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## FINANCIAL ASPECTS OF NATIONAL MIGRATION PROCESSES

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**Abstract.** *Intensification and deepening the processes of globalization and integration in the world economy, interdependence and diffusion of national economies, transnational character of mobile factors of production (including labor flows) determine the inclusion of Ukraine in the international labor market. The increase of financial income from Ukrainian citizens working abroad is traditionally considered to be one of the positive effects of this process. The article deals with studying the financial performance of national migration processes. Trends, dynamics, structure and distribution of private transfers of Ukrainian migrants are analyzed by the author. A comparative analysis of financial benefits and losses for the national economy from migration processes is performed. The need of adjusting private transfer flows to the amount of potential GDP losses and tax revenues to the country's budget are emphasized. Tax revenues arise from the inclusion of the part of the working population in the international migration process, as illustrated by author's calculations. At the same time, the counterbalance to the positive financial consequences (at first glance) of migration processes for the national economy of Ukraine as a number of significant risks that will occur in the long-term perspective is pointed out in the article.*

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**Keywords:** *migration, international labor mobility, migration processes, private transfers.*

### Introduction.

Significant, but ambiguous, factor of labour migration processes intensification is financial income sent to Ukraine by citizens working abroad. Private remittances from abroad, which can be roughly compared to FDI, are not only one of important sources of foreign exchange incomings to Ukraine, but also quite stable source of foreign capital attraction. In the short-term and medium-term period, remittances have a positive impact on Ukraine's macroeconomic stability, contribute to financing trade balance deficit, fiscal consolidation and national currency support.

At the same time, it should be noted that when calculating “net” profit of national economy from financial income of labour migrants, it is necessary to take into account potential losses of national GDP and tax revenues for state budget of home country. It should also be remembered that country’s loss of its employment potential might cause long-term and, at first glance, non-economic risk, but which will eventually threat national economic security directly.

The aim of this article is to study financial aspects of migration processes, to make expert calculation of “net” profit from financial income of labour migrants and to evaluate their impact on national economy.

### **Literature review.**

The study of main trends and dynamics of private remittances was based on official data of National Bank of Ukraine regarding status and dynamics of balance of payments [1, 2, 3]; State Statistics Service of Ukraine [5] regarding macroeconomic indicators of national labour market and State Employment Service of Ukraine [4] regarding number of citizens employed abroad.

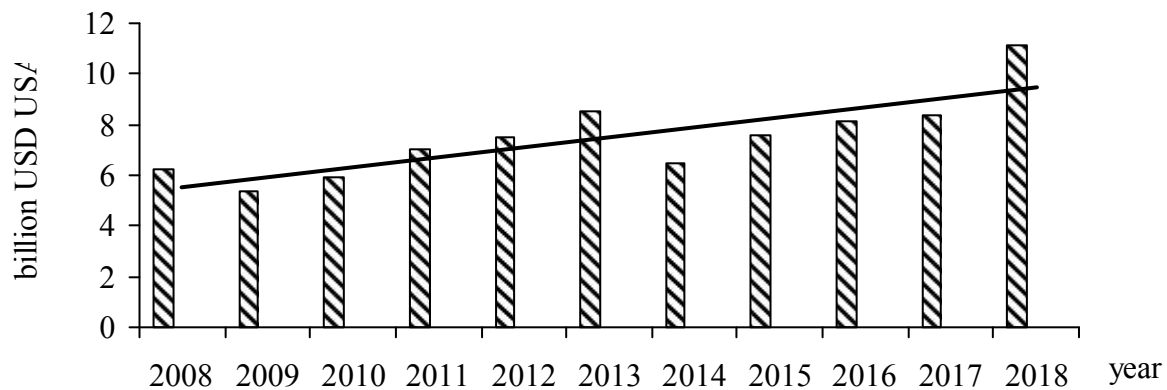
Methodological aspects regarding necessity of adjusting financial income from labour migration to amount of potential losses of GDP and tax revenues are outlined in publications by I. Kolesnyk and N. Serohina [6].

Cost policy and structure of funds received from labour emigrants, including potential development of entrepreneurial activity, were investigated in publications of State Center for Social Reforms together with State Statistics Service of Ukraine [7], International Organization for Migration [8] and O. Malynovs'ka [ 9, 10].

