

The Paradigm of Migranomics

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Abstract. The article analyses the influence of international labor migration on the development of the host and home economies. The purpose of the article is to show that thanks to migration the host countries could improve their development and their home countries could receive enough remittance flows to stabilize economic situation and continue reforms. And in the home countries migrants' remittances use both for consumer and investment purposes. Based on an integrated approach to the study of these problems, the paradigm of migranomics has been formulated for the first time. At the same time, migranomics should be understood as a special part of the world economy, which is developed due to the effective use of labor of migrants in their countries of employment and the means of remittances of migrants for consumer and investment purposes in their homeland. The experience of the development of migration in the US, Canada, Poland and other EU countries is revealed through the use of immigrant labor. The conclusion shows that the achievements and perspectives of the development of migranomics in developing countries, including in Ukraine, and it is based on economic implications of migration remittances.

Key words: migranomics, international labor migration, migration remittances, migration capital.

Introduction

One of the key factor of the development of the world economy in the late XX century has been a significant expansion of international labor migration. It was facilitated by the processes of rejection and attraction in developing and developed countries, as well as the processes of globalization and the internationalization of the economy, international integration and the liberalization of labor and capital markets.

In economic science and practice for a long time the main focus of the migration processes was concentrated on host countries. At the same time, processes were mainly analyzed when migrants from developing countries (where there was high unemployment and poverty) replaced the labor resources in developed countries that experienced an acute shortage of labor.

Subsequently, the focus of research began to shift to migration home countries which receive remittances flows. Studies have shown that remittances began to play for the home economies the same important role as for host developed countries (Gaidutskiy,

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2008). According to this and during the process of research the remittances flows were theoretically and methodologically substantiated in economic theory as a new type of international capital - *migration capital* (Gaidutskiy, 2010).

As a result, the study of the complex characteristic of the bilateral influence of international labor migration on the development of economies of both groups of countries: recipient countries of migrant workers and recipient countries of their remittances (migration capital) became topical. In this context, it became necessary to formulate the paradigm of migranomics as a special part of the world economy, that is developing through the work of migrants in the countries of employment and the use of migrant remittances for consumer and investment purposes in their homeland. Such a statement of the problem is very actual for the world economy in general, for developed and developing countries, and for Ukraine as well. Although for the first time the term “migranomics” was mentioned by Ernesto Zedillo, the former president of Mexico (Zedillo, 2007).

Literature review

The prerequisite for the formation of the theory of migration was the study of international labor migration processes. Great contribution to the study were made by foreign scientists D. Ratha (Ratha, 2007), A. Browne (Browne, 2003), N. Rasmussen (Rasmussen, 1997), A. Mansour (Mansoor, 2007), B. Kwilin, B. Koval, S. Semenov (Koval, 2003). The problems of international labor migration are actively investigated by Ukrainian scientists: E. Libanova, E. Makarova, I. Kurilo (Libanova, 2012) and others. Later, the focus of the study shifted to the impact of international migration and labor processes on the economy, both in recipient countries of migrants and in donor countries of migrants. In the course of these studies, in particular, the doctrine of migration capital was formulated as an important component of the international capital market. These issues are studied in the works of foreign scientists D. Schat (Schat, 2005) and S. Martyn (Martyn, 2001). In Ukraine, the migration remittances are sufficiently full, their identification as migration capital has been investigated in author's works (Gaidutskiy, 2008, 2009, 2010). However, only recently have researchers approached the problem in its entirety, including both parts of the economy: the labor created by migrants in the countries of employment and the remittances of migrants in their homeland. According to the nature of the source of development of these parts (segments) of the world economy, it is legitimate to call it migranomics. In this context, studies are only at the initial stage and the proposed article is one of the first steps in this direction.

