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### Economic case for migration restrictions in Europe

*Caso económico para las restricciones migratorias en Europa*

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#### ABSTRACT

The article concentrates on immigration and emigration impact on EU Member State economy and analyzes the migration situation in Poland. If the purpose of immigration is to obtain a residency and then integration into society, thus the increase in population will be adopted by the national economy in a short period. There also won't be problems with circular migration, since the workforce rotation will be within the agreed limits. However, temporary migration will lead either to unacceptably low living conditions of temporarily employed foreigners, to an increase in social tension, or to an inefficient use of social infrastructure.

**Keywords:** Migration, Poland, Restrictions, Social Infrastructure.

#### RESUMEN

El artículo se centra en el impacto de la inmigración y la emigración en la economía de los Estados miembros de la UE y analiza la situación de la migración en Polonia. Si el propósito de la inmigración es obtener una residencia y luego la integración en la sociedad, el aumento de la población será adoptado por la economía nacional en un corto período. Tampoco habrá problemas con la migración circular, ya que la rotación de la fuerza laboral estará dentro de los límites acordados. Sin embargo, la migración temporal conducirá a condiciones de vida inaceptablemente bajas de extranjeros empleados temporalmente, a un aumento de la tensión social o al uso ineficiente de la infraestructura social.

**Palabras clave:** Infraestructura Social, Migración, Polonia, Restricciones.

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## INTRODUCTION

Globalization caused an increase in migration processes, both legal and illegal. At the same time, modern migration processes are socially and economically asymmetrical, which leads to a population redistribution among territories, a change in the structural characteristics of countries and territories, and an increase in intercultural tensions in countries hosting migrants. Therein attempts to control migration flows by political means usually are not effective because of illegal migration, which affects political, economic, social stability (Clemens & Pritchett: 2019).

Until recently, migration processes were considered in the term of the labor market, but the refugee crisis of 2015–2016 in Europe showed that the reason for migration could be the desire to raise living standards not by receiving higher wages, but by various social benefits. At the same time, for the EU countries is typical migration caused by ethnic and religious conflicts in the country that significantly complicates the social and economic situation in countries hosting refugees. The EU's migration policies are determined primarily by the UN International Migration Policies, namely the Refugees Convention (1951), the Protocol Relating to the Status of Refugees (1967), International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families (2000), the Protocol against the Smuggling of Migrants by Land, Sea, and Air (2000) (United Nation Treaty Collection, 2019; available: <https://treaties.un.org/>). The EU countries' governments, in turn, impose various restrictions within migration policy, but in general, according to International Organization for Migration, government policies aimed at maintaining the level of migration at a certain level.

The massive involvement of migrants offered an opportunity for the hosting countries to improve the demographic situation, but at the same time cause a significant number of other problems, mainly migrants' adaptation in society, tolerance and loyalty towards them. The main problem is that Office of Migration Statistics contains no data on illegal migration, which does not allow making correct conclusions about the impact of migration on host countries (Lucas: 2005).

Modern scientists considered the migration crisis in the EU in terms of its impact on finances, culture, and society. Thus, the research (Crawley et al.:2013) shows that the increase in the number of migrants and the level of migration in general causes a decrease in the tolerance towards refugees by the native population, regardless of their education level (Dustmann et al.: 2016).

Highly skilled migrants usually make a large financial contribution, unlike labor migrants, which may be the cause of tax spending for local population if they settle in the host country. Most empirical studies show that generally the immigrants' fiscal contribution is rather small. The total tax benefit from immigration is very small, as the gains of some migrants to a large extend or completely offset the losses of others (Preston: 2014; Czaika & Hobolth: 2016).

Meanwhile, the current migration crisis allowed us to check existing or create new mathematical models of migration. Modern models of migration are often modifications of the so-called Gravity model, according to which there is a region-center of gravity that "attracts" migrants (Ramos: 2016; Nikolaeva et al.: 2018). The study (Schmertmann: 2012) proposes the optimal control model under conditions of a constant migration flow when the constant entries occur by immigration rather than birth. In this case, the population rate does not increase but gradually being replaced by migrants.

