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HOW DOES LABOR MIGRATION AFFECT THE ECONOMIES OF RECIPIENT COUNTRIES?

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ABSTRACT

Modern social reality can not be imagined without the migration of the population. Leading world development states, applying a selective approach and clearly defining priorities, seek to use international migration as a significant factor in the development of national human capital, the economy and the entire social sphere. A striking example is the United States, where science, high technology, medicine, etc., develop with the help of highly qualified immigrants, and low-skilled labor from abroad provides small and medium-sized businesses with cheap hands. Such countries as Canada, Australia, New Zealand, Israel, England, and Germany do not stand aside. However, migration cannot be viewed as a process with only positive effects. In fact, migration is a kind of social "catalyst". If the state has systemic problems in governance, anti-corruption activities, there is an increase in inter-ethnic tensions, crime, shadow economy, illegal employment, drug trafficking, etc. With the growth of labor migration, foreign labor resources began to have a greater influence on the socio-economic and political development of the host countries, including the development of the labor market, individual industries, and the smoothing of demographic imbalances. Unfortunately, the assessment of the impact of labor immigration on economic development is complicated by a number of factors: the widespread illegal employment, the shortcomings of the migration statistics system, and the dependence of the effect on the scale and duration of use of foreign labor. It should also be noted that the consequences of attracting highly skilled labor are different, in some cases drastically, from the immigration of low-skilled workers. Nevertheless, the analysis of the most significant local and foreign scientific research allowed us to form a typology of the positive and negative consequences of the use of foreign labor resources for the economies of the receiving migrant countries.

Keywords: *demographic imbalances, human capital, international migration, labor immigration, positive and negative consequences for the economy*

1. INTRODUCTION

The problem of migration, its impact on receiving and sending societies has recently become extremely relevant. And above all, this is due to the extraordinary increase in the influx of refugees into Europe, but not only. Cross-border migrations, and above all labor, have increased in all regions of the world, and in some regions of the Asian continent the growth rates of labor migration are particularly high. Obviously, we can state large-scale transformations both in the migration process in general and in labor migration in particular. Labor migration, regardless of the stage of development of migration processes, to one degree or another is their motivating and driving factor. It is hard to imagine that the majority of economic migrants, going to another country, rely only on state support in this country. Of course, dependent motives are present in modern migration mobility, but they are by no means dominant. Even in terms of assessing the scale of labor migration, 65% of the total number of cross-border migrants is more than an impressive share. But much more important is its place and role as a phenomenon that affects, in fact, all migration flows: family, educational, and humanitarian. What is labor migration in modern conditions and how does it affect the sustainable development of recipient countries of the labor force? These and other issues are covered in article.

2. POZITIVE AND NEGATIVE EFFECTS OF LABOR MIGRATION ON RECIPIENT COUNTRIES

Such factors as globalization of trade, development of transport and communication technologies, as well as demographic dynamics also act as incentives for migration flows. Migration can have both positive and negative effects on recipient countries. If migration flows are managed through well-thought-out policies, then international and internal migration can make a significant contribution to sustainable development, the UN Commission on Sustainable Development points out. With the help of migration policy, one can build social and political ties, help migrants improve knowledge and experience, provide sources of capital, investment and knowledge transfer. However, poor management of migration flows, insufficient opportunities for migrants to use previously acquired knowledge and skills, the presence of barriers to sending remittances to the country of origin lead to the fact that migration can potentially contribute to chronic labor market imbalances, tax imbalances and significant income inequality. Migration is a kind of social “catalyst”. If the state has systemic problems in governance, anti-corruption activities, there is an increase in inter-ethnic tensions, crime, shadow economy, illegal employment, drug trafficking, etc. With the growth of labor migration, foreign labor resources began to have a greater influence on the socio-economic and political development of the host countries, including the development of the labor market, individual industries, and the smoothing of demographic imbalances.