Migration as a result of globalization

In the globalized world international labor migration is becoming an important factor of economic progress. It positively affects both the economies of the recipient countries of migrants and the donor countries of migrants who receive remittances. The first group of countries, as a rule, states with a high demand for labor, high incomes and a significant potential of its capital. The second group of countries are states with great potential for sup-

ply of labor resources and a great demand for capital. According to the International Labor Organization (ILO), the number of labor migrants in the world has increased threefold in the past 40 years and has reached 250 million people (ILO, 2017). However, as noted by D. Ratha and V. Shav (Ratha, 2007), these data do not completely reflect the real scope of international labor migration. Quite often migration is illegal. This especially applies to migration corridors: Mexico → USA, India → UAE, Pakistan → UAE, Ukraine → Russia and others (Ratha, Shaw 2007).

At the same time, according to Brown (2003), the growth in the supply of labor emigrants from different countries has recently been caused more and more by economic reasons, unlike religious, ethnic, political or military factors in the past. The main reason for the growth in the demand for immigration of labor resources, according to G. Rasmussen (1997), is the reduction of the labor potential of the population in developed countries.

According to the authors' research, labor migrants perform significant amounts of work in various sectors of the economy of many countries, which are acutely aware of the shortage of labor. This applies primarily to low-paid, heavy and dangerous jobs, on which local population does not want to work. For example, in France in the construction sector migrants account about 25% of employees, in the automotive industry – 30%, in the municipal sector - 70%. A similar situation in Belgium and Switzerland, where migrants make up to 40% in construction and 50% in municipal services (Gaidutskiy, 2010).

A. Mansoor and B. Kvillin (Mansoor, 2007) believe that one of the main factors in the activation of international labor migration is the uneven economic development of countries. The presence of differences in the level of GDP per capita stimulates the outflow of migrants from low-income countries to countries with a higher level. At the same time, researchers note that the motivation for international labor migration is based on the basic model of rejection and attraction. The main factors of rejection are weak economic development, low incomes and large unemployment among the population in donor countries. The main factors of attraction are high economic development, high remuneration of labor, a large demand for labor in the recipient countries of migrants.

Among the important factors of international labor migration, according to B. Koval and S. Semenov (Koval, 2003), are the processes of globalization. On the one hand, globalization offers great opportunities for moving people from country to country, and on the other hand, the migration flows themselves contribute to globalization processes. At the same time, multinational companies, cross-country and regional economic integration, liberalization of markets play an important role in the formation of migration flows.

Author's research has shown that the activation of international migration and labor processes is positive not only for recipient countries of migrants, but also contributes significantly to the development of the economy of home economies. It is about using remittances from migrants to finance consumer and infrastructure purposes in host economies. Author's studies based on data from the World Bank and the IMF show that the world's remittances of migrants have increased almost 10 times over the past 15 years and reach \$ 700 billion]. According to D. Schat (Schat, 2005), remittance flows will continue to grow at a faster pace, primarily to developing countries, contributing to the development of their economies. S. Martin (Martin, 2001) argues that even consumer (non-investment)

use of migrant remittances is quite powerful in stimulating the economic development of donor countries of migrants.

Thus international labor migration has a double impact on the development of the world economy: in countries of employment of migrants and in countries of their origin. In the first case - through direct employment, in the second - by sending remittances for consumer and investment purposes in their home country. Thus with the direct and indirect participation of migrants, a special type of the world economy – migranomics – is created. Migranomics includes both parts of the economic activity: created by the labor of migrants in host countries and the results of use of migrants' remittances in host countries. At the same time, the product of migranomics is part of world GDP, as the sum of added value created by migrants in the host countries and added value created through the consumer or investment use of remittances from migrants in home countries.

Importance of international migration

Migration is important in its own way, both for developed and developing countries. According to the World Bank, in 2016 in 57 high-income countries (over \$12 000 of GDP per capita), the share of immigrants in the structure of the population was 26%. In countries where the GDP per capita is less than \$12 000, the share of immigrants in the structure of the population is less than 7%. In countries where the GDP per capita is less than \$4 000, the share of immigrants in the population structure is less than 3% (World Bank, 2016; 2019).

