The Influence of migration on the financial circulation in the economy of Ukraine

Oleksandra Lysiuk * A; Igor Britchenko B

A VUZF University, 1, Gusla str., Sofia, 1618, Bulgaria
B State Higher Vocational School Memorial of Prof. Stanislaw Tarnowski in Tarnobrzeg, Poland

Received: November 10, 2020 | Revised: November 28, 2020 | Accepted: December 31, 2020

JEL Classification: J11, J18.

DOI: 10.38188/2534-9228.20.4.02

Abstract

The article deals with the migration processes and their financial influence on the Economy of Ukraine. The changes in the character of the external labor migration of the population in Ukraine are defined. The main reasons that caused external labor migration in Ukraine from 2010 to 2019 are investigated. The remittances to Ukraine from the most popular migration countries and the influence of situational regulation of the government on external labor migration problems are analyzed.

Keywords: migration, labor, work force, financial circulation, remittances.

Introduction

The study of migration process in the modern world is caused by specifics of moving of population able to work, which can threaten the national security of the state (Tkach, M., 2020; Tkach I.M., 2018). The development of transport links, some simplification of border crossing rules of countries interested in increasing the number of migrant workers, as well as the growing demand for skilled workers and the increased ability to communicate for different nations and nationalities facing globalization have led to increasing migration flows and determine the direction of labor migration.

At that time, the majority of migrants performed low-skilled work because of low level of education and qualifications. Today, the nature of labor migration has changed significantly. Reports of International Organization of Migration (IOM) show the increase of the rates of migration and the general level of migrants’ education. Most labor migrants today got secondary or higher education. They have to change their places of residence to get better employment conditions and more opportunities for self-realization, also, to further improve their educational and qualification level.

Material and methods

This nature of modern labor migration has led to the loss of the intellectual potential for some countries and even regions. More qualified workers are trying to concentrate their forces in more developed countries creating even greater gap between highly developed states and developing countries, in particular, in the field of innovation projects. Moreover, such processes are found not only at the global level, but also at the regional level. Therefore, Ukraine’s integration into the world labor level will strengthen the effect of migration processes on the territory of Ukraine. In addition, migration processes form new risks associated with changing the demographic map of the country, crisis of ethnic identity, as well as attitude to the state and its institutions. Sharp increasing number of migrants indicates an increasing influence on the economy of Ukraine. During 1991-2012, 2,7 million citizens left

* Corresponding author: doctorant VUZF, e-mail: lysiukaleksandra@gmail.com
while during 2014-2019, this number reached about 6 million. So, it is necessary to assess comprehensively the consequences of the growth of labor migration for economic development of Ukraine and the effectiveness of the state migration policy in order to identify a potential threat to economic security.

Migration is the movement of people. IOM gives the following definition: “migration is the process of moving people across an international border or inside the country; it covers any type of moving, regardless of their activities, composition or cause; migration includes the movement of refugees, displaced persons, evicted people and economic migrants” (Dubauskas G., 2008).

This definition most accurately characterizes migration processes happening in the context of globalization. According to some scholars, in the modern world there has been global migration interdependence among states (Cohen, B.H., & Scatigna, M., 2016). It creates the need for further theoretical awareness of the components of labor migration followed by the production of effective methods of its regulation both at the state level and the international level. As it turned out, forceful methods to prevent the growth of migrant workers do not only keep from providing the desired result, but also create increased social tension. However, increasing need in highly qualified specialists and relatively fast aging of qualified working forces require complex actions by donor countries in order to keep skilled workforce. This problem is also urgent in Ukraine.

The main reason why Ukrainians migrate searching the job is the economic situation in the country, in particular, low wages and unemployment. Labor migration has created gaps in Ukrainian labor market. Due to the labor migration of the population, the problem of staff hunger is becoming more acute. Such branches as construction and engineering lack specialists, there is also insufficient number of locksmiths, electricians, sewing specialists, public service workers.

The dynamic of the current population of Ukraine was analyzed in Section 1.

Theoretical studying of the migration processes of the industrial world originates back to XIX century, when the scholars formulated eleven migration laws. Most of them are still working today. They are those, that make the basis for many theories in migration issue. The most famous of them are the following: most migrations are short-distanced; the bigger the territorial centre is, the more attractive it is for migrants; every migration flow has its contraflow; big cities grow because of migration of the population more than due to natural population growth; migration size grows along with development of industry and trade, in particular, with development of transport; economic reasons are undefined (Cohen, B.H., & Scatigna, M., 2016).

