
Impact of remittances on the country of origin. Multidimensional analysis at macro and microeconomic level. Case study Romania and Moldova

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ABSTRACT

This research investigates the remittances impact, from the country of origin perspective, on economic growth at macro and micro level of the household in Romania and Moldova. We decided to carry out a comparative analysis due to the importance of these external financial flows to the economy. Although the share of remittances in the GDP of the two states differs due to the level of economic development, the constantly increasing labor migration is a common characteristic. In this research we applied time series regression model using tseries packages in R. The expected results of the research are to highlight the indicators influenced by the remittances in Romania compared to Moldova at macro and microeconomic level as well as the type and intensity of the generated impact. This research demonstrates that remittance-based economic growth is unsustainable and highlights the long-term negative impact on the country of origin of these financial flows.

Key words: Remittances, Time-Series Models, R packages, Romania, Moldova

JEL Classification: F24, C22, O52

INTRODUCTION

Researchers' opinion is divided regarding the impact of migration and remittances on the origin country, some considering that remittances generates economic growth (Meyer et al, 2017; Matuzeviciute et al, 2016, Imai et al, 2014), others say there is no connection between the two variables (Lim et al, 2015; Barajas et al, 2009) and in the third category are experts who argue that these flows have a negative impact (Lartey et al, 2008).

The first group consider that remittances contribute to a better allocation of resources in the country of origin, thus stimulating aggregate demand for goods and services by increasing productivity generated by consumption and investment (Kumar et al, 2018). Other opinions argue that remittances contribute to increased income and productivity by reducing the unemployment rate in the country of origin as a result of the mobility of the unemployed (Boboc et al, 2012).

The third group, however, sees remittances as a factor stimulating the entry of substitution imports of domestic products into the home market (Javed et al, 2017), and on the other hand, consumption of imported products is higher than "indigenous consumption" of similar products in these countries (Bayar, 2015).

As a result of inequality in resource distribution, employment opportunities and income levels, migration and remittances can act as mechanisms for adjusting labor resource flows between countries of origin and destination. On the one hand, migration and remittances represent the consequence of the failure of national policy in the country of origin, to meet individual needs in terms of decent employment opportunities and labor income (Bunduchi et al, 2019). On the other hand, remittances can be a tool for supporting economic policy in the development process by enhancing demand for consumption and / or stimulating entrepreneurship. The economic and social impact of remittances for countries of origin is significantly positive, at least from the perspective of the beneficiary households. The level of poverty, inequality and the structure of households' expenditures are some of the channels through which the flow of migration transfers reveals its effects on growth and economic and social development.

The free movement of people and the opening of the labor market (globalization and the need to cover the demographic deficit in developed countries with an aging population) have stimulated labor mobility for the working population in less developed countries. Mobility for work and emigration aimed both improving the worker's employment status (mainly on the side of the labor gain level) and the financial support of the household in the

country of origin, through remittances. Statistical data research has shown that the relationship between people working abroad and remittances received in the country of origin is not homogeneous and/or balanced. There are countries of origin with a large share of the labor migrant population, and significant remittances in GDP (such as Moldova) and countries with a large number of migrant workers and a low share of remittances in GDP (such as Romania). As indicator, the average remittance reveals a distorted picture because: a) not all labor migrants remit money to the remaining family, b) not all the migrants choose official channels, so some of the remittances remain unregistered; c) the amount of remittance is very different, being determined by the level of earnings, the cost of living in the host country, the mobility model (alone or with the family) and the amount actually transferred on official channels. In addition, the model of remittance as a quantum, period and frequency is strongly influenced by the individual occupational and human development plan and mobility expectations (post-repatriation, naturalization in the destination country, long-term and very long-term mobility, continuing the journey search for the optimal mobility solution - income and / or profession - associated with a later decision on utility etc.). In view of the potentially diversified impact of labor mobility with economic, social, behavioral, effects etc., in this research, we try to identify the impact of remittances received in terms of the importance of their total volume as share in GDP. We are looking if there is a link between the level of development of the recipient country and the impact of remittances flows on economic growth, as origin countries are facing significant mobility.

