THE LABOUR FORCE MIGRATION IMPACT ON COUNTRIES WITH DIFFERENT ECONOMIC DEVELOPMENT LEVEL

Joana ŽUKAUSKIENĖ, Valentinas NAVICKAS

Abstract

The impact of labour force migration on the economies of the world has grown recently because of the gradual increase in the movement of people and the changes in the nature and direction of migration. The authors of the article are investigating the impact of labour force migration processes on the economies of the countries of different degrees of development taking into consideration controversial treatment of the concept of migration in the scientific literature. The studies carried out by the authors show that the impact of the labour force migration on different levels of economies depends on the country's level of development. The less developed the country's economy, the more damage is done by the migratory (emigration) processes. On the contrary, the more developed the country's economy, the more increasing positive effect is characteristic to the processes of migration (immigration). The increase in the population indicates a decrease in the unemployment rate and the lower is the unemployment rate, the higher is the gross domestic product.

Keywords

labour force, migration, economic development, economic development level

JEL Classification: F16, J21, J61

Introduction

The issue of migration is not a new phenomenon. Its significance has recently been growing because the movement of people is gradually increasing and the nature and direction of migration are changing. Labour force migration is currently one of the major socio-economic issues in the European Union. The situation in the labor market of each member state is significantly affected by labour force migration. The extent of one of its aspects (emigration) poses many threats: the brain drain, lack of labor force, changes in the demographic structure of the population etc. Therefore, *the main aim of the authors of this article is*– to investigate the impact of the labour force migration on the economies with different levels of development.

In scientific literature, the concept of migration is treated differently. It is described in the broad sense by some authors and in the narrow sense by others. According to R. Matiušaitytė (2003) labour force migration is a movement of labour force while changing the place of residence. People are moving from one country to another for work and higher income (N.Samchkuashvili, N. Darchiashvili, 2017).

In essence, labor force migration is not a negative phenomenon; however, the large scale of labour force migration poses many threats to the economy. The effects of labour force migration on the economy can be both positive and negative. Following A. Sipavičienė (2006) migration provides economic benefits as well: it reduces social tension in the labour market and society, solves economic problems of a family, reduces unemployment and, at the same time, increases the country's gross domestic product. Migrants contribute to the development of human capital by acquiring skills (Migration Policy, 2014). There is a widespread preconception that emigrants are not educated all over the world. However, the reality is different - most migrants acquire skills while working and thus can contribute to the economic growth (M. Palat, 2012). Negative consequences on the contrary – increase the unemployment rate and reduce the country's gross domestic product. Outgoing migrants earn more, gain more experience, but not always exploit their full potential. The decrease in the population is strongly influenced by labor migration. There is a huge loss of young people. In the future, this will respond to the demographic process. The vulnerability of migrant workers is manifested not only through the possibilities of getting a job, but also in labour relations. The employment of migrants is characterized by temporary nature and high insecurity, the workforce is being used to respond quickly to the changes in the market. Labor migrants are recruited under short-term contracts; their employment relationships are not safe. Labour emigrants are often accused of taking jobs to be filled by local workers; therefore, the negative public attitude towards them is getting stronger (K. Žibas, V. Pertušauskaitė, 2015). The most commonly emphasized problem is the threat of losing national identity (Valstybės žinios, 2006). When the people of the country leave, foreigners come to the country and the country is gradually losing its national identity.

Under current conditions, increasing international migration is a positive phenomenon increasing global economic prosperity. Migrating workers win due to the greater wages. However, in the countries of emigration economic and social problems of the present and future occur because the number of young qualified specialists in the labour market decreases (V. Pukelienė, R. Glinskienė, D. Beržinskienė, 2007). According to D. Česnavičius and S. Stanaitis (2015) due to migration countries experience a lot of internal difficulties losing their attractiveness to foreign investors and highly skilled workforce. In summary, we can say that labour migration is a global problem for all countries. It is less of a problem in economically stronger countries and it is a bigger problem in economically weaker ones.