Those laws are not violated in Ukraine: the most widespread form of changing the place of living is domestic moving. According to the State Statistics Committee, internal movements are about 10 times higher than cases of external migration in terms of reported cases. More than a half of all items of changing the places of living are carried out within the regions (between the city and the village), and about a third part – between the regions.

Lack of the proper employment conditions in a village, along with traditional for village youth educational migration led to large losses of young population in the village (aged 15-19 years old), and their dropout rate is 3-4 times higher than the rural population in general.

Thus, according to National Bank’ data, in 2010-2019, Ukrainian migrants transfer the following amounts of money:

| Table 1 – Dynamic of private remittance |
|----------------------------------------|
| Indicators                             | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Total received:                        | 5862 | 7019 | 7526 | 8537 | 6489 | 6959 | 7535 | 9287 | 11111| 12017|
| involves the following:                |      |      |      |      |      |      |      |      |      |      |
| through bank corresponding accounts   | 2959 | 3252 | 3278 | 3293 | 2410 | 2005 | 2145 | 2591 | 3420 | 2812 |
From the above table you can see, that during 2010-2013 the positive trend of increasing volumes of private remittances continued, while in 2014-2015 those indicators decreased. In 2014 negative value of 24% (or 2048.0 million USD lower of that in 2013) was fixed. In 2015 the volume of money transfers during the year decreased by 28% in comparison with 2014, but in 2016 the situation improved significantly and the volume increased by 5.3% comparing with the previous year. The reasons for the decline of the volume of money transfers during 2014-2015 were the following: reduction of remittances to Donetsk and Lugansk Regions (halved – by 0.5 billion USD); annexation of the Autonomous Republic of Crimea (transfers to this territory were not studied during 2015-2019); devaluation of Russian ruble by 72%, etc.

However, positive trend started in 2016. And this positive trend improves every year.

Migrants play an important role in strengthening social-economic structure of Ukraine. Peaceful political course of the target countries, providing security of their citizens, the influence of the state and availability of jobs – such a situation in the target country create the opportunity for people to migrate by their personal choice. Through their migration corridors, states can establish links with their citizens and national communities abroad. Encouraging the repatriation of skilled emigrants could lead to the elimination of skilled staff shortages of their countries. Thus, through the mechanism of international migration there is a redistribution of resources for development, which no country can do without.

### Table 2 – Remittances to Ukraine from the most popular migration countries

| Country of origin          | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------------|------|------|------|------|------|------|------|------|------|
| Canada                     | 6056 | 5491 | 7377 | 5600 | 6959 | 7535 | 9287 | 11111| 12017|
| Cyprus                     | 331  | 346  | 425  | 264  | 245  | 249  | 285  | 341  | 391  |
| Check Republic             | 34   | 32   | 36   | 33   | 314  | 377  | 434  | 846  | 1113 |
| Germany                    | 423  | 403  | 418  | 328  | 270  | 291  | 318  | 426  | 462  |
| Greece                     | 34   | 338  | 335  | 267  | 191  | 179  | 179  | 191  | 195  |
| Israel                     | 78   | 88   | 102  | 99   | 108  | 171  | 280  | 337  | 351  |
| Italy                      | 325  | 294  | 305  | 242  | 350  | 412  | 448  | 492  | 498  |
| Netherlands                | 96   | 92   | 101  | 83   | 67   | 71   | 98   | 123  | 127  |
| Norway                     | 55   | 64   | 68   | 41   | 38   | 42   | 52   | 55   | 60   |
| Poland                     | 35   | 40   | 40   | 39   | 1329 | 1991 | 3116 | 3649 | 3686 |
| Portugal                   | 78   | 60   | 54   | 44   | 43   | 48   | 52   | 57   | 60   |
| Russian Federation         | 1988 | 2350 | 2704 | 2015 | 1835 | 1396 | 1315 | 1091 | 1234 |
| Singapore                  | 60   | 82   | 103  | 95   | 75   | 73   | 104  | 129  | 120  |
| Spain                      | 140  | 118  | 104  | 82   | 61   | 66   | 76   | 88   | 86   |
| Switzerland                | 134  | 119  | 120  | 98   | 62   | 63   | 76   | 89   | 88   |
| Turkey                     | 62   | 56   | 60   | 47   | 44   | 57   | 86   | 106  | 79   |
| UAE                        | 108  | 120  | 131  | 99   | 82   | 93   | 118  | 153  | 135  |
As it was shown above, the main countries, from which money transfers come before 2013, are the following: Cyprus, Germany, Italy, the USA, the Russian Federation, Great Britain. But since 2014-2015, the situation has changed and remittances have been coming mostly from Poland, the Check Republic, Israel, the USA, Germany, Italy, Cyprus. The financial flows from the Russian Federation have decreased. The reasons of those changes are political: military conflict with the Russian Federation and more favorable migration policy of such countries as Poland, the Check Republic, Germany, Italy.