CONSIDERATIONS IN THE LITERATURE ON THE IMPACT OF REMITTANCES IN THE COUNTRY OF ORIGIN

So far, there has been substantial researches on the importance of remittances on the country of origin, addressing each field of remittance. In the following we have compiled a synthesis of the most recent research results.

Recent research on the impact of remittances on the country of origin

Table 1

Authors	Database	Empirical approach	Research findings
Economic development			
(Eggoh, Bangake, & Semedo, 2019)	49 developing countries	Panel Smooth Transition Regression	Remittances have a positive impact on the level of economic development.
(Fromentin, 2017) our results show that a positive long-run relationship between remittances and financial development coexists with a significant (and slightly positive	102 developing countries	Pooled Mean Group	In the short term, the study finds that remittances have a positive impact on financial development (except for low-income countries). In the long run, the assumption is that households receiving remittances abroad are more likely to use official financial services for their transactions and payments.
(Meyer & Shera, 2017)	Albania, Bulgaria, Macedonia, R. Moldova, Romania and Bosnia Herzegovina	OLS with fixed effects	The presence of positive remittances between GDP and GDP growth in the research countries.
(Imai et al., 2014)	24 Asian Pacific countries	Panel model with autoregressive vector	Remittances generate economic growth in the analyzed countries and contribute to poverty reduction.
(Giuliano & Ruiz-Arranz, 2009)	100 developing countries	Generalized moments method	Remittances contribute to GDP growth in the analyzed countries.
Labor market			
(Vadean, Randazzo, & Piracha, 2019)	Tajikistan	3SL	Remittances lead to a reduction in the number of employees, in favor of self-employees, especially in the field of agriculture. At the same time, it generates small-scale family investments, which could have positive household effects, without effects at national level.
(Azizi, 2018)	122 developing countries	Dynamic panel data with fixed effects	Remittances generate a reduction in women's participation in work but do not affect men.
(Boboc et al., 2012)	Romania	Risk assessment to each mobility profile	Migration and remittances have positive effects on the reduction of unemployment and generate a reduction in employment.

Authors	Database	Empirical approach	Research findings
(Leon-Ledesma & Piracha, 2004)	Central and Eastern Europe	Panel data with fixed effects; Generalized moments method	Remittance inflows positively influence the employment rate of the population in the country of origin as a result of investing these flows in the development of entrepreneurship.
Consumption			
(Beaton et al., 2017)	Latin America and the Caribbean	Dynamic panel data	Remittances contribute to increased consumption, especially as a result of facilitating access to funding sources.
(Lim & Simmons, 2015)	CARICOM Member States except the Bahamas and Montserrat	Cointegration tests of panel data	The absence of any link between remittances and GDP per capita, but there was a positive influence of remittances on consumption, which means that remittances are directed towards consumption rather than productive investments.
(Medina & Cardona, 2010)	Colombia	Panel data model	The lack of impact of remittances on current consumption, but a positive influence on the improvement of the living standards of the beneficiary households was observed.
Health			
(Azizi, 2018)	122 developing countries	Dynamic panel data with fixed effects	Households receiving remittances register increases in health expenditure. At the same time, the mortality rate is decreasing as the remittances increase.
(Jr, Cuecuecha, & Tlaxcala, 2013)	Ghana	Two-stage multinomial selection model	Remittances cause an increase in health expenditure.
(Zhunio, Vishwasrao, & Chiang, 2012)	69 developed and developing countries	GLS with side effects	Remittance-receiving households are experiencing an increase in life expectancy and an improvement in living standards.
Education			
(Azizi, 2018)	122 developing countries	Dynamic panel data with fixed effects	Remittances help increase school enrollment in both public institutions and private and graduation rate.

Authors	Database	Empirical approach	Research findings
(Ambler, Aycinena, & Yang, 2015)	El Salvador	Panel data with fixed effects	For each \$ 1 remittance received by beneficiary households, education spending increased by \$ 3.72
(Jr et al., 2013)	Ghana	Two-stage multinomial selection model	Remittances increase spending on education.
(Zhunio et al., 2012)	69 developed and developing countries	GLS with side effects	Remittances in households increased the tuition rate.
(Adams & Cuecuecha, 2010)	Guatemala	Multinomial model in 2 stages	Households receiving remittances recorded much higher spending on education compared to the period when they did not benefit from such financial resources.

