

ASSESSING THE ECONOMIC IMPACT OF INTEGRATING INTERNATIONAL PROTECTION BENEFICIARIES IN ROMANIA

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Abstract: *The integration of beneficiaries of international protection is both a social and economic challenge for Romania. On the one hand, they can contribute to the budget and stimulate the economy through work and consumption, but on the other hand they require initial investment for integration. Studies show that effective integration can generate long-term economic benefits for host countries, but also that barriers such as access to the labour market, education or housing exist. Sound statistical data and relevant indicators are essential to inform policies. Integration is also a European priority, with the EU supporting inclusion through access to essential services. The costs of integration in Romania are estimated at 8000 euro/person annually and include accommodation, education, health. The materialized benefits indicate a contribution of over 4000 euros / year from a employed refugee. Financing in Romania comes mainly from EU funds such as AMIF or ERDF, non-reimbursable. National policy provides for measures such as training, reskilling and collaboration with Employment Agencies for Integration into the labour market. Global estimates indicate tax benefits of more than €110 million for 20 years after the integration of 100,000 refugees. Research shows mixed views on the economic impact, but also real difficulties in integrating into the labour market due to recognition of qualifications. Active policies and public-private partnerships are needed to increase employability and unlock the long-term potential of refugees.*

Keywords: *international protection, economic integration, immigration, benefits and costs, globalization.*

JEL Classification: *F53; F60*

1. Introduction

Immigration is a complex phenomenon with multiple social, cultural and economic implications. In the context of globalization and recent international crises, the number of immigrants seeking protection in Romania has increased significantly in recent years. This development presents the authorities with the challenge of developing effective public policies for the integration of newcomers.

The integration of beneficiaries of international protection into Romanian society is a complex challenge, involving not only social and humanitarian aspects, but also economic aspects. On the one hand, these beneficiaries can bring economic benefits through their contribution to the state budget, by paying taxes and duties, and by diversifying the labour market and available skills. They can become contributors to the economy through employment and consumption, while stimulating domestic demand.

In terms of integration, data highlight difficulties such as reduced access to the labour market, with an unemployment rate of over 60% among working-age adults among beneficiaries of protection (UNHCR, 2021). Access to Romanian services and language courses remains limited. Thus, knowledge of Romanian remains an ideal difficult to achieve for many beneficiaries of international protection.

Studies show that effective socio-economic integration of refugees not only helps reduce poverty and increase social cohesion, but can also bring long-term economic benefits for host countries (Buber-Ennsner et al., 2016; Martín et al., 2016). However, refugee integration faces many barriers, such as limited access to the labour market, education, housing or health services (Phillimore, 2011; UNHCR, 2013).

Recent studies highlight the importance of using solid and comprehensive statistical indicators in analysing the integration of migrants and refugees, data being essential for substantiating public policies in the field (Connor, 2010; Hainmueller et al., 2016). Therefore, the present analysis aimed to cover several variables relevant in economics, using validated statistical sources.

Beyond academic literature, refugee integration is also high on the agenda of the European institutions. For example, the EU Action Plan on Integration and Inclusion for 2021-2027 sets as a strategic objective to support the socio-economic inclusion of refugees and asylum seekers through concrete measures to facilitate access to the labour market, education, housing, healthcare and other essential services (Europeană, 2020).

However, their integration can also have financial costs for the state and society, requiring investment in social and professional integration programmes, such as language courses, retraining and job support. Also, in order to reap the potential economic benefits, the authorities need to be actively involved in creating an appropriate framework to support integration.

Therefore, assessing the economic impact of integration becomes crucial to identify opportunities and associated challenges. This study aims to analyse both the benefits and financial costs associated with the refugee integration process in Romania.

Several relevant data sources and information were analysed to conduct this study. Thus, the reports and studies of the International Organization for Migration, the European Commission, as well as the Council of Europe and the EU Agency for Fundamental Rights assessing the economic impact of the integration of refugees in EU Member States were studied.