The study considers the reasons for such systems disbalance and shows the redistribution of resources in the form of traveling waves (Genieys et al). This approach is based on statistical data and makes it possible to determine the moving of indigenous and non-indigenous populations among districts and the corresponding migration balance depending on the "diffusion" coefficient.

The Poisson regression model was used for mathematical modeling of migration processes and made it possible to identify the main factors that influence migration processes: migration flows are explained by interregional differences in economic resources (gross regional product (GRP) per capita, unemployment), in population ratio, as well as geographical factors, especially distance. Another important factor is the housing

provision (Sarra & Del Signore: 2010). Non-economic factors of migration are population concentration, environmental conditions and crime rates (Napolitano & Bonasia: 2010). It was also found that migration is influenced by various factors depending periods of time. The references review made it possible to determine the undeveloped points (Favell & Hansen: 2002):

- The main condition of mathematical models of migration is the labor migrants studding as a the low-wage labors that will permanently reside in the country but won't be considered (so-called "seasonal labor migration" which state in the fact that migrants work, as a rule, as low-paid employee and withdraw funds to the country of residence for the maintenance of their families;
- The factor of skilled population migration and its replacement with unskilled ones, for example, seasonal workers, was not considered;
- The factor of non-labor migration that is, migrants living in hosting countries and receiving social benefits, was not considered;

The aim of the article is to analyze the joint effect of both immigration and emigration on the example of Poland on indicators of the country's socio-economic development in the conditions of the almost complete absence of migration restrictions. The scientific novelty of the study considers the joint effect of both immigration and emigration on the example of Poland.

## 1. METHODS

The statistical information provided on the statistical websites is the information base for the study. The accelerator of changes in the relevant rates was determined (for example, for the balance of payments and remittances; the balance of payments and the total amount of private remittances; remittances of Polish employees working abroad for more than 1 year and changes in the M1 / M2 money supply; the total amount of private transfers to Poland and money supply M1 / M2).

## 2. RESULTS

Analyzing the migration statistics of EU countries, it should be noted that the countries of Western Europe, in general, are characterized by trends of migrants' influx, some of which are mot labor migrants, while the countries of Central and Eastern Europe are characterized by trends in both the outflow of the indigenous population and the influx of migrants, e.g., from Ukraine.

Thus, the most interesting is the experience of Poland, as a country characterized by a trend of outflow of skilled population and inflow of unskilled. Meanwhile, despite the fact that the number of immigrants and emigrants is approximately equal (Statistics Poland: 2019; available: <https://stat.gov.pl/en/>), the point of interest is the number of remittances received in the country as well as withdrawn. According to statistics, currently, about 2.2 million people have left the country. The largest number of Polish emigrants live in the UK, Germany, Ireland, Netherlands.

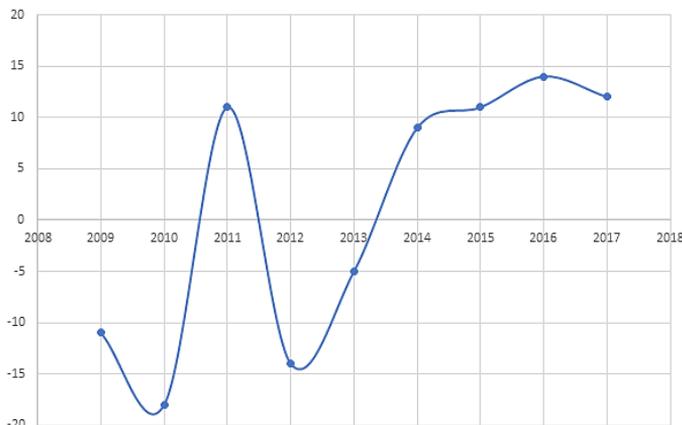
The GDP per capita level in Poland and the method of its distribution are not the reasons for the economic out of the population from the country. Conversely, the Polish labor market is attractive for millions of labor migrants from Eastern Europe and Central Asia, but the equilibrium price is not sufficiently motivated for the local population. The nature of the massive labor migration from Poland to the prosperous EU countries has an economic background and is due to the lack of prospects, career opportunities and an improvement in living standards. The daily difficulties that arise as a result of the unsatisfactory functioning of public institutions, the overcoming of which requires additional financial and psychological resources on behalf of people, also become the reason for emigration from their homeland. These factors influenced the

unprecedented in the history of Poland increase in the emigration of the employable population, especially among young people.