Research has, therefore, shown that remittances are an important source of income, especially in poor households and the main directions of spending are improving living conditions, current consumption, health expenditure and small investment in housing. An important part of remittances goes to the education of children, especially as education provides a greater degree of opportunity to have higher labor income.

METHODOLOGY

Current research uses OLS model to analyze the impact of remittances from the country of origin perspective - Romania and Moldova. Therefore, the dependent variables used in research are:

- a) at macroeconomic level - active population, employed population, employment rate, number of unemployed, unemployment rate, total consumption of the population, imports, trade balance, population savings and entrepreneurship development;
- b) microeconomic level - household consumption expenditure, endowment with durable goods, ICT implementation, schooling expenditure for education and health.

In order to analyze the impact between the variables included in the research, we formulated the following economic hypotheses:

- H1 - the presence of a positive correlation between remittances and the unemployment rate;
- H2 - the presence of a negative correlation between remittances and employment indicators;

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- H3 - the presence of a negative correlation between remittances and imports;
 - H4 - the presence of a positive correlation between remittances and household expenditure indicators;
 - H5 - the presence of a negative correlation between remittances and the schooling rate.

Using OLS model, we will identify if exists a direct and statistically significant relationship between remittance flows and dependent variables by elaborating several equations.

The general model has the following form:

$$Y_i = \beta_0 + \beta_1 X_i + \varepsilon_i \quad (1)$$

unde:

Y_i represents the dependent variable,

X_i represents the independent variable - remittances,

β_0 is a parameter and shows the mean value of the Y variable when the size of the independent variable X is equal to 0,

β_1 represents the slope and shows the mean variation of the Y dependent variable, to an absolute variation with a unit of the variable X,

ε_i is the residual variable.

Estimating the parameters of the OLS model will be done using the statistical software R, and `lm()` function.

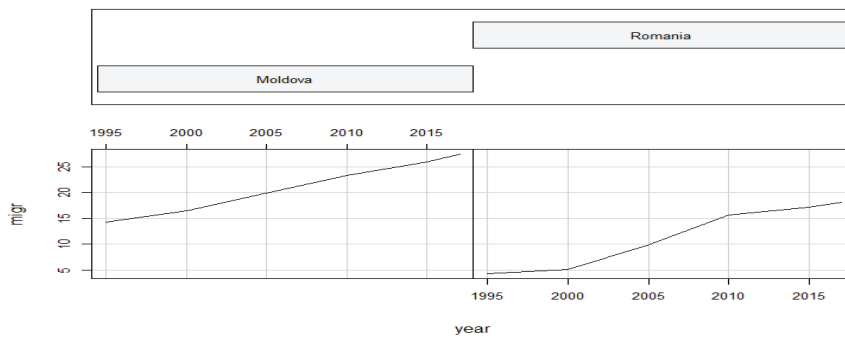
DATA

The databases used in the research are those provided by the National Institute of Statistics of Romania, the National Bureau of Statistics of the Republic of Moldova, the World Bank, the National Bank of Romania, the National Bank of Moldova. The analysis period is between 1997-2017.

We decided to carry out a comparative analysis due to the importance of these external financial flows for any economy and especially for the least developed economies, as it was previously demonstrated in the relevant research literature. Although the share of remittances in the GDP of the two countries differs due to the level of economic development and the prevailing pattern of remittances, the increasing number labor migrants is a common feature. Since the purpose of the research is to highlight the impact of remittances on economic growth and the main motivation of migration in the two countries is to supplement the incomes of households in the country of origin, we can consider that the two countries are homogeneous from the perspective of consumption directions of received remittances at households level.