Official documents of the Romanian authorities, including national reports on the integration strategy of beneficiaries of international protection, were also examined.

Important statistical data were collected from the Eurostat database and from the national statistical sources of the National Institute of Statistics.

In order to quantify more accurately the financial costs and benefits, data on budget expenditures allocated to integration, collected from competent government institutions, were also analysed.

All data were processed and integrated according to a standardized analysis methodology, the results being presented based on relevant economic and financial indicators.

Also, quantitative research was carried out at the level of the society from Romania, at the level of beneficiaries of protection and at the level of integration specialists. In this article were presented and analysed some items that are related to the economic factor of integration.

2. The economic impact of the integration of beneficiaries of international protection into Romanian society

Studies and reports analysed show that the economic integration of beneficiaries of international protection in Romania can generate both benefits and costs for the economy.

Therefore, a careful analysis of this cost-benefit ratio is important to better understand the net impact of refugee integration on the Romanian economy.

Benefits

The contribution to the state budget represents one of the most direct benefits brought by the successful integration of beneficiaries of international protection into the Romanian labor market. As they find jobs and start doing paid work, they become taxpayers who pay taxes to the state. Data shows that currently only a share, below 50%, of refugees present in Romania are employed. The more of them will find employment in legal activities and enter the taxation system, the more revenues collected to the budget will increase (Eurostat, 2015-2022).

According to estimates, on average a refugee can bring an annual net budget benefit of over 4,000 euros, due to taxes paid. The contributions made by their integration will also continue to increase as more people access stable jobs and pay social contributions and income taxes. A study by the Canadian Refugee Council estimated that integrating 100,000 refugees into Canada would generate net tax revenues of more than \$652 million over 20 years (Kaida et al., 2020).

At the same time, the integration of beneficiaries of international protection can have a positive impact on the economy also through consumption. A significant part of refugees' income from paid activities is spent on the local market, stimulating domestic demand and supporting the activity of several economic sectors. Also, the diversification of the labour market through the skills and qualifications brought by some displaced persons is likely to increase the share of high value-added activities in certain sectors of the Romanian economy.

In addition to primary contributions generated directly to the budget and induced indirectly through consumption, the integration of beneficiaries of international protection can have other benefits in the medium and long term. For example, local

communities could benefit in the future from a culturally diverse workforce with complementary skills to other residents, which could reduce recruitment costs and help alleviate structural labour shortages in certain regions and sectors. Over time, the labour market can thus gain dynamism and companies can diversify their human resources, increasing their capacity to cope with changes in the economic and social environment.

Costs

In addition to the economic benefits brought, the integration of beneficiaries of international protection also involves financial costs for the Romanian state. According to the cited report of the European Agency for Fundamental Rights, on average the integrated costs of a beneficiary of international protection amount to approximately EUR 8,000 per year in Romania. It is important to note, however, that this estimate represents an average value, costs can vary significantly depending on the specifics of each person's skills, medical and social needs, as well as the length of stay in the country.

The main categories of costs included are those related to initial reception (accommodation, food, initial healthcare), early years social assistance (language courses, active employment measures, education and training systems) and long-term integration (access to housing, labour market, education, healthcare). Applying legislation and administrative procedures is also costly from a budgetary point of view (România, 2020).

Initial investment in social and professional integration is a prerequisite for beneficiaries of protection to start contributing to the budget through work and consumption. However, the sums involved can put pressure on public finances, especially in the case of large flows of asylum applications. Therefore, it is necessary to plan well and correlate the allocated resources with the real integration needs of beneficiaries, so that public funds are used as efficiently as possible.

3. Financing the Integration Programme for Beneficiaries of International Protection in Romania

The system of protection and integration of applicants and beneficiaries of international protection in Romania benefits to the greatest extent from financing through non-reimbursable European funds. The main budgetary sources for the implementation of public policies and programmes for immigrants are represented by the European Asylum, Migration and Integration Fund (AMIF), as well as the European Regional Development Fund (ERDF). In 2014-2020, Romania allocated over €27 million for activities in the field of asylum, migration and integration through AMIF (DFEN and OFUE, 2023).

