

SOCIAL

A State of the Unions

by Bogdan Chirițoiu and Cristian Ghinea

Unions have been the big winners of 2002: they have seen their position strengthened by the passing of the new Labor Code, successfully blocked the attempts to limit union leaders' access to political positions, and the proposed scheme of occupational pensions brings within reach the big prize of influence over pension arrangements. With a significant increase of the minimum wage, the government might however have over-extended its generosity even beyond the lavish provisions of the EU acquis. Now it should look for ways to minimize the impact on the economy.

FOCUS

The New Labor Code: the burden rests with the employer

The government passed the new Labor Code over the in-teeth resistance of the employers' organizations and the parliamentary opposition. The specific procedure, making its passing through parliament a matter of confidence, meant that no debate or amending were possible. The bill contains a number of controversial provisions however. The critics portrayed it as heavily biased in favor of trade unions, and against the employers, and putting too much social responsibility (i.e. expenditure) on the shoulders of the latter. In face of criticism, the bill ducks the most controversial issues and postpones them for unspecified later legislation.

A code for a European market economy

The code was heralded as legislation that faces the new challenges of the Romanian economy: the market system, where state-owned and private companies co-exist, and the approximation of European legislation.

- Indeed, the bill allows for the introduction of exclusivity (i.e. commitment to a single employer) and non-competition (i.e. the employee is barred from working simultaneously for a direct competitor) clauses in labor contracts - two problems that affected Romanian employers.
- The bill also introduces the concept of consultation between the employer and employee representatives, thus potentially improving the erratic labor relations of Romanian companies.
- The bill puts much emphasis on training and apprenticeship. The right of the employee to take part in training programs is protected, and employers are

required to train their employees. Unfortunately, there are no incentives stipulated in the legislation for the employer to comply with this requirement. The only incentive there might be is the possibility to commit the employee to stay with the employer for a certain period (up to three years). Conversely, this is not very rewarding for the employee. A better solution would have been to grant financial incentives to the employer (e.g. tax deductions) for training programs: since training creates gains for the economy that are not fully recouped by the employer, it would make sense for the society to pay part of the price of training.

- Another initiative with intellectual merit is the decision to eliminate the difference between the lower taxed freelance contracts (*conventii civile*) and labor contracts, thus erasing another source of disincentives. The economic consequences of this measure are however in doubt. It is a very controversial decision, which is discussed more in depth later in this article.
- The bill puts much emphasis on the non-discrimination principle, thus incorporating a key tenant of European legislation.
- Finally, the bill reduces the number of special labor group employees (i.e. employees that benefit of special retirement provisions) from 1,000,000 to 250,000, back to the pre-1989 situation.

Questionable approximation of the acquis

Most of the changes introduced by the new code are justified by the need to introduce in domestic legislation the European provisions. The exact transposition of community provisions raises questions. For example, EU legislation prohibits employers from requiring employees to work overtime, above certain limits (48 hours per week). The Romanian version is stricter: it prohibits employees from working more than 48 hours per week even if they want to. There are also annual ceilings for aggregated overtime. In addition the daily working time is limited, and under no circumstances can it exceed 12 hours, which could create disturbances in certain fields of activity – e.g. when on duty, medical doctors cumulate more than 12 hours in one working day. Whether the second poorest economy among accession countries can afford to exceed the European standards is highly doubtful.

Trade Unions reign supreme

The trade unions are the big winners of the new labor code. Their position is much strengthened. Trade unions exist practically only in the (current or former) state companies. The code supports their creation in smaller, private companies. The least, representatives of the employees (quasi-trade union leaders) are supposed to be elected in any company with more than 20 employees. The power of the trade unions presents a real threat to the Romanian employers, which might impede on the performance of the economy and deter new investment.

The trade unions are to be consulted by the management and have a key role in the human resources policy:

- Negotiate the collective work contract
- Have to be consulted on any collective redundancies (defined as 10% of the workforce or above 30 employees)

The second poorest EU candidate cannot afford to implement labor legislation more generous than that of the EU

- May intervene in individual redundancies (justified by either disciplinary or economic reasons).

In addition, the duration of the work contract is presumed as unlimited, while the contracts with term limits are the exception. This provision, coupled with the cumbersome procedure for redundancies puts serious pressure on the employer and further increases the rigidity of the labor market.

Apart from the rigidities introduced in human resources management, the cost of trade unions themselves is not negligible, especially in small and medium size companies: the employer cannot sack a trade union representative, and pays for his/her wage. Trade unions are also involved in the committee for safety standards; in addition, some employers are required to provide occupational disease medical services. These are additional costs for the employer – either directly, or through increased administrative load. Finally, the provisions on strikes are also bended against the employers: they are prohibited from responding to a strike by a lockout, and in any litigation the burden of proof is on them.

All these provisions do not bode well for the performance of Romanian companies, particularly for the small and medium size ones, where the costs of compliance could be high. Attracting foreign investment could also become more difficult. Romanian trade unions have already been responsible for the collapse of a few privatization deals, and they enjoy a fearsome international reputation.

It is questionable whether all these were really necessary. The influence of the trade unions in the drafting of the new labor code looks rather inflated, as there are only 4 million legally registered full time employees out of the estimated 8 million Romanians who actually work, and only half of these 4 million are trade union members. Romania has thus one of the lowest unionization rates in Europe.

Trade unions are disproportionately influential in a country with the lowest unionization rate in Europe

Schweitzer legislation

The labor code, huge as it is (300 articles), is mostly frame legislation. It leaves out lots of details for further legislation. The text explicitly mentions new forthcoming legislation on:

- The guarantee fund for wage liabilities
- The organization of the safety at work committees
- The apprenticeship and training contracts
- Trade unions
- Employers associations
- Labor conflicts
- Classification in labor groups is also part of other pieces of legislation

The new labor code is thus vacated of much of its content. While controversies are in this way avoided or minimized, the code fails to provide the necessary clarification and predictability of labor relations.