**Migrants' share in the total population of the origin country
in 1995-2017, %**

Chart 1

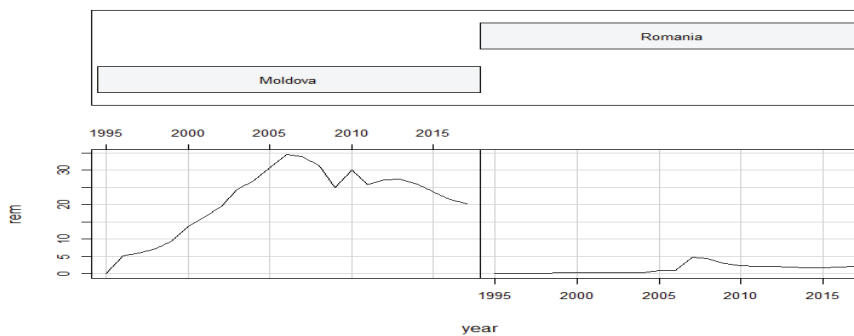


Source: Author's calculations based on World Bank data. Available: <http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>.

The free movement of people and the opening of the labor market (globalization and the need to cover the demographic deficit in developed countries with aging population) have stimulated the mobility of working-class population from less developed countries, such as Romania and Moldova. Thus, the number of those who left has increased considerably from year to year, reaching 20% in 2017 of the total population in Moldova and 15% of that in Romania (Chart no. 1).

Share of remittances in GDP in 1995-2017, %

Chart 2



Source: Author's calculations based on World Bank data. Available: <http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>. Retrieved on 17.04.2019

The rise in the number of migrant workers generated the increase of the remittances in these two countries, and implicitly their share in GDP, being an important source of external financial flows, which generate changes at both macroeconomic and household level (Chart 2).

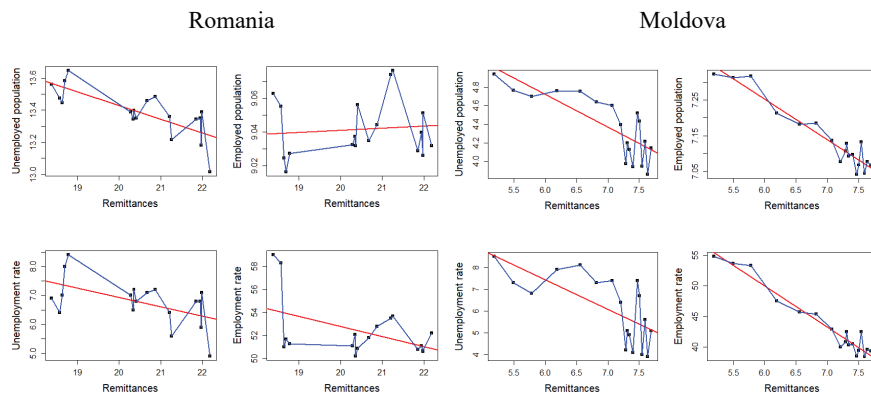
RESULTS AND DISCUSSIONS

Remittances are the expected outcome of migration to supplement revenue, generating a series of effects at country level and household / individual level.

At the origin country level it is stated that remittances generate significant positive effects on the labor market, reducing the imbalances registered in the form of the high unemployment rate (Boboc, Vasile, and Todose, 2012). The result of our test indicates different results in the case of Romania and the Republic of Moldova for the period 1996-2017.

Remittances impact on labor market indicators in Romania and Moldova

Chart 3



The results indicate that remittances have a stronger influence on the labor market indicators in Moldova compared to Romania, highlighted by the values obtained for R^2 . This is explained at the level of 2017 by the share of remittances in GDP that is 8 times higher in Moldova than in Romania (16.1% compared to 2.1%), and the population is more involved in migration (i.e. the share of migration for work in the total population is more than 1.5 times higher in the Republic of Moldova, 29% compared to only 19% in Romania).