### **Results.**

#### ***Trends in financial income from labour migration.***

Private remittances of labour migrant are economically significant for many countries, including Ukraine. Such remittances share in Ukraine’s GDP during the period 2010-2012 was about 4.1%. Since 2013, this trend has grown rapidly to 4.5%, and by 2018 it had already been 8.5%, which is significantly higher than the same indicator of traditional world labour donors, including India and Mexico. According to National Bank of Ukraine data, total volume of private remittances sent to Ukraine by citizens working abroad amounted to about 81.6 billion USA dollars in 2008-2018 (Fig. 1), more than two-thirds of which came from foreign countries and the CIS [1-3]. It should be noted that because of complication of Ukrainian-Russian foreign policy as a result of military events in the east of Ukraine, during 2015 - 2018, short-term migrants from Russia moved to Poland, which has now become the main destination for Ukrainian labour migrants with corresponding rapid growth of remittances to more than a third in total [2].



**Fig. 1. Dynamics of private remittances**

Source: [1-3]

When conducting comparative analysis of financial profit and losses for national economy from labour migration, GDP of Ukraine is calculated as a result of the fact that certain part of able-bodied population, included in process of international labour migration, does not participate in its creation. During calculations we have used official statistics of State Statistics Service of Ukraine (gross domestic product), National Bank of Ukraine (official rate of Ukrainian hryvnia against foreign currencies), State Employment Service of Ukraine (number of Ukrainian citizens employed abroad). The results are presented in Table. 1. The calculation was made by the formula:

$$LGDP, m = \frac{GDP}{S_l} \times S_m,$$

where, LGDP, m – GDP loss due to labour emigration;

GDP – gross domestic product created during certain period;

$S_l$  – average number of employed population for relevant period;

$S_m$  – average number of labour emigrants for relevant period.

Thus, for the period 2008-2018, total losses amount from labour emigration is estimated to more than 7 billion USA dollars. Employment of these citizens on the territory of Ukraine would give an annual increase of national GDP of about 0,5-0,6%. Potential loss of tax revenues of state budget revenue of Ukraine in calculated period amounted to about 4.8 billion USA dollars (Table 2). When conducting the calculations, official average monthly salary, 15% (from 2016 - 18%) tax rate on personal income and number of Ukrainian citizens who are officially employed abroad were taken as the basis [6].

**Table 1. GDP losses of Ukraine from labour emigration**

Year	GDP, thousands USD	Busy population, thousands people	Number of citizens employed abroad, thousands people	GDP loss, thousands USD	Share of GDP, %
2008	188110366,8	19251,7	80,4	785596,8	0,42
2009	121552183,3	18365,0	74,5	493092,2	0,41
2010	136012461,8	17451,5	80,4	626616,7	0,46
2011	163160432,8	17520,8	84,5	786896,5	0,48
2012	175780733,8	17728,6	86,7	859638,6	0,49
2013	183310146,4	17889,4	83,4	854588,0	0,47
2014	133503866,2	17188,1	78,0	605843,7	0,45
2015	90615000,0	15742,0	76,9	442656,2	0,48
2016	93270000,0	15626,1	79,2	472733,7	0,50
2017	112154000,0	15495,9	83,8	606515,6	0,54
2018	130832000,0	15718,6	97,1	808200,9	0,61

Source: [4-5]

Based on above mentioned, in the period from 2008 to 2018, “net” financial profit of Ukrainian economy from labour emigration amounted to about 69.6 billion USA dollars. However, it should be noted that during the calculations we have taken into account only statistics of official labour emigrants. Considering that considerable part of Ukrainian labour emigrants is not covered by national statistics, it can be assumed that financial losses of national economy are substantially higher and “net” financial profit lower.

**Table 2. Fiscal losses of state budget revenue of Ukraine from labour emigration**

Year	Average monthly salary per person, USD	Fiscal contributions to budget (15% rate) **, USD	Number of citizens employed abroad, thousands people	Fiscal losses of state budget revenue, thousands USD
2008	342,8	51,4	80,4	49620,9
2009	244,6	36,6	74,5	32805,4
2010	283,5	42,5	80,4	41032,6
2011	332,3	49,8	84,5	50550,1
2012	380,5	57,0	86,7	59388,9
2013	410,6	61,5	83,4	61640,7
2014	292,7	43,9	78,0	41104,2
2015	159,3	23,9	76,9	22054,92
2016	172,9	31,1	79,2	29557,44
2017	196,4	35,4	83,8	35598,24
2018	269,5	48,5	97,1	56512,20

\* 18% rate since 2016

Source: [4-5]

International economic institutions rank Ukraine ninth in the world among middle-income countries receiving remittances, and first in the post-Soviet space. According to official estimates, annual remittances, including remittances made through official and informal channels, are increasing simultaneously with increasing number of labour emigrants.

***Impact of financial revenues from migration processes on national economy.***

At individual level, remittances play an important role in overcoming poverty and providing means of living for migrant families. But above all, their role and share in supporting sustainable development and investment in context of benefits for national economy is interesting.