Major controversies

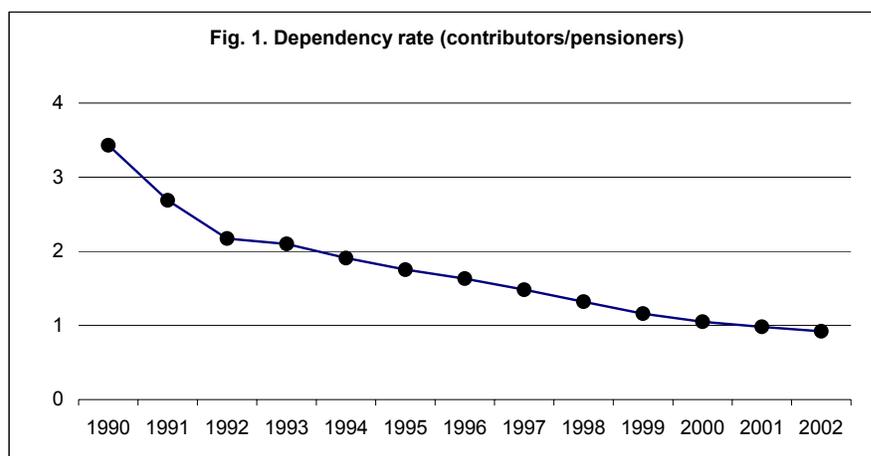
The wage guarantee fund

Alarm bells have initially rung over the newly created reserve fund aimed to guarantee the payment of wage liabilities. The creation of the fund is part of the EU acquis requirements in the social field. However, even the priority given to wage liabilities over other types of liabilities (e.g. taxes, bills) was criticized. More importantly, its size comparable to the GDP was questioned. The government has backed down in front of media criticism and the pressure of employers, and withdrew the initial draft. The new reading of the code preserves the controversial fund, but ducks the question of its size, by postponing this decision for later legislation. Also unresolved is the question of the management of the fund, with critics arguing that there is no need to create a new institution for this task.

Freelance contract

The decision to unify tax treatment for freelance (*conventii civile*) and full-time labor contracts by levying full social contributions on both has aroused fears that it will result either in increased unemployment or in pushing jobs into the black market. Freelance contracts are to become part-time labor contracts. In an early draft, although part-time employees were to pay full pension contributions, this time was not counted towards the minimum working period that gives entitlement to the old age pension. This provision has been corrected in the bill.

Part-time contracts play an important role in the plans of the government. Over the past twelve years, Romania has seen a marked decline in the number of full-time employees (i.e. contributors to social insurance). Table 1 presents the evolution of the dependency rate (i.e. contribution payers per pensioner). The situation is even worse if we add up the retired farmers – in 2001 there were 6,365,000 pensioners in total, as opposed to 4,505,000 full-time employees. While this trend is correlated with a marked increase in the number of pensioners, it is also true that some of the missing employees have resorted to the less taxed freelance contracts. The Ministry of Labor relies on the taxes now to be levied on the part-time employees to help balance the pension fund budget, a major reason of concern. The problem is that the Pension Fund estimates at 1,200,000 the number of freelance contracts (of which only 100,000 currently pay the voluntary pension contribution). However, the more reliable statistic is the one coming from the Health Fund: the health contribution is mandatory for all types of labor contracts, still the Health Fund receives contributions from only 650,000 freelance employees. The gap between expectations and reality will become even larger, as the high social contribution will force a number of freelance contracts to be cancelled.



INSURANCE FOR LABOR ACCIDENTS

A new special insurance fund is to be created for labor accidents, in accordance with the *acquis* requirements. The exact shape of this fund is also an unresolved matter. Similarly with the wage guarantee fund, it is questionable if it is worth creating a new bureaucracy to handle it. Where would the money come from is a big question. The government has confirmed that it intends to reduce the social contribution by 5%. With the pension fund in chronic deficit, there will be pressure to deduct the money for work related accidents from the health contribution. The Ministry of Labor has already eyed the health insurance budget for a number of social benefits (most of them non-contributory). After the ill-judged proposal of merging the social insurance and the health insurance budgets, any new attempt to dig into the health trunk is likely to spark a new political row.

Conclusions

The new labor code was portrayed as ushering the rules of the market in the Romanian economy, in accordance with the European legislation. Unfortunately, it fails in its task:

- The bill shows no concern for the efficient functioning of the economy – it increases the rigidity of the labor market and burdens businesses with direct and indirect costs;
- It favors heavy handed administrative provisions over market based incentives;
- It leaves open a high number of crucial issues, therefore producing legislative instability and uncertainty;
- The ways it picked and chose among *acquis* provisions, favoring those most beneficial to the trade unions is a cause for concern.

Substance is sacrificed for the sake of consensus – which only postpones tough decisions

The Trade Unions Law

Unions have scored another political success with the passing of the trade union law. The bill consolidates the position of trade unions and their leaders in the work place: they have to be invited to board meetings, are protected from any reprisals of the employer, and preserve their wage rights, even if work most of the time for the trade union. Moreover, the law confers a number of privileges to unions at public largess: the trade unions receive headquarters from public domain (at low rents), and the trade union due is deductible from the global income base. Finally, the bill strengthens the position of the trade union versus its (potential) members: the union due may be recorded in the collective labor contract, and the union is allowed to take action on behalf of its members, without asking for their permission.

The most important controversy however aroused from the proposal to ban trade union leaders from holding public positions. The governing party had used the lure of public office (e.g. MPs, government positions) to develop a cozy relationship with the main trade union confederations. One of the key members of the cabinet, the Transport Minister Mitrea, is the former leader of the largest confederation, CNSLR Fratia. In addition, the Labor Minister Sirbu is himself a former trade union leader. The government not surprisingly rejected the call for the ban, and assured the passage of the bill in the form desired by trade unions.

Minimum wage

Pay policy is another area where the government made concessions to trade unions. The most publicized was the 47% hike of the minimum wage, to 75 Euro in January 2003, and perhaps as much as 100 Euro in 2004. It is incomprehensible that such rises could be justified on productivity growth. More important, they will have snowball effects in the economy: as much as 2/3 of all employees are paid very close to the minimum wage, and a number of other wages and benefits are tied to the value of the minimum wage.

One of the arguments put forward by trade unions in support of this measure was the need to place the Romanian minimum wage in line with "European standards". However, if we compare Romania's proposed standard to those existent in other CEE countries, the ratio between the minimum and average wages would be much higher in Romania than in any other candidate country, even those more advanced in the EU accession process (Fig. 2)

Fig. 2. Minimum wage policy – regional comparison

	Cz	Hu	Pol	Sk	Ro
Minimum salary (monthly, Euro)	189	199	196	107	75
Average monthly salary (Euro)	481	426	510	297	131
Min / average ratio	0.39	0.47	0.38	0.36	0.57

Source: CESTAT Statistical Bulletin

It is not very clear what calculations were used in these bilateral negotiations between trade unions and the government, without the participation of the employer associations. Informal estimates place the overall gain to the government budget from direct taxes at 500-800 billion ROL. But on the other hand the state will lose, because a number of jobs will shift to the underground economy. The additional administrative costs alone are likely to offset the estimated profits. At present, the unemployment benefit is 70 percent of the minimum wage. Equally, the amounts allotted for encouraging employers to hire unemployed people and young graduates are 70 percent and 100 percent of the minimum wage, respectively. The increase in the overall level of the minimum wage will lead to additional budgetary expenditures of around 3,200 billion ROL.

