also, the number of foreigners increased by 4 million between the years 1965 and 1990. The large wave of immigration in Europe has ended with the oil crisis of 1976, but not definitively because the immigrants' families – their spouses and children – continued to arrive. In 1997, in the UK, half of the 54,000 work permits were granted to Americans and Japanese, who had high-skilled jobs. In other European countries, immigrants were usually the seasonal workers in agriculture.

Since the 80's the number of asylum applications has considerably increased. In 1984, 104 000 asylum applications were submitted, while in 1992 this number reached 692 000. Then, for a decade, the numbers

decreased until 1998, when the figures started to grow again. A possible explanation for this phenomenon is that with the end of the Cold War, a lot of local ethnic conflicts across the world reignited. Additionally, with the fall of communism, many citizens from Eastern Europe found that their aspirations towards a better quality of life could be fulfilled only in the Western Europe.

In the recent decades, immigration has become a major component in developing and maintaining economic growth at high levels within the developed countries of the European Union. Aggregate net migration in France, Germany, Italy and the UK in the period 1990-2014 reached 15 million people, with a considerably higher level of immigration than that of emigration. Natural growth was only 5 million people. If we add the data for Spain, a country with a remarkable economic boom before the financial and economic crisis and a massive immigration, net migration reaches 21 million and the natural growth just 6 million. It is expected that the great crisis of migration in 2015, with effects in the economic, social and cultural fields that we still know very little about, will determine a waiting period as well as leading to the reconsideration of immigration policies and to the revision of the employment policies targeting the workforce. [4]

Correlating the demographical evolutions of the developed European countries with data from the last decades showing their steady economic growth suggests that, in the future, this economic growth will depend on those countries' respective immigration levels. Migration is a complex process with multiple and varied effects reflected not just at the community level. One of the most visible effects, with high impact on migratory flows, is the evolution of the labour market. The effects of labour migration are not only negative. There are some known benefits both for the countries of origin and those of destination such as the transfer of knowledge and working methods and techniques between them.

For the countries of origin, migration has positive effects, first, in the social protection field by reducing the number of unemployed people and creating a balance in the labour market that

results in increased wages. A benefit for the countries of origin is the flow of the currency generated by the money introduced by migrants into their home country economy (even if most of it is intended for immediate consumption) - an economic growth factor, which contributes to the reduction of pressure on the current account deficit and to the balance of external payments thereof. Remittances from abroad have the immediate effect of increasing the quality of life of migrants' families. The positive effects of the economic growth also come from the fact that some of the emigrants' income is being deposited in banks. In the case of companies' bankruptcies or staff reductions, the workforce is turning to lower-paid, but stable jobs, becoming the "saviours" of the system and factors of economic stabilisation. The leadership experience and the improved qualifications acquired by the repatriated groups also contribute to the economic growth of that country. They bring the know-how and the high working standards from countries from which they have returned and are, in their turn, able to become employers for their fellow citizens. Companies have concluded that the experience of such repatriated individuals can be more useful to them than the experience of the foreign employees 'artificially' transferred to them at great financial expense. In order to prevent the emigration of specialists, which contributes to a reduction in the technological development, they should be motivated to remain in their home countries by creating networks between them and specialists from foreign countries. In the country of origin, migrants' abilities can be used to increase the economic development by encouraging circular migration. Circular migration would reduce the outflow of "brains" because their absence from the home country would only be temporary and would ultimately benefit the country of origin upon migrant's return.

In the destination countries, the reduction of the workforce deficit is accomplished by hiring workers from Moldova, Bulgaria, Pakistan, India, China or Turkey - countries with low living standards - workers who obtain higher wages than in their home countries, proportional to their training, skills and their respect for the job. Another advantage

of this category of workers is that having signed contracts for periods longer than one year, they cannot move to other companies or leave the country. The impediments of hiring foreign workers consist in the difficulty of granting them a legal status and in the existence of strong cultural differences between the migrants and the people of the receiving country.

