Remittance behaviour and integration process of Ukrainian migrants in Italy and the Czech Republic

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ABSTRACT

This paper uses a case study of Ukrainian migrants in Italy and the Czech Republic to demonstrate the similarities in remittance behavior and integration process of same ethnic group in different destination countries.

Our findings show that remittance behavior of Ukrainian migrants in the Czech Republic and Italy is significantly determined by their financial situation, demographic characteristics, level of human capital and the level of integration as well as the specific context characteristics. In addition, we find evidence for the fact that Ukrainian migrants who are more settled in a target country will send less or no remittances to Ukraine and that therefore the Stark’s hypothesis of remittances decay holds true for this ethnic group regardless of the country of residence.

Keywords: international migration, integration, remittances, labor market, remittances decay hypothesis, Czech Republic, Ukraine

1.- Introduction

The World Bank (2011) estimates that there are about 215 million international migrants in the world, which is approximately 3% of the whole population. Most migrants go to the United States, the Russian Federation, Germany, Saudi Arabia, and Canada and originate from Mexico, India, the Russian Federation, China and Ukraine. Therefore, international migration has truly set itself as a modern phenomenon of the 21st century (Mera and Halpern 2011).

According to the migration literature, the welfare effect of immigration in the emigrant-receiving countries depends on the characteristics of the migrants, as well as on the domestic labor market conditions. If high-skilled native workers constitute complementary inputs to low-skilled immigrants, then migrants positively impact on labor productivity, economic growth and real wages in the target countries. Longhi, Nijkamp and Poot (2005) examined 18 studies dealing with the effect of migration on wages and pointed out that their results varied across countries and that they were related to the modeling approach. Negative or very small effects were found in studies dealing with migration wage response in Austria, Germany and UK (see e.g. Zimmermann and Winter-Ebmer 1998; or Lemos and Portes 2008), while the study conducted in Poland found that the Gini coefficient and migration were positively correlated (Stark et al. 2009). The recent economic and financial crisis further deepened the welfare effect of migration and impacted on migrants’ wages, as well as their spatial selection and integration decisions (see e.g. Mera and Halpern 2011; or Signorell et al. 2012).
Immigrants may choose their destinations according to the ability of absorb the additional labor supply they might provide for the host economy. Quite often, inter-urban migration could offset adverse effects of immigration. Since migrants might also aim at receiving higher wage, the impact on wages and employment in the target countries may be underestimated (e.g. Card 1990, 1991; World Bank 2006; or Setién Santamaria and Acosta González 2012). The results may also depend on the selected econometric techniques (the reason why only weak impacts are typically found in the literature might be due to the application of cross-sectional data models, while panel data models often bring different results (World Bank 2006).

One of the most noticeable impacts of migration on the source country can be expressed through remittance transfers or remittances. Remittances typically constitute enormous inflows of money for receiving countries that is crucial for their development (see e.g. Deneulin 2006; or Bettin et al. 2012). In 2010 alone, remittance flows were estimated to be at USD 440 billion, from which amount USD 325 billion was received by developing countries. As remittances often flow via informal channels, the amount could be much bigger than remittances officially registered.

According to Rapoport and Docquier (2005) and Lucas and Stark (1985), the main motives of remittance behavior might be: exchange, inheritance, pure self-interest, loan (debt) repayment or insurance. In addition, Tsegai (2007) and Massey et al. (2011) state that, primarily, remittances as an alternative stream of earnings are sent to diversify risk to households’ income. Demographic characteristics and financial stability also play an important role in shaping the remittance behaviour. Carling (2008) provides an overview of main potential determinants: a) personal characteristics of migrants, b) migrants’ incomes (positive or no relationship with remittances), and c) level of education (also might imply possible motive of loan repayment). Massey et al. (2011) found that odds of remitting rise with age, number of minors in household, years of prior experience with migration, physical capital ownership, wages of migrant and odds is higher if migrant is a male, whereas presence of spouse or family in the country of destination lowers the odds of remittances. Anwar and Mughal (2011) found that gender of the household head, number of household members, family income, urban and rural settings are strong predictors of remittances, whereas education and wealth of the family are not among significant predictors.

