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*Impact of the financial crisis on migration flows in Ukraine*

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Wpływ kryzysu finansowego na przepływy migracyjne na Ukrainie

**Key words:** international migration, global financial and economic crisis, unemployment, employment, labor market

**Słowa kluczowe:** międzynarodowa migracja, globalny kryzys finansowy i ekonomiczny, bezrobocie, zatrudnienie, rynek pracy

## Introduction

In the modern world of international relations a dominating role is played by the economic globalization, one of manifestations of which is the international migration of labor force. The movement of labor recourses due to socioeconomic, military, ethnic, and religious factors is becoming increasingly important and widespread. The importance of studying the migration flows is determined by their rapidly growing scale, increasing intensity, and important impact on the economic and social development of Ukraine.

## Premises

Due to the relevance of the problem of regulating labor migration, a lot of research into this subject has been performed. In this context, it is reasonable to point out the works dealing with the problems of improving the directions for optimization of migration process regulation within the state policy, in particular the studies by

S. Mosionza, Yu. Kyseliova, O. Piskun, M. Yaroshenko, S. Denysiuk, E. Libanova, I. Sierova, I. Stolbovyi, M. Bublil, L. Polianska, S. Melnyk, T. Petrova, etc.

The scholars have many views regarding the definition of international labor migration, in particular of the very notion of “international labor migration”. M. Bublil offers a distinction between the notions of “labor force migration” and “labor migration”, referring to the latter as a somewhat narrower concept [1]. O. Kyivetsk views the international labor migration as one of the types of international migration characterized by a transfer of labor force for temporary employment, followed by a return to the home country [2]. In the context of international labor migration, A. Mokii uses the term “international exchange of human capital”, where the “human capital” is the reserve of knowledge, skills, motivations, and energy possessed by a person, which can be used during a certain period of time for production of goods and services [3]. The European Convention on the Legal Status of Migrant Workers, 1977, ratified by Ukraine in July 2007, defines a “migrant worker” as a national of a Contracting Party who has been authorized by another Contracting Party to reside in its territory in order to take up paid employment [4].

One should note that despite the difference between the interpretations of the notion under discussion, all of them have one element in common, which is the purpose of migration, defined as economic benefit.

The objective of the paper was to study the impact of the situation in the European and Russian labor markets on the migration flows of Ukrainians as well as to study how numerous can be the returning migrants, and the way the absence of foreign earnings may impact the local labor market and the public welfare.

Migrant workers are the first to lose jobs in the periods of economic recession, and although some of them may decide to return to their home country of their own will, a policy aimed at expulsion of migrants will not resolve the problems and may bring about potentially catastrophic consequences.

The demands to reduce the scale of migration, heard in the countries receiving migrant workers, are often based on erroneous assumptions that the migrants “occupy the available jobs” and “create competition in social security”. In reality, the majority of migrants facilitate an increase in the economic activity and creation of additional jobs. The movement of human resources helps make the economies of specific countries more dynamic and efficient. Moreover, migration may play a positive part in alleviating various aspects of the current financial crisis, and in principle may make an important contribution into the overcoming of the economic recession. The attempts to fight the financial crisis by simple reduction of immigration levels can make the situation worse. Nevertheless, the migrant workers’ countries of origin experience a certain increase in the flow of returning migrants, which causes economic and social instability in the poorest countries: labor migration flows decrease, while the illegal migration grows and the number of cases and scale of human trafficking increase.

The following negative impacts of the global financial crisis on migration can be identified today:

- decrease of employment levels, especially in such areas as construction, manufacturing industry, financial sector, retail sales, and tourism, which has an impact on the migrant workers employed in these areas;
- reduction of wages and deterioration of working conditions as a result of companies' and employers' efforts to reduce costs, and decrease in the amounts of social security benefits, which has a negative impact on the migrants' health and quality of life;
- manifestations of discrimination and xenophobia in connection with the erroneous assumptions that migrant workers occupy the jobs which would otherwise be taken by the citizens of the receiving countries, especially in the unqualified labor market;
- return of migrants who became unemployed back to the countries of origin (or regions of origin in case of internal migration), where they had to face the deteriorated economic conditions (in particular the high unemployment and poverty). At the same time, the flows of migrants from the countries (such as the European countries) where they and their family members have a dwelling and enjoy the social security offered to the underprivileged people by a strong social security system, are not very significant;
- decrease in the amount of money transfers from the migrants to the developing countries due to the loss of jobs by the working migrants, which raises the poverty levels and intensifies the problems of socioeconomic development;
- policies of stronger limits to migration, carried out in order to secure the internal labor markets and due to the reduction in the demand for foreign labor force. As an example, some countries (Italy, United Kingdom) have made announcements about the decrease in the number of migrants admitted for employment;
- reduction in the labor migration flows, caused by the fact that a significant portion of migrants chose to stay in their home countries for the duration of the crisis; and
- growth of illegal migration and strengthening of the informal labor market caused by the unemployed migrants in the receiving countries trying to obtain jobs without official permits.