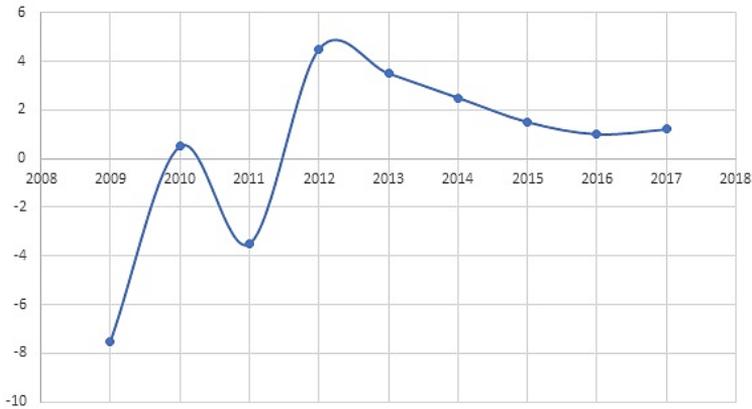
The International Society of Students conducted research in 46 Polish universities among undergraduates on employment intentions in 2006. Among the respondents, 90% of students of economic departments were looking for work abroad; only 60% of respondents confirmed their desire to leave to work in Western European countries. Young people between the ages of 25 and 34 show the greatest tendency to emigrate; they motivate their intentions with the hope of a better professional perspective. Poles consider so-called industrial locomotives of the European Union as the most favorable countries for employment and in the labor markets of which their professional qualifications will be demanded. The emigration of Poles is insignificant to countries with per capita GDP close to Polish. At the same time, about 3.1 million labor migrants from Ukraine work in Poland. The same tendencies as for the young people of Poland are characteristic for the students of Ukraine.

Year	GDP, billion dollars	Population, million people	Net migration rate
2018	549.48	38.5	-0.3
2017	524.83	38.6	-0.25
2016	471.17	38.3	-0.39
2015	477.35	38.4	-0.3
2014	545.07	38.4	-0.28
2013	524.4	38.4	-0.3
2012	500.85	38.5	-0.5
2011	528.57	38.5	-0.71
2010	479.16	38.4	-0.93
2009	440.14	38.4	-0.75
2008	533.8	38.5	-0.56
2007	429.47	38.5	-0.51

**Table 1.** Macroeconomic rates of Poland, according to the official website of Narodowy Bank Polski (Statistics Poland: 2019; available: <https://stat.gov.pl/en/>)



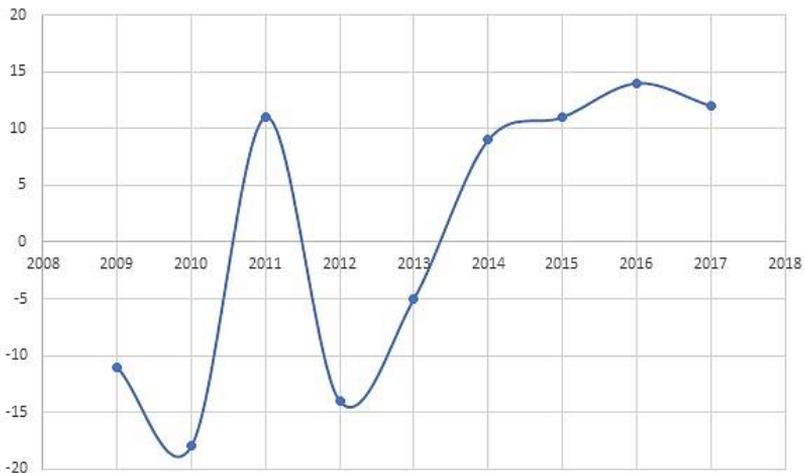
**Figure 1.** Accelerator calculated from the balance of payments and remittances of Polish employees working abroad for more than 1 year, %



