SECTION: REGIONAL DEVELOPMENT POLICIES AND STRATEGIES

MIGRATION AND REGIONAL DEVELOPMENT

Elena Raluca, Moisescu (Duican)[1]

Abstract

The economic process as a whole is influenced by the economic performances of regions within a country. Each region is provided with certain inputs. These differences are reflected in the economic level of a country. There are disparities among regions of our country expressed through different rate of unemployment, migration and different levels of income. This study focuses on the relationship between migration and regional development in Romania, between 2000 and 2010. The purpose of this paper is to see if the interaction between the economy and migration contributes to development of the regions, in the analyzed period.

Keywords: *economic growth, regional development, regional disparities, migration*

JEL Classification: *O15, O40, R11*

1. Introduction

Douglas S. Massey et al. (1993) records that after the Second World War European countries, especially Western ones attracted many immigrants. This led to diversity and multi-ethnic society. There is yet a coherent theory of international migration, but several theories have one link, one of the factors determining migration namely earnings differences between different locations. The authors try to understand migration patterns by looking at the main assumptions and ideas. Although there are a variety of designs, most want to explain the same phenomenon. Neoclassical models are based on the cost of migration, the difference between wages and employment conditions in the countries concerned. The new economics of migration takes into account conditions in several markets, and migration is seen as a household decision taken to minimize the risk to family income. According to neoclassical theory, migration is due to geographical differences between supply and demand on the labor market and migrants are seen as an equity investment in developed countries. In neoclassical models (Sjaastad 1962; Todaro, 1969, 1976, 1989) people migrate because they can get more revenue if they move, but to do this, they first need to suffer costs associated with moving. On the other hand, the basic idea in the new economy of migration is that decisions are not made by a single individual, but more people who form a family (Stark, 1991). Assumptions of these models are different from those of neoclassical models and lead to other reasons: families or households are subjects of analysis, not the individual, and in the lack of wages motivation, households can take the risk of migration, employment at local level and migration are not mutually exclusive, when the differences between wages fade, desire to migrate will not stop, authorities can influence migration policies on the labor market, capital market or through social insurance programs. Both theories are based on models of microeconomic decisions. The differences are found in makers (individuals or households), the unit is subject to maximization (revenue risk), the economic context and the extent to which the decision to migrate is framed in society.

Dual labor market theory derived from labor demand in modern society. Piore (1979) noted that migration is driven by demand in the labor market that is characteristic of developed countries. According to him, migration is based on the country factors that receives immigrants, such as the need for foreign workers. The characteristics of the underlying theory are structural inflation, issues of motivation, economic dualism, demographic division of

[1] PhD Student, Bucharest University of Economic Studies, Romania, raluca.duican@yahoo.com

labor supply. The conclusions of this theory can be summarized as: migration is based on the demand of the labor market, differences in wages are not a sufficient condition for migration, low wages do not increase in response to decreasing supply of immigrant workers and the authorities can not influence migration by economic policies on wages or employment.

There is a migration theory in economics, a theory which distinguishes between internal and external migration. Who migrates and why? These are questions which do not receive a response today unanimously accepted by economists or sociologists literature. Bodvarsson and Van den Berg (2013) specify that economists are based on the idea that people migrate in search of a higher income than the cost of relocation. This however could not explain the situation of refugees, migrants or families of migrants although they don't want to migrate. On the other hand, sociologists seek a wider range of determinants. The reasons might be getting a higher price for labor supply, pleasant climate, good schools to benefit from protection authorities, to be closer to friends and family to seek political freedom etc. The Borjas (1987) model explains why the people migrate, but also the composition of migration flows. Arguably the theoretical part is less developed compared to empirical research in this area.