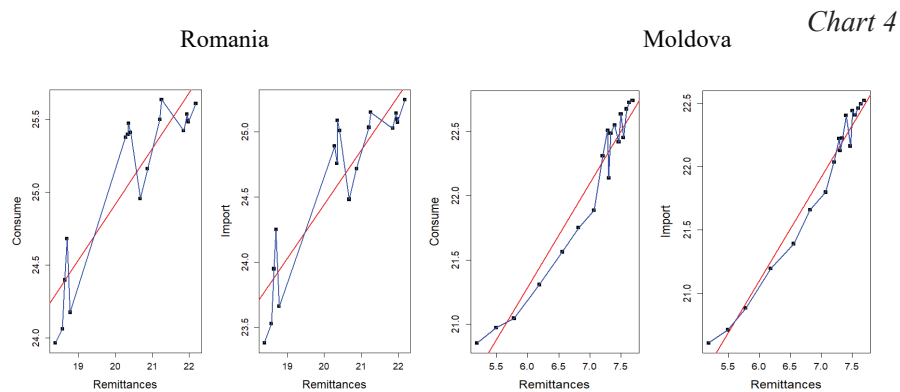
Remittances exerts a statistically insignificant influence on the unemployment rate, only a modest reduction with 0.04% of the number of unemployed in Romania and with 0.35% of those in the Republic of Moldova at each increase by 1%.

The results suggest that labor migration is not primarily driven by the unemployed, but rather by inactive or even employed people. Moreover, the results could be significant if we analyzed the remittances in relation to the underground economy, which employs over 1.2 million Romanians (European Commission, 2017) and holds over 22% of Romania's GDP at the level of 2017 (European Commission, 2018) and over 23.2% of Moldova's GDP (BNS, 2018), but data are not available.

In respect to the labor market employment indicators, the same influence of remittances is observed in Romania and in the Republic of Moldova. Thus, the increase in remittances entries in Romania with 1% contributes to the average reduction of the active population by 0.02%, of the occupied population with 0.012% and the occupancy rate with 1.69%. In Moldova the influence of remittances is more noticeable, their increase with 1% determinates the average decrease of the active population with 0.13%, of the employed population with 0.11% and of the employment rate of the moldavians with 6.71 %. Therefore, it moves from the employed person status, especially in the Republic of Moldova, because the income differential is high and responds to the need for additional income in the household, which cannot be adequately satisfied by occupation in the country of origin.

Thus, the negative impact on the employment rate and the lack of a statistically significant influence on the unemployment rate suggest that labor migrants were not only unemployed persons (Vasile et al, 2013; Caragea et al, 2013). If for the unemployed the main reason for mobility is the lack of a job, behind the decision to migrate and remit of the employed person from Romania / R. Moldova, is the attractive salaries in the country of destination, precarious working conditions in the country of origin, career opportunities, etc. At the same time, the motivation of remittances as a result of labor mobility contributes to accelerating the aging of the active population and raising the average age in the country of origin, as a result of the fact that the persons involved in labor mobility are predominantly young.

Remittances impact on macroeconomic indicators in Romania and Moldova

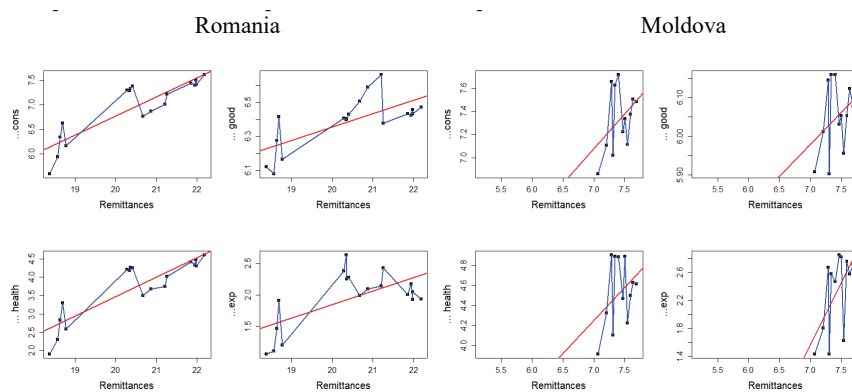


Remittances generate considerable effects on consumption growth. Thus, with the increase of remittances by 1%, the total consumption of households increases on average by 0.328% in Romania and 0.357% in the case of R: Moldova (Chart 4). In the absence of detailed data on the origin of consumption - imported or indigenous, it can be used as proxy the similar evolution of total consumption and imports and we will analyze the impact of remittances on imports during the period 1995-2017.