Another negative effect that must be considered is the drop in the external competitiveness of the Romanian enterprises, which may influence the current positive trend of exports. The textile and the related branches, producing largely in Lohn system, make around 30% of the Romanian exports. The salaries are low precisely in this sector, which has been an important incentive for investors. Increasing the minimum wage will increase their costs. Recent estimates show that the profitability of private enterprises will go down by 5,600 billion lei, with an estimated GDP loss from 0.4 to 1%.

True, there are signs that such negative consequences might not be at this order of magnitude. The domestic business associations and the international financial

institutions have expressed their concern regarding the new burden imposed on the private sector, as well as the negative effects on the budget revenues, since many jobs are likely to migrate towards the informal sector (off-record comments from the Ministry of Finance put the fiscal loss to about 0.8% of GDP). In response, government officials have recently declared that the minimum salary regulations “may apply to the public sector only, and only in those units that do not incur operational losses”. If so, the implications are indeed much less significant.

This policy turn-around leaves many things in suspension and creates implementation problems – e.g. what does “public sector” mean exactly: budgetary institutions only, companies with 100% state ownership, companies with partial state ownership etc? These will presumably be addressed by subsequent implementation norms, which are usually drafted by ministerial staff with little if any consultation. The most important shortcoming of this way of legislating by under-specifying policy is that it perpetuates the traditional gap between written norms and actual practice. Passing laws that we know in the first place are not meant to be enforced ad-literam, but according to some quasi-informal guidelines issued by the central bureaucracy, undermines the very principle of the rule of law and only increases the disregard for written norms. Norms that are interpretable and can be enforced selectively represent the best source for vicious behavior in the public sector. Instead of instructing people to disregard the provisions of a legal act in certain cases, it would be much better to write a workable text in the first place.

Apart from the dramatic increase of the minimum wage, the government has also conceded to lift pay restrictions in public companies that are in the black, has promised pay increases above the inflation rate in the public sector, and has breathed new life into the Indexation Commission, which is supposed to make sure that the minimum wage keeps pace with the value of a basket of consumer goods.

Occupational Pensions

The pension reform zillion-part soap opera has made a new turn in 2002. The previous year, the revised pillar I (Pay As You Go) had come into force. International donors had found it barely passable. While its design was applauded, the parametric changes introduced were deplored:

- The increase in the retirement age is phased in along 14 years, which makes it rather irrelevant – by the time it took full effect a new parametric evaluation will have to take place;
- In addition, the value of the pension point (decided yearly in the Budget law) is allowed to fluctuate (upwards) too much, which creates a window of opportunity for election bribery by governments.

The introduction of pillar II (mandatory private insurance) was provided for 2002 both in the agreement concluded with the World Bank, and in the one concluded with the European Union. Actually, pillar II had been introduced through Emergency Ordinance by the out-going Isarescu administration in 2000, but was promptly suspended by the in-coming government of Adrian Nastase.

Instead, the government came with a new version for the third pillar – supplementary, voluntary insurance. The third pillar is practically already in operation, as private life insurance and pension plans. Currently, there is no specific regulation for them

The Romanian pension reform combines two risky elements: trade union control, and occupational schemes

however. The importance of the new draft consists in the fact that it will allow for the functioning of voluntary occupational pension schemes, non-existent so far in Romania. Occupational pension schemes consist of pension plans that involve all the employees of a company.

One of the factors that led to the downfall of the Isarescu Ordinance was the opposition of the trade unions, interested to have access to the management of the pension funds. Such access was practically denied in the 2nd pillar as set up by the Isarescu Ordinance, mainly due to the high capital requirement for market access. Occupational pension schemes reserve an important role for trade unions. This leaves open a back door for the trade unions towards the high prize of the 2nd pillar. The trade unions will be able to start their occupational schemes at once, and gather enough experience and scale until the commencement of the 2nd pillar. Thus they will be in a good position to lobby against the restrictions for access to the 2nd pillar market by the time this will become operational.

In a country traumatized by recent financial crashes, building the credibility of the new pension industry will not be helped by the interference of trade unions. Moreover, the international experience provides a number of examples of occupational pension schemes that went awry, of which Enron is only the most recent case. Occupational pension funds have the tendency to over-invest in the stock of the company, and therefore do not provide an adequate diversification of risks. In addition they provide a large sum of money handy for unscrupulous company managers to embezzle or use in risky schemes of their fancy. In spite of all these doubts, the government appears once again to have succumbed to trade union pressure.

Cloudy Future

The government appears to have bet its political future on the relationship with the trade unions. In each policy conflict, the government sided with the unions. Moreover, inside the cabinet, the Ministry of Labor, with the support of the Prime Minister, has won the battles with other departments – e.g. the Minister of Health has publicly endorsed the idea of merging the health fund with the social insurance fund, and the Ministry of Finance was overruled in the hike of the minimum wage.