Most developed countries have created a great system for attracting immigrants. For example, the US has about 20 programs to attract annually more than 800 000 immigrants. Canada has about 60 programs to attract annually more than 300 000 immigrants. Australia has 15 programs to attract annually 186 000 immigrants. Such programs have New Zealand, Israel, Singapore and other countries (Government of Canada, 2017, 2019).

One of the most active policy in the attraction of migrants is in the United States, which employs about 50 million immigrants (20% of the world). Although immigrants make up only 14% of the US population, they created almost a third of new enterprises. In the Silicon Valley, half of the companies are created by immigrants and more than half of the employees there are also immigrants. Over the past 20 years, the share of start-ups created by immigrants has doubled, while by those who were born in the US have declined by 10%. In the United States, 40% of the 500 largest companies are created by immigrants or their children, including 45% in IT and 50% in medicine. Thanks to immigrants, the US were able to overtake Japan in technology development, where, due to the policy of national protectionism, the share of immigrants in the population is still less than 2% (Bluestein A., 2015).

In Europe, unlike the US and Canada, migration issues have not been given great attention for a long time. Only after 2004 the first “attractive” programs were launched in the EU, and only in the Nordic countries for immigrants from the eastern EU-10 countries. Meanwhile, the demographic situation in the EU is constantly deteriorating. In half of the countries the population is already decreasing. In many sectors of the economy, there

is an acute shortage of labor. Therefore, the EU countries need millions of immigrants annually to support the development of their economies.

With the aim to attract and retain the immigrants, EU countries have stepped up their issue of residence permits (residence permits) and citizenships. On average, 5 residences and 1.7 citizenships were issued per 1000 inhabitants in the EU in 2016. The most active in this regard are the countries: Poland, where these figures are respectively: 14.3 and 0.1; Sweden (11.3, 5.0); United Kingdom (9.7, 1.8) Ireland (8.3, 2.9). However, it is difficult for EU countries to compete for immigrants with countries where these indicators are higher, in particular with: Canada (7.9, 7.0); Australia (7.9, 5.5), Switzerland (5.0, 4.9), the United States (3.3, 2.3) (Migration and Remittances. Factbook 2016.)

Demand for Ukrainian migrants

The demand is especially growing in the EU countries for Ukrainian immigrants. For 2012-2016 the total number of resident permits increased by 20%, but for Ukrainian - by 3.2 times. Similarly, the total number of issued citizenships during the same period grew by only by 1%, but for Ukrainians - by 3 times. Ukrainians are already among the top five recipients of residence permits and citizenships in 10 out of 28 EU countries. Ukrainians are already №1 in EU in terms of the number of issued residence permits (Eurostat, 2017).

The most active country regarding the development of migration policy is Poland. The Polish Government believes that for the rapid growth of the economy it is necessary to attract more and more immigrants. In 2015, Poland granted 1/5 of all residence permits in the EU (more than 540 000, or 14.3 units per 1000 inhabitants). However, this is not enough for Polish economy. A quarter of companies experience an acute shortage of employees, especially working specialties. This is due to the aging of the local population and the departure of more than 2 million Poles to other countries and regions of the world (Eurostat, 2017).

Thus business and small entrepreneurs in Poland actively lobbies the simplification of the procedure for employment of foreigners (primarily Ukrainians). Poland became the only EU country where you can start to work without a working visa (just with a biometric passport). Just after arriving the migrant may start to prepare all documents in order to receive confirmation to stay longer than 90 days. Having obtained a work permit, an immigrant can stay for more than 90 days. The main thing is to submit the necessary documents in time to prolong the period of staying in Poland. Owners of the “Pole’s card” (over 80 000 Ukrainians already obtain it) can get a residence permit immediately after moving to Poland, and after one year – they could receive the citizenship. From January 1, 2018 immigrants will be able to issue a “permit for seasonal work” for up to 8 months. In 2018, the notification method of the employment for foreigners is introduced. The employer will not have to wait until the local administration (Voevodstvo) would agree the attraction of foreign employees. What is also unique, Poland pays a special attention precisely to the influx of labor immigrants. If on the average in the EU the share of labor immigrants is 27%, then in Poland - 70%. Thanks to this, Poland succeeded in economic development during 2009-2016: the country increased the number of working-age popula-