With the increase of remittances by 1%, the imports increased on average by 0.39% in Romania and 0.33% in Moldova. Therefore, Romanians consume more imported products than Moldavians, and national consumption of consumer goods seems to be better supported by the demand associated with the remittance spending in Moldova than in Romania. This can be explained by the lack of supermarket chains in the Republic of Moldova in contrast to those in Romania. If households would have a consumption model of goods and services predominantly from national origin, consumption would have contributed to the development of the local and national business environment, and implicitly to economic growth. However, a significant import-intensive consumption has negative effects on both the balance of payments and the economy. At the same time, the increase of substitution imports has a adverse effect for indigenous products demand, which indirectly and negatively affects the employment rate (Castles, 2010).

Remittances impact on household expenditures in Romania and Moldova

Graph 5



We note that Romanians and Moldavians tend to consume more with the increase of remittance. Between 1996-2017, both consumption and remittances in Romania had an upward trend, explaining 84% of current consumption expenditure. Thus, the increase of remittances in the household budget by 1% allowed the growth of current consumption expenditures with 0.5%. A positive influence of the remittances on the current consumption expenditures is also registered in the Republic of Moldova, increasing on average with 0.73% as the remittances rise with 1% in the period 2006-2017.

It also can be observed an increase in the endowment with durable goods, but the impact is not as important. On average, the rise of remittances by 1% determinate an increase by only 0.09% of the supply of such goods in Romania, but in Moldova we note the lack of any link between these two variables. This can be explained, on the one hand, by the fact that there are people who no longer consider the possibility of returning home and the remittances received by the household to the remaining parents in the country are spent on health, education or current consumption. On the other hand, we can witness a situation of flattening the enduring supply of durable goods, which is natural to a household that receives medium and long-term remittances from multi-annual migration. In the case of the Republic of Moldova we can add as an explanation the fact that remittances are directed mainly to the consumption of current goods and services, in order to improve the current standard of living.

Another category of household spending, which is influenced by remittances, according to Azizi (2018) și Ratha (2013) are health expenditures.

In the analyzed period, there is an increase in health care expenditure in Romania and Moldova, which can also be attributed to remittances in beneficiary households. Thus, 84.73%, respectively, 34.35% of the variation in health expenditure is explained by the change in remittance inflows in Romania and Moldova (in the case of Moldova the result must be considered more limited by the use of a shorter series of data – 2006-2017). From an economic point of view, the justification for increasing health expenditure is positively associated with the motivation of migrants to remit. Both in the situation of single-member households, usually taking into account short-term or medium-term mobility with a possibility of return, as well as for multiannual and / or permanent migrants who have left their parents or other family members at home, a particular importance of remittance is to cover the costs for increasing the quality of life, and health care services. The rise in remittances by 1%, facilitates, on average, the increase of the amounts spent in the health sector with over 0.67% in the Romanian households, respectively with 0.91% for the Moldavian households. So we can argue that the increase in households' net disposable income due to remittances contributes to the quality of life.

Education expenditure is another category of spending that is important for the quality of life of the population and indirectly for the economic benefits of the country of origin. The migration phenomenon and the remittance decision have implications also on the educational field, both positive and negative. On the one hand, it is the amount that the family is willing to spend for the education of their children in order to obtain a certain level of education. On the other hand, it is influenced by the number of students who decide to attend high school and / or university / postgraduate studies in the country. In the case of a remittances' beneficiary family, the net available income increases, with a positive impact on the availability of resources for the study of children. However, there may be two situations of rising spending on education:

- studies in the country of origin with positive effects on the development of human capital, financing of educational institutions and greater likelihood of young graduates being integrated into their home country;
- studies abroad, which have a negative impact on the development of the education system by reducing the initial education demand, but also on the economic and social development of the origin countries, if the post-graduate employment is done abroad.

Studying abroad will determine the possibility of integration into the labor market in the country of destination, decreasing the human capital in

Romania and Moldova respectively. On the other hand, the state will not be able to recover the amounts invested for those students in primary or high school education, if necessary. The same negative effect is also registered by the migration decision of a household member, followed by family reunification in the country of destination, through the migration of children who have completed compulsory education or a part of it, financed by the state.