**Figure 2.** Accelerator calculated from the balance of payments and the total amount of private remittances to Poland, %

Considering remittances from abroad to be a significant, sustainable and anti-cyclical source of external financing to the country's economy, the curves shown in Figures 1-2, allow to find out the year the remittances have become accelerators of such an impact.

Regarding the market offers, we consider appropriate to investigate the dynamics of money supply M1-M2. The results of the influence of the M1-M2 money supplies on the Polish financial market in the number of private remittances and remittances of labors working abroad for more than 1 year made it possible to record the following dynamics (Figure 3).



**Figure 3.** Accelerator calculated from the remittances of labors of Poles working abroad for more than 1 year, and the M1 money supply, %

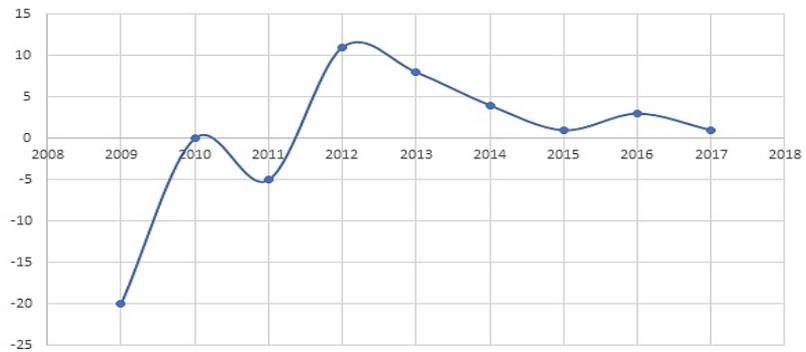


Figure 4. Accelerator calculated from the total amount of private remittances to Poland and the M1 money supply, %

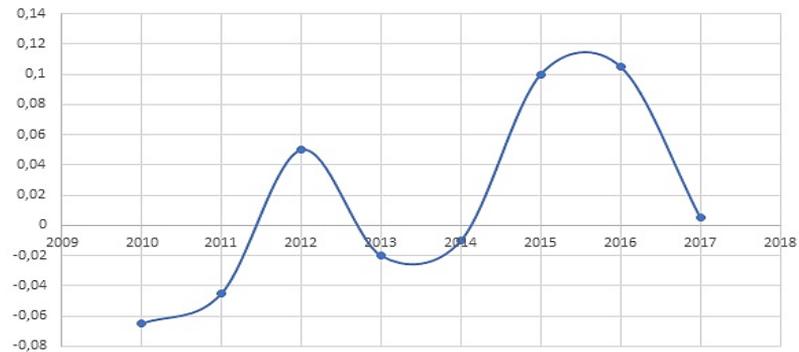


Figure 5. Accelerator calculated from remittances of Pole labors working abroad for more than 1 year, and the M2 money supply, %

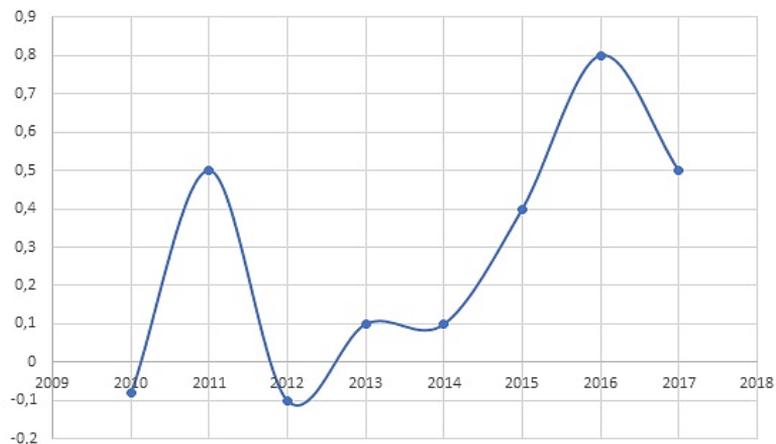


Figure 6. Accelerator, calculated from the total amount of private remittances to Poland and the M2 monetary aggregate, %

