
ARTICLES

A NEW EXPERIENCE FOR ROMANIA: IMMIGRANTS ON THE LABOR MARKET

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ABSTRACT

Like many other countries Romania is confronted with the phenomenon of immigration and its impact on the labor market. This is a relatively new reality for Romania, although for 2024 the authorities are expecting some 140.000 migrant workers to enter the country. The number contains an extra 40.000 in comparison with 2022 and 2023. Sooner or later, this will impact the labor market and the situation of the indigenous workforce. The paper presents some ways to look at these issues, even though the results in this domain are often considered to be contradictory.

Keywords: immigrants, labor force, labor market.

SHORT INTRODUCTION

Romania is confronted with a double experience: loss of population and workforce and the importation of foreign nationals to work in the empty places left by Romanian emigrants and unoccupied by a population that is getting older and cannot reproduce itself. Since many a young people emigrated in search of a better life, Romania is presented with a conundrum.

According to official statistics, the Romanian active workforce had these features in 2022: from a total of 7.6 million people, 5.5 were employed. Most of the employees belong to the area of services (3.5 million) whereas in industry and construction, only 1.8 million people were employed. In other areas such as agriculture, forestry, and fish-farming only 0.1 million².

For the third year continuously, the Ministry of Labor plans to bring hundreds of thousands of foreign workers to Romania in order to supplant the dwindling workforce of the country. In 2023, over 100.000 workers stemming from Turkey, Africa, Asia, and India have been brought from abroad. In 2024 are expected over 140.000 such workers to arrive from Bangladesh, Sri Lanka, Pakistan, Vietnam, the

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² EUROpean Employment Services, „Informații privind piața muncii. România. (2023)” [“Labor market information. Romania (2023)”], in *EURES*, July 4, 2023, Available at: https://eures.europa.eu/living-and-working/labourmarketinformation/labourmarketinformation_romania_ro, Accessed on: January 1st, 2024.

Philippines, etc. Only in 2022 there were issued over 100.000 work permits by the authorities, a number that goes well beyond the one registered between 2010–2021. The same number was registered for 2023, but 2024 comes with an extra 40.000. Only last year, the Romanian state had lost 50.000 members of the workforce that migrated. Since there is no solution to bring them back, the state has opted for bringing in a cheap labor force. Some sectors, such as food delivery had been occupied by a labor force from Asia³.

IMMIGRATION

The understanding and evaluation of the migration effects on a country is an important tool for grasping the situation in which it found itself and its population. The study of the effects of migration is based upon the presuppositions that it has effects on the market, but also in other areas such as international commerce, fiscality, investments, tourism, innovation, entrepreneurship, or social cohesion (75). Some areas that are not quantifiable, especially the effects at a cultural level, but not only there. Even concepts such as “lack of workforce” or “lack of competencies” seem to be as ambiguous and hard to define as the aforementioned impact exerted by immigration on the cultural level.

Evaluating the quality of the adaptation and integration of migrants on the labor market depends on a mix of different features that are hard to separate from each other: individual features (level of education, country of origin, reason for migration, mobility on the labor market, etc.), the conditions present on the labor market, the quality of institutions and work policies in the host country, etc. Such studies are difficult because they imply or need comparison between the observed outcomes of a real immigration process and outcomes from a counterfactual scenario. According to present-day estimates, nearly 300 million people – 3.5% of the world’s population – reside not in their country of origin. The immigration flows are not arbitrary, they usually go one route, namely, disproportionately in the direction of the richer countries – net permanent migration flows⁴.

This is combined with the reality of a lower population growth associated with these countries, a fact that explains why there is a population increase in those countries from 7% in 1990 to more than 12% in 2020. In countries such as Australia, Canada, and New Zealand the percentage is 25% of immigrants in the workforce while

³ Oleg Ghilas, „Statul român vrea să permită accesul pentru încă 140.000 de muncitori străini, în 2024, pentru a acoperi deficitul de muncă” [“Romania wants to allow 140.000 more foreign workers in 2024 to fill labor shortages”], in *Monitorul de Cluj*, November 21, 2023, Available at: <https://www.monitorulcj.ro/economie/114893-statul-roman-vrea-sa-permita-accesul-pentru-inca-140000-de-muncitori-straini-in-2024-pentru-a-acoperi-deficitul-de-fora-de-munca>, Accessed on: February 1st, 2024.