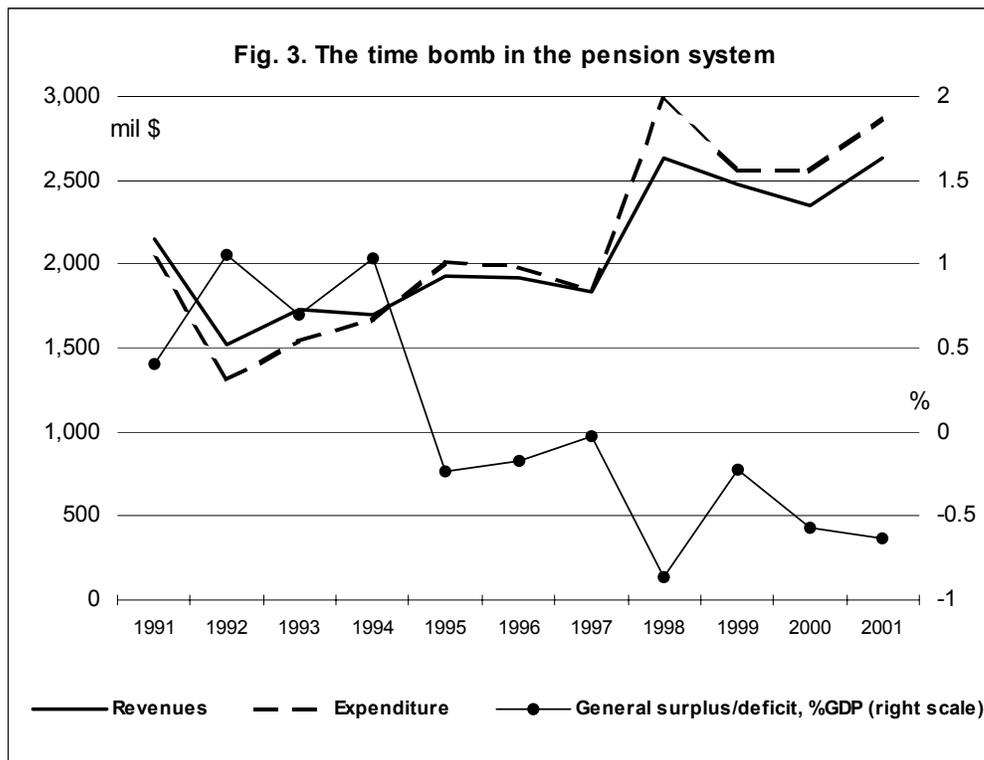
The influence of the trade unions looks rather inflated, as there are only 4 million legally registered full time employees out of the estimated 8 million Romanians who actually work, and only half of these 4 million are trade union members. Romania has one of the lowest unionization rates in Europe. Moreover, the hardcore of the trade union movements is represented by public sector companies and utilities, which are, sooner or later, to be privatized. The key for the survival of the trade union influence rests on its ability to get roots in the private sector. The Trade Union Law, and the new labor Code are designed to achieve this, but the success is far from guaranteed.

The government has bought the 'social peace' it longed for. It will have to pay the price for its generosity however. The pace of the restructuring of the economy has slowed down: while the number of jobs axed in the public sector was 253,000 in 1999 and 243,000 in 2000, under the Nastase government it declined to 64,000 in 2001 and 14,000 in 2002. By the share of GDP devoted to state support for the economy, Romania is already the most interventionist state among the candidate countries: in 2000, the Romanian government has spent 1.9% of GDP for state support measures,

as opposed to 1.3% on average by the other EU candidate countries, and 0.8% for the EU members proper.

The huge increase in the minimum wage and the added rigidities and regulations of the Labor Code will further burden the Romanian economy. In addition, the occupational pension schemes pose risks, which might come to haunt us in years to come, under different future governments.

The government is facing already a dire situation in the pension fund. Fig. 3 shows that the improvement expected when the PAYG pillar was reformed in 2000 failed to materialize. The Labor Minister Sirbu claims that the public pension system faces bankruptcy in two years time. One solution envisaged was the merger of the pension fund with the health fund. This would have resulted in the surpluses of the health fund financing the deficits of the pension fund. There was strong resistance from the public opinion against this measure, when it was aired in 2002. It is not likely to attempt again, especially since it actually succeeded to some extent. The surplus of the health fund was eliminated, partly by reducing the health contribution of the employees, and partly by eliminating the health contribution of the pensioners. The latter will not be returned to the pensioners in increased take-home pensions, but will be kept by the pension fund. A way out from the self-imposed constraints of the new legislation will be the very Romanian way of relaxing this new legislation, by weak enforcement and granting of exceptions.



GO WEST

Migration and development in Romania. Consequences for EU enlargement

by Sebastian Lăzăroiu

It has been argued that emigration can alleviate some of the problems faced by developing countries. Emigration can relieve labor market pressure and generate remittances, which constitute an important source of foreign exchange and income for migrants' families. Financial and human capital transfers occurring through return migration can have a positive impact as they help improve the quality of life back home and promote socio-economic development. On the other hand, it has been stressed that emigration can also hamper development of the sending country because the most dynamic and ambitious people have a greater propensity to go abroad. The loss of skilled manpower—the so-called brain-drain—may have detrimental effects as it weakens human capital. Also, migrant remittances do not necessarily have a positive developmental impact on the sending country as they may be used for the consumption rather than investment purposes, or may they generate a problem of inflation.

Source: Ammassari, Savina and Black, Richard, Harnessing the potential of migration and return to promote development, IOM, August, 2001

TRENDS

Migration has always been regarded as an important development factor for countries of origin. This relationship is implicit in different theories and studies conducted in origin and destination countries focusing on risk diversification in rural areas (non-farm occupations), labor migration (or labor itself seen as export commodity) and savings/remittances. The hidden common sense assumptions are the following:

- Migrant workers earn sometimes salaries 10 times higher in the destination countries than they could ever earn back home. The savings and remittances are sent back to the sending countries and may improve community development or household standard of living.
- Migrant workers usually have access to new technologies and they can import skills in the origin countries that are supposed to improve the human capital stock after the return of the migrants.
- Migrant workers develop social networks and relationships beyond the origin country borders, which in the long run may promote international business and economic exchanges to the benefit of the whole community/ region.

The three hypotheses above are worth discussing in the Romanian context. International migration as intense as it is now represents a rather recent phenomenon for Romania. After

the communist régime collapsed migration flows from different regions of the country have slowly evolved into institutionalized migration networks. Still, not all the regions have the same level of international migration. Western areas (Transilvania, Banat, Crisana-Maramures) have traditional, well-established flows to Western European countries. Moldova has also become recently a migration-sending region especially to Italy, but southern regions like Oltenia and Muntenia are still low migration-sending reservoirs.

With regard to the level of remittances, an increasing consumption and investment in long-term commodities is visible in some rural communities: houses, cars, even agricultural machines. Of course, this is not that obvious in terms of community infrastructure, and social inequalities might increase whenever the group of migrants is small and strongly concentrated within the community. It is also true that sooner or later migration flows will extend to other groups in the community and the relative deprivation proves to be an efficient incentive to acquire household and community welfare through migration. There is also a risk that those Romanian communities will become dependent on financial in-flows from migration, which might bring about significant disruption whenever economic crisis or circulation restrictions occur in the receiving countries. The real problem of dependency in this particular case is the share of migration money allocated for household consumption and the level of investment in business or other sustainable activity.

