

THE RELATIONSHIP BETWEEN THE ECONOMY AND MIGRATION

Professor, Ph.D., Catalin ANDRUS

Director of the National College of Home Affairs

E-mail: catalin.andrus@cna.ro

Ph.D., Lucian IVAN

National College of Home Affairs

E-mail: ivan.lucian2@gmail.com

Abstract: *Economic migration is the most important component fuelling the global migration phenomenon. The current paper focuses on describing the phenomenon of economic migration with an emphasis on identifying and describing the main factors impacting this phenomenon. Thus, the following factors have been identified: the dependence of the world economy on innovation and the exponential development of technologies especially IT&C, digitalisation and digital transformation of the economy and central and local public administration, polarisation trends of the world economy by shifting from "globalised economy" to "autonomist economy", trends of diffusion of economic power between states, change of economic paradigm against the background of demographic developments worldwide, lack of critical resources needed leads to migration of population from deficit areas, including to the European Union. These factors shape the phenomenon of global economic migration and induce trends in global population movement.*

Keywords: *migration, economics, technology, paradigm, autonomist economics, digitalisation.*

JEL classification: *J6.*

1. Introduction

Economic factors have the greatest impact on the migration phenomenon, influencing large movements of people from poorer to richer areas. Although seemingly simple, the phenomenon of economic migration is a complex one, as purely economic factors are dependent on other factors, such as technological, legal (migrant legislation in the destination country), the level of acceptance of the population in the destination country, the capacity of migrants, especially from the Middle East and Africa, to integrate into Western society.

Migration can be described as a spatial phenomenon, as it involves a change in a person's place of residence over a varying or fixed period of time. Migration involves the movement of population, either within a country which is internal migration, or outside the borders of a country called international migration.

A person's motivation to leave their home country is based on a combination of economic, political or ethnic factors. A number of attractive factors can be observed that may influence the migrant's decision to leave the country of origin, such as improved quality of life, personal and professional development, as well as political factors such as respect for rights, law and freedom, safety and security.

Economic factors have the greatest impact on the decision to leave the country of origin. Migration is driven by the wage differentials between two geographical regions, the migrant's country of origin and the destination country. They will look closely at all their options and choose the one that will maximise their utility and meet their needs at the time. The main reason migrants choose to leave their home country temporarily or permanently is to increase their income. The direct and positive correlation between an increase in the migrant's income and an improvement in the quality of life of the migrant and his/her family, access to better health care systems, educational systems for children, personal and professional development and other needs influences the migrant in choosing a new destination.

2. Factors and consequences of economic migration

Economic migration within the EU can be attributed to several factors:

- **Employment opportunities:** workers may migrate to countries with stronger economies in search of better job prospects and higher wages. This is particularly common in sectors with labour shortages, such as healthcare, IT and hospitality.
- **Economic disparities:** Disparities in wealth and income levels between EU countries can push individuals and families to seek better economic opportunities elsewhere. Countries with higher living costs or lower wages may experience migration flows to countries offering opportunities.
- **Unemployment:** High levels of unemployment in some regions may lead individuals to seek employment in other EU Member States where job prospects are more promising. This can create a flow of labour from areas with few job opportunities to regions with growing economies.
- **Education and skills:** some people migrate to take advantage of educational opportunities or to acquire new skills in demand in other EU countries. Access to quality education and training programmes can attract migrants who want to improve their career prospects.
- **Business opportunities:** entrepreneurs and business professionals can migrate to EU countries with a favourable business climate and regulatory framework to start or expand their business. This can contribute to economic growth and job creation for both migrants and locals.
- **Social benefits and social protection systems:** some people may migrate to EU Member States with more generous social protection systems or better health services. This can put pressure on social services in destination countries and influence public perceptions of economically-driven migration.

Migration within the EU for economic reasons has several consequences, both positive and negative.

Positive consequences:

- **Economic growth:** Economic migration can help boost the economy by filling labour shortages and contributing to overall labour productivity.
- **Cultural exchange and ethnic diversification:** Migration brings people from diverse backgrounds together, leading to cultural exchanges and promoting tolerance and understanding between different communities.
- **Innovation and entrepreneurship:** Migrants often bring new skills, ideas and entrepreneurship that can contribute to innovation and growth in the host country.