The previous global and regional economic recessions (such as the oil crisis of the early 1970s and the Asian financial crisis of 1998) show that migration does not disappear during crises (and illegal migration may even grow), since a structural demand for labor force remains in some sectors of the economy even despite the general growth of unemployment. This demand is, to an extent, explained by large-scale demographic factors (such as ageing and decrease of population in almost all industrially developed countries parallel with a population growth in the majority of developing countries), as well as by the fact that the native workers in many countries

either do not have the necessary skills or do not want to perform some types of work requiring unskilled or low-skilled workers [5].

An evaluation of the potential consequences of the global financial crisis for the labor migration of Ukrainian citizens should be based on the nature of employment, especially the specific features of the labor market niche taken by our compatriots. There are significant differences in the educational and professional structure of migrant workers' population and those of the employed population in Ukraine as well as in the receiving countries. The nature of employment of migrant workers and the jobs they take have significant characteristic features as well. Generally people agree to the lowest quality jobs during the first few months of their stay; these are frequently the jobs they would not agree to in their home country. After the necessary accommodation to the country of employment, their priorities change significantly. After the first year abroad, the migrant workers obtain a different status and become permanent immigrants. As regards their wages, even in the first few months their pay significantly exceeds the Ukrainian wage standards, although it remains substantially lower than that of the receiving country.

According to the International Organization for Migration (IOM), 6.5 million Ukrainians, which is 14.4% of the country's total population, are working abroad. 67% of these 6.5 million migrants are male and 33% are female.

As regards the distribution by branches of economy, 54% of Ukrainian migrants work in construction, 17% work in households, 9% each in agriculture and trade, 6% in industry, and 5% engage in other activities [6].

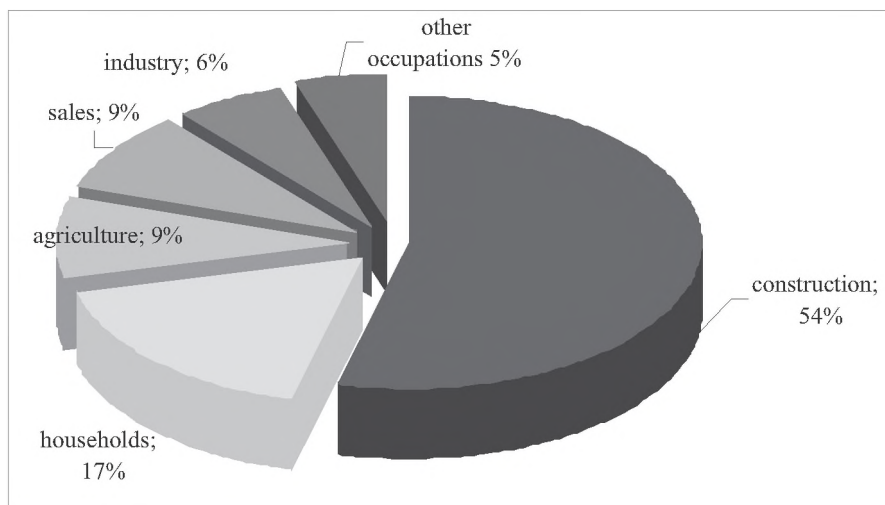


Fig. 1. Distribution of Ukrainian migrant workers acc. to the sector of economy

Speaking of the education level of Ukrainian migrant workers, according to IOM, 59% of them have completed secondary education, 17% have basic or incomplete

higher education, 14% have higher education, and 10% have basic or incomplete secondary education (6).

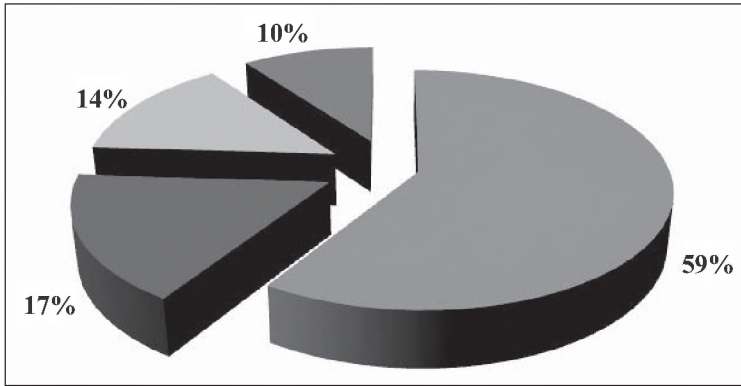


Fig. 2. Distribution of Ukrainian migrant workers acc. to the education level

However, regardless of the education level, almost all migrant workers have jobs that do not require a high qualification.