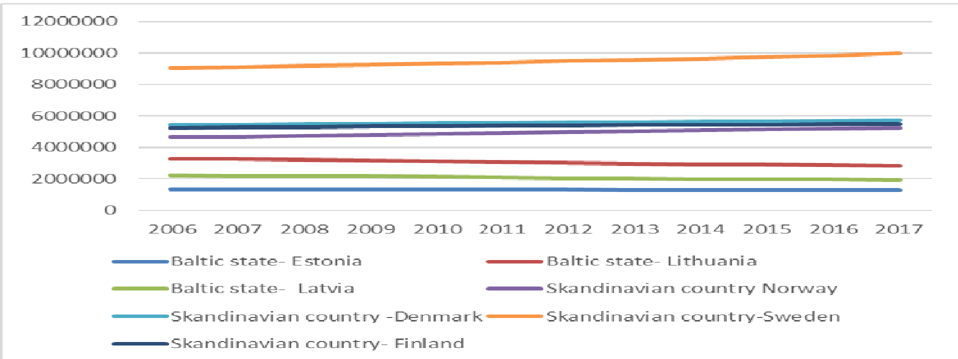
The research carried out by the authors of the article enabled to formulate *the aspect of scientific innovation* - the impact of labour force migration on different economies in different countries depends on the country's level of development. The less developed the country's economy, the more vulnerable it is to migratory (emigration) processes. On the contrary, the more developed the country's economy, the greater positive effect is made by the processes of migration (immigration).

The impact of labour force migration on Scandinavian and Baltic economies

The Scandinavian and Baltic countries were selected for the study and their macroeconomic statistics (unemployment rate, population, gross domestic product per capita) was analyzed in detail. Figure 1 shows the changes in population between 2006 and 2017. The population of the Baltic States has decreased, while the population in Scandinavian countries has increased. According to Eurostat data in the year 2017 the largest number of residents was registered in Sweden – about 10 mln., while the least number was in Estonia – about 1,3 mln. However, in all three Baltic countries, the population of Estonia fluctuated most significantly during the analyzed period. In 2016 the immigration in Estonia was higher than emigration, while in Latvia and Lithuania the population was declining throughout the whole analyzed period. Following A. Bacevičiūtė, L. Kojala, V. Milašius and V. Petkauskas (2011), in Estonia the extent of emigration is influenced less by economic factors than in Lithuania. Economic indicators in Estonia are worse than in Lithuania or Latvia, but the Estonians are still less likely to emigrate. Estonian economic indicators may be worse due to the size of the country itself and its low population. Bigger country has more population, natural resources, it is economically stronger and its economic indicators are higher. Sweden is the largest of the Scandinavian countries; Estonia is the smallest of the Baltic States in terms of land area. It is also the least populated. Scandinavian countries have high taxes for the state, but later they are refunded. Residents receive all social benefits, well-developed country infrastructure, well-organized education system, service and security, high wages. These are the reasons why people emigrate to Scandinavian countries.

The population is decreasing due to the emigration, low birth rate, high mortality rate, and increases due to immigration, high birth rate and low mortality. The society is aging because the birth rate is decreasing and life expectancy is increasing. International migration is a major factor in the general population change. In theory, economic growth should depend on the working population – the higher the working-age population, the lower the unemployment rate and the higher is gross domestic product. However, in real life it can be different. The economy can grow with the increase in domestic consumption as well.