2. Literature review

Before 1960, migration theory mainly focused on internal migration, making connection with economic geography. Even in the work of Adam Smith,, An Inquiry into Nature and Causes of the Wealth of Nations the "it is included an analysis of data on this phenomenon suggesting that migration comes as a response to imbalances in the labor market, but wage differences may not be the only reason to migrate. In 1932, Hicks stated the same thing, that the differences between wages across regions or countries are a reason to migrate.

Among those who have made contributions to the theory of migration are Ravenstein (1889), Jerome (1926) and Zipf (1946). Greenwood (1997) synthesized the seven laws of migration proposed by Ravenstein: first, most of the migrants moving short distances and in larger cities, secondly, cities that are growing rapidly are populated by immigrants coming from rural areas nearby, thirdly, migration from inside is inversely proportional to migration from outside, fourthly, a wave of migration of large proportions will generate a compensatory counter-wave, fifth law refers to that in big cities these migrants will move a long distance, the sixth law states that rural people migrate more than those in urban areas, and the last law concludes that women are more likely to migrate than men.

Based on the seven laws formulated by Ravenstein, Zipf (1946) formulated the gravity model of migration, an application to Isaac Newton's law of gravity, where the distance is a representation of migration costs. The model also implies that some people will find better pay elsewhere and migrate. While the population of the place of origin and quality employment opportunities increase, those who want to migrate will be more. It can be added the idea that this model has not received as much attention as the first model of gravity of international trade by Tinbergen (1962) which was based on the fact that the link between trade the two countries is directly proportional to gross domestic product or population, and conversely proportional to the distance between the two.

Jerome (1926) has studied the link between employment and cyclical changes in the migration and he showed that there is a strong link between the two variables, noting that migration not only reflect the changes in the conditions of employment, and also that could lead to unemployment.

Other recent studies on migrants focuses on human capital approach, but also as a factor in consumer and producer of goods and services.

To drill the first category, the investment in human capital, labor economists are studying a flow model based on maximizing the utility obtained by choosing that place that helps maximize revenue. However, it ignores reasons such as religious beliefs, a more attractive culture, political asylum, etc.

Migration can be seen as an investment in human capital if we take into account the costs of migration followed by a payment in the future. Sjaastad (1962) stated that each migrant compares opportunity cost in the country chosen as the destination with the one of leaving the country of origin, choosing instead to maximize his earnings value. He used a representation of distance costs, meaning that costs are higher when the distance is greater. In this model does not enter in migration revenues the benefits such as a better political and social climate, recreation options, stating that these differences are included in the cost of living.

The model does not explain why some people travel multiple times. He explains facets of the decision to migrate. These include the fact that there is an imperfect synchronization between the costs and benefits of migration in time, and also there are differences between gains and cost both in the home country and the one where they came. Among the shortcomings of the model is the assumption that migrants are knowing the variants of the labor market in the desired destination, also it does not take into account the wishes of family members, ignoring uncertainty in the model and the fact that some migrants will send money back home.

The second category of studies concerns migrant as a consumer. In the 1980s, migration theory no longer is based upon revenues or earnings. Greenwood (1997), among others, approaches the equilibrium model, with the central idea that consumption adjusts to the changing in prices, income, services, facilities. When people move the demand for facilities is changing according with economic, cultural, technological changes. This model states that differences in earnings in different locations can be permanent because the differences in facilities tend to compensate for differences in income.

Tiebout (1956) states that a migration factor is represented by the differences in quality between public goods (education, police, roads, health care). There are considerable differences between the developed and the developing countries, between facilities offered by them on a creative environment and a democratic society, a good health system, food quality, all goods that lead to a better living life.

A third category of models are explaining migration as a complement to the above category, the migrant household as producer. The model proposed by Shields and Shields (1989) developed on new household economics, which says that all households produce goods and services for final consumption (cooking, home repair, growing vegetables, childcare). It has found implications for human capital models.

Information and social costs are low and migration is more efficient when there is greater access to friends or family. There are also models that argue that migration can be seen as a decision taken at every stage of life, and not just once. The location features are changed with the advancement in life.