Negative consequences:

- **Pressure on resources:** Large-scale migration can put pressure on public services such as health, education and housing, leading to resource depletion and increased competition for scarce services.
- **Social tensions:** Migration can sometimes lead to social tensions, especially if the local population perceives migrants as competing for jobs or resources. This trend is particularly evident in economic downturns, which substantially reduce state resources for areas critical to society, such as social systems, health, labour market, etc.

- **Integration challenges:** Economic migrants can face challenges in integrating into the host society, such as language barriers, cultural differences and discrimination, which can lead to social isolation and exclusion. Against this background, in some societies in EU Member States, there is a growing extremist current in favour of anti-migrant and anti-migrant behaviour in favour of migration and migrants, by invoking their access to the resources of these countries.

3. World economy - dependent on innovation and exponential development of technologies.

In this context of unprecedented development of information technologies, there will be greater economic polarisation between developed countries that promote innovation and technological development and less developed countries that are unable to invest sufficient funds in education and, consequently, in the development of innovative technologies and R&D. In this context, the divide between economically developed and poorer countries will become even more marked in the coming period, with the phenomenon of economic migration from poorer to economically developed countries, including EU Member States, set to increase.

Thus, globally, the trend of investing in research and development and the adoption of emerging technology will continue at an accelerated pace, which will continue to drive economic growth. New technologies such as artificial intelligence, blockchain and renewable energy will play a significant role in the global economy. Against this backdrop, developed country governments as well as developed country companies will exponentially increase financial and economic resources to develop and generate new innovative ideas, products and technologies. Public-private partnerships between government institutions, private companies, academia and other institutions can also facilitate the transfer of knowledge, technologies and resources to accelerate the innovation process.

To facilitate innovation, governments can provide tax incentives and subsidies to support companies and start-ups that develop innovative new technologies. In this context, investment in lifelong learning can help prepare a skilled and innovative workforce able to capitalise on the opportunities offered by technological progress. This coupled with the cultivation of an organisational culture that encourages creativity, critical thinking and risk-taking can stimulate innovation and the uptake of emerging technologies.

Another very important element is the accessibility and sustainability of emerging technologies, in terms of ensuring access to technology and innovation for all citizens and creating socially and environmentally sustainable solutions, which are essential elements in the long-term development of innovation and technological development.

4. Digitalisation and digital transformation of the economy and of central and local public administration

The manifestations of the digitalisation and digital transformation process that will lead to the automation of production processes are:

- Using digital technologies to automate repetitive and monotonous tasks, such as processing data and information, managing stock or communicating with customers;
- Implement new technologies, such as artificial intelligence (AI), the internet of things (IoT), blockchain or virtual reality, to improve existing products, services and processes or to create entirely new products and services;

- Big data and information analytics: collecting and analysing vast amounts of data to derive valuable insights and make accurate, timely and informed decisions;
- Cloud computing: using IT resources and services available over the Internet, such as storage, computing or applications, to improve the efficiency and accessibility of information;
- Artificial intelligence and machine learning: the use of algorithms and technologies to learn and perform complex human tasks such as speech recognition, image analysis or personalised recommendations;
- Business model change, in the sense that companies can move away from traditional business models in favour of digital models, such as subscription-based services, e-commerce platforms or partnering with other digital companies;
- Digitalising customer relations by using digital channels such as websites, social networks, mobile apps or email to better and more efficiently interact with customers, collect feedback and provide personalised technical support;
- Transforming organisational culture by adopting a digital mindset and promoting innovation, collaboration and adaptability within the organisation to adapt to the changes promoted by the digitisation process.

Due to the unprecedented development of information technologies, economic power will shift to multifaceted and amorphous networks that will influence the actions of states and the international community. In this context, a 'dictatorship' of large multinational corporations operating in the IT&C area will be realised, which will have the ability to influence the political and social environment in order to obtain significant economic benefits.

At the same time, the adoption of digitisation and the digital transformation of the economy and of central and local public administration will lead to the laying-off of staff, as well as the hiring of staff with advanced digitisation and IT skills.

In this context, the integration of third-country migrants into production in EU Member States will become increasingly complicated, given that the vast majority of them come from economically underdeveloped countries with a low rate of digitisation. In this respect, the integration of migrants into digitally developed societies requires significant financial and educational resources to prepare them to meet the demands of the labour market.

