

## **EVOLUTIONS OF REMITTANCE FLOW DURING THE ECONOMIC-FINANCIAL CRISIS**

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### **Abstract**

*The global financial markets crisis that hit the world economy at the middle of 2008 affected the global economy as a whole, but had also a major impact over the workforce markets in the European countries and by default over the remittance volume achieved by emigrants.*

*The migration phenomenon has seen a decrease process, however differently, according to various geographic areas.*

*The present work intends to achieve a brief analysis of the migration phenomenon under the financial crisis impact in certain European Union countries during 2007-2010. The recession at European level also determined for 2009 a decrease of remittance flows. The work presents a brief evolution of the remittance flow in certain countries from Central and Eastern Europe.*

**Key words:** emigrants, immigrants, remittances, crisis

**JEL Classification:** C2, C51, J21, O15, R23

### **1. Migration evolutions during the economic-financial crisis**

The statistics of the international organisations indicate that the *immigrants' number* registered slower increases, or, in certain cases, pronounced decreases, during the economic crisis, especially in the states members of EU where the main migration flow is represented by the workflow migration, as Spain, England and Italy.

Even if a decrease of the migration flow took place, the net migration remained positive in many of the main countries that recruit the workforce from EU, which suggests that the migration flows continued, even if more slowly during the economic crisis. Thus, the economic crisis did not determine the employers to give up completely to recruiting, and in certain economic areas there was employment. For example, in the United Kingdom, the Education and National Health Service areas continue to recruit among the nomad workers.

Concerning the *emigrants' number*, during 2008-2009, it increased in certain countries but in others decreased. Thus, in Ireland, in 2009 the number of people that left the country was around 8.000 higher than the number of people that entered in the United Kingdom.

The fluctuation on the workforce market in the analyzed time interval led to the increase of the repatriate migrants' number. However this phenomenon is characteristic to the migrants in the European Union. The migrants from outside EU prefer to remain in their location instead of returning to their origin country, as returning home may lead to complications both economic and social. Although, coming back to EU after the end of crisis period may be even more complicated from the point of view of visa and/or work permit restrictions.

The statistic data regarding the European Union migration showed a change in gender structure of the migrants. Thus during 2008-2009, more women than men migrated and a migrant in Italy and Ireland. This phenomenon can be associated to the reduction of employment possibilities for men in the areas affected by the crisis (for example constructions). The data at European level show that the occupancy rate for men decreased with 2.7%, while the occupancy rate for migrant women diminished only with 0.3%.

If before the crisis had started, the workforce occupancy at European Union level reached 70%, in 2009 it reached 64.6%. The unemployment rate had dropped to 7% in 2008, but increased to 8.9% in 2009 according to Eurostat data.

Concerning the unemployment rate, according to Eurostat data, it increased at EU -27 levels from 7% in 2008 to 8.9% in 2010. The unemployment rate among the domestic inhabitants was in the majority of the analyzed countries, lower than that of the migrants.

The major increase of the unemployment rate among the migrants in certain states member of European Union can be determined by numerous factors. One of them is the relative concentration of the migrants in the very sensitive economic areas in the economic cycle.

## 2. Migration trends in Romania

The migration phenomenon had an oscillatory evolution *in Romania*. While in 2006, 14197<sup>1</sup> people emigrated (30% more than in the previous year), in the next years their number dropped, thus in 2008 their number decreased with almost 40%.

In 2009, in a Romania affected by the global economic crisis, the emigrants' number increased to 10211 compared to 8739 people in 2008. However the assessments based on multiple sources, indicate an increase of the Romanians number that work abroad, thus in 2010 the Romanian emigrants number was estimated to around 2.77 million, which represented 13.1% from the Romanian population.