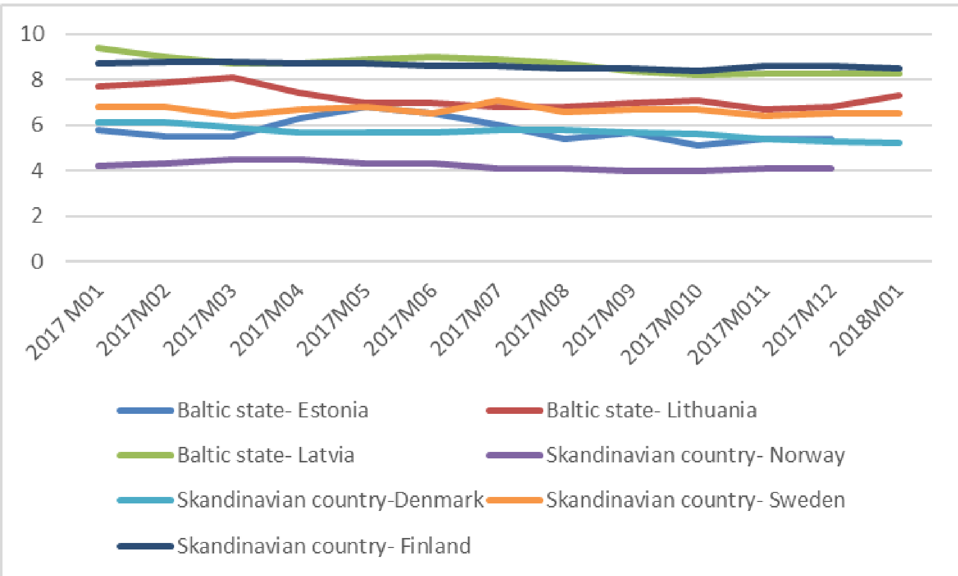
Fig. 1. Population 2006-2017



Source: Eurostat data

Part of the country's population willing and able to work in hired employment are unemployed. Statistical definition of unemployment is used to refer to individuals, who did not want to work, did not have a job or were looking for a job. The unemployment rate may be one of the main indicators of the country's economic situation. The lower is the gross domestic product, the higher is the unemployment rate. Gross domestic product diminishes when the working population decreases. The unemployment rate is important for all economies in the countries with different levels of development. Residents who have emigrated abroad and did not declare their departure increase the unemployment rate, while immigrants who have a permit to live and work in the country reduce the unemployment rate. According to D. Beržinskienė, R. Reizgevičienė, M. Reizgevičius (2010) and F. Garif (2013) migration influences the labor market in two ways: by transferring money emigrants promote consumption and economic growth. Money transfer can be a positive factor for economic development (J. Edward Taylor, 1999). Figure 2 shows that from January 2017 till November 2017 the unemployment rate was the highest in Latvia – 9,4 % and in Finland– 8,8 %. The lowest unemployment rate was in Norway is 4%. and in Estonia - 5.1%. Such indicators of unemployment rates could have been determined by emigration and immigration. Norway and Estonia had more immigrants than emigrants therefore, the unemployment rate has decreased. Latvia and Finland had more emigrants than immigrants and the unemployment rate of the countries has increased. The unemployment rate may rise due to economic fluctuations. Economic growth is associated with stable prices, efficiency growth, low unemployment rate and adequate distribution of income (G. Dudzevičiūtė, 2015). The impact of labour force migration on the labour market can be positive and negative. The positive impact of migration on the labour market is caused by a decrease in the unemployment rate, return to the Homeland with good work experience and the application of new technologies. The impact of migration on the labor market may also be negative: labour force shortage, the decline in the number of highly skilled workers and increase in unemployment rate.

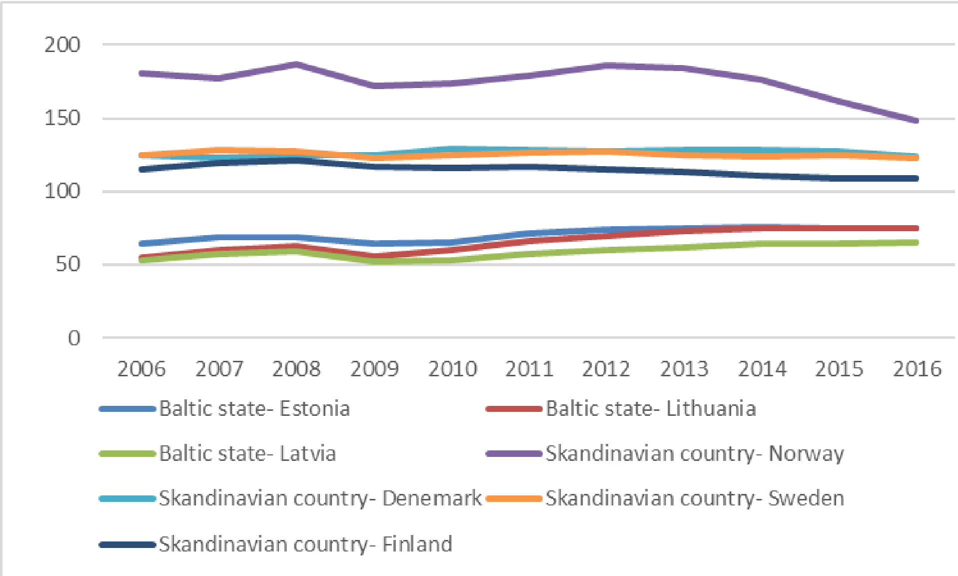
Fig. 2. Unemployment rate, % 01 2017 – 01 2018