The results obtained confirm the results of the research made by Adams (et al, 2010) and Ambler (et al, 2015) for the cases of Romania and Moldova, according to which the remittances in the country of origin, contributes to increasing household spending with education. Thus, as a result of the 1% increase in remittances, household spending with education in Romania increased on average by 0.275%, while in the Republic of Moldova the impact is higher, this expenditure increasing on average by 1.68%. This evolution of expenditures is explained by 63% of the remittance variation in Romania and 47% in the Republic of Moldova.

In addition, the higher incidence of remittances to stimulate household spending with education in Moldova compared to Romania can also be explained by:

- remittances are used in the Republic of Moldova more for the financing of the compulsory secondary education, than for the tertiary, which is optional. In addition, the enrollment rate to tertiary education is lower in Moldova than in Romania, also because of the similarity of language between the two countries. For this reason some of the future students prefer to pursue university studies in Romania and not in the Moldova, having qualitative advantages and/or different opportunities, more attractive for employment after graduation; The cost of completing compulsory education that the household supports is significantly higher in Moldova compared to Romania;
- the migration intention after the completion of the compulsory education is higher for the Moldavian youth compared to the Romanians, the potential income differential being higher for the medium and low skilled jobs, to which labor/graduate migrants have access in destination countries

At the same time, the increase in remittances outcomes a drop in the school population by 0.04% in Romania and 0.07% in Moldova, as opposed to the results obtained by Zhunio (et al, 2012) and Azizi (2018) (they studied the effects of remittances in underdeveloped and developing countries). Our results are, on the other hand, in line with the results obtained by Amuedo-Dorantes (et

al, 2010) and McKenzie (et al, 2006), which analyzed the Dominican Republic and Mexico, countries with an average level of economic development. The results obtained can be explained by the differences in the level of economic development of the analyzed states, the dynamics of integration in the EU space, the free movement facilities between Romania and Moldova, as well as the policy of support for the development of Moldova elaborated by Romania. (scholarships for Moldovan students, aid for R. Moldova from public funds in Romania, etc.). Although Moldova is not a member of the European Union, the large number of Moldovans with Romanian citizenship also determine the same migration behavior and preference for EU space. Reducing the number of students may also be generated by the emergence of a trend among young people whose family members were not in mobility, abandoning further studies in favor of migration, which are presented as generating financial resources for them and their family members.

The synthesis of the research results confirms the hypotheses H₂, H₃, H₄ and H₅ and highlights the specificities of the development conditions at national level and the stage reached in the economic performance and social inclusion and justifies the analysis the impact of the remittances on the country origin, both at macroeconomic and microeconomic level.

Synthesis of the results of the analysis of the effect of remittances on economic variables in Romania and Moldova, 1995-2017

Table 2.

Dependent variables	Romania				Moldova			
	Macroeconomic		Microeconomic		Macroeconomic		Microeconomic	
	positive	negative	positive	negative	positive	negative	positive	negative
Active population		-0.0224 ***		x		-0.1282 ***		x
Employed		-0.0126 **		x		-0.1137 ***		x
Employment rate		-1.6954 ***		x		-6.7123 ***		x
Unemployed	-0.0488 ***		x		-0.3524 ***		x	
Unemployment rate	-	-	-	-	-	-	-	-
Total population consumption	0.3285 ***		x		0.3572 ***		x	
Import		0.3974 ***		x		0.3272 ***		x
Trade balance		-0.0001		x		-3.561		x

Current consumption expenditure	x		0.51373 ***		x		0.7345	
Endowment of durable goods	x		0.09468 ***		-	-	-	-
Implementation of ICT services (Internet access)	x		13.59 *		x		9.709 ***	
Health expenditure	x		0.67551 ***		x		0.9064	
Education expenditure	x		0.27555 ***		x		1.6798 **	
Enrollment rate		x		-0.0426 ***		x		-0.0782 ***

Thus, following the comparative analysis carried out in Romania and Republic of Moldova on the impact of remittances on the country of origin, we can see that the influence generated by these external financial flows differs according to the variables included in the research (Table 2), as follows:

- the positive influence on household savings in Romania and the implementation of ICT products and services, with a direct impact at micro level and indirectly at macroeconomic level;

- strong influence with a negative impact on the employment rate of the population, with direct impact at macroeconomic level and indirectly at microeconomic level;

- moderate influence with positive impact on total consumption of population and imports, with direct impact at macroeconomic level and indirectly at microeconomic level; and on current consumption expenditure, health and education with a direct at micro- and indirect impact at macroeconomic level;

- weak influence with negative impact on active and employed population and enrollment rate, with direct impact at macro level and indirectly at microeconomic level;

- lack of significant influence on the unemployment rate, which demonstrates that labor mobility comes mainly from employment and too little of the unemployed situation in the country of origin and the potential impact of the underground economy.