⁴ Anthony Edo, Lionel Ragot, Hillel Rappaport, Sulin Sardoschau, Andreas Steinmayr and Arthur Sweetman, “An introduction to the economies of immigration in OECD countries”, in *Canadian Journal of Economics*, Vol. 30, 2020, pp. 1–39.

in Germany and the United States is around 15%. This triggered debates about immigration and its impact on these lands. There are concerns that immigration will take jobs away from the native labor force and that it will put negative pressure on wages and would negatively affect the public finances; other concerns regard crime and the potential of increasing it. Some immigrant supporters that see those as economic assets and as enrichment to a so-called multicultural society. The presence of the immigrants can be seen as a kind of mechanism that stimulates economic growth through the increase of productivity and international trade⁵.

According to this paradigm the immigration policy should be shaped in such a manner that would allow it to function as a mechanism that increases economic welfare, which is sometimes proxied construed in the terms of an immigration-induced GDP. Some voices, voices that think immigrants are a kind of saints, contend that immigration flows should not be analyzed. Overall economic studies of the problem have indicated that the impact of immigration on the average wage and the employment levels of the native workforce is zero or even slightly positive in the medium and long term. In the short term though, the impact can be negative, and regaining the levels of the average wages and employment extant before the immigration impact requires some adjustments; the detrimental effects can be distributional, so in some areas where previous immigrants and native work with the same skill sets are occupied will have their wages reduced.

But different studies, done with different methodologies/ paradigms, can lead to different conclusions. If the immigrants have the same set of skills as the native workers their presence may lead to a decrease in the average wage, although, if those skills are not entirely substitutable, their presence would lead to a slight increase of the said wage, both this groups tending to become specialized in areas that are somewhat different. One group would tend to specialize in a domain that favors quantitative and analytical skills, while the native workgroup would prefer to work in a domain requiring interactive and communication skills⁶. From the point of view of the labor market, the entry of new workers – immigrants that is – may affect productivity thus wages, and the returns on physical capital. In Europe, most immigrants are less skilled on average than the natives, so one can expect that their entry into the labor market might exert negative pressure on the wages of native low-skilled workers thereby increasing the pressure on them to go and acquire new skills⁷.

Can migration exert good a positive influence on the country where the migrants settle? One possible answer is yes. Migrants could shape in a positively the comparative advantage of both the receiving and the sending country⁸. Such an example is given by South Africa, a country that received Huguenot refugees in the

⁵ *Ibidem*, p. 2.

⁶ *Ibidem*, p. 5.

⁷ *Ibidem*, p. 19.

⁸ Dany Bahar and Hillel Rappaport, "Migration, Knowledge Diffusion and the Comparative Advantage of Nations", in *The Economic Journal*, Vol. 128, Issue 612, July 1st, 2018, p. 1.

seventeenth century; those have founded a small town in the Western Cape province – Franckshoeck Valley. They build up renowned wineries that sell worldwide. This entailed first that South Africa began to produce enough to export. So, the presence of immigrants – skilled immigrant that is – can explain variation in good-specific productivity, which is defined as the capacity of countries to exports the said goods, for products that are exported intensively by both the destination and home countries of the migrants – in the above case of South Africa – wine. A 10 percent increase in the number of migrants from a country that exports a product in the destination country would lead to an increase of 2 percent in the probability that that country would export that product in the next ten years. The marginal effect of exploiting the skilled immigrants is ten times larger than in the case of an unskilled ones; also, from the point of view of expanding exports, the presence of skilled immigrants is considered worth 100.000 USD as opposed to 25.000 of unskilled immigrant workers⁹.

The presence of skilled migrants might lead to the apparition of new industries in the exports area of a country due partially to skill and local knowledge diffusion. Productivity is increased by a kind of nonmodifiable or tacit knowledge that follows a highly localized geographically diffusion pattern. This knowledge is not transmitted by writing but by minds, by persons, and by direct human interactions. It follows that diffusion of knowledge follows the pattern of international migration¹⁰. Skilled immigrants bring tacit knowledge and know-how, and they could bring new and better labor and management techniques, and they could contribute to the boosting of productivity by means of innovation and by bringing new technologies with them.