Source: Eurostat data

Following A. Basevičiūtė, L. Kajola, V. Milašius and V. Petkauskas (2011) migrants are attracted from low average income countries to the countries where the average income is high. Particularly important are the increasing differences in gross domestic product per capita. Migration affects the economy through the created product and labour market. It is important to analyze the gross domestic product and its share per inhabitant of the country. Gross Domestic Product per capita is increased by private capital flows and investments (G. Kasanauskienė, L. Buzytė, 2011). Gross domestic product is increased by the following factors: investment, consumption, unemployment rate and production. Fig. 3 shows the changes in gross domestic product per capita. It was the highest in Norway in 2008 - 187%. The gross domestic product index in this country has increased due to increased investment, production, exports, and immigration. The lowest gross domestic product indicator was in 2009 in Latvia - 52%. Such a low gross domestic product per capita was determined by the economic crisis. The economic crisis has affected all countries. In 2016, the Scandinavian and Baltic gross domestic product per capita declined. This could have been affected by the reduced consumption, investment, increase in unemployment, economic fluctuations and emigration. In Scandinavian countries gross domestic product per capita is higher than in the Baltic States. Scandinavian countries are economically stronger than the Baltic countries, they have more population and natural resources, they are richer, therefore, the rates of immigration to these countries are higher. The unemployment rate is lower, the employment is higher and this leads to an increase in gross domestic product.

Fig. 3. Gross domestic product per capita 2006–2016



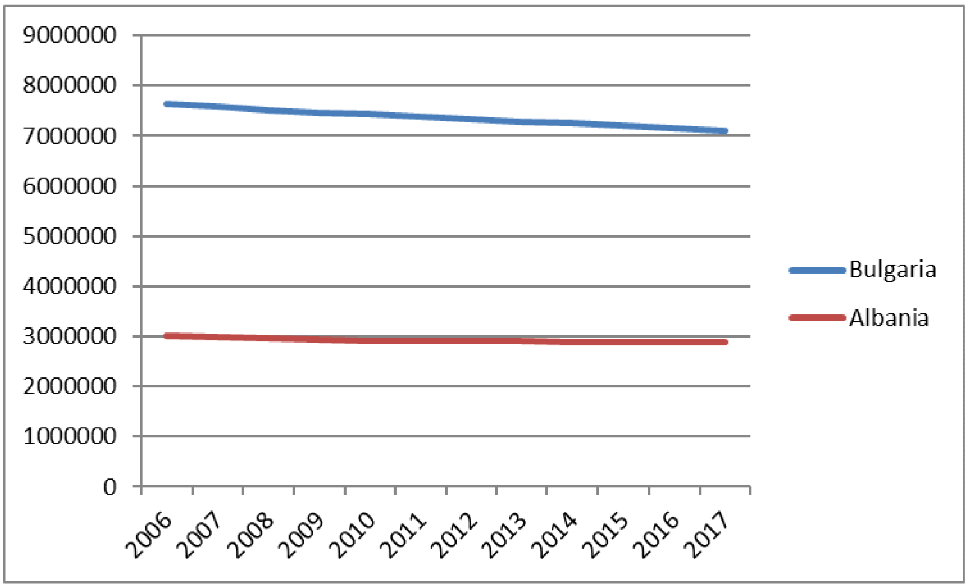
Source: Eurostat data

Migration has both a negative and a positive effect on the general domestic product. The positive impact of migration is the increase in consumption and purchasing power, returning cash flows. The negative impact of migration on the economy is the decrease in gross domestic product because of the increase in unemployment and decline in consumption, investment and production.

Labour force migration impact on weak economies

To study the impact of labour force migration on weak economies one of the weakest countries in the European Union - Bulgaria and Albania - a potential candidate for EU membership were selected. Bulgaria is a large country with a large area of land and a large population. Bulgaria currently has a population of 1 million. Meanwhile, Albania is a small country with 2.87 million. of the population. Fig.4 shows the changes in the population during the analyzed period. The statistical data by both countries show that the population was decreasing from 2006 to 2017. Albanian population changed insignificantly. This could have been affected by higher birth rates. The population of Bulgaria declined more significantly than that of Albania, which could have been affected by emigration, high mortality, low birth rates and an aging population. Bulgaria and Albania are poor countries. These countries are poor, economically weak, so they do not attract immigrants, they cannot earn money here. Increased wages are the main causes of emigration. A large population should have a positive impact on the economy- increase consumption, reduce unemployment and thus increase the total domestic product of the country. But this is not the case. It can be assumed that this is due to a weak economy, poor countries, low wages and low consumption.

