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FINANCIAL PROBLEMS OF LABOR MIGRATION IN THE REPUBLIC OF BELARUS

Labor migration is an important source of money inflow to the country for certain countries. The chapter concerns the trends of the international migration in Belarus. Special attention will be given to detailed analysis of the size and structure of the migrants’ personal remittances in their basic elements, the countries of departure and countries of destination.

На современном этапе международная трудовая миграция является не только одним из главных факторов социальных преобразований как в странах-донорах, так и в принимающих странах, но и источником непрерывного движения денежных переводов между странами. В статье рассматриваются вопросы оценки объемов и структуры денежных переводов трудовых мигрантов в Республике Беларусь.

Key words: international migration; migrant’s personal remittances; compensation of employees; personal transfers; capital transfers.

Ключевые слова: международная миграция; денежные переводы мигрантов; оплата труда; личные трансферты.

At present the world economy integration and globalization connected to free movement of goods and capital as well as human resources movement has a special relevance. Labor migration as an integral part of the international migration is followed by the continuous movement of the migratory capital (remittances) between the countries. Obviously, the global volumes of migration capital demonstrate a steady upward trend.

Money transfers are important not only because they helps the least well-off layer of the population to survive. They are considered to be both an additional source of financing the host country economy and an essential factor in its development.

Issues of the labor migration and migrants’ personal remittances play a significant role for the Republic of Belarus. On the one hand, labor migration which involves a change in permanent residence leads to considerable losses of the human capital, and also promotes a deficit of the workers in some sectors of the Belarusian economy (construction, transport). On the other hand, the labor force migration allows reducing unemployment rate and poverty rate in the country. It also gives a chance to gain a new experience and knowledge abroad to be used in Belarus on return. It improves the balance of payments of Belarus through the migrant’s remittances too.

The current trends of migratory processes in Belarus. In conditions of natural population decrease, reduction of the growth of young people at the working age, decrease of the local labor force and, as a consequence, decrease of the employment rate of the population the attraction of labor migrants to the country is of great importance for Belarus. Figure 1 demonstrates that the number of the labor migrants in Belarus has increased by several times since the beginning of the 90s.
Symbols: – arriving; – departing

Figure 1 – The number of the migrant workers of the Republic of Belarus arriving and departing with the contracts for 1994–2016 (thousands of people)

Source: own study based on [1].

Figure 1 indicates that the Republic of Belarus appeared to be both a supplier of labor and the recipient throughout the analyzable period. Moreover, the numbers of coming labor migrants to Belarus was an insignificant till 2010. The reason for it was rather tough national labor legislation. Only since 2010 the flows of immigrants began to grow quickly that is closely connected with a new Law of the Republic of Belarus on "External Labor Migration" (came in to force in July 12, 2011). It defined the order of employment of the foreigners permanently living in the Republic of Belarus [2].

At the same time divergence of flows on entrance (import) and departure (export) of labor migrants is characteristic for Belarus. While the number of those who left the country for work stably exceeded the number of those who arrived till 2009, the situation changed radically since 2010. The analysis of the labor migrants flow under contracts showed that in 2010 the number of those who arrived exceeded the number of those who departed by 1750 people, in 2012 it exceeded by 2247 people, and in 2014 it already exceeded by 32 thousand people. This trend continues even now: according to the Department of Citizenship and Migration of the Ministry of Internal Affairs in the Republic of Belarus in 2016 the number of the arrived labor migrants was more than those gone abroad by 13.4 thousand people [1].

Thus, the international labor migration became an integral part of the modern world economy and is one of the main factors of social transformations both in donor countries and in host countries. One of the positive aspects of migration for the host country is the reduction in production costs as immigrant workers receive a considerably a smaller salary than local workers, and also lowering of costs for its preparation in a case of qualified labor. Positive aspects of international migration for donor countries is the fact that people working abroad acquire new professional skills, experience, knowledge in the labor process. On returning to their homeland they use them to increase the productivity of labor [3].