A drawback is that Sjaastad's model considers that migrants find employment on the destination. This does not seem to be realistic. We know that rural migrants were expected to find their jobs in urban areas. One of immigration patterns known is that of Borjas (1987, 1991) based on that of Sjaastad, but it brings some innovative notes. It presents, in addition desire to migrate due to differences in wages, a distribution model where human capital of the country of destination and the home determines the flow of immigrants. His view is that people are characterized by certain abilities, a certain level of education or talents. The decision to migrate can also be made depending on where immigrants could fit using their skills.

The simplified model is based on the assumption that there is one country of destination and people do not return home. There are variations between countries of origin and the destination in terms of earnings, which are seen in the opportunities differences they can have as a migrant. If a destination country for migrant rewards his skills and earnings are higher then the migration occurs.

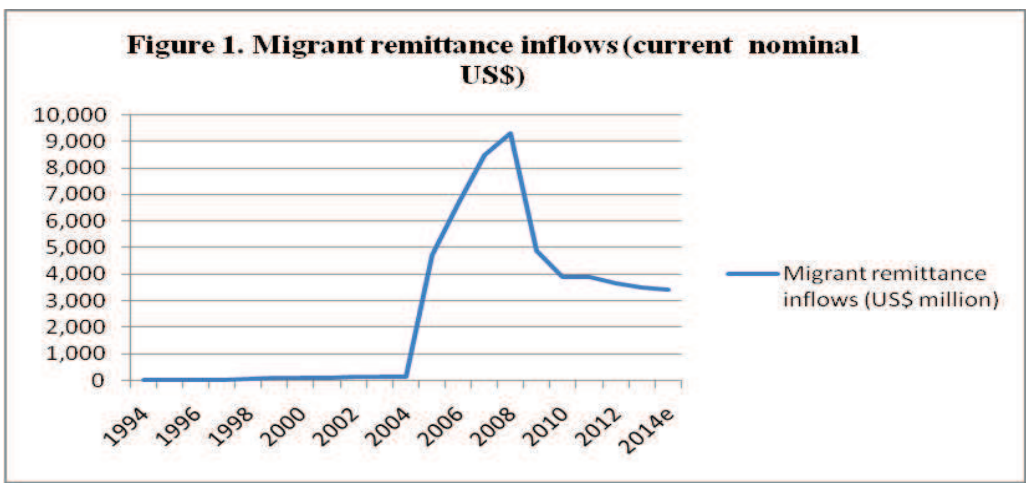
The CHW model (Clark, Hatton and Williamson, 2007) specifies some of the costs of migration: individual costs (costs are lower if migrants have relatives or friends in countries which they want to reach), direct costs (with distance), costs arising from restrictions on immigration and those resulting from immigration policies. There are also models that are based on the idea that reason of migration is lack of family. They have roots in psychological studies.

Besides the theories presented, there is the cumulative causation theory (Massey, 1990) that try to explain how migration occurs in the social context in which decisions are taken. There are six factors that can be impacted: income distribution (refer to data on household income), acquisition of land, the organization of agricultural production (on areas mainly agrarian) culture migration (requires information on the values, beliefs), distribution of human capital at the regional level, social labeling of immigrant labor. This theory suggests that migration tends to create more migration.

While many reasons can sit at the base of migration, conditions may change over time. The fundamental conclusion can be drawn from the study of migration patterns is that all models discusses the differences between the income earned from work. However, there are many other reasons that cause migration: political, social, economic, and institutions that help immigrants.

3. International migration

Regarded as a form of human capital export, external migration may be associated with benefits when taking into account that the income transferred to family turns into domestic consumer spending, thus increasing domestic demand. For any country, the export of human capital in which it was invested in means a fairly high cost. Constantin (2004) states that for the host country, the consequences of migration can reduce the work deficit, mitigating population aging, contributing to increased production Also for the worker and his family, the effects are: earning a higher income compared to the country of origin, increased capacity for saving and investment, improve the knowledge, skills, civic spirit, community involvement, but also in loss, such as discrimination, difficulties with accommodation.