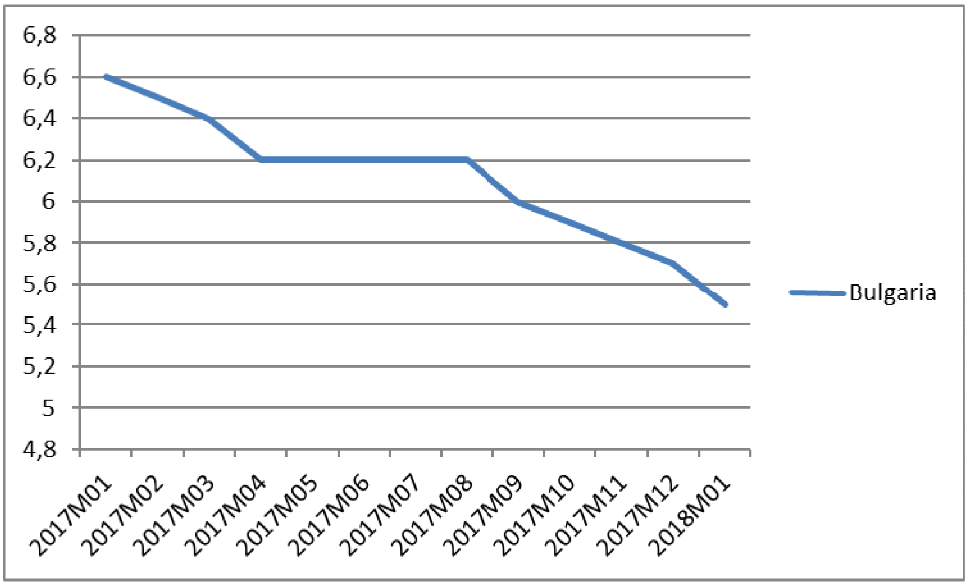
Fig. 4. Population 2006-2017



Source: Eurostat data

Due to the lack of the statistical data in Albania we will only analyze the unemployment rate in Bulgaria. As can be seen form Fig. 5 from January 2017 to January 2018 the unemployment rate decreased. In January 2017 the unemployment rate reached 6.6 percent and in January 2018 it was 5.5 percent. This could have been influenced by tourism. Emigrants who left to earn money to other countries can afford a vacation as well. Bulgaria is famous for its beautiful countryside. It is visited by millions of tourists. A lot of jobs are created for locals; therefore, the unemployment rate is decreasing. Due to low salaries Bulgaria does not attract immigrants. Immigrants have a positive impact on the labour market when there is the shortage of labour force (A. Janušauskas, E. Nedzinskas, A.Uleckas, P. Vepšta, 2009). Immigrants reduce unemployment and increase the total domestic product. In case of Bulgaria, labour force migration has a negative impact on the labor market. Emigrants do not choose Bulgaria as a country in which they can earn money. Therefore, the unemployment rate does not increase the country's gross domestic product.

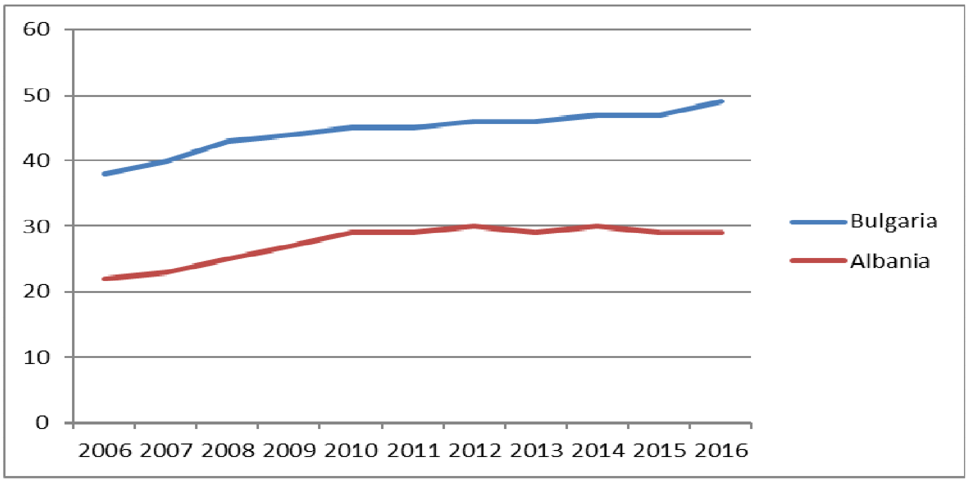
Fig. 5. Unemployment rate in%, 01 2017 – 01 2018