What is a migrant? According to the definition used by the U.N. an international migrant is a person who changes her country of residence to live be it temporarily or permanently in a country she was not born irrespective of the motivation of the migration. Short-term migration means a period between 3–12 months and permanent migration means a period extended over 12 months¹¹. According to these statistics, there are more than 244 million people worldwide who do not reside and work in their homelands. It is considered that 3.3% of the world population consists of migrants¹².

In the past decades the number of international migrants in developing countries is considered to be relatively stable, being about 1.7%. The number of international immigrants has nevertheless increased in developed countries from 7.2% in the nineties to 11.2% in 2015. In Europe, the foreign-born population had

⁹ *Ibidem*, p. 2.

¹⁰ “Thus, if tacit knowledge can induce sector-specific productivity shifts as measured by new exports, then migrants who are naturally carriers of tacit knowledge, would shape the comparative advantage of their sending and receiving countries.”, in *Ibidem*, p. 3.

¹¹ Anthony Edo and Hillel Rappaport, “Minimum Wages and the Labor Market Effects of Immigration”, (pre-publishing) in *Labor Economics* 2019, Vol. 61, p. 1.

¹² *Ibidem*.

doubled during this period reaching a percentage of 12.9 in 2015. Due to these facts, some voices contend that the developed world consists increasingly of nations made up of immigrants. Although there are studies about the effects of the presence of the immigrant workers on the labor markets (upon the wages of the natives, upon the employment opportunities of the natives, etc.), many conclusions remain controversial¹³.

Of the 244 million migrants, 76 thereof are living in Europe, according to U.N. statistics in 2016. However, due to the existing geopolitical conditions, the number of immigrants in the world has increased in the last few years, a trend that might continue. Many come from Syria, Afghanistan, Somalia, etc.¹⁴ Most migrants are present, when the situation is seen from the point of view of the target country of the immigrants, to be present mostly in the United States (47 million), Germany, Russia (12 million), and Saudi Arabia (circa 10 million). According to some U.N. documents about the 2000–2015 time period, without the migrant flux the population of Europe would be going downward; this, of course, can be used to justify importing foreign populations into Europe.

How can be estimated the impact of migrants upon the market forces in Romania and elsewhere? The estimation depends on the type of theory and paradigms that are used to select and interpret the data since there are no brute facts; even what counts as a relevant fact or proof depends on a paradigm. According to the main economic theory the impact of migrants upon the labor market. The most basic assertion regarding this problem is that the increased number of migrants affects the labor market by reducing the physical capital per worker, which in turn affects labor productivity and, thus, reduces the average wage of workers¹⁵. There are also other approaches. Work immigration can affect the employment opportunities of the native workers and also the wages and the level of employment¹⁶.

As in other cases, the results of an inquiry depend on the paradigms and presuppositions it is based on. Such a result is based on an underlying assumption that the capital stock stays the same – one has to distinguish between short and long-term effects, too. But if capital is used productively, immigration can be an incentive for accumulating capital, or it can be used to lead to the increase of capital that can be later employed to mitigate the initial negative effects on the labor market. If a firm chooses to change its technology, it can absorb new incoming immigrants and

¹³ *Ibidem*, p. 3.

¹⁴ Luciana Lăzărescu (coord.), Cristina Șerbănică, Roxana Mihaela Prisacariu and Smaranda Witec, „Impactul imigrației asupra pieții muncii din România. Raport de cercetare calitativă” [“The impact of immigration on the Romanian labor market. Qualitative research report”], Bucharest, 2016, Available at: https://cdmir.ro/wp/wp-content/uploads/2018/12/EMINET_Raport_Impactul_migratiei_pe_piata_muncii.pdf, Accessed on: February 12, 2024.

¹⁵ Anthony Edo and Hillel Rappaport, *quoted work*, pp. 3–4.

¹⁶ “Although total employment in the economy increases, the employment level of native workers (as opposed to immigrant workers) may decline in response to immigration. Indeed, the initial negative impact of immigration on wages can lead some natives to exit the labor force.”, in *Ibidem*, p. 4.

thus mitigate the negative effects of immigration on wages. Such predictions assume of capital-skill complementarity.