Source: World Bank Remittances Database, 2015

Regarding remittances to Romania from Romanians abroad in the perioad 1994-2014 ($ million nominal value) can be seen (Figure 1), that there has been a dramatic increase in remittances in 2005 (4708) compared to 132 million in 2004. There is a growing trend and the peak is reached in 2008 (9 285 million). Since 2009, under the influence of financial crisis, when it is reduced to half their levels compared to 2008, only 4881 million, we can see that their levels decrease by 2014 from 3431 million US.

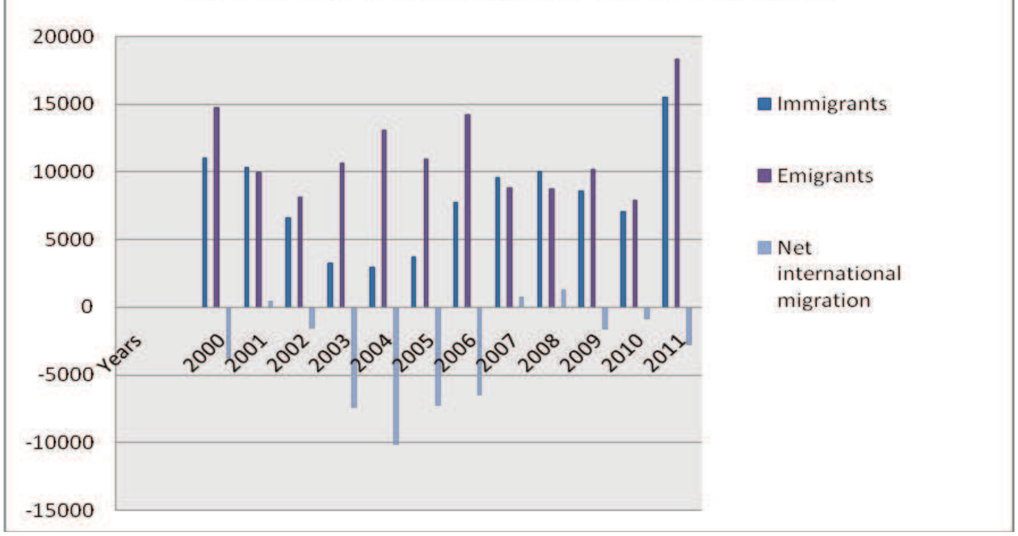


Figure 2. International migration (number of persons)

Source: NSI data

In Romania, it can be observed that migrants (Figure 2) are a greater number than immigrants, from 14 753 in 2000, reaching 18307 in 2011. Among immigrants, after a decline in 2000 (from 11024) to 2004 (2987), following an increase of up to 15538 in 2011. The biggest difference is observed in 2005, when international migration balance was -10 095 persons.

The resident population in Romania on 1 January 2013 was around 20.01 million inhabitants, almost as in 1969. During the period 1989-2012, Romania's population decreased by 3.1 million persons. Emigration caused more than 77% of the resident population negative growth. During 1990-2012 the resident population decreased because of the international migration, which led to a cut in population of almost 104200 persons per year, because of family planning reducing the annual number of births, and because of high mortality after 1990. The number of emigrants per 1000 of the resident population was 116.5 in 2012 campared to 48.6 in 2002.

4. Internal migration in Romania

Changes in the spatial distribution of population in a country occur due to internal migration based on characteristics of the economic development process. Bădescu (2011) states that migration is defined as the permanent change of residence place by a person or group. Migration classification is based on several factors, such as internal or external migration, inter- and intra-zonal, actual or potential, leading to urbanization, industrialization and colonization. In Romania, the late '60s meant the start of industrialization, followed by the process of urbanization.