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<sup>1</sup> Romanian Annual Statistic 2010, pp. 79, National Statistics Institute

**2. 1. Romania as transit and destination country**

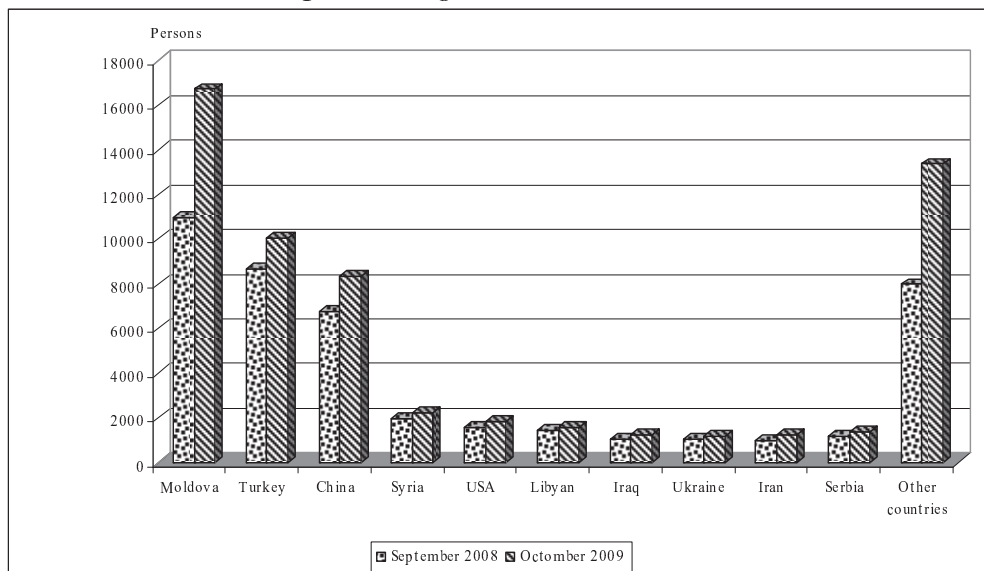
The fact that Romania continues to be an origin country from migration point of view, combined with the increasing need of workforce inside the Romanian economy, shall certainly influence the future directions of the migration flows. The forecasts made by different organisations and area specialists indicate that fact that in the short future Romania shall become an attractive destination for immigrants, especially for those coming from the third world countries.

Plus, professional workforce migration from Romania shall oblige the local entrepreneurs to search for workforce in any of the third world countries, in order to be able to develop their business. At present, the economic areas that need the most workforces are: constructions and agriculture. Also in the next future, areas such as tourism industry and medical services are expected in Romania to need employees and this shall determine the incoming of a greater number of immigrants from abroad.

In October 2009 The Romanian Bureau for Immigrants (ORI) registered around 43588 foreign citizens with legal residence in Romania (figure 1).

According to the data available in Education Ministry for 2007, the greatest number of Romanian foreign residents with education purpose is represented by people coming from Moldavia (5725 people), Tunisia (987 people), Israel (675), Greece (798) and Ukraine (466). As concerning the temporary residence immigrants, Moldavia is also the leader (11852 people), then Turkey (6227) and China (4366). The permanent residence immigrants in Romania come mainly from China (1070 people), Turkey (976) and Syria (757).