Table following on the next page

Table 1: Implications of the use of foreign labor resources for the country of entry of labor migrants (https://www.ictsd.org/sites/default/files/review/mostly_february_issue_-_2018.pdf)

Positive effects	Negative consequences
Consequences for the labor market	
Mitigate labor shortages.	Dumping in the labor market, leading to lower wages for local workers
Migrant employment in the household contributes to the employment of women.	Rising unemployment among the local population and the marginalization of less skilled workers.
Increasing employment in small business and entrepreneurship.	Criminalization of individual sectors of the labor market.
Providing employment in unskilled jobs.	
Employment of migrants in “non-prestigious” sectors of the economy contributes to the vertical mobility of local workers.	
Implications for human capital development	
Improving the quality of the workforce through the selection of young and skilled workers (in the segment of highly skilled labor).	Given the prevalence of low-skilled labor and the availability of substitute trends, the overall level of national human capital is reduced.
	Increased poverty (in case of declassification of a migrant due to job loss).
Implications for economic growth for the production of goods and services	
The emergence of a resource for regional shifts in the economy due to the possibilities for migrants to settle in certain regions.	Blocking the possibility of introducing labor-saving technologies.
Reducing labor costs and total costs associated with this.	Reduced efficiency and productivity due to the use of cheaper labor caused problems with the introduction of new equipment and technology.
Stimulation of additional employment, the formation of additional jobs and the development of infrastructure caused by the demand of foreign workers for goods and services.	The concentration of migrant workers is not in industries and regions experiencing the need for additional labor, but where you can count on quick earnings.
In the case of immigration of highly skilled labor, growth of innovative activity, increase in labor productivity is possible.	
Increasing the competitiveness of local goods and services by reducing costs.	
The growth of direct investment (including foreign), due to the availability of cheap labor.	
The development of the transport sector, both public and private transport.	
Implications for the financial sector and the formation state budget	
Increase in the collection of taxes from migrants' wages, receipts of obligatory payments (state fees, advance payments, etc.) and contributions to social funds.	Increased spending on social assistance for unemployed migrants.
Increase in payments for the use of housing and utilities by migrants.	The growth of government spending on migration policy.
Savings on education costs.	Additional impact of migrants on the social sphere and infrastructure.
Slowing inflation due to a higher propensity to save from foreign workers.	Capital losses associated with the transfer of part of wages by migrants abroad.
	Additional negative pressure on the national currency.
Implications for foreign economic activity	
Growth in the number of joint ventures with economic entities of the importing country of labor resources.	
Increase in commodity turnover between the exporting country and the laboring country.	

Let us dwell in more detail on the blocks presented in the table.