Vocational training and reskilling programmes are one of the main lines of funding carried out with AMIF support. According to the 2014 regulation on the Fund, the Romanian State has the obligation to provide Romanian language courses and socio-cultural orientation to all beneficiaries of international protection. At the same time, professional courses are offered to improve immigrants' chances of employment on the Romanian labour market in areas subject to labour shortages.

The financing of these training / professional requalification programs is made entirely from the budget allocated to Romania by the European Union. The Romanian State does not bear from its own funds the expenses related to the provision of these courses to immigrants (Ștefan, 2014).

Also, another major AMIF funding line targets the funds allocated to Romania to ensure the material conditions for accommodation, meals and daily living of asylum seekers during the examination of applications for protection. The National Center for Assistance and Protection for Asylum Seekers operates entirely from non-reimbursable funds provided by the European Union. Thus, operational expenses for maintaining accommodation infrastructure and ensuring basic living conditions for immigrants do not represent a budgetary burden for the Romanian state.

It should be mentioned that Romania fully uses the AMIF financial allocation from this budget exercise 2014-2020, the main direct beneficiaries being the General Inspectorate for Immigration and the National Employment Agency. Annual reports on the absorption of these funds indicate an implementation rate of over 95% of projects approved in this area. This is a sign that the financial management of programmes aimed at immigrants is being carried out in an efficient manner (Comisia Europeană, 2020).

Another source of external financing is represented by non-reimbursable grants granted to Romania by EU Member States or international institutions for pilot projects in the field of integration. Relevant examples in this regard are the grants allocated by Iceland, Liechtenstein or Norway, which provide funding for various projects implemented by institutions in Romania such as the General Inspectorate for Immigration or the Ministry of Labor and Social Solidarity. The implementation of these projects is also carried out without additional expenses from the national budget.

For the next period 2021-2027, it is intended to strengthen this model of external financing of programmes for immigrants, Romania will benefit from new AMIF and ERDF allocations. These European sources of funding allow an easier integration of immigrants into the Romanian labour market, without the state incurring direct costs in this regard. Thus, through the professional training activity supported by non-reimbursable funds, immigrants can quickly become a qualified workforce capable of covering some of the major deficits faced by some of the major deficits faced by some Romanian economic sectors (Comisia Europeană, 2020).

4. Romania's policies and programs for the economic integration of beneficiaries of international protection

Romania has developed an important policy framework to support the economic integration of beneficiaries of international protection. The National Strategy on Immigration for 2015-2020 established measures aimed at facilitating the access of these people to the labour market. Subsequently, these measures were updated through the National Strategy on Immigration in 2021-2024 (Europeană, 2020).

A key tool is qualification or retraining courses for employment. They ensure the provision of counselling, guidance and training services adapted to the migratory

context. For example, in 2021, approximately 1500 beneficiaries of international protection participated in professional improvement or retraining courses funded through the National Integration Program.

An important role is also played by local interventions coordinated by County Immigration Services in partnership with territorial employment agencies. These include career guidance programmes, scholarships for foreign apprentices and funding lines for start-ups and vocational workshops set up by refugees.

At local level, some county councils have launched pilot programs to provide microgrants to refugees, for education or entrepreneurial activities with social inclusion effects. Support for refugees' access to dual vocational education has also been increased.

5. Quantitative estimates of long-term fiscal benefits from effective refugee integration

While the immediate economic impact of refugee integration is felt mainly through integration spending, the long-term tax benefits can significantly outweigh these initial costs. To quantify the extent of these potential benefits, several studies have conducted simulations modelling the decades-long fiscal impact of integrating a certain number of refugees.