5. Polarisation trends in the world economy through the shift from "globalised economy" to "autonomist economy".

The US Administration's recent policy of unilaterally imposing duties and tariffs on imports of goods and services from third countries, including EU Member States, will lead to a decline in exports to the US, while at the same time redirecting supply to other areas of economic potential. If the transatlantic economic relationship does not normalise, EU Member States will have to find new business partners elsewhere and the EU economy will suffer in the short to medium term.

In this context, the EU needs to accelerate the negotiation process with the US to agree on an acceptable level of tariffs and duties that does not dramatically affect the EU economy, and to take a more pragmatic approach to explain to US policy makers the benefits of a long-term transatlantic agreement that brings prosperity to both sides.

This process will also lead to greater polarisation and a widening of the gap between economically developed and poor countries, which will inevitably increase economic migration from disadvantaged to economically developed areas, including EU Member States.

The following measures are needed to close the economic and social gaps worldwide:

- Quality and accessible education for all, with the aim of ensuring that all citizens have equal opportunities to develop their skills and competences;
- Effective social inclusion policies that support disadvantaged and marginalised groups to access health, education, housing and employment services;
- Invest in infrastructure in poor and underdeveloped areas to boost economic development and job creation;
- Promoting entrepreneurship and enterprise among disadvantaged communities to increase local employment opportunities and economic growth;
- Implement fair tax policies that progressively tax incomes and ensure that financial resources are redistributed in a way that minimises inequalities.

In this context, the necessary measures must be taken at EU level to support poor countries which are sources of migration into the European Union, with the aim of retaining potential economic migrants at source. To this end, companies from EU Member States should be encouraged at EU level to invest in these states, including by granting tax incentives, with the aim of creating jobs which will ultimately result in the retention of potential migrants in their countries of origin.

In order to achieve long-term economic development, relevant assessments must be made of the need for skills in short supply in the European Union in order to attract to the EU the specialists who are in high demand on the labour market. Jobs in highly specialised fields are usually needed at EU level, and highly educated migrants with higher education qualifications and the potential for professional development are needed.

6. Trends in the diffusion of economic power between states.

Long-term economic forecasts, i.e. to 2030, show that Asia will overtake North America and Europe in terms of global economic power in terms of GDP, population size and technological investment. Thus, by 2030, China is expected to be probably the largest economy, overtaking the US. It is also predicted that the world economy will be increasingly linked to the performance of developing countries, more so than that of the traditional West. Thus, in addition to China, India and Brazil, relevant regional players such as Colombia, Indonesia, Nigeria, South Africa and Turkey will become particularly important for the global economy. At the same time, the European, Japanese and Russian economies are likely to continue their relatively slow decline.

This trend towards the diffusion of economic power between states runs counter to the economic interests of the US and the EU Member States (the traditional West) and will materialise in the outbreak of economic wars that will have an impact on international relations and economic migration.

7. The changing economic paradigm against the backdrop of global demographic developments.

According to UN studies, by 2030 the world's population is expected to reach 8.5 billion people. At the same time, the number of megacities will double by 2030, and about two-thirds of humanity will live in urban centres. By 2030, more than one billion people on the planet will be over 65, as life expectancy increases and living standards improve worldwide. The ageing population brings real problems not just in the West but also in Asia and Latin America. European governments are already facing higher costs for care for the

elderly, the consequences of demographic and labour force decline. One possible solution to this challenge in the medium and long term may be to encourage migration to take up jobs, while at the same time reducing social protection to boost labour productivity.

The analyses carried out highlighted four demographic trends that have the potential to fundamentally change the economic and political conditions of most countries, as well as the relations between them. These trends are: population ageing - a radical change for both the West and most developing countries; a still significant but declining number of young societies and states; migration, which will increasingly become a cross-border issue; and increasing urbanisation - another radical change, which will boost economic growth but could put new pressures on food and water resources.

Ageing countries will face an uphill struggle to maintain living standards. Demand for skilled and unskilled labour will stimulate global migration. Due to rapid urbanisation in developing countries, the volume of urban construction for housing, office space and transport services over the next 40 years could be roughly equal to the entire volume of such construction in the world's history.

In this context, effective policies are needed at EU level to address labour shortages by encouraging selective migration, in the sense of bringing migrants with the necessary qualifications and skills to the EU labour market.