Source: Eurostat data

Migration affects the economies of weak countries through the creation of a single gross domestic product. Gross domestic product is increased by unemployment, production, exports and consumption. Fig. 6 shows the changes in the gross domestic product in Albania and Bulgaria. We can see that the gross domestic product of both countries fluctuated but was increasing. Bulgaria's gross domestic product per capita is higher than that of Albania. Bulgaria's gross domestic product reached 49% in 2016, while Albania's 29 %. Bulgaria's gross domestic product per capita may be higher due to the income from tourism, increased consumption, larger country size, larger population and lower unemployment rate. Meanwhile in Albania it is so small because of the country's small size, smaller population, the country's poverty and its unattractiveness to investors.

Fig. 6. Gross domestic product per capita 2006–2016



Source: Eurostat data

Migration has a negative impact on weak economies. The negative impact of migration on the economy is such that the gross domestic product is decreasing, as unemployment is rising, consumption decreases, production is growing, emigration is increasing.

Conclusion

The consequences of labour migration for the economy can be positive and negative. Migration also provides economic benefits: in the labor market and in society it reduces social tension, helps to solve family economic problems, reduces unemployment while increasing the gross domestic product. Negative consequences – on the contrary, it increases the unemployment rate and reduces gross domestic product. The consequences of labour force migration are the same in all countries. Only the causes of labor migration are different.

Population, unemployment rate and gross domestic product are interrelated indicators showing how labour force migration affects the economy. The increase in the population indicates a decrease in the unemployment rate and the lower is the unemployment rate, the higher is the gross domestic product. And on the contrary – the lower the population, the higher the unemployment rate, the lower is the gross domestic product.

The study, based on the statistics of Norway, Sweden, Denmark, Finland, Estonia, Lithuania, Latvia, Bulgaria and Albania revealed that the impact of labor force migration on different levels of economies depends on the country's level of development. The less developed the country's economy, the more damage is done by migratory (emigration) processes. On the contrary, the more developed the country's economy, the greater positive effect is made by migratory (immigration) processes.

References

Basevičiūtė, A., Kajola, L., Milašius, V., Petkauskas, V. (2011). *Emigracijos mastų skirtumai kaimyninėse valstybėse: Lietuvos ir Estijos atvejai.* [online]. [cit.: 2018-04-07]. Retrieved from: http://etalpykla.lituanistikadb.lt/fedora/objects/LT-LDB-

0001:J.04~2011~1367178352584/datastreams/DS.002.0.01.ARTIC/content

Beržinskienė, D., Reizgevičienė, R., Reizgevičius, M. (2010). Migracijos įtaka darbo rinkai. [online]. [cit.: 2018-04-07]. Retrieved from: http://etalpykla.lituanistikadb.lt/fedora/get/LT-LDB-0001:J.04~2010~1367176182442/DS.002.0.01.ARTIC6.

Česnavičius D., Stanaitis S. (2015). *Lietuvos gyventojų migracija Europos iššūkių kontekste*. Lietuvos edukologijos universitetas. [online]. [cit.: 2018-04-07]. Retrieved from: file:///C:/Users/Vartotojas/Desktop/emigracija.pdf

Dudzevičiūtė, G. (2015). *Ekonomikos plėtros pagrindai. Mokomoji knyga*. Vilnius. file:///C:/Users/Vartotojas/Desktop/plėtros%20ekonomika/studentams_literatura/knyga%20ekonomikos%20pletros%20pagrindai_internetui.pdf

Garif, F.(2013). *The Impact of Migration and Remittances on Wealth Accumulation and Distribution in Rural Thailand*. [online]. [cit.: 2018-04-07]. Retrieved from: http://web.a.ebscohost.com/ehost/pdfviewer/pdfviewer?vid=15&sid=37eb508b-bf2d-4db5-bf96-dd3eaf9ccc05%40sessionmgr4009