There are other ways to approach this problem: structural, empirical, or based on skill distribution across a group. From an analysis that starts based upon the idea of skill distribution, the impact of immigration on the labor market and on the wages or employment of natives will fall differently according to the distribution of the skills across these groups. If a country and labor market are disproportionately affected by the immigration of high-skilled people, this will affect and lower the wages and perhaps the employment of the high-skilled workers in that domain, but this won't hold the workers from not so high-skilled based activities. High-skilled immigrants, when they belong to the STEM group, have contributed to patenting and innovation in the United States. They also brought ideas and technologies from wherever they came from. In this case, they exerted a positive influence on the productivity and wages of the native workers.

One could say that heterogeneous skilled work immigration will produce heterogenous effects on the labor market and workforce.

THE SITUATION IN ROMANIA

The legal frame pertaining to the immigration of foreign nationals in Romania is defined by the international engagements and treaties the Romanian State has adhered to, like the Geneva Convention from 1951 regarding The Status of The Refugees and The Additional Protocol to it and the international norms adopted by the European Union, especial the one pertaining to the Space of Freedom, Liberty, Security, and Justice from the fifth title of the Treaty Pertaining to the Workings of the European Union and the Schengen Space¹⁷. The Romanian legislation has as its target the management of the immigration by actions and use of public resources to coordinate and control the whole flux of foreign nationals coming from other states that come legally or illegally on Romanian territory.

One motivation behind the Romanian immigration policies is to honor the international treaties Romania adhered to but also the attempt to satisfy the needs of foreign employment expressed by public institutions, which have to maintain and buttress the relationships with the Romanian nationals from abroad and that have to insure the national cohesion by integrating foreigners that are already present on Romanian territory. The (strategic) goals of immigration policies are to promote legal migration that works to the advantage of all parts implied in the process (Romanian society, the migrants themselves and their homelands, etc.), the enhancement of the control of the legality of the presence of foreign nationals on Romanian territory and the enforcement of the necessary measures to remove illegal

¹⁷ Luciana Lăzărescu (coord.), Cristina Șerbănică, Roxana Mihaela Prisacariu and Smaranda Witec, *quoted work*, p. 26.

present foreigners, etc. Some of the strategic goals are important for the policies regarding the labor market: making it easier for foreign citizens to get access to Romanian territory, citizens that have the features that are needed to respond to the needs of the labor market, facilitating the access of foreign nationals to high-learning institutions or to domains that lack the necessary personnel to function properly, facilitating the access and the presence of foreign citizens whose economic activities on Romanian territories are going in harmony with the Romanian national interest, etc.¹⁸.

According to quality research published in 2016 by researchers working under the seal Swiss-Romanian Cooperation Programme, the impact of migration on the labor market was deemed to be of not a great significance. The presence of foreign workers/migrants was not significant due to their reduced numbers¹⁹. Their presence was no threat to the wages of native workers (in that period Romania lost another 10% from its workforce, 500.000 workers who migrated). Their presence can be construed as positive since Romania still loses its workforce. Also, the financial costs generated by the migration are inferior to the monetary gains originated by issuing the work permits and the fines generated by breaching the law regarding migration²⁰. There are many monetary gains to be cashed in at the levels of the state and local budgets and the contributions to the social insurance budgets.

CONCLUSION

The openness of the Romanian people regarding immigration was deemed to be at mid-level, with hostile attitudes being recorded in the context of the immigration crisis from 2015, though most of the Romanians interviewed considered that the migrants do the jobs that were left by the Romanian emigrants and that when the migrants work legally and pay taxes, they exert a positive influence on the economy. The negative perception of migrants pertains to migrants that do shady and illegal business, exploit their employees, and work illegally. Besides that, Romanians differentiate clearly between foreigners/migrants from outside the European Union and the ones from the EU.

The immigrants that stem from countries outside EU foreigners are seen as normal people by the Romanian citizens, although they are not considered as having an important effect on the situation of the country since they come to study or to find jobs that are better paid than in their homelands but underpaid in comparison with the Romanian standards.

¹⁸ *Ibidem*, pp. 26–27.

¹⁹ *Ibidem*, p. 77.

²⁰ *Ibidem*, p. 79.

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