A study by the World Bank in 2018 estimated that integrating 1 million refugees into Europe would generate net tax revenues of more than \$25 billion over 20 years. During this period, refugees would pay more than \$33 billion in taxes and businesses would pay \$6 billion in additional social contributions, while the costs of the protection and integration system would be about \$14 billion (Mottaghi, 2018).

Also, a 2017 estimate calculated that the integration of 50,000 refugees would generate net tax revenues of about 500 million euros over 10 years, while integration expenses would be about 240 million euros. This would mean that, on average, each integrated refugee would generate a tax benefit of around €10,000 for the budget during their activity on the labour market (Alix-Garcia et al., 2017).

As refugees integrate in the long run, the tax benefits increase exponentially. A recent study by the Organization for Economic Co-operation and Development (OECD) estimated that integrating 100,000 refugees would generate additional revenue for a country's budget of about €60 million in the first 5 years and over €110 million over the next 15 years. Over 20 years, this influx of refugees would contribute almost €1.5 billion to the budget (Bevelander and Irastorza, 2021).

6. The impact of integrating beneficiaries of international protection into the Romanian labour market

The entry of beneficiaries of international protection into the Romanian labour market can generate both economic benefits and some challenges that the system needs to manage adequately.

One of the benefits of labour market integration is their contribution to filling skills shortages in certain economic sectors facing labour shortages. According to data

provided by the National Employment Agency, there is currently a significant shortage of personnel in areas such as construction, agriculture, food industry, tourism or medical care. The integration of refugees can help partially solve this problem through education and training programmes.

Another beneficial aspect is the diversification of the workforce in terms of skills and qualifications. Some beneficiaries of protection can bring complementary skills to the domestic labour market, such as knowledge of foreign languages or experience in certain fields such as IT. These skills can be harnessed by employers who need a flexible workforce.

In parallel, there are also socio-economic challenges to consider. Integration into the labour market often requires reskilling or reskilling refugees, entailing significant upfront costs. Also, lack of knowledge of international languages can make employment difficult. State institutions must implement integrated programs to support integration into the labour market and provide facilities to employers who accept beneficiaries of protection.

In conclusion, a balanced approach must recognise both the opportunities and challenges posed by refugees' entry into the labour market. Effective management of this process can maximise long-term socio-economic benefits for both employers and the refugee protection and integration system.

In our own research conducted on a sample of 2000 respondents in Romania, several questions were asked, some of which are also related to the economic field.

One of these questions asked for an opinion on the existence of a positive impact on Romania's economy of beneficiaries of international protection. Based on the answers to this question, it can be seen that there are divided opinions on their impact on Romania's economy.

The majority of respondents (56.5%) partially or completely agreed with the statement that immigrants have a positive impact on the economy. This includes the answer "I don't know/no answers". A total of 26.3% disagreed partially or completely with this statement. And 17.2% expressed neutrality with the answer "I don't know/no answers".

The results show a balance between the pros and cons of the positive impact of immigrants on the economy. Factors determining different perceptions may include the level of knowledge of the migration phenomenon, personal experiences, as well as political and social orientations.

Overall, opinions are divided, with similar weightings for each response category. To better understand the real economic impact of immigration, rigorous analysis and quantitative data by experts is needed, assessing both the benefits and possible long-term negative effects. Public opinion sometimes leans towards exaggerated or unfounded perceptions beyond the objective reality of figures.

Another question focused on the society's opinion on the labour market support provided by beneficiaries of international protection in employment for which employers find it very difficult to identify personnel from the national workforce.

Based on the answers to this question, it can be seen that the overwhelming majority of respondents (83.5%) partially or totally agree that beneficiaries of international

protection help fill jobs that are difficult to cover in Romania. Only 8.9% disagree with this statement.

The percentage of those who answered "do not know/no answer" is only 7.6%, suggesting that this issue is largely understood and accepted by public opinion.