In terms of human capital it seems that Romanian migrants are either highly skilled and ambitious, or just ambitious persons. Highly skilled migrants do not necessarily improve their qualifications while abroad and it is their absence that creates deficits on domestic labor markets. Although there is no reliable data source to support this, it seems that most male migrants work in the construction sector abroad. As the economic growth in Romania is supposed to be substantial in a few years, this will be reflected in the level of investment in buildings and infrastructure, which will require skilled labor in this sector. However, the salaries are not going to be attractive enough to encourage the return of migrant workers. The real gain of migration is for unskilled or low skilled migrants who are supposed to acquire knowledge and abilities while abroad to be transferred to the benefit of the Romanian economy. Unfortunately, there is no law provision to acknowledge this kind of skills acquired through practical exercise in order to survive in a foreign country. On the other hand, the technological transfer will always lag behind the human capital transfer so that the returned migrants will not be able to use their knowledge in Romania in the next few years.

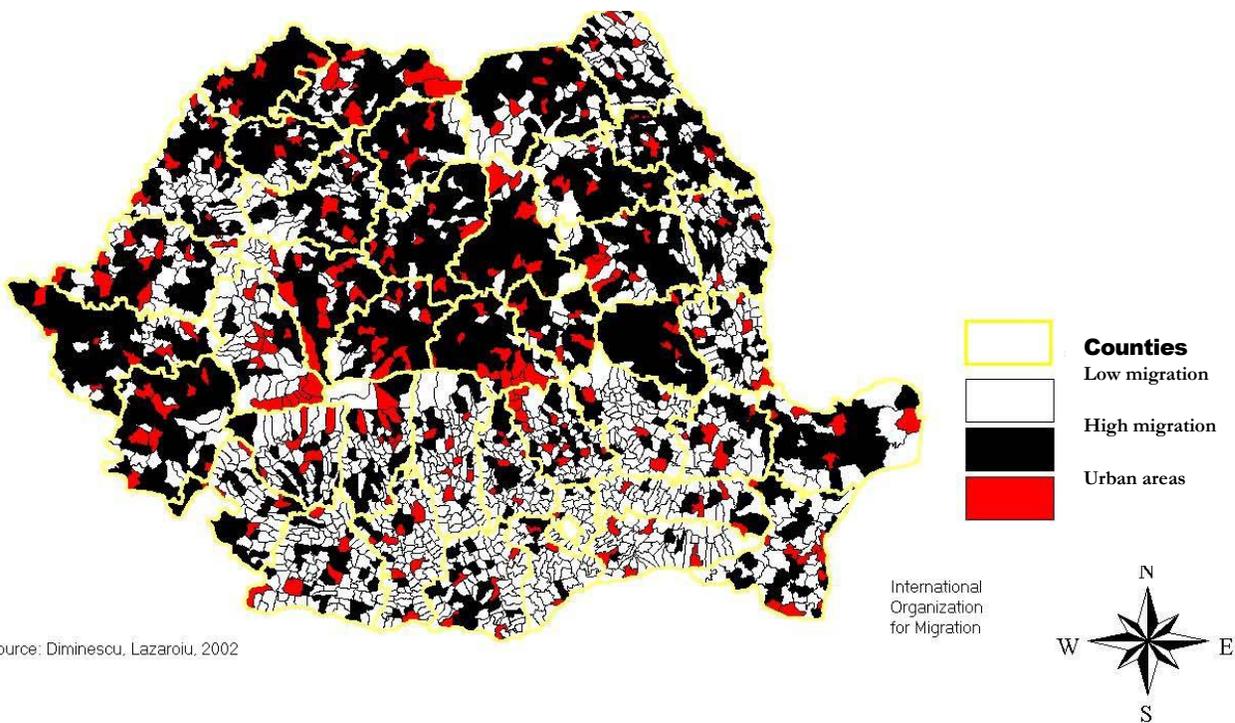
Social capital transfer or the benefits associated with migrants' transnational connections have not received enough attention in studies worldwide. With regard to Romania, local community studies evidenced that there is a low investment of migration money in business activities. Foreign connections are either co-nationals working abroad or contacts with foreign entrepreneurs used to renew labor migration cycles. The concentration of migrants' community in certain residential areas abroad as well as fear of contact with immigration authorities decrease the likelihood of contacts with foreign citizens and hinder the potential of transnational businesses.

Dependency on remittances can make communities vulnerable to changes in immigration policies or economic crisis in host countries

Fig. 1. Heterogeneity of destination countries for circular migration



Fig. 2. Circular migration ratio



The relationship between migration and development is not straightforward. As most scholars acknowledge, international migration is both a dependent and an independent variable of development. Western regions of Romania have always been economically better off and had a significant experience of internal mobility before and after 1989, while the eastern parts (such as Moldova) were and still are poor. Further studies must reveal to what extent the migration to Italy of people from Moldova has improved the living standards.

Migration as a selective process (migrant profile)

The charts in Fig. 3 below strongly support the idea of a highly selective character of the Romanian international migration. This means that not every Romanian traveled abroad for tourism or work after 1990. It is clear from this data that males are more likely to migrate than females. Also people with a college or university degree are more mobile than people with a low level of education. Young people are more inclined to travel abroad to find a job than old people. Romanian citizens with an ethnic background that is different from the majority are more likely to migrate. Equally, people belonging to other religious confessions than Christian orthodoxy are more likely to migrate. It has been also highlighted above that international migration is selective by country region. This selectivity may have some implications for the impact on development:

- The economic distribution of roles within the household is likely to change as more women will start to migrate.
- Rural population will continue to suffer from shortage of young people.
- Human capital is not going to improve as long as highly skilled people migrate.
- Regions with high religious and ethnic diversity will benefit more from migration (particularly Western regions of Romania).

Migration networks

Migration networks or social capital associated with migration is commonly considered in direct relation with human smuggling and organized crime. As more Romanian communities benefit from circular migration networks, it is important to make the distinction between human smuggling and circular migration networks. This kind of web connections has started to appear as soon as mobile persons realized that formal institutionalized channels of travelling abroad for work are highly restrictive and the domestic government has no special policy to encourage or discourage labor migration. Once a critical mass of labor migrants was created in the destination country, informal arrangements were made between successful migrant workers and non-migrant friends or relatives from the same community.