8. The lack of critical resources is leading to population migration out of deficit areas, including to the European Union.

According to UN analyses, demand for food, water and energy will increase by about 35, 40 and 50 per cent respectively as a result of global population growth, climate change and the consumption patterns of an expanding middle class ('consumer society').

Climate change analysis suggests that the severity of existing hydrometeorological patterns will intensify, with wet areas becoming wetter and dry and arid areas becoming drier. Much of the decrease in precipitation will occur in the Middle East and North Africa, as well as western Central Asia, southern Europe, southern Africa, and southwestern USA. We are not necessarily heading towards a world of scarcity, but policy makers and their private sector partners will need to be proactive to avoid such a future. Many countries will probably not have the means to avoid food and water shortages without massive external help. Addressing the problems of one commodity will not be possible without affecting supply and demand for the others. Agriculture depends to a large extent on access to adequate sources of water as well as chemical fertilisers. Hydropower is an important source of energy for some regions, while new energy sources, such as biofuels, threaten to worsen the potential for food shortages. There is as much scope for negative trade-offs as there is potential for positive synergies. Agricultural productivity in Africa, in particular, will require radical change to avoid shortages. Unlike Asia and South America, which have seen significant improvements in agricultural output per capita, Africa has barely returned to 1970s levels.

In fact, the African continent is currently facing a food shortage caused both by the sharp increase in population growth and by climate change, which has led to the loss of large areas of agricultural land. A major risk of migration is the decision by the US Administration to substantially reduce donations for the purchase of agricultural products for African countries, which will exacerbate food shortages. This will have a direct impact on the migratory phenomenon in the African region, which will lead to the migration of a large part of the population to other areas, including the European Union.

In this context, the European Union will have to substitute the contribution that the US is making in support of African nations affected by food shortages, in order to maintain the migratory flow in the African region and discourage migratory flows from these disadvantaged areas to the European Union.

9. Conclusions

Economic migration is influenced by several factors, such as the dependence of the world economy on innovation and the exponential development of technologies, especially IT&C, digitalisation and digital transformation of the economy and central and local public administration, polarisation trends in the world economy through the shift from a 'globalised economy' to a 'self-sustaining economy', trends of diffusion of economic power between states, the change in the economic paradigm against the background of demographic developments at global level, the lack of critical resources needed leads to population migration from areas of shortage, including to the European Union.

In this context, it is necessary to implement a pragmatic migration policy at EU level, in the sense that it is necessary to use this phenomenon to provide the skilled labour needed by companies in Western Europe. To this end, it is necessary to ensure the conditions for integrating economic migrants into Western societies, as well as to manage these migratory flows so as not to exceed certain quotas that jeopardise economic and social stability in EU Member States.

References

1. Anghel, M.G., Niță, G. and Badiu, A., 2017. Impact of Remittances on Financial Development and Economic Growth. *Romanian Statistical Review*, Supplement, 1, 106112.
2. Anghelache, C., Niță, G. and Badiu, A., 2017. Migration and remittances - statistical and econometric models used to analyse the impact of remittances in economic development. *Romanian Statistical Review*, Supplement, 6, 134143.
3. Beets, G. and Willekens, F., 2009. The global economic crisis and international migration: An uncertain outlook. *Vienna Yearbook of Population Research*, 1937.
4. Crowder, K., Hall, M. and Tolnay, S., 2011. Neighbourhood Immigration and Native Outmigration. *American Sociological Review*, 76(1), 2548.
5. Giuliano, P., Ruiz Arranz, M., 2009. Remittances, financial development, and growth. *Journal of Development Economics*, 90, 144152.
6. Foley, M., Angjellari Dajci, F., 2015. Net Migration Determinants. *Journal of Regional Analysis and Policy*, 45(1), 3035.
7. Kaplan, G., Schulhofer Wohl, S., 2012. Interstate Migration Has Fallen Less Than You Think: Consequences of Hot Deck Imputation in the Current Population Survey. *Demography*, Springer, 49(3), August, 10611074.
8. Kennan, J. and Walker, J.R., 2011. The effect of expected income on individual migration decisions. *Econometrica*, 79(1), 211-251.
9. Moreno Galbisa, E., Tritah, A., 2016. The effects of immigration in frictional labour markets: Theory and empirical evidence from EU countries. *European Economic Review*, 84, pp.76-98.