In addition, international labor migrants make an increasing contribution to the economic development of the countries to which they moved as well as the countries from which they came by sending significant remittances to their relatives in the homeland. In other words, for donor countries labor migration is also an important source of currency inflow into the country. The remittances transferred to the country allow families to increase their consumption level, increase aggregate demand and stimulate the production development. In general, it gives a chance to the country to solve a complex of internal social and economic problems more successfully. Some part of the received money is invested in development of the national economy through purchasing shares, lands and real estate.

Proceeding from this not only the accounting of migration flows in the country but also the account, analysis and cost assessment of the labor migrants’ remittances has a great importance at the present time.

The labor migrants’ remittances in the Republic of Belarus. The International Monetary Fund defines labor migrants’ remittances as a household income from foreign economies arising
mainly from the temporary or permanent movement of people to those economies [4]. They largely consist of funds and noncash items sent or given by individuals who have migrated to a new economy and become residents there, and the net compensation of border, seasonal, or other short-term workers who are temporarily employed in an economy in which they are not resident.

Remittances are transported through formal or informal channels. Formal remittance channels are those officially authorized to operate in the money transfer business, such as banks, money transfer operators, or other officially registered institutions. Semiformal remittance channels include formal institutions providing money transfer services outside the regulatory mechanisms of the country authorities. Informal remittance channels are outside of financial regulation and supervision but often legal (for example, transportation of the money or goods through boundary).

Remittances are derived mainly from two items in the balance of payments framework: income earned by workers in economies where they are not resident (or from nonresident employers) and transfers from residents of one economy to residents of another (figure 2).

![Personal remittances](image)

**Figure 2 – The elements of personal remittances**

Source: own study based on [3].

Compensation of employees refers to the income of border, seasonal, and other short-term workers who work in an economy where they are not resident, and to the income of resident workers employed by a nonresident entity. In other words, it is part of earnings of family members abroad which they give to their relatives in the homeland.

The trends of the compensation of employees received from abroad and paid abroad in the Republic of Belarus is provided in figure 3.

![Compensation of employees](image)

**Figure 3 – The trends of the compensation of employees received from abroad and paid abroad in the Republic of Belarus for 2005–2016 (million dollars)**

Source: own study based on [5].
Figures 3 proves that despite the excess of the number of the arrived labor migrants over number left labor migrants the flows of the compensation received from abroad considerably exceeded flows of its payments abroad throughout the researched period. Moreover, the volumes of flows from abroad tend to increase. So, in 2005 the amount of the received compensation of employees made 120.3 million dollars, then in 2010 it increased by 2.7 times to 327.7 million dollars and then next 5 years – by 2.16 times. In 2016 in comparison with 2010 the amount of the compensation of employees received from abroad increased more than by 27% and in comparison with 2005 – almost by 3.5 times. At the same time in 2016 in comparison with 2015 there was a slight decrease in labor earnings received abroad (by 0.5%) and a significant decrease in payments to non-resident labor migrants (by 36.9%).

Thus, it can be concluded that departure of labor migrants without the registered contracts (informal employment) exceeds the official labor exchange under contracts registered by Department of Citizenship and Migration of the Ministry of Internal Affairs of the Republic of Belarus by many times. Such an uncontrollable departure to work abroad is characteristic of Mogilev, Gomel and Vitebsk regions. It is mainly labor migration to border areas of Russia and until recently Ukraine. According to the estimates of the Belarusian scientists the independent labor migration of Belarusian labor much more exceeds registered and makes from 500 to 800 thousand people. And 75% of the labor migrants leave country for the purpose of employment in Russia. According to Federal Migration Service for January 1, 2015 there were 524 thousand people from Belarus on the territory of the Russian Federation [2] the majority of whom are involved in Russian economy.

The personal transfer is the second element of the personal remittances. Personal transfers consist of all current transfers in cash or in other forms made or received by resident households to or from nonresident households. In other words, the personal transfers include all current transfers between resident and nonresident individuals.