Our paper provides a comparative analysis of links between personal characteristics and remittance behavior and outlines the main determinants of integration in the target country for Ukrainian migrants in the Czech Republic and Italy and is based on two unique surveys independently conducted in both countries. Further, it seeks for the confirmation of Stark hypothesis of decaying remittances (Stark 1978) in case of Ukrainian migrants in the Czech Republic and Italy.

2.- Ukrainian migration in the EU after the fall of Communism

After the fall of Communism in 1991, Ukraine experienced difficult period of economic transformation. The first economic reform which started in 1992 lacked consistency (Kowalski and Polowczyk 2012) and economic reforms were postponed for several years (Cushman et al. 2001). The expert assistance of IMF was helpful but the consequences of the delay, such as high real interest rate for many years, was simply inevitable (Åslund 2009).

In the late 1990s, Ukrainian factories decreased production, salaries were delayed and unemployment reached 40%. Ukrainian economy started to recover in the beginning of the 2000s, however in 2009 the world economic crisis caused further shocks and the GDP shrank by 15% (Kowalski and Polowczyk 2012).
In the second half of the 1990s, Ukrainian factories decreased production, wage payments were often postponed, and unemployment was around 40% (official statistics at that time reported unemployment rates around 12%) (Lupták 2008).

Figure 1 shows the GDP growth rates in both Ukraine and the Czech Republic. In 1996, Ukrainian GDP started to grow for the first time since the 1989 transformation (growth exceeded zero level). Until 2006, the economy of Ukraine experienced growth rates reaching double digits. Maximum growth was achieved in 2003, when the growth rate was over 15%. However, in 2007 Ukrainian GDP was still 68% of 1989 levels (pre-transformation) and the world economic crisis caused further shock for the economy as GDP shrank by 15% in 2009 (Kowalski and Polowczyk 2012). All these factors and low wages for those who were lucky enough to have a job created a set of “push factors” that supported the trend of emigration (Lupták 2008). For the purpose of comparison, Czech economic performance is also depicted.

Figure 1: GDP growth in the Czech Republic and Ukraine (1995-2011)

This situation created a set of push factors that supported massive emigration from Ukraine to the West (Düvell 2007; Malynovska 2008, Vianello 2008). The majority of Ukrainians did not migrate due to the ethical and political reasons, but mainly due to the economic motives. Ukraine became very important supply of labor for the EU Member states, since more than half of migrants enter EU labor market (Siar et al. 2008), which made Ukraine to adopt modern migration legislation (Malynovska 2008).

Ukrainian migration is typically circular and 80% of migrants want to return back, maintain relationships with families, stay in direct contact, and invest in Ukraine (Markov et al. 2009). Currently, more than 10% of Ukrainian population (1/5 of working age population) work abroad, typically on a temporary basis (Düvell 2007). According to Siar et al (2009), 15.7% of households have at least one or more members with experience of working abroad. Most often,
Ukrainians are engaged in secondary labor market and usually they do not constitute competitive counterparts to local workers (Markov et al. 2009).

Migration from Ukraine still remains to be quite high: in 2005 the stock of emigrants was over 6 million people, or 13.1% of the whole population (World Bank 2007). Currently, 14.7% of Ukrainian population lives abroad, mostly in Russia, Poland, United Kingdom, Czech Republic, Portugal, and Italy. Ukrainian migrants are the largest group of migrants in the Czech Republic (128.636 Ukrainian nationals in 2010 (30% of all migrants) (Czech Statistical Office 2010). Usually, they work in the construction sector, housekeeping and agriculture (Vollmer et al. 2010).

The number of Ukrainian migrants in Italy has steadily increased during the last decade passing from 12.000 in 2002 to 200.000 in 2010. Ukrainians are now ranked fifth among all migrants in Italy. Most of the Ukrainian residents in Italy were females (3 out of 4) working in healthcare and caring for the senior citizens.

