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Migration capital as strategic resource of Ukraine regional development

Kapitał migracyjny jako strategiczny zasób rozwoju regionalnego Ukrainy

Key words: migration capital, income of migrant workers, migration-investment provision, efficient use of migration capital, control of migration capital use

Słowa kluczowe: kapitał migracyjny, dochód pracowników migrujących, wsparcie inwestycyjne migracji, efektywne wykorzystanie kapitału migracji, kontrola nad kapitałem migracyjnym

The prospects of Ukraine regional development is largely determined by the search of additional sources of economic investment in current situation of prolonged system crisis. One of such sources is the income of migrant workers who form migration-investment provision, being the important formative element of migration capital. It is the income of migrant workers in Ukraine regions that allows increasing migration factor importance of territory investment attractiveness. Due to the current situation in Ukraine the efforts of local bodies of state power should be directed to the stimulation of efficient use of migration capital produced by labour migrants working abroad.

The efficient use of such funds implies preventing sedimentation of migrant workers' income in their families. It is important to provide their transformation into the reproductive resource of region economics through its investment. There may be direct investment into own business, the purchase of property rights (full or partial) for available subject of business activity, indirect investment through consumer market (a migrant or a person possessing his funds has an impact on company producer's or implementer's profits while buying goods for profits earned during migration work). We should note that migration capital in the form of remittance has the reverse side of effect. Possible destructive impact is pointed out as considerable amount of money gets into "shadow" circulation and enhances available social disproportions. Those who get fixed

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income, in particular the workers of budget sphere and agriculture, are affected primarily in such conditions. As a result, prices for goods and services increase at domestic market; the purchasing power of the persons who make use of migrant workers' income is significantly higher than the purchasing power of the persons working in Ukraine.

A migrant sends to his homeland about 60% of funds earned abroad according to the investigation of Ukrainian scientists [Haidutskyi, 2007]. Taking into account that a great number of Ukrainian labour migrants work abroad, it is important to understand the danger of destructive impact of such processes. Therefore, we focus attention on the necessity of control for migrant capital use being the extremely difficult task of state authorities of different level (state and local).

The investigation of migration and migration impact on regional social-economic development can be found in the works of such Ukrainian researchers as O. Babenko, G. Babiak, S. Brytchenko, O. Varetska, O. Haidutskyi, H. Herasymenko, M. Dusanovska, Y. Libanova, S. Makuha, O. Malynovska, A. Mozol, H. Moskal, S. Mosiondz, V. Liudkevych, M. Nikolaichuk, S. Pirozhkov, O. Poznyak, V. Pryimak, O. Puryhina, M. Romanyuk, U. Sadova, N. Tyndyk, O. Ulianytska, O. Homra, S. Chehovych, V. Chumak, M. Yaroshenko, etc. At the same time a few studies deal with the investigation of control for migration capital use as the strategic resource of providing regional social-economic development that stipulates the topicality of the research.

The goal of the work is the determination of theoretical and applied fundamentals of increasing the efficiency of migration capital use as the strategic resource of regional development. To achieve the goal we have to solve the following main tasks:

- to distinguish the main problems of migrant capital legalization and use in Ukraine;
- to analyze the main purposes of migrant capital use according to sociological study data;
- to suggest priority measures as to the efficient application of migrant capital that should be transformed into migration-investment provision of regional social-economic development.

The essential insight of migration capital should not be restricted to its consideration as finance resources received by labour migrants and sent to their homeland. The approach similar to the consideration of human capital should be applied here. That is, migration capital is the body of knowledge and skills acquired by a labour migrant working abroad and getting the appropriate level of financial compensation. Migrant capital formation is preceded by significant migrant worker's expenses dealing with the change of his residence, the adaptation to new conditions, the focus of his efforts on acquiring new knowledge and skills.

