



# HOW MANY UKRAINIANS HAVE DEPARTED AND WHAT CAN BE DONE ABOUT THIS

## Executive summary

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# 1 Executive summary

Economic and political crisis, the annexation of Crimea and military actions in Donbas have increased the activity of internal migration of Ukrainians and changed the structure of external migration. Cross border movements of Ukrainians became less active in 2014, and then continued an upward trend it, which began in 2009. However, the number of exits without return has become twice lower than before 2013, according to the data of the State Border Guard Service.

The structure of external migration flows from Ukraine has changed over the past five years – Poland became the most popular direction of foreign migration, displacing Russia. The movement activity across the Polish border increased by 40% in 2014-16, and the number of work permits issued for the first time to Ukrainians in the EU has tripled over the same time. Such dynamics may indicate a partial legalisation of previously illegal migrants.

Estimations of the number of Ukrainian labour migrants vary from 0.7 million to 4 million (up to 16% of the working population). However, according to our assessments, 2.5-2.6 million people can be simultaneously found outside the country.

Ukrainian migrant workers, who travel to the neighbouring countries, are targeted at short visits. These are mainly young people of working age (from 15 to 40 years old), who have vocational or secondary education. They work in construction, households and agriculture. Tertiary-educated and high-skilled workers usually depart to the developed countries of the world (the USA, Israel, Germany, Finland, etc.). The share of high-skilled workers is less than 2% in the net migration flow to the EU countries.

The working conditions of Ukrainian labour migrants abroad are characterised by the low level of formalisation, social protection (no sick leave and vacation) and a longer working week than in Ukraine. In 2015-17, only 38% of the labour migrants had a written employment contract with the foreign employers, except for the Czech Republic and Portugal, where the level of migrants labour relations formalisation is rather high (above 50%). The low level of social protection reflects generally short-term and temporary nature of the work of the migrants, and indicates that a significant proportion of external migration has a returning nature.

External labour migration has both positive and negative effects on the Ukrainian economy, although the lack of reliable data on the size of migration flows from Ukraine does not allow drawing up definite conclusions about the resulting effect. However, taking into account the great proportion of short-term or circular migration flow from Ukraine, and the fact that it extends to the neighbouring countries (from where it is easy to return), it can be assumed that at this stage, the net economic impact of increased migration is positive.

Migrants bring or remit to Ukraine the funds that they earned abroad, which amount to 7.6-8.4% of GDP annually and significantly exceed foreign direct investments. Remittances are an important source of financing both consumption and investments while access to domestic credit resources remains limited. In addition, these funds helped maintain a current account surplus in the balance of payments that has been close to zero in 2015-2017.

The negative effects of migration include the labour market imbalances and the lack of skilled workers of certain elementary occupations; increased expectations of employees regarding wages regardless labour productivity, possible growing income inequality between households with and without migrants, unpaid tax revenues and social contributions, which complicates the financial support of the pension system. In addition, there is an ineffective use of funds for social protection and subsidies for migrants (or their families), who do not declare their foreign income and receive state subsidies and social benefits.



The shortage of labour can become a constraint for the development of the Ukrainian economy in the long run, if the current migration trend continues or intensifies, as well as due to negative demographic dynamics. However, in 2016-17, the situation on the labour market of Ukraine has demonstrated that the number of those willing to work is higher than jobs available. In addition, the shortage of labour will increase if the short-term migration flow transfers into a long-term one and / or the flow of high-skilled migrant workers increases. This process can accelerate if the economic situation does not improve and Ukrainians will not find well-paid jobs inside the country.

Considering the current trends in migration processes, Ukraine has to develop an effective migration policy to be able to make the effects of migration more controlled, to build enduring benefits from migration, and prevent further disbalance of public finances. It should be comprehensive, it may include the following areas:

- (1) Collecting the information on migration is a primary task, since it will allow developing an effective policy and amending it depending on the changes in the structure of migration. It is necessary to conduct population census in order to have a starting point of reference available on the number of people in the country.
- (2) Increasing the positive short- and long-term effects of migration. It is necessary to simplify the barriers for short-term and circular migration, and to maintain liaison with migrants, use these links for developing trade relations with recipient countries, studying investment opportunities, and involving migrants in entrepreneurship.
- (3) Promoting internal migration: dissemination of information on opportunities and employment conditions in different regions of Ukraine (growth points).
- (4) Promoting the development of international cooperation in migration matters (deliberate policy of attracting labour force from abroad, which is conducted by the EU neighbouring countries, in particular Poland, will become more active and this should be taken into account).
- (5) Balancing public finances. It is necessary to revise social policy in a way that it would stimulate the economic activity of the population, because a large number of the recipients of social benefits and subsidies creates the foundation for informal employment and / or labour migration.