The evolution of external migration in Romania:

• 1968-1972 represents the first stage and it is characterized by an annual growth rate of migration (338,000 migrants in 1972);

• 1973-1982 - during this period it is stage II, when there was a high point in Romania. The rural population went to cities or looking for a job in industry, construction, and education or permanently.

• 1983-1989 – It's characterized by a decline in the migration process, with the rate of 196 000 migrants in 1989.

• 1990-1996 - It comes to a figure of 300 000 people per year migrating.

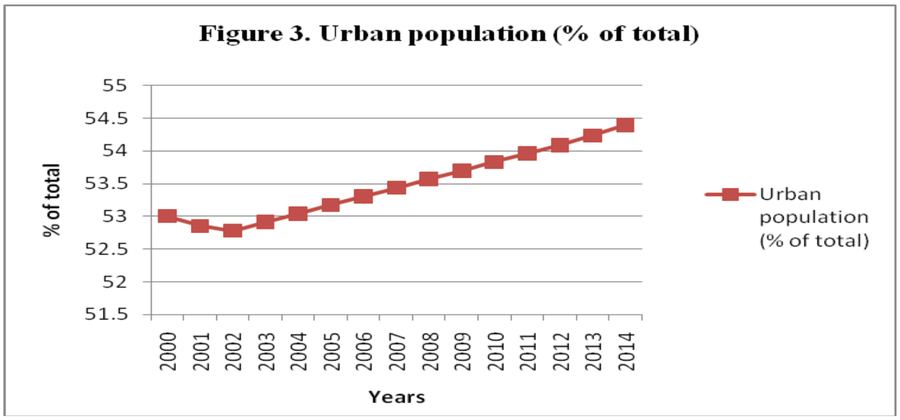
• 1997-2001 – In the fifth stage it is happening for the first time that rural departures to be smaller than arrivals to villages.

• Since 2002, there is a reversion to the figures of the '70s, but the causes are different: those that cannot survive the city seek refuge in the countryside.

The minimum threshold in internal migration was in 1989, and the maximum both in 1972 and in 2004.

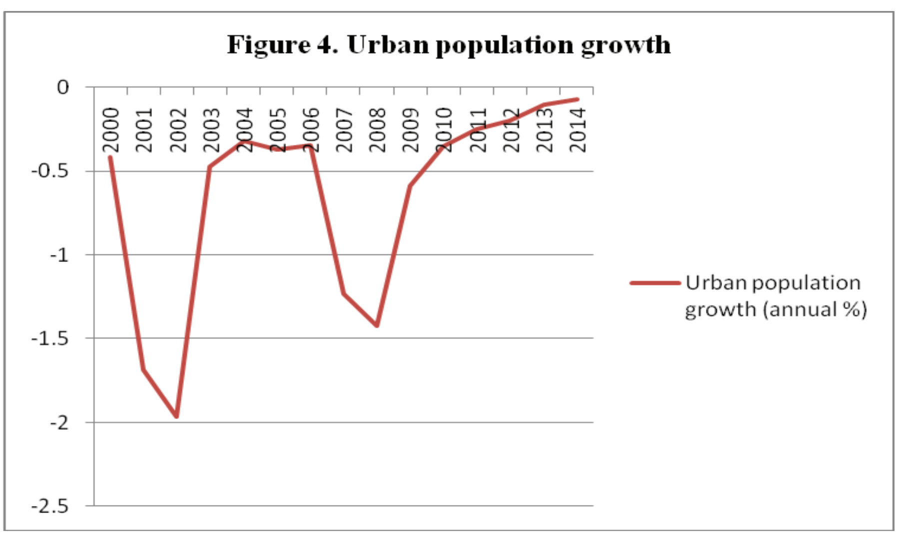
Also in the paper it is specified, that the four-way migration have evolved differently in recent decades: increased rural-urban migration in the early 80s, after which it experienced a decrease, rural-rural migration has declined in the early 80, after which it started to grow, urban-rural migration followed an upward trend since the early 80s, after which it's decreasing, returning to growth in 1996, and urban-urban migration has an upward trend during the studied period.