Views are largely converging in recognising that their integration into the labour market can help overcome labour shortages in certain economic sectors. The more critical approaches are represented by the minority opinion that immigrants do not help fill hard-to-reach jobs in Romania.

Overall, the responses reflect the majority's belief that the access of beneficiaries of international protection to the labour market supports Romania in facing the challenges posed by labour shortages in some economic sectors. This is a pragmatic perspective that can contribute to the beneficial integration of beneficiaries of international protection into the Romanian labour market.

Another one of the questions focused on the society's opinion on the benefits of access of beneficiaries of international protection to the labour market, namely whether they consider that they "bring new ideas and/or stimulate innovation in Romania".

Based on the answers to this question, opinions are divided on the extent to which immigrants could stimulate innovation and bring new ideas to Romania. Thus, 41.7% of respondents partially or totally agreed that immigrants could have a positive impact in this regard. 31.3% did not have a clear position, answering "I don't know/no answer". And 27 percent partially or completely disagreed with the statement.

It can be seen that there is a significant dose of mistrust or scepticism about the potential of immigrants to contribute to innovation and the development of new ideas in Romania. At the same time, those who have a favourable position represent the highest percentage.

To better understand this topic, quantitative analyses would be needed on the ways in which immigration has influenced the development of economic sectors or scientific fields in other countries. Personal perceptions can have limits to explanations based on real data and concrete examples. A balanced approach should take both perspectives into account.

Also, within the same research, questionnaires were applied to beneficiaries of international protection and specialists in the field of integration. All 3 categories of respondents identify major difficulties in integrating beneficiaries of international protection into the Romanian labour market. Native-born society has mixed perceptions of migrants' ability to take up employment and find suitable employment. Migrants report significant obstacles in obtaining a suitable job and recognizing their qualifications and previous experience. Specialists recognize the importance of facilitating access to the labour market and the need for active policies in this regard.

According to data collected among migrants, only 46% are employed, and the main difficulty is the recognition of qualifications (around 40% of respondents). The authorities provide support for the equivalence of studies for only 1/3 of the applicants. Thus, existing skills remain untapped and employability is reduced. The development of clear and effective procedures for the recognition of qualifications is imperative (Goodwin-Gill, 2020; UNHCR, 2022).

Specialists say that policies to facilitate access to the labour market are insufficient in Romania. There is a need to simplify the recognition of qualifications, develop partnerships with employers, traineeship programmes and vocational counselling. Attracting the private sector and promoting diversity in the corporate environment can foster inclusion (Papademetriou and Benton, 2020).

7. Conclusions

Based on the results, it can be concluded that the integration of migrants is driven by several interconnected factors, from the socio-economic, legal and cultural spheres. The development of active multidimensional policies is necessary to support this process.

The results of the quantitative research applied on the three samples (society, migrants, specialists) show the following:

- There are divided opinions in society on the economic impact of migrants, and rigorous analysis is needed to understand reality.
- However, most respondents acknowledge that migrants can help tackle labour shortages in certain sectors.
- The high unemployment rate among migrants (over 60%) reflects real difficulties in getting into work.
- The main barriers identified by migrants are recognition of qualifications and limited access to Romanian language courses.
- Specialists consider that current policies to facilitate employment are insufficient and require a more active approach from the authorities.

Based on the data collected, it can be concluded that the professional integration of migrants still faces numerous obstacles in Romania. Monitoring public attitudes and developing measures appropriate to migrants' real needs are necessary to optimize this process.

At public policy level, the introduction of the following recommendations could enhance successful integration:

- Improving access to education and language courses Romanian
- Simplifying procedures for the recognition of professional qualifications
- Stimulating employment through programs dedicated to the labour market
- Supporting autonomous housing and social relations with the community
- Permanent monitoring of migrants' needs for policy evaluation

The most important issues that should be addressed in future research concern:

- Impact assessment of existing labour market integration Programmes and measures
- Identifying barriers to refugees' access to suitable employment and career development
- Studying ways to boost long-term employment

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