Our research considers migration capital in its financial form with causal character, i.e. the compensation is received by migrant worker in return of his knowledge and skills used in work activity. There is a problem of migration-investment provision of regional social-economic development being migration capital expressed in value and produced by labour migrants working abroad, that involves their constant and additional earnings

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on legal or illegal grounds and is sent (mainly in the form of remittances) to their family members, other persons or is carried by a migrant himself during remigration and is spent on the territory of country-donor.

Difficulties in the control of migrant capital use occur primarily around the shortcomings of statistic estimation of the number of Ukrainian migrant workers and the size of their income. Sociological study does not give the complete picture of such indexes because migrant workers disclose the size of their earning unwillingly even in anonymous questionnaires. Therefore, the available estimations of investment volume of Ukraine due to migrant workers have significant differences. According to some experts, the average monthly income of Ukrainian citizens working abroad is 2 billion UAH. that may be compared with the third part of nominal income of the whole population of Ukraine. According to other researches, it is 4–6 thousand U.S. dollars on one migrant a year. The multiplication of this number on the minimal number of migrant workers gives the number of 5 billion U.S. dollars [Levtsun].

The investigation of migrant capital impact on regional development is complicated with significant volumes of illegal migration resulting in labour market "shadowing". According to G. Gerasymenko, the total number of foreign migrant worker is 2–2.7 million persons in Ukraine. Besides, the number of so-called "shuttle" migrants is 350–700 thousand persons [Gerasimenko, 2006: 49]. According to the expert estimation of Ukraine Social Policy Ministry, almost 3 million people work outside the country [National Strategy…]. S. Pirozhkov, a famous Ukrainian scientist, points out that about 4 million Ukrainian citizens go abroad for seasonal works every year; the total number of Ukrainian population reduces by 90 thousand persons on average annually [Pyrozhkov, 2004: 10]. According to the impressive research conclusions of O. Varetska, 90% of Ukrainian labour migrants work outside the country illegally [Varetska, 2005: 34].

Thus, now in Ukraine nobody can estimate precisely the number of our migrant workers abroad; this fact demonstrates the problem of "shadow" labour markets in external dimension. The illegal character of labour migration from Ukraine has its threatening features, while the state does not take any radical measures for preventing the problem. In October, 21, 2004 the decision "to create effective mechanisms for income legalization of the citizens who work abroad: to work out the mechanism of creating favourable conditions for transferring migrant workers' remittance to Ukraine; to study taxation system of migrant workers of other countries and to regulate the tax regime of labour income of migrants-citizens of Ukraine" was approved according to the results of Parliament hearings in Verkhovna Rada of Ukraine [Conditions and problems…]. At the same time, in the conditions of current crisis and the search of new sources of state budgets there are decisions of state power bodies which are contrary to the provisions of Resolution of Parliamentary hearings, in particular, in the part of taxation of migrant workers' income. Thus, according to the Resolution of Ministry Cabinet of Ukraine of March, 5, 2009 № 236 "About elucidation of peculiarities of certain norms application in Ukraine President Decree of July, 3, 1998 № 727 for individuals conducting business activity outside Ukraine in the conditions of the world financial-economic crisis"

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Ukrainian migrant workers are offered for legalizing their foreign income in the limits of 500 UAH a year to be registered as entrepreneurs that pay unified tax and to conduct their business activity outside Ukraine [On explaining…].

The necessity of legalization of migrant workers' income abroad is obvious due to such contradictions. Its implication is prevented by significant difficulties; it is a well-known fact that most illegal workers would not like to pay additional taxes on obtained profits. Due to the fact, a target program should be worked out with benefits for migrants to solve the following tasks:

- to provide future pensions from the amount of earned and saved profits;
- to get the opportunity to start their own business on their own earnings on benefits in Ukraine;
- to provide additional medical care and insurance, the opportunity for further retraining.