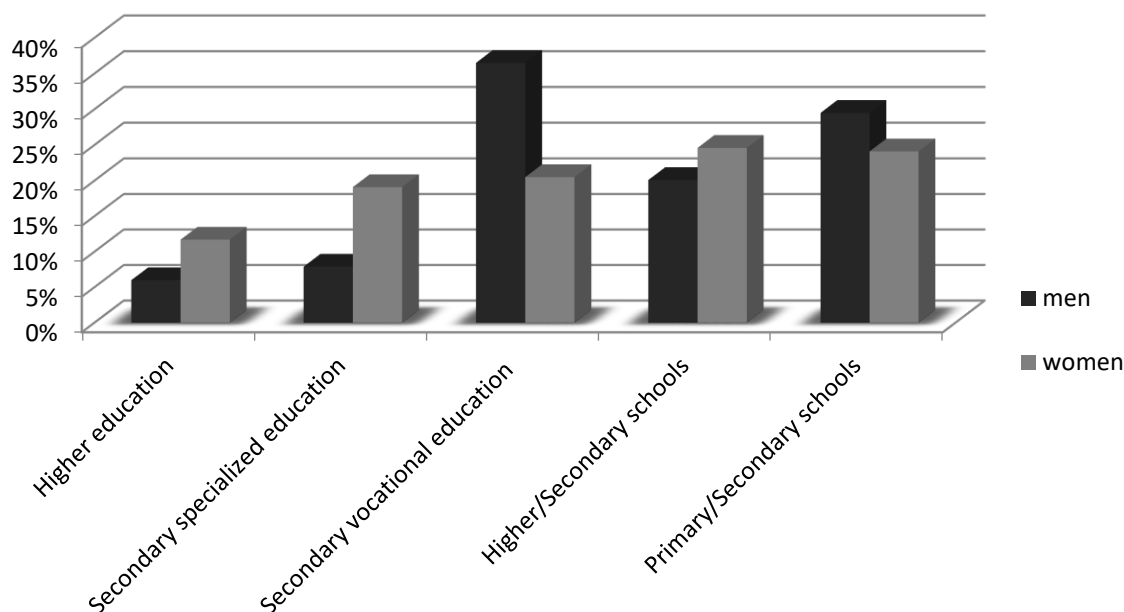
For the countries of destination, the effects on economic growth are favourable. Migrants represent a well-prepared workforce, capable of achieving high work performance. If well-paid, migrants will become involved in supporting the economic areas of little interest to the local workers even in conditions of high unemployment or staff deficit. [6] The existence of diverse workforce offers, determines employers to choose persons with the most suitable qualifications and skills for the required job positions. Employing companies can also extend their activity by creating new jobs placements. Migrant workers can put into practice the knowledge acquired in their home country and be rewarded in accordance with their qualification. Many migrant citizens put their business ideas into practice establishing their companies and thereby creating job placements for both locals and citizens of other states. In some countries, approximately half of the economic growth is due to immigrants. Destination countries often allow highly qualified labour force to access the labour market, which has positive effects on the economic efficiency, GDP growth and improvement of the living standards. The existence of circular migration in the country of destination should respond to fears about migrants permanently leaving the home country as well as provide an alternative to its full liberalisation. In the current crisis, migration may be a solution, since eliminating it would further deepen the economic difficulties of the origin countries.

The evaluation of demo-economic resources in the Republic of Moldova. According to the results of research conducted by the Labour Migration Office of the Republic of Moldova, in 2012 every tenth person aged 15-64 years (258 000 or 9.9% of the total population)

was abroad working or was seeking work. [3] More than 2/3 of the total of migrants were working or had worked in Russia (69.2%). EU states were preferred by 1 migrant out of 5 (22.2%), most of which (63.7%) had chosen Italy as their country of destination. The distribution of countries according to gender highlights the gender differences in this indicator. Thus, in Ukraine, higher values were recorded for men than for women (79.7% men and 20.3% women), in Russia - 79.2% men and 20.8% women, in France - 70.0% men and 30.0% women, and in Portugal - 69.2% men and 30.8% women. On the other hand, women predominate in Turkey (87.6% women and 12.4% men), Israel (82.1% women and 17.9% men), and Italy (73.7% women and 26.3% men). [8,1] The distribution by level of education of migrants who left/returned, shows that the main share is held by those with secondary vocational education, three out of 10 (31.3%), followed by those with primary and secondary schools, 1 out of 4 (27.5%). The distribution of migrants by gender and level of education is shown in Figure 1.