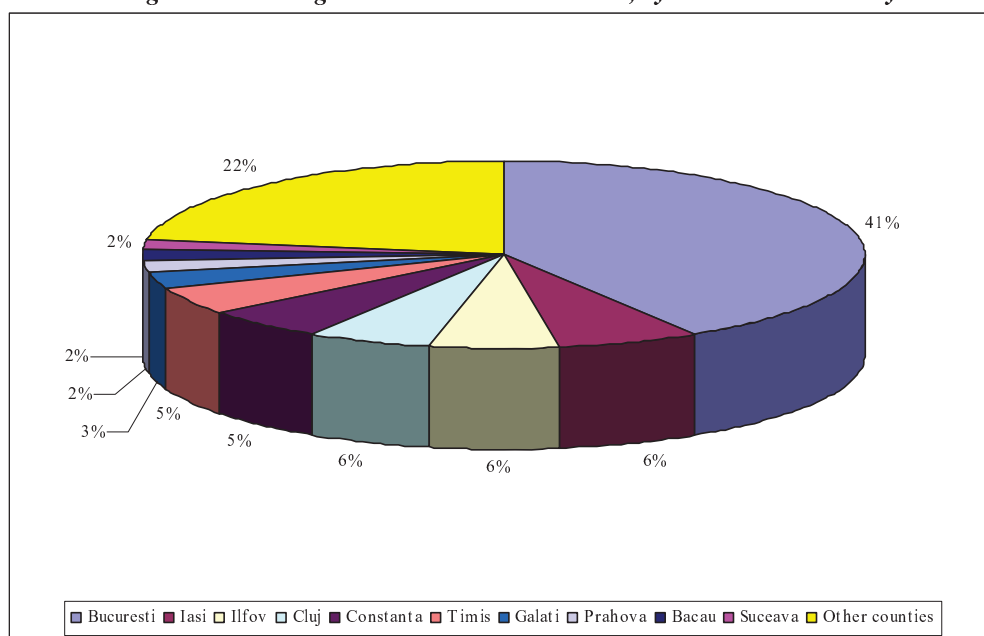
**Figure 1 Foreign residents in Romania**



Data source: *InfoStat*, The Romanian Bureau for Immigrants, Sept. 2008, Oct.2009

As expected, the Romanian regions preferred by the immigrants are those with the highest economic development level. The majority lives in: Bucharest, (24345 people), Iași (3826 people), Cluj (3325 people) and Timișoara (2817 people) (figure 2). However, those with permanent residence also prefer Ilfov (3415 people), the neighbouring areas of Bucharest and Constanța (3210 people).

**Figure 2 Citizens from third countries, having a residence right valid since 30 June 2009, by the residence county**



Data source: *InfoStat*, The Romanian Bureau for Immigrants, Sept. 2008, Oct.2009

More than half of the work permits in the first semester of 2009 were issued for Chinese and Turkish citizens (60%), and 78% of the permits were issued only in the second semester.

An important number of the work permits was issued for Moldavian citizens (8%) as well as for Bengal citizens (5%).

From the point of view of the counties where the work permits were issued, the majority was in Bucharest (33%) and Iași (25%). With a significant difference follow counties such as Constanța (6%), Cluj (5%) and Olt (4%). Almost 90% of the work permits for Bucharest Municipality were issued in the second semester of 2009.

The family members of the Romanian citizens or of the EU citizens represent 33% of the total foreigners that have a legal residence in Romania. Among them, the majority is represented by family members of the Romanian citizens that have temporary residence card (27.7%). There are a high number of

foreigners employed in Romania. An important percentage is also represented by the foreigners that are here to study (20%), among which 3.7% are pupils.

Concerning the EU citizens, in April 2008, there were 17619 citizens with residence in Romania. The majority comes from Italy (4366 people), Germany (3268 people) and France (2298 people).

## **2.2. Romania as origin country**

The statistics present an incomplete and contradictory situation regarding the reasons for which the Romanians leave the country, but show accurately which are the main countries the Romanian immigrants choose, meaning the EU member states, mainly Italy and Spain. The explanation for this is that both countries, Italy and Spain, have just went through economic increase periods and offer to the Romanian workforce bigger wages than those they might receive in Romania.

The fact that from a cultural point of view Italy and Spain are extremely similar to Romania (concerning the language, customs, and life attitude) was also perceived as an encouragement. Generally the Italians and Spanish are very tolerant towards Romanians that felt comfortable and didn't have to cross over obstacles in their intention to integrate. At the same time, it is important to remind the fact that Italy and Spain were among the first EU countries that opened their workforce for the Romanian citizens.

Besides the cases in Italy and Spain, there also are important Romanian immigrants communities in Germany, France and Great Britain. The immigrant Romanians also try to reach extra-European countries, especially in New Zealand, Australia and Canada. At last, USA remains an important destination country for Romanian origin immigrants.

An assessment of the Romanians living outside the country varies from 1.5 to 5 million people. Generally it is assessed that around 70% - 75% of them are in the EU countries.