At the same time, we note the lack of any statistically significant influence of remittances on the development of entrepreneurship for the entire analyzed period.

CONCLUSIONS

Remittances are the result of labor mobility and mainly emerge as a motivation for migration for categories of low and middle-class people in economically less developed and emerging middle-income countries.

Remittances have both macroeconomic and microeconomic effects (the analysis of the literature and the often-divergent results on migration effects raised the question of specific causes and / or conditions that can influence and generate such conflicting results) by the effects they produce and by the destination of these amounts. In the present research stage, we have tested the impact of remittances on two former socialist countries, one of them being a EU member since 2007 and having a high (Romania), and a low level (R. Moldova) of remittances flows as a share of GDP.

At the macroeconomic level, remittances balance the labor market by reducing the number of the unemployed, which contributes to reducing the demand for social services but also generates negative influences on the number of the employed population. External labor mobility is a much more attractive option for young people in training. This appreciation is also confirmed by the declining number of students and college students in both countries, with the possibility of mobility for studies and / or work, generating potential human capital losses for the country of origin and total / partial loss of public investment in education.

At the same time, remittance inputs stimulate consumption and drive, through multi-annual employment abroad, to the emergence of a more expensive consumer trend, preferably from imports. In Romania and Moldova, the trend of consumption follows the one of imports, which negatively affects the balance of payments and domestic production. Besides creating macroeconomic imbalances, the initiatives taken by private entrepreneurs to differentiate the supply of goods and services are adjusted by the competition of imported foreign substitute products, the price of which is below comparative to domestic entrepreneurs. Internal market competition is necessary and beneficial in the medium and long term, as it supports the increasing competitiveness of domestic products. However, shaping a pattern of current consumption predominantly on imported substitute products, without being clearly accounted for by qualitative differences, but rather by small price differences or just preferences, does not help the development of indigenous companies, which should be supported by public policy support. At the same time, also through such policies should be stimulated the entrepreneurship developed by people belonging to households with migrant workers, attracting their return and the development of business in Romania and Moldova.

In this way, the benefits at the micro level can be materialized in the employment of graduates in the origin country, the return of migrant workers and the start-up of entrepreneurial business, the increasing living standards in households, a better health of the household members and the possibility of raising the level of education and promotion continuous training of active people in the household and / or youth, etc. At macroeconomic level, there may be the following benefits: - the development of the business environment and the increase of the working age population, the stimulation of consumption of indigenous products/services, tax incomes on production and consumption, the reduction of pressure for aid and social assistance for poor households, the development of the health sector and the education sector through demand for quality services, including preventive health segments, respectively continuing tertiary education and lifelong learning/specialization). In addition to these direct benefits, we can identify and develop opportunities to spend remittance savings for complementary purchases -cultural consumption, increased access to ICT goods and services, recreational activities, housing construction - holiday homes, etc.

The limitation of the research towards the analyzed period 1997-2017 is that for some indicators, such as: the value of household savings and the share of households with Internet and computer access, we have datasets for Romania only for the period 2007-2017 , and for the Republic of Moldova, household spending types are available only from 2006 until 2017.

This research is exploratory, which is why we have selected only Romania (high share of international labor mobility and low share of remittances in GDP) and Moldova (high share of international labor mobility and high share of remittances in GDP). Our further research will include the former communist countries from Europe and Asia (former USSR countries and the COMECON area), which, after the transition to a market economy and extensive economic restructuring, faced a strong labor migration, mainly driven by the relatively different earnings and working conditions than in the country of origin. In many cases the lack of decent employment opportunities also justifies the propensity to move towards more developed countries. We will aim to highlight the extent to which a typology of the impact of remittances on the country of origin in the former communist space can be developed.

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