2.1. Implications for the development of the labor market and human capital

Labor immigration primarily affects the labor market of the host state. As already noted, this impact has both positive and negative consequences. First, the import of labor resources helps to alleviate the problem of labor shortages. Most of the developed countries have now entered a period of decline in the total number of working-age population caused by a decline in the birth rate. To solve this problem, by and large, only in two ways: a sharp increase in labor productivity and the promotion of labor immigration. The first option is the most favorable, but it requires time and technological development. The second option offers prompt satisfaction of the resulting deficit, especially for small and medium businesses. Secondly, the employment of migrant workers in the household contributes to the employment of women. The labor niches of carers, nannies, and housekeepers in developed countries turned into migrant ones in a short time. However, the ability to use cheap hired foreign labor for many women is a factor that stimulates their access to work. Third, employment in small business and entrepreneurship is increasing. This effect is observed as when attracting low-skilled labor, and highly skilled. As a rule, small business is highly dependent on the magnitude of costs, especially at the stage of creation and development. Foreign labor resources make it possible to obtain the necessary labor in case of their shortage, as well as to reduce their cost. This effect is also observed when using illegal migrants, especially in countries with high social guarantees in the labor market. Reducing costs is the cause of the spread of illegal employment in Russia, because brings incomparably greater benefits to employers, compared with legal employment. The study showed that the hiring of one illegal migrant, the economic effect is not less than 220 thousand rubles. savings per year. These calculations explain the main reason for the spread of illegal employment, especially in the small, as well as the so-called "migrant" or "diaspora" business. It should be noted that illegal migration leads to a number of negative socio-economic and political problems and can lead to various risks. In this regard, from the position of state administration of labor immigration, a deep assessment of all possible consequences for the formulation of a strategy regarding the scale of attracting cheap labor from abroad is necessary. Fourth, labor migration provides employment in unskilled jobs. Significant changes in the social structure of developed countries have had a major impact on the labor market. For a growing middle class, jobs with unskilled labor are not prestigious in both economic and socio-psychological aspects. In this regard, the influx of low-skilled migrants provides non-prestigious areas of the desired workers, although, as already noted, carries a number of social and political risks. Fifth, the employment of migrants in "non-prestigious" sectors of the economy contributes to the vertical mobility of local workers, encouraging them to improve their skills and find more prestigious and well-paid jobs. In a situation where local workers do not have the ability or desire to upgrade their skills and find employment in higher paying jobs, the probability of unemployment or their relocation from this region is very high. Labor migration has a number of negative consequences for the labor market of recipient countries. First of all it concerns unemployment and the level of wages. From the position of state management of migration processes, it is necessary to conduct continuous monitoring of the dynamics of unemployment and the level of remuneration in order to promptly respond to negative trends that may worsen with increasing migration flows. Another negative effect for the host state is the criminalization of certain sectors of the labor market. In addition to tax evasion, criminalization, as a rule, reduces the overall level of competition in the segment / industry, which leads to a slowdown in growth and technological development. We should not forget about the complex of possible negative socio-political consequences of this phenomenon. Labor migrants, entering a new society, become part of the aggregate national human capital of the host state.

Depending on the level of qualification and education, age and health, the incoming labor flow can both increase the level of development of national capital and reduce it. In the post-industrial economy based on the knowledge and technologies of the 5th and 6th ways, human capital becomes a strategic resource, critical for sustainable development, national competitiveness, growth of the population's well-being. The developed countries of the West, being attractive to labor migrants, are trying to improve the quality of the labor force by selecting young and skilled workers. Currently, there is global competition at the intra-industry, inter-industry, inter-regional and inter-country levels. For example, the United States uses not only labor, but also educational channels to saturate growth points with highly qualified personnel. The IT sphere is annually filled with the best specialists from India, China, South Korea, Russia, etc. With the prevalence of low-skilled labor, the overall level of national human capital is reduced. As a negative one, it is necessary to consider a situation where, along with the entry of low-skilled workers, there is a significant departure of highly qualified personnel from the country. With this trend of substitution, the reduction in the level of human capital is the most significant. It should also be noted that low wages in the segment of cheap labor can lead to an even greater decline in the human capital of migrants, due to the poverty of the latter. In such cases, the foreign worker has to save on food, medical care, advanced training, etc. The gradual erosion of the human capital of labor migrants leads not only to the deepening of poverty, but also to a decrease in their contribution to the economy, both through labor activity and through the consumption of goods and services.