The next figures shows changes in urban population, mainly due to migration to cities from rural areas, in response to better economic opportunities.



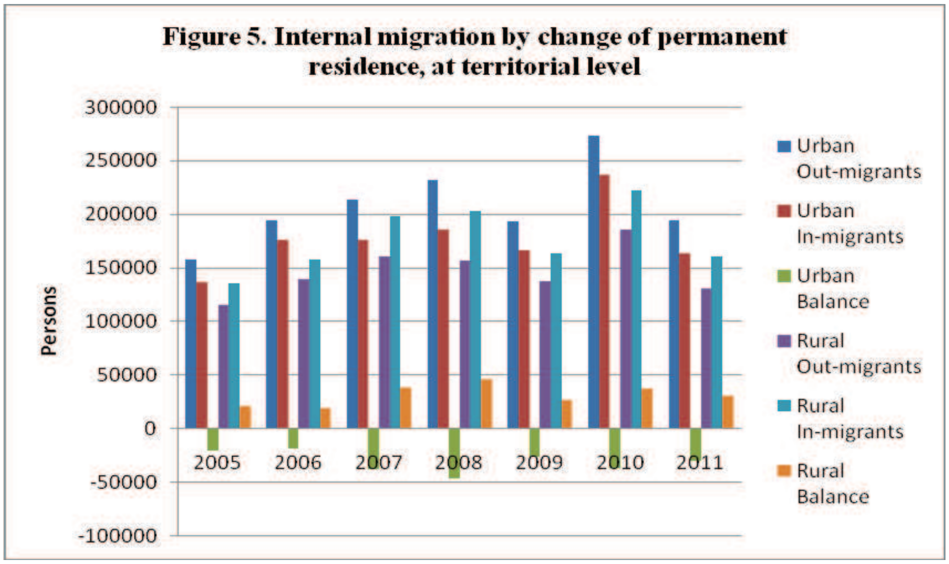
Source: World Development Indicators, World Bank, 2015

Area migration was reshaped following the European integration process. Demographic changes are found in all European societies and are accompanied by changes in values, quality of life. What are the factors that lead people to migrate, why some people choose to emigrate and what effects this process? These are questions that are still trying to find answers.



Source: World Development Indicators, World Bank, 2015

In Romania, at regional level, in 2005-2008 there was an increase in those working in urban areas, from 157377 to 232105 persons. It has decreased in 2009 at 193120 people, after which there was a peak of 273353 in 2010. Also in 2010 it is recorded the highest number of migrants from rural areas, 185642 persons, but also of immigrants, 222493. It is noted (Fig. 5) that the balance remained positive in rural areas, while in urban areas it is negative.



Source: NSI data – own calculations

Considering that individuals take into account the quality of educational services, the medical system, and the income that they could get, the high developed areas are the ones that are targeted by the migrants. Diaconu (2014) finds that among the regions with a positive migration balance are West, North-West and Bucharest-Ilfov due to their opportunities in offering a job and their economic development level. On the contrary, a negative balance it is found in the South West Oltenia, South East, Centre and North-East areas. In 2007, in the South-Muntenia region the out-migrants number was smaller than the number of the in-migrants.

5. Conclusions

There is an increase in migration in Europe. Migration cannot be measured easily, even if it has an important role in population growth. Also, migrants are not spread evenly throughout the regions of the Member States. It is hard to determine which are the reasons why someone wants to emigrate. Networks have an important role in international migration (members have the same origin, language and culture). In addition, there are other factors that attract immigrants: economic, social, geographic location, access to utilities etc. The effects on the economy and demography are seen in the countries of origin but also in the destination ones.

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