The most frequently used ways of transmitting money home from abroad are rapid transfer systems (50.6%) and bringing the money in person (31.2%) during visits to the home country. 1 in 10 migrants (10.8%) used to send money through couriers and 4.6% of the migrants - through relatives or friends. [6] Families of the migrants used the money received from abroad mainly to cover current expenditures relating to needs of the household (food, clothing, payment of services, etc.). Thus, according to MFM, for 49.7% of the migrants, important expenditures are related to the following areas: purchase, renovation or construction of houses and for 36.0% of the migrants, these areas are the purchase of durable goods (car, TV, computer, etc.). Other purposes for the use of the money received were found to be: payment of the debts (16.7%), payment of medical services (13.1%), payment of studies undertaken by family members (12.6%), investment in agriculture (10.2%), recreation/entertainment (6.0%). Three migrants out of 10 (28.7%) were saving the money. [9]

Figure 1. Distribution of migrants by gender and level of education, *source: NBS*

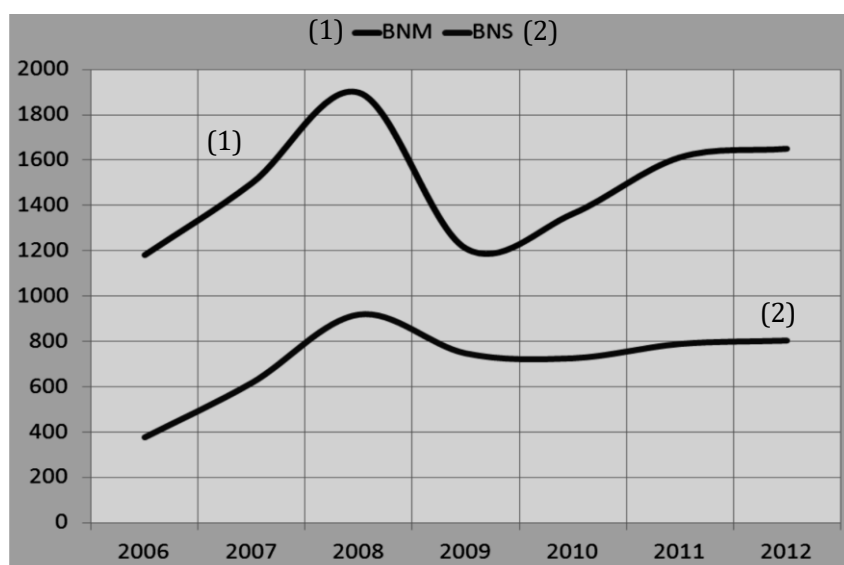


For the Republic of Moldova, international migration is, firstly, a key source of income used by the population to reach a decent standard of living. Given the fact that people involved in the process of international mass emigration leave Moldova mostly for work purposes, the migration process introduces a considerable flow of currency into country's economy, which in turn contributes to an increase in population's welfare. Data from the National Bank of Moldova shows that in 2014 international migration of labour brought in the country, as remittances, approximately 1.6 billion USD, which is almost a quarter of Moldova's GDP [2]. In the period between 2000 and 2014, the net volume of remittances increased more than 9 times, from

178.6 million USD to 1612 million USD in 2014 (Figure 2). This amount may be higher considering transfers that were made 'unofficially'. Thus, a large part (approx. 35% - 40%) of the remittances is transferred through informal means, suggesting that the financial education of the migrants and of the remittance recipients is quite low. Indeed, according to a CBS-AXA study on migration labour migration risks shows that remittance transferred through financial banking institutions accounts only 64.3% for migrant working men and 62.4% for migrant working women. The rest of remittances are brought home through a courier, relatives or on their own. [5]

Figure 2.
Estimated remittance flows
based on data from the
Household Budget Survey of
the NBS (BNS) and data from
the Balance of Payments
compiled by NBM (BNM),
represented in millions USD

Source: [5]



Conclusions

The mass emigration of the citizens of the Republic of Moldova seeking workplaces represents a certain threat to country's socioeconomic and demographic security. The migration phenomenon contributes to the deformation of the population structure and of the structure of the labour market, as well as to the breakdown of families and an increased public spending on healthcare systems, social security etc. The migration flow reduces the size of the working population and the quality of the workforce. The population age structure also changes: the number of people of reproductive age shrinks, given the fact that this age category is populated by those who were born after 1990. Since two-thirds of the migrants are from the rural areas of Moldova, there is a noticeable lack of men of a working age in the respective towns/villages. In the south region of Moldova, which is normally characterised by the

preponderance of women in the workforce, there is a lack of women of working and reproductive age.

According to the forecasts of the national and international experts, the population of the Republic of Moldova will further decrease given the fact that the small number of persons of childbearing age will not be able to provide a number of births sufficient for assuring a growth in the size of the population. An extensive research about migration would require a study of the structure of the workforce in the light of the demographic phenomena, both from the present and future perspectives. Such study would focus on the age categories of the population, based on the demographic forecasts. In this context, an important objective is also to ensure the financial sustainability of the pension system and of the social assistance organisations in the Republic of Moldova.

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