2.2. Consequences for economic growth, for the production of goods and services

The increase in external labor immigration leads to an increase in the contribution of migrants to the gross domestic product of receiving countries. Migrants increase the total population of working age, come with a certain level of education, skills and competences, contribute to the development of the human capital of recipient countries. At the same time, in the case of the immigration of highly skilled labor, an increase in innovative activity is possible, which leads to an increase in labor productivity. For example, the migration of highly skilled labor in the United States contributes to increasing the amount of research and innovation, as well as increasing technological progress. Another positive effect of labor emigration is the ability to use its resource for regional shifts in the economy through the resettlement of migrants. The state, through indirect management based on the creation of growth points, needs to direct the flow to those regions where there is a need for labor. Unfortunately, this effect is very difficult to use in the case of low-skilled labor. An important positive effect of attracting foreign workers is to reduce the cost of labor and the total costs associated with its use. As already noted, this effect is observed when using legal as well as illegal migration. Reducing costs leads, firstly, to an increase in the profitability of the organization. Secondly, the growth of direct investments (including foreign ones) is stimulated, due to the availability of cheap labor. The experience of China shows that cheap labor, combined with transparent business conditions and guarantees of private property, ensures a steady flow of foreign money into production and, as a result, GDP growth. Thirdly, in the conditions of internal and external market competition, cheaper labor increases the competitiveness of an organization, facilitates the entry of goods and services into new markets. We should not forget about the stimulation of additional employment, the formation of additional jobs and the development of infrastructure caused by the demand of foreign workers for goods and services. In this context, the increase in the share of wages of migrants, which they use for domestic consumption, is a very positive effect. Also a favorable effect will be the accumulation of migrants' money in bank accounts, since The bank deposit tool allows you to invest these funds in the economy of the host state. The growing scale of labor immigration leads to an increase in the demand for transportation services, including the development of public and private transportation.

There is an additional impetus to the opening of new transport routes, an increase in the number of flights, and a fleet of vehicles. All this leads to an increase in the profitability of transport companies due to the “economies of scale”. For recipient countries of labor migrants there are several negative consequences for economic growth and the development of production and services. First of all, it is necessary to note the negative impact on the introduction of labor-saving technologies. The reason for this is the fact that entrepreneurs and enterprises in conditions of the influx of a large amount of cheap labor lose incentives to develop and put into operation resource-saving equipment. This negative effect leads to the appearance of another: labor productivity is reduced due to problems caused by the use of cheaper labor with the introduction of new equipment. The lack of productivity growth leads to a “freezing” of wages. The growth of the welfare of both the migrant and the local worker stops. This affects the processes of consumption and accumulation of funds by these social groups. It should also be noted that the resulting effect of cheap labor can improve the competitiveness of the organization, but it can only take place in the short-term dynamics. In the future, the postponement of modernization will lead to a sharp lag behind competitors who will re-equip. The next important negative effect that is clearly seen in the example of Russia is the concentration of labor migrants not in industries and regions that need additional labor, but where you can count on quick and not always legal earnings. The overseas practice of managing migration flows shows that migration can and should be managed. Countries such as China, Israel, Sweden, Greece, etc., use the management of migration flows (not limited to purely labor) to stimulate regional development. For modern Russia, regional development is not only a matter of economics, but also an important factor in geopolitical security and political stability. The negative trends in population reproduction in Siberia and the Far East, complicated by the “western drift” in migration of the population, threaten to depopulate vast territories. Colossal internal Russian differentiation in the standard of living leads to migration, including highly skilled workers from the subjects of the Russian Federation, to the Moscow region. This undermines the economic, demographic, scientific, managerial potential of the Russian territories.

2.3. Consequences for the financial sphere and the state budget

Labor migrants have an impact on both the budget of the host state and the entire financial sector. Entering the labor market, a foreign worker becomes an object of taxation. Also, certain taxes and fees are usually paid by the employer who uses migrant labor. With an increase in the migration flow, the collection of taxes on migrants' wages, receipts of obligatory payments (state fees, advance payments, etc.) and contributions to social funds increase. At the same time, the higher the qualifications of migrants, the higher the cash receipts in the budget of the receiving state. Naturally, in this context it is necessary to talk only about the legal component. Factors affecting the financial effects of labor migration primarily depend on certain characteristics of the immigrants themselves, such as age and causes of migration. An OECD study showed that young unskilled labor migrants start paying taxes and fees more than the state spends on them, only after reaching the age of 40–45 years. Another positive consequence is the increase in payments for the use of housing and utilities by migrants. This effect depends on the magnitude of the flow and the development of the infrastructure and the rental housing market. As a rule, the increasing flow of migrant workers stimulates the construction of hostels, apartment buildings. At the same time, the compact placement of migrants, the formation of ethnic ghettos can reduce the cost of real estate in these areas, which will reduce the income to the treasury from real estate tax, if it is calculated from its actual cost. An important positive effect is the hidden savings of the state budget of the host state on the costs associated with obtaining education, medical care, and support through social programs. Another positive consequence is the slowdown in inflation due to a higher propensity to save from foreign