From the data of National bank of the Republic of Belarus it is obvious that from 2005 to 2016 the value of personal transfers received from abroad grew more than by 6 times (from 80.8 million dollars in 2005 to 503.1 million dollars in 2016) (table).

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<th>Tendency of the personal transfers in the Republic of Belarus for 2005-2016 (million dollars)</th>
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Source: own study based on [5].

More than 85% of personal transfers listed to the economy of the Republic of Belarus are workers’ remittances from abroad. To calculate the amount of remittances of the working migrants in the Republic of Belarus the information of the bank accounts is used. Based on this the amount of the remittances of individuals carried out through bank account is determined taking into account payments through international money transfer systems. Another more information source is data of RUP "Belpochna" on postal and electronic money transfers.

At the same time the problem of estimating the volumes of the cash transfers is typical for the Republic of Belarus. Such cash transfers are money which is taken by persons independently or through their intermediaries and isn't reflected in the banking statements. World Bank data indicate that official transfers of migrants make up only 29% of the world’s real cash flows [3]. In the context of the fact that informal labor migration from Belarus is directed mainly to the Russian Federation, remittances from Russia are the main tool to transferring money from labor migrants to their families. Within it, the accounting and recording of such cash remittances due to the lack of sufficient information to carry out the quality control of their volume is the major current concern in Belarus.
The total value of personal remittances (the amount of employee’s compensation and total value of the personal transfers) in the economy of the Republic of Belarus for 2016 made 830.4 million dollars that is by 7.8 times more than the size paid abroad and almost by 5 times more than the level in 2005. If to compare the volumes of all personal transfers arrived from abroad with the amount of direct foreign investment to the economy of the country then during the analyzed period the share of personal remittances was from 8 to 10% of the inflow of FDI into the Republic of Belarus. However, unlike investments flows, the remittances of labor migrants have a stable character and can be considered as a reliable source of foreign exchange earnings improving the credit rating of the country and, under other favorable conditions, promoting an economic growth.

Thus, all remittances coming to the national economy influence the development of the recipient country's economy to a greater or lesser extent. It doesn't depend on what channels to transfer the money labor migrants’ use. However, officially registered personal remittances can be considered as a source of financing of the social and economic transformations carried out at the expense of migrants' money.

Conclusions. Migrants’ remittances have a significant effect not only on a social and economic situation of a single country but also on the economic development of the whole regions of the world. The main factors influencing the value of migrants' remittances are the number of migrants, value of the salary received by them, availability of dependents, level of the household income, economic situation in the country receiving the migrant, exchange rates, etc. The transfers, as a rule, increase during the economic recessions, military conflicts or natural cataclysms. The amount of remittances increases and becomes more frequent during certain periods depending on the cultural or religious traditions of migrant groups, for example New Year, Christmas, etc.

In this regard the major tasks related to labor migrants remittances are:

- increase in openness and transparency of the money transfer market;
- direction of cash flows through legal channels;
- counteraction to use of cash flows for the purposes of organized crime and terrorism;
- improvement of legislation for joint supervision of the transfers between the partner countries.

Except listed the problem of expanding and improving sources of data on migrant remittances remains urgent for the Republic of Belarus. As mentioned above, in the Republic of Belarus the balance of payments data compiled by the National Bank on the basis of banks' reports and information on postal and electronic money transfers of RUP "Belpochta" are used to characterize the volume of such cash flows. However, the considerable part of remittances passes official channels and is carried by physical persons or by their intermediaries and isn't reflected in banking reporting. In this regard, carrying out special surveys of households and surveys of individuals (senders and recipients of the remittances) are becoming especially relevant. Such regular surveys have already been conducted in a number of countries: in Russia and the Republic of Kazakhstan – once a year; in Tajikistan – once a half-year; in Armenia – quarterly. In some countries one-time special surveys on migration and remittances of households are carried out (Moldova, Poland) [3].

References list