The importance of remittances sent to Ukraine is also growing. In 2010, Ukraine received around 4% of its GDP in remittances (World Bank 2012). However, most of the remittances are still transferred via informal channels. For instance, Markov et al. (2009) found out that remittances comprise 20% of Ukrainian GNP.

3.- Description the surveys in the Czech Republic and Italy

The importance of this paper mainly lies in the uniqueness and independence of the data set used for the estimation. Quite often, the data on migration and integration of foreigners can be only obtained by the means of a self-administered survey (see e.g. Reher and Silvestre 2011).

For the Czech Republic, the data was obtained from the household survey administered in 2011 with randomly-selected 200 households currently having at least one member abroad and 20 questionnaires in households that currently do not have any family member residing abroad were held.

Table 1: Summary statistics of Ukrainian migrants in the Czech Republic and Italy

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Measure</th>
<th>Czech Republic</th>
<th>Italy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lifecycle characteristics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>%</td>
<td>79.9</td>
<td>16.2</td>
</tr>
<tr>
<td>Females</td>
<td>%</td>
<td>20.1</td>
<td>83.8</td>
</tr>
<tr>
<td>Married</td>
<td>%</td>
<td>84.4</td>
<td>48.8</td>
</tr>
<tr>
<td>Age</td>
<td>Mean</td>
<td>42.2</td>
<td>42.2</td>
</tr>
<tr>
<td><strong>Human capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University degree</td>
<td>%</td>
<td>55.2</td>
<td>35.4</td>
</tr>
<tr>
<td>Secondary school</td>
<td>%</td>
<td>41.0</td>
<td>45.9</td>
</tr>
<tr>
<td>Ability to speak the language</td>
<td>%</td>
<td>58.5</td>
<td>53</td>
</tr>
<tr>
<td><strong>Trip Characteristics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income ($1100-1500)</td>
<td>%</td>
<td>51.9</td>
<td>68.5</td>
</tr>
<tr>
<td>Job in construction sector</td>
<td>%</td>
<td>43.2</td>
<td>7.8</td>
</tr>
<tr>
<td>Job in healthcare sector</td>
<td>%</td>
<td>24.5</td>
<td>68.5</td>
</tr>
<tr>
<td>Job in manufacturing sector</td>
<td>%</td>
<td>11.4</td>
<td>29.9</td>
</tr>
</tbody>
</table>

Source: Own estimations
The survey was a part of the Ukrainian Migration Project (UMP) that was carried out in collaboration with the researchers from Princeton University led by Professor Douglas Massey and employs the methodology of the Mexican Migration Project. The survey was conducted in Zakarpat’ye region, notorious for its large share of emigrants in the local population and its vivid historic past, when it came under the authority of Austrian-Hungarian monarchy, Czechoslovakia, Hungary and the Soviet Union in just one century.

Italian data comes from the *Integrometro* survey, a nation-wide survey on the specific topic of integration, carried out during 2008 and 2009 in 32 provinces and towns in Italy selected according the high incidence of migrants and their diversification in relation to the socio-economic context. Respondents were selected using the aggregation center sampling technique (see e.g. Blangiardo 1996). In total, 690 Ukrainian labor migrants were selected for our study. The descriptive statistics for the Ukrainian migrants in the Czech Republic and Italy is summarized in Table 1.

4.- Research methodology and hypotheses

Previous comparative studies on immigrants from a single country of origin focused on their incorporation in the receiving country (Model and Ladipo 1996; Lewin-Epstein et al. 2003; Kogan 2003; or Solari 2006; Massey and Connor 2010; or Connor and Massey 2011). Our study compares individual characteristics of migrants from the same country of origin and their likelihood to remit.

Economic and social integration of migrants at the destination depends not only on their characteristics, but also on the characteristics of the receiving societies. Different migration policies may generate cross national differences. Model and Ladipo (1996) stressed that similar outcomes among migrants of the same origin in different receiving countries may depend on similar pre and post-migration experience. This can be also applied to the analysis of remittances.

Many sources dealing with remittance behavior are in accord that with increasing length of stay abroad migrant’s remittances are fading, although few of them provides detailed information about how fast this decline progresses, and how quickly it occurs after the arrival in the host country.