workers and remittances abroad. In fact, both savings and remittances from the country allow reducing the money supply in circulation, which should have a positive effect on the level of inflation. The situation with the exchange rate of the national currency in the host country of the migrant is a bit different. If he makes a money transfer to his homeland in the currency of the country of his residence, then the national currency exchange rate must be strengthened. The effect is the greater, the greater the money supply is transferred abroad. The opposite situation may occur if the migrant transfers money in the currency of third countries. For example, working in Russia and receiving wages in rubles, a foreign worker buys US dollars and makes a transfer. This increases the demand for foreign currency, which may put some pressure on the Russian ruble rate. Along with the positive effects of the use of foreign labor on the financial system of the host state, there are a number of costs. First, it is necessary to note the additional impact of migrants on the social sphere and infrastructure. This problem is particularly acute in the conditions of the crisis and the decline in demand for labor. During such a period, social assistance costs for unemployed migrants and return assistance are increased. As already noted, the relatively low cost of foreign labor is provided, including the almost complete lack of social guarantees for labor migrants from both the employer and the state. Such savings at the micro level can result in increased social spending at the macro level, which will have to be included in the expenditure side of the state budget. Secondly, an increase in immigration flows leads to an increase in government spending on migration policy. First of all, the costs are associated with the creation of infrastructure for the legalization and adaptation of migrants. Permissive and controlling functions of public authorities will require an increase in costs, following an increase in the number of foreign workers. Thirdly, although most experts believe that a migrant worker in value terms makes a greater contribution to the economy of a receiving state than sends remittances, in a pure form, "remittances" are a leakage of capital abroad. It is almost impossible to influence the total amount of remittances, since they are one of the main goals of labor migration, and additional taxation of this financial flow can only lead to the emergence of gray cash flow schemes.

2.4. Consequences for foreign economic activity

The existence of close migration links between the donor state and the recipient state cannot affect the external economic interaction of the two countries. First of all, we should talk about the increase in the volume of mutual trade and the increase in the number of joint trading enterprises. The impact of migration on bilateral trade is primarily due to three reasons. First, immigrants are well aware of traditions, laws, speak the language, are familiar with the business practices of both the donor country and the recipient country. Accordingly, their presence helps to bridge the information gap between sellers and buyers on both sides, thereby facilitating the realization of trading opportunities and the establishment of strong bonds based on trust. Secondly, immigrant networks can enforce contract execution through certain informal sanctions, which are used in the case of weak institutional rules and reduce trade costs. And thirdly, immigrants directly or indirectly promote the goods of their homeland, form demand and distribution for them.

3. REACTION OF NATIONAL IMMIGRATION SYSTEMS

National immigration regulation systems were formed as institutions for the prevention and resolution of conflicts arising from the influx of foreigners into host countries. Their activity was primarily determined by the country's needs in attracting foreigners, expanding or limiting admission in a specific period of its history. It is possible to conditionally distinguish at least three periods in the post-war history of immigration flows due to their imbalances and conflicts:

- settlement immigration;
- the period of "economic" migration;

- the post-crisis transition to selective methods of receiving the foreign labor.