tion almost by 1 million people. Therefore, it is not surprising that Poland's economy is growing faster than EU countries on average. During 2012-2016 Poland's average annual GDP growth was 2.6%, and in the EU – just 1.1% (Bukley & Huber, 2017).

At the same time, Poland is one of the few countries that not only actively uses immigrant labor, but also attracts remittances from Polish emigrants from other countries. But among a large group of developing countries, there are those that, in fact, survive by remittances from migrants. So, according to the author's research, in 1998 world remittances came in second place after the volume of foreign direct investment (and this position is kept until now), bypassing such types of international capital as portfolio investments, international bank loans and official development assistance (Gaidutskiy, 2008).

Policies towards migration and remittances

In many developing countries, the remittances already significantly exceed the amounts of all other types of international capital. This is primarily in Moldova, the Philippines, Egypt, Pakistan, India, Albania, Armenia and others (Gaidutskiy, 2008). For many developing countries, migrants' remittances play a leading role in investing in consumer and infrastructure demand. In particular, in Moldova, remittances reach 30% of the country's GDP, in Serbia and Montenegro - about 25%. In Bosnia and Herzegovina and Armenia - a fifth, in Albania, Georgia - 10-15% (Gaidutskiy, 2008). In many countries, migrant remittances are used not only to finance consumer demand for households, but also to invest their infrastructural development, and quite significantly - from 20 to 40% (Gaidutskiy, 2008).

To activate the migration policy (in the context of the development of migranomics) it is very important that the authorities should provide the organizational assistance. In 26 countries there are specialized ministry-level agencies for migrants and diaspora affairs. In general, 56 countries have more than 400 central authorities that are in one or another way are engaged in development relations with migrants. Their main task is to develop and implement the motivation programs for the return of migrants to their homeland, with new knowledge, technology and capital (Gaidutskiy, 2013).

The best practices for the return of migrants were developed in Ireland. Thanks to motivational programs in this country during the early 1990's the country had stop the population decline. With the return of migrants, significant amounts of savings and investments came to the country, primarily from companies headed by immigrants from Ireland. Similarly, China, Mexico, India receive significant funds from their emigrants, not only in the form of remittances, but also in the form of direct investments (from enterprises that belongs to diaspora from these countries) (Gaidutskiy, 2013).

In many countries, regulators and banks pay special attention to migrants and their households. For example, in India all federal banks provide dedicated services for migrants. Thanks to this, over 130 billion USD have been accumulated in the accounts of Indian migrants at home. In the Philippines, all programs for migrants are initiated by the Central Bank. This issue is in the top five for the government, along with financial literacy, AML policy etc. (Gaidutskiy, 2013).

Many countries offer various financial instruments for their migrants to attract their funds (diaspora bonds, certificates of deposit, etc.). For example, Israel has already been issuing such bonds among the Jewish diaspora for 65 years each year. Thanks to this, over 40 billion US dollars were raised, for which an international airport, several ports, autobahns and hospitals were built. Egypt in 2014 attracted 8.5 billion US dollars for the construction of the second line of the Suez Canal. Almost 20% of these funds were transferred from migrants and their households (Gaidutskiy, 2013).