Since official statistics are lacking, it is difficult to estimate the impact of Romanian access to EU from the migration flow point of view. Which is absolutely certain is the fact that opening the European work markets for the Romanians represented an important opportunity for the most of them.

## **3. Economic-financial crisis impact over the money remittance flow**

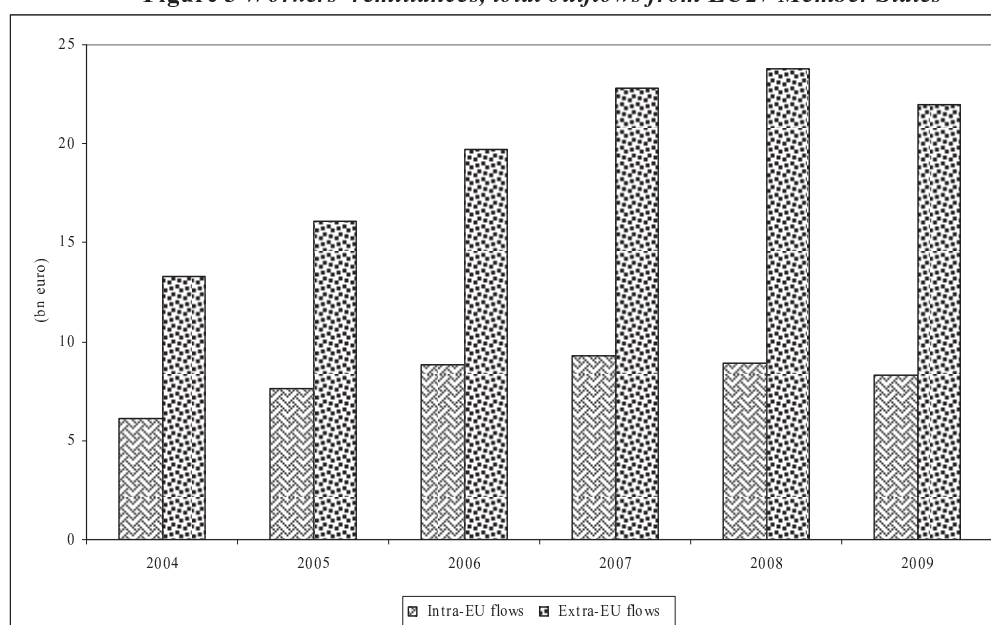
The remittances are considered today to be the most significant capital flows from the developed economies to the ones in development state: in 2008 the remittance value grew to 31.8 billion euro, compared to 31.3 billion euro in 2007 and 19.4 billion euro in 2004.

But, following several years of powerful growth, the total flows of remittances towards the countries in development started to decrease from the third semester of 2008.

In EU-27 also, the remittances of immigrants towards their origin countries registered a constant growth until 2008. This direction was stopped by the economic crisis. Total EU-27 outflows amounted to 30.3 billion euro in 2009, compared to 32.6 bn in 2008 (-7%). These values include both income and outgoing capital.

The share of remittance towards countries outside the EU from the total remittance flows, remained the same in 2009 compared to 2008, meaning 73%. At an absolute level, the transfers towards third countries, reached 22 billion euro in 2009 (figure 3).

**Figure 3 Workers' remittances, total outflows from EU27 Member States**



Data source: *Workers' remittances in EU27*, Eurostat news releases, <http://ec.europa.eu/eurostat>

The outflow of workers' remittances was highest in 2009 in Spain (7.1 bn euro or 22% of total EU27 remittances), Italy (6.8 bn or 21%), Germany (3.0 bn or 9%), France (2.8 bn or 9%) and the Netherlands (1.5 bn or 5%).

In 2009, the majority of the member states recorded decreases in the outflow of workers' remittances compared to 2008, with the highest falls observed in Spain (from 7.9 bn euro to 7.1 bn) and France (from 3.4 bn euro to 2.8 bn), and the biggest increase in Italy (from 6.4 bn euro to 6.8 bn).

The remittance decrease in some countries was caused not only by the fact that migrants repatriated less money, or by the emigration growth. The currency depreciation also played a major part in the remittance flows decrease.