Increased international competition, multiplied by technological shifts, changes in the structure of employment, the system of labor relations - all of these factors radically change the balance of supply and demand in the international labor market of migrants. The principles of selective selection of specific groups of specialists and low-skilled categories of workers and the need to counter the expansion of illegal migration, and, if possible, reduce the scope of its use, are prevailing. Until recently, national immigration systems did relatively well with their usual tasks of selecting and eliminating standard categories of foreigners. However, the transition to a new stage of socio-economic development reduces the capacity of labor markets, their interest in large contingents, even skilled labor. The influx of unclaimed labor migrants instead of the expected economic effect leads to an increase in social tension. This aggravates the internal problems of many national labor markets (unemployment, segmentation, redundancy of education, lack of demanded specialists, etc.). It is clear that cross-border migration cannot be stopped, it can only be limited and regulated. For this purpose, the methods of "rejecting" migration, redirecting migrant flows to other destinations or to other regions, seem to be the most effective. But this is quite a complicated and expensive event. It is becoming increasingly clear that the economic crisis, a sharp drop in economic growth rates, the uncertainty of the situation on labor markets and the growing imbalance of job creation with the need for them in new age cohorts are having an increasing influence on the transformation of immigration policies of host countries. In the EU, there is a struggle between opposing trends: the unification and standardization of migration policy with the diversification of national approaches in the field of migration regulation. This was particularly evident in the aggravation of contradictions in measures to overcome the migration crisis of 2015–2016. Obviously, the EU member states do not make much effort to encourage migration, and this applies even to those countries where there is a shortage of personnel. According to the Eurofund, active labor market policies make a rather modest contribution to facilitating geographical mobility within the EU. The reason lies in serious structural barriers - linguistic, cultural and in the difficulty of recognizing foreign qualifications. In addition, the share of unemployed among labor migrants from third countries in Europe is significantly higher than among the local working-age population. Moreover, this proportion is maintained even with a decrease in the level of registered unemployment.

4. CONCLUSION

Migration regulation is an extremely complex and delicate process due to the high degree of conflicting interests of the parties involved and a high degree of politicization (both in defining goals and objectives and methods for achieving them). This applies to both measures to reduce the influx of new immigrants (Great Britain), and the problems of integration (EU countries) and the presence of illegal migrants (US). The criteria for determining the real and future demand for foreign labor force are constantly changing; the importance of the filters used (quotas, scoring systems, lists of deficient professions, the level of remuneration, etc.) increases; the role of regulatory instruments (permit systems and control systems of employers and other sponsors, programs for irregular migrants) is increasing; the problem of the adaptation of foreigners and the inclusion of immigrants in host societies (integration agreements) is being updated; There is growing attention to the state of public opinion, the level of tension and conflict in relations between the local and visiting population, and shifts in electoral behavior. Reported processes affect both the countries of origin and potential migrants, increasing competition for decent jobs, obtaining relevant education and training. At the same time, a reduction in demand, given the unchanged economic situation in the countries of origin, is unlikely to have a significant effect on reducing the supply of foreign labor in the international labor market.

And this cannot but lead to the growth of irregular and illegal migration with all its consequences. It is precisely due to the peculiarities of historical and cultural experience, the presence of unequal economic and natural resources, but with more or less similar immigration policy objectives, various configurations of migration management tools are formed and effective in the proposed conditions and ready for transformation when new goals and objectives arise. In general, today, the regulation of migration flows is increasingly taking the form of restricting the flow of unwanted migrants through the introduction of additional filters: high requirements for professional qualifications, income levels, education and language skills, age restrictions, but also measures to attract the desired labor migrants. The considered positive and negative consequences of the impact of the import of labor on the economy of the receiving state mainly indicate the systematic nature of labor migration and its complexity for scientific analysis. Certain positive effects in the short term can give an impetus to negative trends in the long-term, which dictates the need for state management of migration processes, whose task will be to maximize positive effects and minimize costs. The peculiarities of such migration policy are, firstly, the complexity and timeliness of obtaining reliable statistical information. Secondly, the need to create a system of indicators for comprehensive monitoring of the impact of foreign labor on various aspects of the economic and social development of the state.

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