Considering the structure of private remittances, which include remittances of labors working abroad for more than 1 year, there is a discrepancy shown in Figures. 2-6. Thus, the money supplies M1-M2 carried out a positive impact on the process of remittance transactions of employees working abroad for more than 1 year differently in 2010-2017. At the same time, these same money supplies had almost no effect on the formation of private remittances to Poland in 2014–2017.

It is known, the remittances can ease credit restrictions since a steady flow of required incomes can make households more creditworthy for sector-specific financial institutions. Growing amounts of remittances in unstable household conditions affect the reducing of credit restrictions, as they increase creditor confidence in borrowers, even if the internal conditions of a household are not favorable for increasing its competitiveness. This creditworthy effect needs careful empirical study, despite the growing interest in remittances that are made through official financial channels. Exactly the dynamics are shown in Fig. 3-4, allows to identify the beginning of the “movement” of the curves and their further alignment due to the increase of market demands according to each analyzed money supplies, market offers and changing consumer demands. Note that the difference in curves with the M1 and M2 occurs because of transferable deposits in foreign currency and other deposits. The general state of the socio-economic development of Poland in 2009-2017 turns out to be in the dynamics of private remittances. Remittances of employees working abroad for more than 1 year had a significant impact on the GDP range, which was the result of the mainstreaming of households.

An empirical accuracy is a significant advantage of empirical rules. One of the disadvantages of the statistical data analysis is the lack of recommendations on the inclusion of factors that are statistically important. Under other conditions of analysis (rapidly changing socio-economic processes and the dynamic development of the financial infrastructure), it leads to the applying of overly complex decision-making rules of small value. The problem is that the more variables included in the statistical sample of the study, the better can be explained the behavior of a person or group of people in a particular situation. But if the explanation is less generalized then it is unlikely to be valuable in another situation. In particular, the socio-economic situation in Poland in 2014-2015 caused the remittances of employees working abroad for over 1 year in 2016. Generally, the analysis of private remittances helped to reveal the resonance in 2010-2011 for the accelerator dynamics in 2012.

The redistribution of remittances towards investment can contribute to an increase in investment to the home or national household as a result of the redistribution of financial assets. But in terms of prosperity, an extra dollar of investment will be more valuable than an extra dollar of current consumption if the marginal social cost of an investment exceeds its private value. Despite the fact that a number of factors can cause a resistance between social and private values (e.g. capital gains taxes, monopoly powers, and credit restrictions), one of the reasons arisen in the context of the development of a remittance institution, can be insurance of positive externalities from investment costs. Thus, the way in which remittances are distributed to households can affect the value of this remittance flow in the whole country.

42% of the total amount of remittances was spent on savings, 25% was spent on consumer needs, 17% was invested in housing (acquisition or improvement), 9% spent on storage goods, 6% were transferred to another indirect spending, in 2014-2015. And only 1% of these funds were sent to invest. In this case, not only remittances are considered, but also the financially accumulated or already physical capital of migrants working outside Poland.

The prerequisites for choosing one or another model of migrant behavior as a result of a family strategy for providing material support to a household is to realize the financial capabilities of employable family members in meeting current and future family needs within the country.

The prerequisites of labor migration are considered to be the decision of a person about his/her labor, moral, and physical capabilities of the socio-economic support of his/her household. The person, of course, accords with family members his/her decisions, but he takes upon him/herself the complex of benefits and risks. The material value of labor migration is a random variable as depends on the life events of each migrant, and its prediction is possible but rather problematic. The improvement of the socio-economic situation of

households whose members are labor migrants is undoubtedly a positive effect on the overall performance of the country's economy.