Some recent studies, however, show that this conclusion is not necessarily true and that the time of sending remittances may actually be very long. Many studies do not also take into account the development of transport and communications which can have a profound effect on migrant’s behavior (Brown and Connell 2005). Empirical studies in some countries even suggest that remittances reach their peak until 15-20 years after arrival in the host country which can be explained by rising wages of migrant workers (De Haas 2007).

Although it is not possible to generalize and the situation varies from case to case depending on the characteristics of the particular migration flow, it appears that much will depend on whether it is a short term or permanent migration, as far as consistently high level of remittances is typical for migrants who are only visiting the country temporarily and intend to return to their homeland (De Haas 2007).

Hypothesis of decaying remittances is based on Stark’s model from 1978. According to him, remittances reached its peak shortly after coming to a new country and then slowly decline with occasional spikes in response to current needs and events in their home country (Stark, 1978). Our empirical part will be concerned with testing the Stark’s hypothesis on our data sample of Ukrainian migrants residing in the Czech Republic and Italy, and therefore attempting to shed some light on their integration patterns and remittances behavior. Our dependent variable is the probability the person remits (it equals to 1 if positive amount of remittances is sent). It is analyzed in relation of a series of independent variables, representing
four dimensions: a) immigrants’ individual characteristics (e.g. age, gender and the marital status, the level of education attained), b) financial and labor market situation (e.g. household or personal income, the labor condition, problems in making end meets, and the ownership of a bank account), c) settlement in the target country (e.g. citizenship of friends, length of stay, legal status and language proficiency, and d) transnational ties (e.g. return intentions, children at home, emotional attachment to the home country).

5.- Empirical model and its discussions

We run the analysis using the pooled sample of Ukrainian migrants from the Czech Republic and Italy (Table 2). The Italian categorical variable (a variable denoting whether the migrant resided in Italy or not) was used to differentiate between Ukrainian migrants from Italy from their compatriots living in the Czech Republic.

Overall, it appears that remittance behavior of Ukrainian migrants in both countries is determined by some of their personal characteristics such as financial situation (problems to make ends meet), demographic characteristics (age, marital status, children), and the level of integration as well as the specific context characteristics (legal status or “belonging” to their country of origin).

The legal status of Ukrainian migrants appears to be significant for both countries and influences remittances sent to Ukraine. This might be explained by the fact that those migrants who are more settled (enjoy the legal residence in the target country), also feel more comfortable to send remittances (e.g. instead of smuggling cash back home). This might be due to the fact that most of the money transfer operators (MTOs) and banks require the sender to present a valid ID and an expired passport or visa might arose suspicions (or this is what many migrants might think).

Another interesting result is that while having children comes through as positive and significant for sending remittances, having children in Ukraine reduces the probability of sending remittances. This finding might be explained by the fact that in many cases children live with their parents abroad, or that most of the remittances are not sent to children but to parents, relatives and other family members.

Finally, the factor of “belonging to Ukraine” also seems to reduce the probability of sending remittances. This is an interesting result which might be explained by the fact that those migrants who feel less “attached” to their source country might also feel obliged to send remittances back home. These remittances might be perceived as their “indulgences” for leaving their home country (and probably never intending to come back).
Table 2: Results of the empirical model of Ukrainian migrants in the Czech Republic and Italy