These arrangements should be differentiated from other informal arrangements between persons patronizing corrupt networks to serve for an amount of money people willing to find a job abroad. Moreover, this kind of networks should be separated from trafficking in women organized crime in the Balkan area. Previous studies showed that trafficking in women is unlikely to occur in communities with strong traditional migration networks (Lazaroiu, 2000). This is because the migratory

Networks should be more carefully treated as useful devices to prevent human trafficking and strengthen solidarity between migrants and non-migrants in the community of origin

selective process and gender roles in migration are well-established and carefully monitored by the community.

Fig. 3a. Romanian migrants after '90, by gender

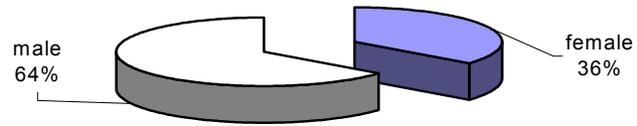


Fig. 3b. Romanian migrants after '90, by age

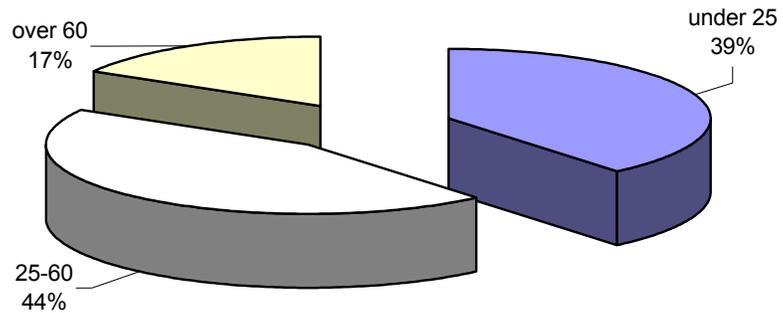


Fig. 3c. Romanian migrants after '90, by education

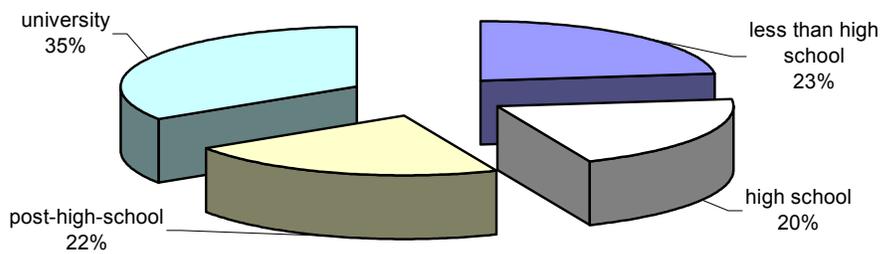
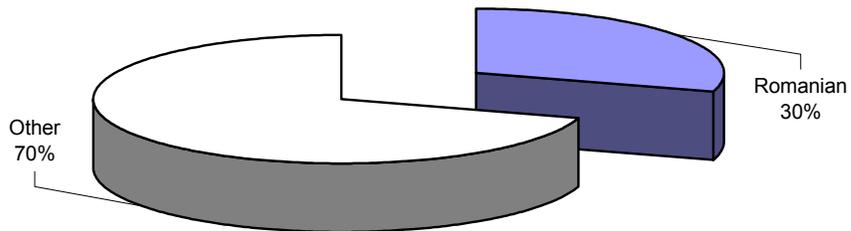


Fig. 3d. Romanian migrants after '90, by ethnicity



Migration networks are important not only for maintaining the flows of movement and free circulation of labor, but also for preventing human smuggling and trafficking in women. As informal as they may be, they are well organized and continuously developing a set of rules. They transport not only labor and money, but also crucial information about immigration policies, labor market and dwellings in the receiving countries. They are regarded with suspicion by authorities especially because sometimes their own rules transgress the immigration/emigration provisions. On the other hand, migration networks are to strengthen solidarity between migrants and origin community and also to create transnational practices that will soon impact on infrastructure development and business environment back home.

Migration networks should be considered as functional devices for:

- Speeding up and easing mobility of labor force
- Preventing human smuggling and trafficking in human beings
- Creating solidarity between migrants and non-migrants in the sending community
- Increasing likelihood of transnational practices related to investment in infrastructure and business environment.

Authorities both in the sending and receiving countries should pay more attention to these networks in order to keep them within the law limits, and also encourage association between migrants and non-migrants from the same communities. They should be clearly separated from organized crime related to trafficking in human beings, as sometimes they may prevent potential migrants from falling victims to traffickers.

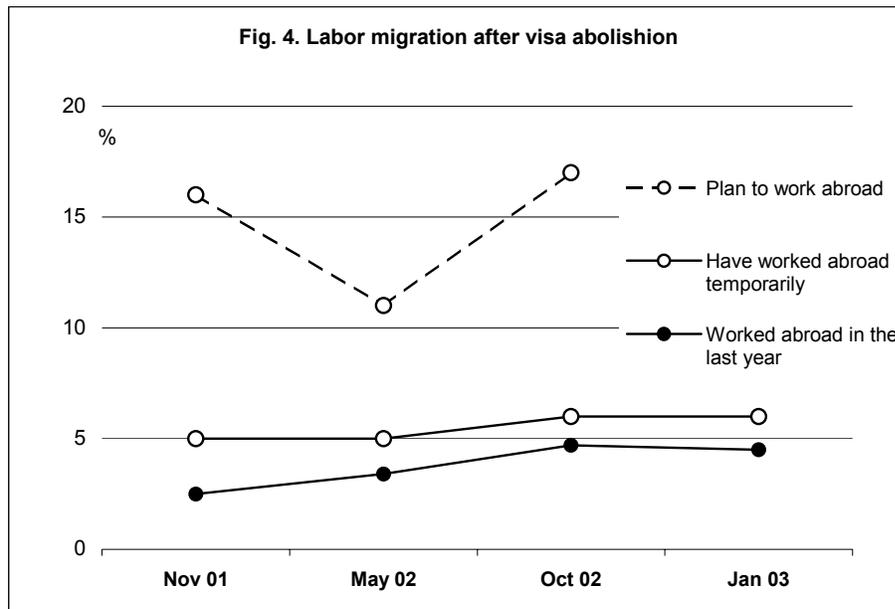
EU: one year of free movement

It is interesting to note that in November 2001 only about 47% of the adult Romanians envisaged that they would be able to travel to EU countries without a visa, just one month before the decision was made to abolish visa restrictions for Romanian citizens. One year after, 55% of the adult Romanians feared that visa restrictions might be reconsidered by the EU as a consequence of negative media reports on Romanian beggars and thieves abroad. Moreover, 64% of the Romanians believe that there are certain categories of co-nationals that should be denied the right to leave the country since they gave a bad name to honest Romanian travelers.