Results and discussion

Today, workforce is becoming the scarcest factor of production. And the fastest source to increase the working-age population is migration that intensifies competition among developed countries and human resources. The level of labor migration of Ukrainian citizens abroad has become threatening for the economy of Ukraine (today it is the most widespread type of moving people (Adamyk, B., & Skirka, A., 2016), and therefore the government policy in the field of migration in Ukraine should be changed urgently, as mentioned in official resources.

International population migration, especially its economically driven types and forms, is an important resource of development both for countries that accept migrants and for countries of origin. Considering the impact of migration flows on the socio-economic balance of countries, two types of migration should be identified: labor migration and forced migration. Labor migration is voluntary, it is motivated by the individual’s desire to get better-paid jobs, better living conditions and social status. Forced migration is caused by military actions, political actions, ethnic and religious persecution, that force the population to change their place of residence. The particular type of migration affects the economies of countries of origin and the countries of destination in different ways.

The population of Ukraine is constantly decreasing due to demographic or emigrating processes, and for the last few years another reason is the military conflict in the east of the country. Changing the number of population due to demographic processes (reducing of birth rate, ageing population) is considered quite natural and also happens in the developed countries while the decline of population because of migration indicates adverse conditions within the country which push the population to international migration processes.

From the above information it can be concluded that migration has an impact on almost all the areas of society, and most of all on the demographic sphere, labor markets and finances.

However, in the context of the negative economic situation in Ukraine, the results of migration of the Ukrainian population abroad in search of job have also positive features, this applies to private remittances. These are household income received from individuals abroad and connected with temporary or permanent migration of population. Remittances can come both by official channels – banks, international money transfer systems, post offices, and by transferring other material values from one household to another.

In the structure of the balance of payments two articles deal with private remittances: remuneration of employees and private transfers (according to official data of the National Bank of Ukraine). Net pay is a part of
earnings of family members’ abroad which they transfer to the household on the territory of their country. Private transfers cover transactions between household-residents and household presidents.

Thus, private remittances to Ukraine not only have positive influence on the economy of Ukraine, but also have favorable impact on the development of financial market as for attracting and developing international payment systems. However, the interest of Ukrainian citizens in searching a job abroad has a negative influence on domestic labor market in Ukraine with annual loss of qualified specialists.

As migration of population is a complex process, it requires the attention from different structures. Development of multilateral cooperation is focused on, as more and more countries are involved in migration interdependence. If the migration policy is not cooperated with public and national organizations, mass media and local government, migration tasks cannot be realized successfully. Therefore, it is important for every country to accumulate knowledge about effective realization such a resource as migration.

To gain fundamental knowledge in the field of international migration and develop the right recommendations for migration policy it is necessary to do additional research in the following directions:

1) studying the experience of the countries which have many years of experience involving labor migrants (which are traditionally attractive for migrants);
2) improving data quality (lack of data important for characterizing migration, different sources of statistics collected in ministries and departments and no coordination of their work, almost no study of labor migration);
3) influence of the labor market. It is important to analyze migration of qualified and low-qualified labor forces, also results of temporal and permanent migration;
4) “brain drain”. Ukraine is facing a big problem of emigrating highly qualified specialists. It is necessary to study the conditions: under which migrants’ remittance and the transfer of their accumulated knowledge benefit our state and under which we lose human capital;
5) remittances. Nowadays the importance of remittances as a source of capital for the country is growing, so the study of the factors determining cash flows and effective ways of using them should be a priority;
6) access to the social security system and making social payments and eligibility for social payments;
7) social and political integration, accepting citizenship and economic conditions of migrants;
8) links with diaspora; influence on Ukraine’s economic development.

Conclusions

Analyzing mentioned above based on the experience of developed countries, it is necessary for improving Ukraine’s state migration policy to direct government resources to the following: reducing the number of emigrants through creating appropriate labor conditions in Ukraine; unacceptable creating unreasonable benefits for migrants to Ukraine which could grand them more privileged position in comparison with citizens of Ukraine while preventing any discrimination of migrants; regulating natural migration processes by creating state socio-economic and national-cultural programs; countering illegal migration and human trafficking; protecting interests of Ukrainian emigrants, developing close ties with foreign diaspora; returning migrant workers and ethnic Ukrainians by creating attractive conditions for the use of their foreign exchange reserves in business activities in Ukraine.
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