About 80% of long-term labour migrants are in EU countries (Poland, Czech Republic, Italy, Germany), as well as in low-income CIS countries. Considering this, average cumulative income of Ukrainian families with labour migrants, due to US and European standards, is quite low, and is within the range of \$ 2,000.

In general, like other traditional labour donor countries, such as Mexico, Ukrainian labour migrants and their families keep careful and conservative policy for their savings. In 2009, State Center for Social Reforms, together with State Statistics Service of Ukraine, conducted a survey, according to which cost structure of funds received by labour emigrants was as follows (survey provided for several options): satisfying daily needs (purchase of food, clothing, payment for services) – 72.0%; purchase of durable goods - 39.3%; purchase, reconstruction and construction of new housing - 29.1%; payment of tuition fees for labour migrant families members – 12.4%; debt repayment – 10,4%; savings – 9.7%; payment for medical services – 6,5% [7].

Based on studies published in 2016 by International Organization for Migration, which was dedicated to distribution structure of remittances sent to Ukraine, it should be noted that their main purpose is still consumption (including durable goods) and savings.

Regarding using private remittances as source of investment, it should be noted that the biggest part of these investments (94%) is mainly focused on purchase or repair of real estate. Productive investments in business, farming, etc. are allocated 6% of all investments or 1% of total average amount of remittances [8]. Such low level of productive investment can be explained by the same factors, which also lead to negative tendencies towards reduction of direct investments - geostrategic challenges facing Ukraine, high level of corruption, difficulties in running business.

At the same time, comparative characteristics of labour emigrants with other people give grounds to conclude that migration is in some way connected with development of entrepreneurship. Study results conducted in border areas showed that, compared to other employed population, share of people with migration experience was 1.5 times higher among self-employed people and by one third among employers [9-10]. Consumption cash also has an economic impact. For example, housing investment of migrants has led to increase of housing construction in regions with significant labour migration.

These investments have contributed to employment growth, which is of great importance, especially for rural areas. In addition, they have caused increase in demand for building materials, furniture, plumbing, etc., which has positive impact on economic situation in general.

However, in regions with significant emigration, private remittances impact has led to rapid and economically unreasonable increase of prices for residential real estate and formation of speculative “bubble” at real estate market, which turned into a serious threat to stability of financial institutions of Ukraine during crisis in 2009. Although the economic impact of inflow of private remittances by Ukrainian labour migrants is ambiguous, investing it in human capital, including education and medicine, improvement of families’ life quality should be estimated as positive.

### **Conclusions.**

Summarizing above mentioned, it should be noted that private remittances from abroad, which can be roughly compared to FDI, are not only one of important sources of foreign exchange incomings to Ukraine, but also stable source of foreign capital attraction. Steady tendency in increasing remittances to Ukraine’s GDP has been observed in Ukraine since 2013. Conducted comparative analysis of financial profit and losses for national economy from labour migration showed that in the period 2008-2018 total losses from labour emigration amounted to about 7 billion USA dollars.

Employment of citizens leaving abroad on their own territories would give annual increase of national GDP of about 0.5-0.6%; potential loss of tax revenues of state budget revenue of Ukraine in calculated period amounted to about 4.8 billion USA dollars. During the same period, net financial profit of Ukrainian economy from labour emigration amounted to about 69.6 billion USA dollars. Considering that significant part of Ukrainian emigrants is not covered by national statistics, it can be assumed that financial losses of national economy are substantially higher and that net financial profit is lower. According to official estimates, annual remittances of labour emigrants sent through official and informal channels are increasing simultaneously with increasing number of labour emigrants. Regarding geography of labour emigrants outflows from Ukraine, overwhelming majority (80%) are looking for work in EU countries as well as in the CIS countries with low income. In general, Ukrainian emigrants and their families keep to careful and conservative saving policy, spending received money for daily needs requirements, purchase of durable goods, purchase, reconstruction and construction of new housing. The biggest part of labour migrants’ investments is mainly focused on purchase or repair of real estate. Investments in business, farming, etc. account for only 6% of all investments, or 1% of total average amount of remittances. Housing investments of migrants have led to increase in housing construction in regions with significant labour migration, which has contributed to employment growth, especially in rural Ukraine.

Considering ambiguous economic effect of inflow of private remittances by Ukrainian labour migrants, it should be emphasized that investing private funds in human capital, in particular education, medicine, improvement of families’ life quality, has positive impact on development of the whole civil society.

At the same time, contrasting above mentioned positive results of external labour migration there is a number of risks, quantitative and qualitative manifestations of which, unfortunately, will occur in long term period, in particular: disintegration of economic and degradation of social space of the state; decomposition of state space and deformation of demographic space of our country.

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