There were also concerns from Romanian authorities and some EU officials that a massive exodus of illegal migrant workers would follow the lifting of visa restrictions for Romanians. More realistic voices claimed that there would be a minimum effect in terms of the volume of migrants leaving the country.

Estimates in chart below show that there were no reasons for worry. There is a slight increase of adult people who traveled abroad in 2002 as compared to 2001. Also there is a slight increase in the number of people who worked abroad in 2002 as compared to 2001. It is true that the latter figure actually doubled, but the volume is still not indicating any trend of labor exodus. Even in terms of intention to migrate for work the figures before and after the lifting of visa restrictions show no noticeable increase. There is a constant percentage of about 16-17% of adults planing to find a job in an EU country. Out of this number only 5% have already taken concrete steps, which is the corresponding rate of labor migration after 1990.

Worries over labor exodus were not vindicated; after EU visas were abolished labor migration has not risen by more than 5%



By the end of 2002 about 17% of the Romanian households reported at least one member having worked abroad in the last 12 years. Highly selective migration in terms of gender and age accounts for the difference between the number of individuals and the number of households that reported having worked abroad after 1990. The usual pattern is male finding a job abroad and women, old parents and children staying home. Seldom men and women migrate together, and this happens especially with young couples.

Changing patterns of Romanian migration and future challenges

There are changing patterns of migration after the decision of the EU to abolish visa restrictions for Romanian citizens traveling to Schengen countries. One has to remember that the decision was made only after the Romanian authorities proved that they were able to control transit and domestic migrants. This means that more normative restrictions were imposed by Romanian authorities on Romanian migrants, including severe sanctions for illegal actions abroad (ranging from prison to restraining rights to travel abroad for a while).

Migrant workers will have to adapt to the new conditions, especially the period of legal staying abroad as tourists, which is of 3 months. For legal migrant workers or undocumented migrant workers already belonging to strong networks the EU decision at the end of 2001 had no significant impact. For new irregular migrants it will be a difficult time, because they have to find short-term jobs (3 months) then return to Romania until the next cycle of migration.

Different studies highlighted that favorite destinations for labor migration changed progressively after 1990, depending on how restrictive immigration policies became in receiving countries. At the beginning Germany was number one, but in the last 3 or 4 years Spain and Italy have become favorite destinations for Romanians. It is likely that more restrictive immigration policies will become active in the EU member countries and new Romanian migrants will choose as destination the new EU members: Hungary, Czech Republic and Poland, as they are not yet prepared to control labor migration on their own market.

Romanian authorities were rather shy in tackling the issue of international migration after 1990. This is due partly to Western media releases on Romanian citizens' criminal activities in EU states, which made the topic sensitive, but also to a certain

political reluctance to accept the brain drain phenomenon. The negative consequences were highly visible in terms of restrictive regime of circulation for Romanians, flourishing trafficking business in the Balkan area, uncontrolled labor migration. Nowadays concrete steps have been taken for signing labor exchange bilateral agreements with different EU countries. A state-controlled office for migrant labor was established in order to decrease fees in private market and improve the quality of services and protection of Romanian workers abroad.

There are countries in Southeast Asia, Central and South America, which explicitly design policies and institutions to export labor and import financial capital from migration. Exporting labor is not an explicit policy of the Romanian Government and an aggressive policy of this kind is not recommended. However when negotiating free movement of people with the EU, it should be underlined that :

- Migrants can bring benefits to both sending and receiving countries.
- A reasonable set of regulations regarding migration control proves to be more efficient than tough anti-migration policies.
- The poorest and low educated migrants are the first to benefit from circular migration. This could help closing the historical lagging behind and could be even more efficient than foreign aid managed by public institutions.

There is a lot more to be done in order to regulate flows of labor migration and increase incentives for migrants investing money in community infrastructure and business activities, while spending less on consumption. Protecting migrant workers through bilateral agreements, achieving an equal labor status for Romanian immigrants on foreign labor markets, encouraging return and transnational business practices are the first steps that should be taken.

**Romanian
authorities should
create incentives
to return
migration and
investment in
businesses and
community
infrastructure**

ROMANIAN PEASANTS DESCEND TO ITALY

A case study in circulatory migration²⁰

A Romanian peasant became famous at the end of the 19th century (and was later included in school textbooks) for taking the trip down to Rome by foot, falling asleep near Columna Traiana (the memorial of Dacian wars) in the Roman Forum, and being taken by curious tourists the following morning for an ancient Dacian climbed down from the Column. Because of his clothes the resemblance was apparently striking – or at least so they say. In fact, both the peasant in question and his contemporary legend were heavily influenced by domestic Romantic historiography, stressing the direct link between modern-day Romanians and their mythical ancestors, the Dacians and Romans, who clashed in two major wars at the beginning of the second century AD. Today, after the Schengen visa restrictions for Romanian citizens have been lifted, the events are much less heroic and picturesque, but no less significant. Tens of thousands of individuals coming from the territory conquered by Emperor Traian two millenia ago are believed to be working in EU countries; many of them are in Rome and the cities of northern Italy. This is a brief case study exploring the impact of this large-scale temporary migration of Romanian peasants in search for work, and the reasons why people coming from the same geographical area tend to cluster around some preferred destinations.

**Free movement
of labor is the
best help EU
can give to
poor candidate
countries**

Vulturu village in Vrancea county (a relatively poor region in Eastern Romania) has 1,400 households. Over the last ten years complex networks have emerged, through which people have gone to work in Italy. There are very few households without someone having gone to work abroad. These people were the first ones to be hit by industry lay-offs, for there was an unofficial policy that companies in Focșani (capital of the district) should fire first the workers from the countryside, since they were thought to be able to survive on their household's agricultural products. Having been left without an income, people turned to more daring solutions. If we take into account that a peasant working in Italy can send back home on the average about 150-200 Euro each month, and each household has on the average one member who works over there, we can easily estimate the amount of capital entering the village economy through these „migrant workers”.

²⁰ This short case study by SAR is based on field research data and the doctoral candidate thesis of *Ionela Bumbu Vlase, Neuchâtel University, Switzerland*

No. of households in the Vulturu commune	1,400
Estimated monthly transfers/household, Euro	150-200
Estimated annual private transfers to the Vulturu community, Euro	1-1.2 million
Total annual budget of the Vulturu local government, 2001, Euro	340,000

A conservative estimate based on the data above shows that the total resources earned in Italy and transferred home by the peasants from Vulturu in one year amounts to about three times the size of the local government's budget (table). If this is so, it becomes obvious that free movement of labor is by far the most significant aid the EU can give to Romania (and probably other candidate countries as well). Not only that the resources involved exceed the total funds in pre-accession assistance programs, but they are also more „healthy” and efficient, being earned and spent exclusively by private actors who know best what their needs are.