We should stress unsystematic activity of state power bodies of different levels as to the control of migration capital use. Public societies, educational and scientific institutions make some attempts. Thus, there was a project presentation "Fundraising of migrant workers as the investment resource of mountainous depressive region development (as examplified by Staryi Sambir District, Lviv Region)" in Staryi Sambir of Lviv Region. The project was developed with the assistance of experts from Lviv Commercial Academy and Lviv City Public Society of International Economic Study Institute. The measures of this kind are extremely valuable and should not be restricted to the participation of public sector; they should attract the local bodies of state power possessing appropriate means of influence.

To achieve the goal of the transformation of migrant workers' income to investment resources we should remember that such investment may be realized:

1) directly by a migrant worker from savings left at his disposal after returning (remigration) to his homeland;
2) by relatives or acquainted persons of labour migrant who work abroad or return to his homeland.

In general, the control system for efficiency use of migrant capital as a strategic regional development resource in the form of capital investment should be based on the basis of complete information about current tendencies and obvious characteristics as to the volumes and structure of migrant population income which may be obtained according to the sociological study. Thus, in 2011 the authors conducted research, the goal of which was to determine the main direction of fund investment obtained from labour activity abroad. 52 households of the Lviv Region where at least one of the family members was foreign migrant worker, were involved. The research results showed that the income of one migrant worker formed the bulk of the whole household income. So, profits share obtained from abroad was more than 50% of household income for two-thirds of respondents; it was the only income source for 6%. On average, 10 Ukrainian migrant workers sent financial help for 8 children aged up to 18 and 20 adults; with 3 children and 4 adults being fully financed by them. Two children and 2 adults live

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completely at the expense of pointed funds in 11% of respondent households; one person – accordingly in 9%.

Migrant workers' financial help is spent by households for improving housing and living conditions and comfort of daily life, acquiring education by children, getting goods and services of primary necessity. Nowadays labour migration income is used mainly as a means of obtaining goods and services on consumer market. Such income is of significant importance for domestic market (through indirect investment) with regard to the efficient use of migrant capital for regional social-economic development. However, this process, as it has been pointed out, enhances the population differentiation according to their purchasing power and at the same time increases regional human capital through improving the opportunity of acquiring education. Unfortunately, the labour migration income of regional population can not be regarded as direct investment in business development, as less than 3% of funds are directed for this purpose (Fig. 1).

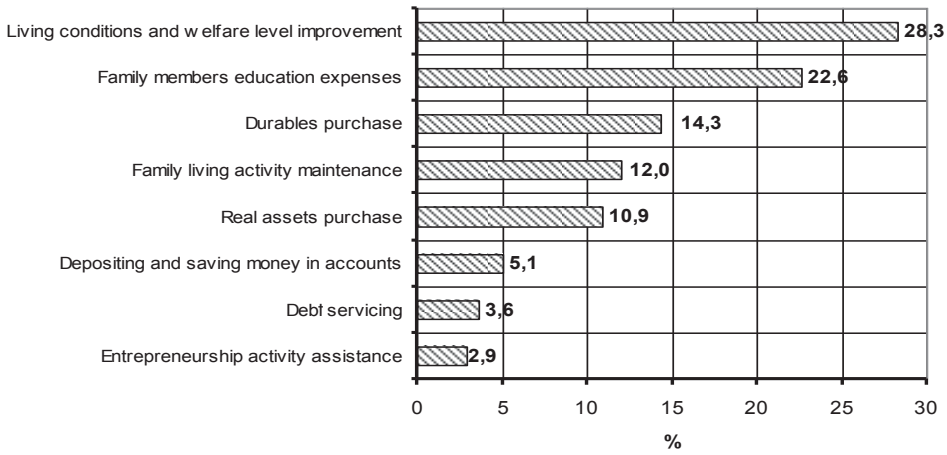


Fig. 1. Structural and target distribution of migrant workers' income by households, 2011
Source: developed by the authors

Figure 1 shows that funds from abroad are spent for living conditions and welfare level improvement, implying house reconstruction and improvement; with 8.6% of respondents not using funds for this purpose and 17% respondents using funds for this purpose.