#### **4. Economic-financial crisis impact over the Central and Eastern Europe migration**

According to a study made by the *Bulgarian* National Statistics Institute, published in 2009, during the last three years the number of young migrants with ages between 20 and 29 years increased considerably. However, changes appeared in the migration flows structure: in the most recent years the great majority of young migrants were made of individuals with high qualification, at present, the poor specialized or unqualified migration proportion grew among the youth. Thus, in 2010<sup>1</sup>, the 1,200.6 thousand emigrants made 16% of the country's population.

The recession in the Western Europe made some of the Bulgarian emigrants also to loose their jobs. The contracts annually concluded through The Workforce Occupancy Agency for agriculture and housekeep, to be terminated as well during 2009. To this, the decision of some European Union countries (Austria, Belgium, France, Germany, Italy, Luxemburg, Holland, Malta and the United Kingdom) to restrict the highly qualified migrants was added.

However, the migrants return to Bulgaria was not substantial, not even the return of those from Spain, the country with the biggest unemployment rate in the European Union (27.2%). Some migrants returned to Bulgaria for a short period of time, but came back to the Western European countries, especially in Spain, arguing that the crisis is more severe in Bulgaria than abroad. At the same time, many of the long term migrants that established and worked based on regular work contracts did not bear this unemployment wave.

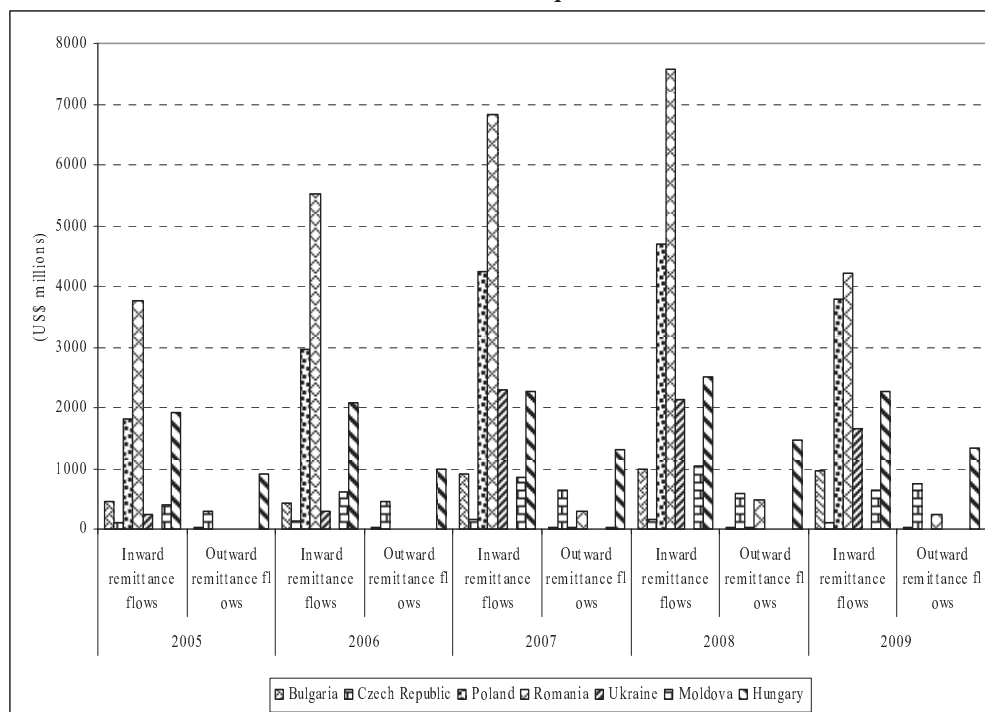
As concerning the money remittances made by the Bulgarian migrants (figure 4), their decrease in 2009 compared to 2008 was however insignificant (-2%).