Janušauskas, A., Nedzinskas E., Uleckas A., Vepšta P. (2009). *Šiolaikiniai migracijos procesai ir jų įtaka Lietuvos darbo rinkai*. [online]. [cit.: 2018-04-07]. Retrieved from: http://etalpykla.lituanistikadb.lt/fedora/objects/LT-LDB-0001:J.04~2009~1367170842318/datastreams/DS.002.0.01.ARTIC/content

Kasnauskienė G., Buzytė L. (2011). Emigrantų piniginiai pervedimai ir jų poveikis ekonomikai. *Akademinis žurnalas,* Vilnius. Lietuva. [online]. [cit.: 2018-04-07]. Retrieved from: http://web.b.ebscohost.com/ehost/pdfviewer/pdfviewer?vid=4&sid=cc923b56-ea64-47d4-b393-136e5d1daeb6%40sessionmgr120

Lietuvos statistikos departamentas. (2018). *Europos statistikos duomenų konsultantai*. [online]. [cit.: 2018-04-07]. Retrieved from: http://eurostatgidas.stat.gov.lt/lt/

Matiušaitytė, R. (2003). *Darbo jėgos migracija Europos Sąjungoje ir Lietuvoje.* [online]. [cit.: 2018-04-07]. Retrieved from: file:///D:/migracija%20medžiaga/migracija1.pdf

Migration Policy Debates. (2014). [online]. [cit.: 2018-04-07]. Retrieved from: https://www.oecd.org/migration/OECD%20Migration%20Policy%20Debates%20Numero%202.pdf

Palat, M., (2012). *Effects of Labour migration on economic developement during economic downturn and recovery*. [online]. [cit.: 2018-04-07]. Retrieved from: https://acta.mendelu.cz/media/pdf/actaun_2012060070207.pdf

Samchkuashvili, N., Darchiashvili, N. (2017). *Problems and Results of Labor Migration in Georgia*. [online]. [cit.: 2018-04-07]. Retrieved from: http://web.a.ebscohost.com/ehost/pdfviewer/pdfviewer?vid=17&sid=37eb508b-bf2d-4db5-bf96-dd3eaf9ccc05%40sessionmgr4009

Sinevskaitė E., Andriuškaitienė D. (2015). Mokslas Lietuvos ateitis. *Lietuvos jaunimo migrantų nuostatų tyrimas.* [online]. [cit.: 2018-04-07]. Retrieved from: http://web.a.ebscohost.com/ehost/pdfviewer/pdfviewer?vid=10&sid=c14ec89e-d0b4-4a74-bb71-9af752fae19f%40sessionmgr4007

Taylor Edward, J. (1999). *The New Economics of Labour Migration and the Role of Remittances in the Migration Process.* [online]. [cit.: 2018-04-07]. Retrieved from: http://web.a.ebscohost.com/ehost/pdfviewer/pdfviewer?vid=22&sid=37eb508b-bf2d-4db5-bf96-dd3eaf9ccc05%40sessionmgr4009

Valstybės, Ž. (2006). Emigracija iš Lietuvos: padėtis, problemos, galimi sprendimo būdai. *Konferencijos medžiaga*. Vilnius. [online]. [cit.: 2018-04-07]. Retrieved from: http://www3.lrs.lt/docs2/TKAKCQXM.PDF

Pukelienė, V., Glinskienė, R., Beržinskienė, D. (2007). Darbo jėgos migracija: globalinis aspektas. *Taikomoji ekonomika: Sisteminiai tyrimai.* [online]. [cit.: 2018-04-07]. Retrieved from: https://eltalpykla.vdu.lt/bitstream/handle/1/1325/ISSN1822-7996_2007_T_1.N_2.PG_49-64.pdf?sequence=1&isAllowed=y

Žibas, K., Petrušauskaitė V. (2015). Darbo migrantai Europoje ir Lietuvoje: gyvenimo ir darbo sąlygų problematika. *Etniškumo studijos.* Lietuvos socialinių tyrimų centras. [online]. [cit.: 2018-04-07]. Retrieved from: http://www.ces.lt/wp-content/uploads/2015/09/2-Petru%C5%A1auskait%C4%97-%C5%BDibas_EtnSt-2015_1.pdf

Contacts:

Valentinas Navickas, prof.
Department of Economics;
School of Economics and Management,
Kaunas University of Technology, Lithuania
e-mail: valna@ktu.lt

Joana Žukauskienė,
Department of Economics;
School of Economics and Management,
Kaunas University of Technology, Lithuania
e-mail: joana.zukaus@gmail.com