The money sent home by those working abroad is invested mostly in house construction or modernization. All of those who left want a house or a car in the first place. Electric home appliances as seen in the country where the villagers work come next, as they are deemed to be a necessity according to modern day standards. The influence of the foreign culture can be seen in the tastes they have borrowed from the Italians. They even gave up their traditional house layout and adopted instead models learned in Rome or Milan. In some cases they used the savings to start small businesses: trade, real estate, small dairy or bread factories.

The path of an immigrant is not easy but the already existing support networks do provide some form of security. Until January 2002, when Schengen visas were lifted, they would try to obtain a tourist visa for a few days and then they would continue to stay there illegally after the visa expired. They soon realized that Italian authorities would cause them problems only if they broke the law. During the time they work there, Romanian migrants try to obtain a temporary visa, which has been in use since 1994, when the number of immigrants has increased dramatically. In order to obtain such a visa one has to have a relatively stable working place and a rented home.

The family: the most efficient migration network

Facing the unknown, people have organized networks to help those who want to work in Italy. The ones who already left send money for the trip and other expenses to relatives who want to join them. This is considered to be a loan with no interest and payment date. In order to be able to pay it back it is necessary that the migrant reaches Italy and finds a job quickly. Usually the young get married first and then leave, for this way someone is left behind to take care of the elderly (traditionally the young wife lives with the in-laws). On the other hand, the average marriage age is still low in these parts (22 for men and 20 for women), and if the plan to save money takes a few years they

might not find suitable partners upon their return. Another very important reason for leaving after getting married is that the newly wed man who wants to leave for Italy will now have a source of money, namely the *wedding gift*.

If the wedding gift hasn't been saved for such a trip or if the decision to leave was made later on, all members of the household participate in the gathering of the necessary resources: *I wanted to leave for Italy to find work, especially since I got married and life is getting hard. I got married in 1992, right after having gotten laid off, and ... obviously I needed a house, so I decided to leave for Italy. I had to make some sacrifices, of course, my family helped me also, I sold all the animals in the yard, the cow, the pig ... everything I had and I gathered about 70% of the money, after that I did all I could, I borrowed from here and there and I left.* (P.S., 33).

Besides the young, most of which left, a large number of older men, who were over 40 years of age, married and with one or more children, chose the same path. The decision to leave is much harder for them, as they have a lot more responsibilities at home. They must be sure that they really want to take this step, for there is no turning back and they cannot afford to lose such a large amount of money as the one they need for the trip to Italy. For them it is essential to already have somebody in Italy that would secure them a job even before they leave. Usually women leave for Italy only if their husbands are already there, holding a relatively steady job, earning good money and being able to support another person. Besides money, their husbands offer them the necessary information, money and connections for the trip: where to go, whom to ask, how to obtain the visa, etc.

The village relational model is translated in the migration space as well. The Italians prefer to hire recommended persons: *"I work for someone and that person is telling me: get me one of yours, a peasant of yours, that is one of your villagers, for I need him for one, two, three days. It suits them, they don't want just any nationality* (P.S.). The main rule for those who leave for the first time is to have a book full of addresses where they can go after arriving in Italy, for not everybody will be able to help them. This is an absolutely necessary precaution for a migrant. For the Vulturu villagers, which settled in or around Rome there still is the possibility to meet somebody from home in a park or in one of 'their' bars where migrants from the village have been meeting for a couple of years now. This is a way to help each other when in need, to exchange information and news from home and to find jobs. This way an informal network was created which is based on the principle of social exchange and reciprocity, and which allows assimilation on the job market in Italy. This network proved very efficient as those who went to Italy managed rapidly to find a job or a home. Another sign of solidarity of the Romanian peasants who work in Italy is the fact that in many cases they live together, share the same living space with their brothers or friends, as they knew each other from home. They celebrate birthdays or other events as they used to do at home. They also share indirectly the joys and sorrows of the ones left behind. They keep in touch permanently through phone and mail and they send parcels. This even created the opportunity for a profitable business for those who thought of creating a transportation line Rome-Vulturu and back for

sending those parcels. Those behind this idea are villagers, and the peasants from Vulturu prefer this means over institutionalized mail services. The villagers consider their migration experience as beneficial in the sense that they have accumulated some information and work skills, and they have simply seen a different world. Now they consider themselves capable of starting a business since they have come across a few examples there, and some even think of applying them upon their return.

In conclusion, seasonal migration (or circulatory) is an economic strategy for the subsistence of a household, which gives one or more of its members additional economic roles. These have to provide both for their own needs for survival in Italy and for their household in the village of origin. At national level the tendency to migrate is stronger in the poorer regions. In regions with no short or medium term perspectives for development the population comes up with complex survival strategies, which imply risks and emotional traumas but secure the necessary resources. *Out of the 14 households on this street only one does not have any member gone to work abroad.* The data collected from the field suggest that money is spent mainly for the following purposes:

- **Refurbishing or building a house: 10 out of 14 households spent the money earned in Italy on consolidating the old house, building a new house, buying construction materials, rebuilding the fence, buying land for building a house. This shows that these people intend to come back, and they have long term plans in Romania. Actually, people working in Italy acknowledged that their main objective is the construction or modernization of the house. More than half of the money is spent for this purpose.**
- **Starting a business (productive expenses).** Out of the 13 households who receive income from Italy only two have invested in a business, and that is related to trade.
- **Living expenses for the ones left behind.** In the 14 households, even though all have land at their disposal, the income is very low or inexistent. In the other households the income consists of small pensions from the Agricultural Cooperative (CAP) or due to illness (amounts between 200 – 500 thousand ROL), or small salaries. *The money sent from Italy constitutes the main source of income for the majority of the households.*
- **Expenses for luxury articles.** This is about the acquisition of very expensive goods: a foreign made car, modern electric house appliances, or entertainment/leisure. The weight of these is small when compared to living expenses, which receive highest priority. These expenses are not absolutely necessary, but they provide for an extra prestige for the person in question. The fact that one drives a more expensive car or one dresses differently raises one's social status and strengthens one's possibilities for connections.