### **3. DISCUSSION**

In modern conditions, migratory mobility is one of the elements of the most dynamic process of the development of households' material support. Financial relations are developing quite dynamically, with the active participation of labor migrants. The important is the issues of an initiative of labor migrants in the formation of investment resources of households, including the material basis for capital allocation in the Polish economy for profit.

Remittances are one of the important financial instruments through which the financial behavior of immigrants influences people's actions and societies within the country. Economists consider the transfer of earned currency to the homeland as a potentially positive factor in labor migration for the economy of the home country. According to the World Bank's research, about 85% of the total average remittances of a labor migrant to his homeland is spent by his family on household needs, 10% is invested in education and saved. Only 5% are directly invested in farms and production sector. The use of remittances by emigrants for the consumption of imported goods identifies a country as a "sleeping area" of industrial and business centers. At the same time, foreign currency inflows cause a rise in the national monetary, decreasing the competitiveness of export goods. These funds can be of great benefit if they invest in the development of the national economy. Monitoring shows that alone with the emigration of flow from the countries of issuers of labor, there is an equally strong outflow of capital. Remittances go within the framework of international labor migration, and the export of capital abroad within the framework of circulating cosmopolitan migration. In terms of financial resources, they are balanced, and sometimes the latter is significantly higher, but it is not compared in terms of the number of respondents.

The influx of labor has revived the Polish economy, compensating for the shortage of skilled workers. The increase in labor supply due to the influx of labor migrants on the national labor market also stops the growth of wages and inflation. At the same time, as other scientific studies show in countries that, due to labor shortages, contribute to labor immigration, the local population does not feel an increase in competitive pressure, since foreigners mostly occupy vacant places that are not claimed by residents. Being predominantly young people, they do not exert pressure on the state pension system and the health care system. Now the balance of the influence of emigration for Poland is close to a critical point, where society will incur material losses that even significantly larger amounts of remittances cannot compensate. First of all, due to labor shortages, the economy is under increasing pressure to a forced increase in wages by entrepreneurs.

Anticipating wage growth compared with productivity growth rates will lead to inflation, which will complicate the decisions of long-term investment. An increase in inflation will also raise the discount rate of Narodowy Bank Polski, reducing the demand for credit resources of entrepreneurs and the population. On the other hand, the well-known Norwegian economist E. Reinert believes that the main strategy of the country's economic development (wealth accumulation) is emulation, that is, imitation of the technological level of a rich country with the aim of achieving it or even advancing it. This strategy contributes to the transformation of the country into the hosting country of labor with positive consequences. That is, it is proposed to reduce the consequences, without considering the root causes of the phenomenon, which is consistent with the desire of economically developed countries to maintain the status quo of the world economy, considering the hierarchical position of countries and increasing technological gaps between them.

### **CONCLUSION**

Now the EU is on the verge of recession, the scale of which is difficult to predict. This is likely to provoke processes of the reverse movement of capital to maintain the level of employment and update the competitiveness of the economies of EU countries. Under these conditions, even fewer Poles will want to return home. Despite the fact that the majority of migrants from Poland and to Poland work in approximately the same spheres, there is a significant difference between them: migrants from Poland do not plan to return, and migrant workers in Poland are mostly seasonal workers. This means that in the long run, remittances from Poland will significantly decrease. The influx of migrants reduced the problems caused by the outflow of labor but postponed their solution. The World Bank specialists advise interested countries to improve the coordination of the implemented migration policies. They are convinced that the most effective solution to the problem of migration is the transition to a circulating international movement of labor. As a result, countries with migration corridors between them would be able to fill with vacancies in the recipient countries, an increase in the level of income and the decrease of xenophobic moods; to accumulate of human capital by countries issuers; to obtain higher than at home incomes by a large number of emigrants, developing the quality of human potential and maintaining family ties.

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