Substantial expenses of households were education investments being 22.7% of migrant workers' income. This kind of expenses differs from the previous one by the indicative differentiation of households. On the one hand, the bulk of them (45.7%) does not include the education expenses to ones on which migrant workers' income is spent; on the other hand, one-fourth of respondents spend one half and more of household income for this purpose; this fact explains relatively high value of appropriate average index.

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On the basis of analyzing structure-target distribution of migrant workers' financial help, we can conclude about their inefficient use because they are kept in families and are not invested to regional economy, transformed in investment resources, do not promote the development of different business forms. This problem is aggravated by the lack of local state bodies' incentives as to migrant workers returning to their homeland or potential remigrants as to their income investment in different business forms. It is caused by the character of Ukrainian migrant workers' activity abroad working mainly as low-qualified employees; their experience cannot be used for business activity after remigration.

The research results determined the measures for encouraging Ukrainian migrant workers to investment activity:

- to simplify the system of doing business by labour remigrants in the regions of Ukraine;
- to distinguish the priority branches of regional economics for doing business by the migrants who have returned to Ukraine; foreign experience shows that these branches are farming, tourism (country tourism or ecotourism in particular);
- to determine the main forms of encouraging investment: benefit crediting during the first years of activity, consulting, workshops, etc.;
- to determine the main forms of business for migrant workers, small and medium business, in particular:
- to work out re-emigration target programs for labour migrants as potential businessmen to depressive territories (including mountainous regions):
- to stimulate banks to applying special programs of migrant workers' income preservation and accumulation, etc.

Thus, the current situation in converting migrant workers' incomes in investment resources, which is an important prerequisite for effective use of capital migration is extremely unfavourable in regions of Ukraine. In the situation of the shortage of financial resources and the urgent need of national economy for investment, migration in the form of capital income of migrant workers from employment abroad can be an alternative, additional source of investment to meet the interests of both migrant workers by getting them profits in the long run and state through the growth performance of business and tax revenues. Therefore, an extremely important area of the mechanism of state management of migration flows should be regulating the distribution of migration income in the appropriate areas of management. The effective set of measures should be developed, aimed at stimulating the legalization of funds earned abroad, their accumulation and subsequent use by emigrants after their return to Ukraine by running their own business and using the experience gained.

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Migration capital as strategic resource of Ukraine regional development

The role of migrant workers' income for the socio-economic development of Ukraine is defined. The basic problems of legalization and using of migrant workers' income are determined. The current state measures to improve the efficiency of migrant workers' income and their investment in the economy of the country are analyzed. On the basis of sociological questionnaire the structure-target distribution of migrant workers' financial help for improving housing conditions and welfare level, for acquiring education, for purchasing goods and services was analyzed. Our attention is focused on the low share of migrant workers' income for the use of doing business; the main measures for their encouraging to invest in regional economics are suggested.

Kapitał migracyjny jako strategiczny zasób rozwoju regionalnego Ukrainy

W pracy ukazano wpływ dochodów pracowników migrujących na społeczno-ekonomiczny rozwój Ukrainy. Określono podstawowe zagadnienia legalizacji oraz zagospodarowania dochodów pracowników migrujących. Przeanalizowano obecny stan środków mających służyć poprawie efektywności dochodów pracowników migrujących oraz ich wkładu w gospodarkę. Na podstawie kwestionariusza socjologicznego poddano analizie strukturę i cel pomocy finansowej przeznaczonej na poprawę warunków i poziomu życia, zdobywanie wykształcenia i nabywanie towarów i usług.

Skoncentrowano się na niskim udziale dochodów migrujących w tworzeniu biznesu; zaproponowano główne sposoby zachęcania pracowników do inwestowania w gospodarkę regionalną.