<table>
<thead>
<tr>
<th>Probability person remits</th>
<th>Logit</th>
<th>Probit</th>
<th>Linear Probability Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent variables</strong></td>
<td>SE ( )</td>
<td>SE ( )</td>
<td>SE ( )</td>
</tr>
<tr>
<td>Age</td>
<td>.2184***</td>
<td>.0658</td>
<td>.1256***</td>
</tr>
<tr>
<td>Age squared</td>
<td>-.0025***</td>
<td>.0008</td>
<td>-.0014***</td>
</tr>
<tr>
<td>Marital status</td>
<td>.3581**</td>
<td>.1809</td>
<td>.1948**</td>
</tr>
<tr>
<td>Gender</td>
<td>.3593</td>
<td>.4061</td>
<td>.2198</td>
</tr>
<tr>
<td>Education</td>
<td>-.0052</td>
<td>.1925</td>
<td>-.0303</td>
</tr>
<tr>
<td>Financial and labor situation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>-.1573</td>
<td>.2098</td>
<td>-.0830</td>
</tr>
<tr>
<td>Problems to make ends meet</td>
<td>-.4336**</td>
<td>.1931</td>
<td>-.2322**</td>
</tr>
<tr>
<td>Employment status</td>
<td>-.3240</td>
<td>.4680</td>
<td>-.1438</td>
</tr>
<tr>
<td>Bank account</td>
<td>.1357</td>
<td>.3531</td>
<td>.0685</td>
</tr>
<tr>
<td>Settlement in the country</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizenship of friends</td>
<td>-.1096</td>
<td>.1818</td>
<td>-.0482</td>
</tr>
<tr>
<td>Year of residence</td>
<td>-.0202</td>
<td>.0505</td>
<td>-.0144</td>
</tr>
<tr>
<td>Legal status</td>
<td>1.1350**</td>
<td>.5155</td>
<td>.5721**</td>
</tr>
<tr>
<td>Language proficiency</td>
<td>.1221</td>
<td>.6167</td>
<td>.0524</td>
</tr>
<tr>
<td>Transnational ties</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return intentions</td>
<td>-.0120</td>
<td>.1487</td>
<td>-.0132</td>
</tr>
<tr>
<td>Children</td>
<td>.8606**</td>
<td>.3998</td>
<td>.4513**</td>
</tr>
<tr>
<td>Children in Ukraine</td>
<td>-.5605**</td>
<td>.2782</td>
<td>-.2987**</td>
</tr>
<tr>
<td>Belonging to Ukraine</td>
<td>-.4502**</td>
<td>.1961</td>
<td>-.2310**</td>
</tr>
<tr>
<td>Italian dummy</td>
<td>.3262</td>
<td>.7420</td>
<td>.1461</td>
</tr>
<tr>
<td>Constant</td>
<td>-2.7687</td>
<td>2.0818</td>
<td>-1.5080</td>
</tr>
<tr>
<td>McFadden R-squared</td>
<td>0.14</td>
<td>0.15</td>
<td></td>
</tr>
<tr>
<td>Pseudo LL</td>
<td>-165.028</td>
<td>-164.474</td>
<td></td>
</tr>
<tr>
<td>Wald chi2</td>
<td>53.40***</td>
<td>54.5***</td>
<td></td>
</tr>
<tr>
<td>R-squared</td>
<td>0.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of observations</td>
<td>611</td>
<td>611</td>
<td>611</td>
</tr>
</tbody>
</table>

Note: * Significant on the 10% level; ** Significant on the 5% level; *** Significant on the 1% level

Source: Own results.
6.- Conclusions and discussions

Our results confirm that migration characteristics of one ethnic group or nation reveal the same patterns regardless of the target country. Our findings demonstrate that the time spent in a foreign country has a significant positive effect on the propensity to send remittances and on their amount. This finding supports the Stark's theory of decaying remittances and is consistent with many other similar studies. We can conclude that the remittance behavior of Ukrainian migrants in the Czech Republic and Italy is significantly determined by their financial situation, demographic characteristics, level of human capital and the level of integration as well as the specific context characteristics. We also find the evidence for the fact that Ukrainian migrants who are more settled in a target country will send less or no remittances back home to Ukraine.

The data obtained with the help of both survey was confronted with the main findings from migration theories and research literature on migration and remittances. The importance of approach used in this study relies on the independent data set which enables the researchers to test the main hypotheses without using official sources and governmental data that cannot capture all important facts and figures of this topic. The outcomes of this study may enrich the knowledge on migration and remittances from the perspective of basic and applied research (e.g. for designing the policy implications for the construction of migration and development policies in Italy and the Czech Republic with the implications for the whole EU). In addition, our analysis may shed some light on other migration flows and destinations for affordable labour among other European Union member states.

7.- References


HOW TO CITE THIS ARTICLE IN BIBLIOGRAPHIES


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