Migration to Hungary is characterized in 2010 by 462.7 thousand emigrants who represent 4.6% of the country's population and 368.1 thousand immigrants (3.7% of the country's population). The majority of emigrants have as destination country Germany, USA, Canada, Austria, England, Australia, Israel, Sweden, Slovakia and Switzerland. Two thirds of the foreign citizens come from the neighbouring countries and most of them are Hungarian ethnics. Also a significant number of people came from China and Vietnam. The Europeans proportion among those that require asylum, doubled in 2009, with the claimers from Kosovo and Serbia. At Hungary's level, the illegal migration is still mainly a transit migration. As concerning the inward remittance flows, in 2009 it dropped with around 10%, and the outward remittance flows decreased with less than 9% (figure 4).

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<sup>1</sup> *Migration and Remittances*, Factbook 2011, 2nd Edition, 2011 The World Bank

**Figure 4 The evolution of remittance in certain Central and Eastern European countries**



Data source: *Migration and Remittances*, Factbook 2011, 2nd Edition, The World Bank

The situation of migrant workers from *Czech Republic* in the conditions of the economic-financial crisis continued also in 2009, and remains one of the pressing issues of this country regarding migration.

Although the Government enacted certain legal changes more advantageous for the foreign workers (elimination of the work permit issuing procedure, extension of the maximum validity for work permits and widening the number of people categories that can be exempted from the authorization requirement), these measures did not have a significant impact on foreigners, because of the dramatic decrease of the vacant work opportunities, due to the economic crisis and the workforce agencies' strategy of preferring the foreign workers that already live in the country against the new comers. Also, the adopted green card system for migrant workers that desire to come to the Czech Republic proved to be non-functional from similar reasons.

In 2010, in the Czech Republic the migration flows were made of 370 thousand emigrants, which represent 3.6% of the country's population and 453 thousand immigrants (4.4% of the country's population).

The inward remittance flows of workers' remittances was 96 million US\$ in 2009, a great decrease when compared to 2008 (168 million US\$), the



compensation of employees decreased with around 12% and the outward remittance flows of workers' remittances were in 2010, 747 millions US\$ (with 27% more in 2009), and the compensation of employees decreased from 23 million US\$ to 1799 million US\$ (figure 4).

Despite the general direction of an emigration decrease and of a great number of migrants that return home, in 2009 *Poland* continues to face high levels of workforce migration in the European Economic Space (SEE). A high number of Polish people (estimated to around 2 million people) continue to work abroad, and a significant number among them emigrated to Norway, Belgium and the Netherlands.

As concerning immigration into Poland, new juridical regulation were introduced for legal employment of foreign citizens from the workforce market, regulations that reduce the number of documents that the employers need to file in order to get the work permit requests. These changes allow the Ukrainians, Belarus, Russians and Moldavians to work in Poland without a permit up to 180 days a year.

Also, changes were made to the Law regarding the education system that allows free learning.

The immigrants' number at 2010 level represented 2.2% from the Poland's population, many of them coming from Kazakhstan or being Russian citizens with Chechen nationality.

The economic crisis left its print over the total remittance flows from and to Poland. Thus, the outward remittance flows, decreased in 2009 with around 23% comparing to 2008, and inward remittance flows with 16% (figure 4).

The migration phenomenon had an oscillatory evolution in *Romania*. While in 2006 14197<sup>1</sup> people emigrated (30% more than in the previous year), the next years their number dropped, thus in 2008 their number decreased with almost 40%.

In 2009, in a Romania affected by the global economic crisis, the emigrants' number increased to 10211 compared to 8739 people in 2008. However the assessments based on multiple sources, indicate an increase of the Romanians number that work abroad, thus in 2010 the Romanian emigrants number was estimated to around 2.77 million, which represented 13.1% from the Romanian population.

Even if the economic-financial crisis affected the countries that have the highest concentration of Romanians that work abroad, however in 2009, the return to country migration did not reach the expected levels. However, there are no official source registers data on Romanians returning home, either temporarily or permanently, making the acknowledgement of these phenomena rather imprecise.

Immigration into Romania remains at a low level, the immigrants' number at 2010 level being of 132.8<sup>1</sup> thousand people, and the same three main origin countries: Moldavia, Turkey and China.