For Ukraine the priority for economic development should be based on the effective use of migrants' remittances. Author's studies for the first time showed that the actual number of Ukrainian labor migrants reaches 5 million people, of which more than 2 million accounted for Russia, 1 million - for Poland, over 1 million - for Italy, Greece, Portugal (Gaidutskiy, 2009). Based on this, for the first time the total volume of migrants' remittances to Ukraine could be \$25 billion annually. However, the official part of these flows is only 20% and it goes through banks and other money transfer companies (Gaidutskiy, 2009). This is precisely the subject of discussions about the volume of remittances, since state officials are guided only by official data of the National Bank of Ukraine.

As a result, migrants' remittances play a very important role for the economic and social development of Ukrainian society. Thus, their annual volumes in Ukraine in some years reached half: the consolidated budget of the country; export earnings; capital investments (in fixed assets); financial result of enterprises; the wage fund; and up to a quarter of the incomes and expenditures of the population. At the same time, annual remittances to Ukraine exceeded: the volume of state and local budgets; the budget of the Pension Fund; loans provided by banks to the population; attracted by banks deposits of the population; common annual foreign borrowings; gold and foreign exchange reserves; direct and portfolio foreign investments; international technical assistance etc. (Gaidutskiy, 2009).

At the same time for Ukraine, the problem of the need to activate its own immigration policy is becoming more acute. At the beginning of 2017 in Ukraine there were only 28 million residents aged 15-70 years. Of these, almost 40% for various reasons are economically inactive. Thus only 17 million are actually involved (probably about 5 million of them work abroad). So Ukraine has only 10-12 million people who could really work for the Ukrainian economy. Therefore, Ukraine already has an acute need for labor. This is indicated by E. Libanova, E. Makarova, I. Kurilo (2012) and others. They believe that sooner or later Ukraine will have to deal with the immigration policy, as other neighboring countries are also improving and enhancing it. If Ukraine would like to grow over 5% of GDP, we need to attract at least 15 people per 1,000 inhabitants annually and in other words this is more than half a million people per year.

At the same time, Ukraine has a real opportunity to significantly increase the returns of labor immigrants with their new knowledge, labor and entrepreneurial abilities and accumulated capital. This can be facilitated by the implementation of various organizational and economic measures, taking into account the great international experience, especially from Ireland, the Philippines, Israel, India and other countries (Gaidutskiy, 2008).

Conclusion

Migranomics is becoming an important part of the world economy and based on development through a labor migrants market and their remittances. At first stages international labor migration was motivated mainly by the acute need of labor resources by developed countries. But later it began to play an increasing role in solving social and economic problems in developing countries that previously were the donors of migrants. Therefore, the creation of the motivation system for transparent attraction and use of migrants' remittances in their homeland has become an important issue. The key step here is the development and implementation of financial and banking instruments in order to attract migration and capital flows in form of remittances and direct investments.

The theoretical and methodological aspects of migranomics have not been studied yet enough. Only processes of international labor migration more or less have been studied. At the same time, the applied aspects of the importance of migrant labor to the economy are already evident in the case of the United States, Canada, the United Arab Emirates, Poland and other countries that have high rates of attracting labor immigrants and good growth rates of economic development. Some certain theoretical, methodological and applied researches were conducted in the direction of migrants' remittances and its usage. Materials show that there are already a lot of countries for which migrants' remittances are an important financial and investment resource for the development of their economy and for the welfare of the population. This primarily applies to Ireland, the Philippines, Israel, Poland, the Baltic countries, Moldova, Armenia, China, India and others. Their experience is very relevant for other developing countries, especially for Ukraine.

Ukraine has a great number of emigrants (up to 5 million) and attract a great amounts of remittances (up to \$25 billion annually) so it is very important to introduce appropriate organizational and economic mechanisms to motivate the inflow of these flows. At the same time, it is very important for Ukraine to start developing and implementing a strategy for attracting new immigrants and implement policy to return Ukrainian emigrants. Ukraine could launch a new policy in the shortest possible time and at a low financial cost, aimed at returning immigrants, as well as their savings and funds into the economy and social development.

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