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<sup>1</sup> Romanian Annual Statistic 2010, pp. 79, National Statistics Institute

After a period of continuous growth of the remittance volume made by the Romanian migrant workers (figure 4), in 2009, it diminished to more than a half (by 53%) from the value of the volume in 2008.

Having five neighbouring countries in the European Union, *Ukraine* remains an important transit country for illegal migration. From the statistic data of the World Bank one might see that the immigrants' number in Ukraine at 2010 level was around 5258 thousand people, the great majority from the Russian Federation, Belarus, Kazakhstan, Uzbekistan, Moldavia, Azerbaijan, Georgia, Armenia, Tajikistan and Kyrgyz Republic.

Ukraine started to develop a migration policy, introduction of migration controls, consolidate the boarder with Russian Federation, control of passport issuing, etc.

In July 2009, inside the Ministry of Foreign Affairs was created The Ukrainian Migration Service with responsibilities concerning the issues of citizens and refugees, the passport issuing as well as monitoring the statistics about population and migration. Also an electronic data base creation actions were started up.

In 2009 Ukrainian population emigration continued, and the destination countries remain the same: Poland for seasonal work, Czech Republic, Italy, Spain, Greece, Portugal for long term stay.

Following the economic crisis, annual remittance registered a slight decrease, of 13%, in 2009 compared to 2008.

*Moldavia* takes the 4th place in the top 10 of the countries that benefit from remittances, representing 23.1% from the IGP of this country. Before it there are: Tajikistan (35.1%), Tonga (27.7%) and Lesotho (24.8%). Also *Moldavia* occupies the 8th place among the first 10 countries with immigrants: Russian Federation, Ukraine, Kazakhstan, Turkey, Uzbekistan, Belarus, Serbia, *Moldavia*, Armenia, and Tajikistan, with an immigrant's number of 770.3 thousand in 2010.

In 2010, at world level, the top of the countries that benefit from remittances, registered: India, China, Mexic, Philippine and France (as IGP). However, smaller countries as Tajikistan (35%), Tonga (28%), Lesotho (25%), *Moldavia* (31%), and Nepal (23%) were the greatest beneficiaries in 2009.

### Conclusions

The data available up to present indicate that the economic crisis had a significant impact over migration and migrants in Europe and its effects are not homogeneously present for all the countries. As certain information may not be available or comparable for 2009-2010, the full effects of the economic crisis over migration may truly be noticed only in the next years.

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<sup>1</sup> *Migration and Remittances*, Factbook 2011, 2nd Edition, The World Bank, p.210

The analyse of migration data published by OECD (International Migration Outlook 2010), by Eurostat and World Bank (*Migration and Remittances*, Factbook 2011) as well as those from the Romanian allowed the highlight of certain conclusions:

- economic-financial crisis determined the decrease of the foreign population in the states member of EU -27;
- during the economic crisis, the immigrants number registered a slower increase, or in certain cases, pronounced decreases;
- during 2008 - 2009, in certain countries, the emigrants number grew up, but not necessary to the same extent the immigrants number dropped;
- the available statistic data does not bring convincing proofs that the illicit migrants number either decreased or increased;
- the migrant workforce market varied under the crisis impact, and continues to vary depending on each country. The major increase of unemployment rate among the migrants in certain EU member states can also be determined by factors other than the economic crisis (for example the relative concentration of migrants in the very sensitive economic areas of the economic cycle, or the birth rate, death rate, receiving the citizenship, etc);
- the gender structure of migrant workforce was affected by the crisis;
- there was no mass repatriation of the migrants to their origin countries due to the crisis; some specialists assessments indicate that together with the decrease of the total money amounts gained by migrants during the economic crisis period, or that of their number, the remittance towards their origin country might have been diminished;
- the lack of data about the real number of immigrants from the European Union countries, the migration flow fluctuation from each country, of economic growth indicators and workforce market did not allow to determine and forecast with help of econometric techniques of the remittance volume generally made by migrants, and by the Romanian ones, in particular.

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