Therefore, migrant workers (which is characteristic not only of Ukrainians) agree to take the jobs and perform works the local population finds unattractive. At the same time, their lack of discrimination enables the employers to minimize the costs of labor. This trend makes it possible to assert that the financial crisis will not cause a significant reduction in the labor migrations of the Ukrainian population. According to the majority of experts, the depth and the systemic nature of crisis in Ukraine significantly exceed those in Europe, which is inevitably reflected by the decrease in the already low salaries, especially when expressed in the currency equivalent. At the same time, a rather complicated procedure required to obtain a visa is an additional incentive not to leave the country of residence without compelling reasons.

The reduction during the financial crisis happened only in the part of legal labor migration where the migrant workers were employed at companies (i. e. not in households) and in the sectors of economy that suffered the most from the financial crisis, in particular in construction and automobile industry. Construction is probably the most popular area for the Ukrainian migrant workers in Czech Republic, Hungary, Portugal, and Russia; a half of migrant workers, 87.1% of them male, are concentrated in this sector of economy [6]. Since this type of economic activity extremely strongly relies on stable functioning of the banking industry, a decrease in employment of migrant workers has been seen in this sector. Due to this fact, a large part of construction workers, in particular the legitimately employed ones, returned from the Russian Federation. However, there was no large-scale return of migrants from the European Union countries, due to the limiting influence of visa regime and higher wages as compared to Ukraine and Russia. At the same time, due to a large economy achieved owing to the use of illegal or semi-legal labor force, the migrants are not dismissed instantaneously.

The work of domestic servants is the most widely spread among the Ukrainian migrant workers in Italy (63.3%) and Portugal (26.0%). These are mainly middle- and senior-aged women, generally working without proper registration and for a rather low (according to these countries' standards) consideration. Their services remain in demand, especially where they care for the children, the sick, and the elderly [7].

Based on the data from the electronic resource [8], the structure of external Ukrainian labor migration flows can be described as follows: in 2008, 48.4% of the total number of migrant workers were staying in the Russian Federation, and approximately the same number were staying in the EU countries (13.4% in Italy, 12.8% in Czech Republic, 7.4% in Poland, 3.9% in Spain, and 3.0% in Portugal).

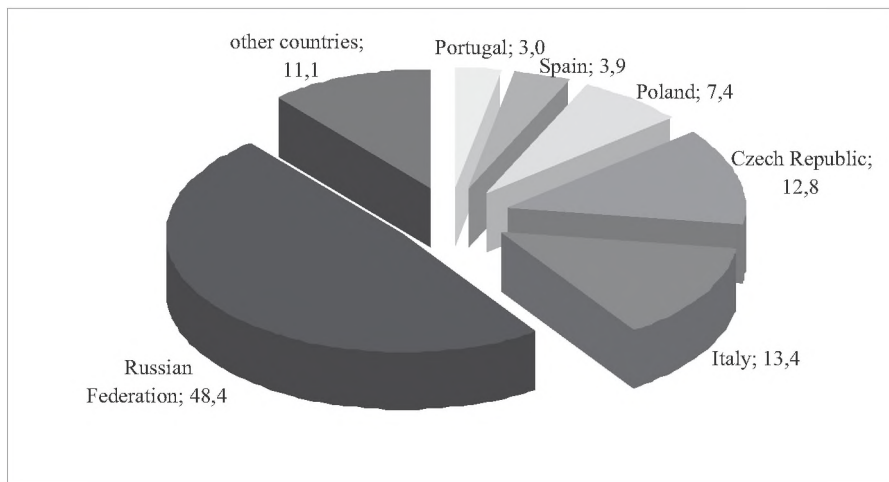


Fig. 3. Structure of external labor migration of the Ukrainian population

Therefore, the Ukrainian migrant workers who suffered the most from the global financial crisis were those legally employed in the Russian Federation. Significantly fewer migrant workers return from the EU countries. This decreases the proportion of the most socially protected labor migrations, involving formalization of employer-employee relations in accordance with the requirements of the local legislation. At the same time, the scale of “export” of informal employees, working on an illegal or semi-legal basis without any social guarantees, has increased.

Based on the foregoing, the return of migrant workers will not create significant problems for the state employment service, at least not in the national scale. First, few of the returning workers are entitled to unemployment benefits due to the lack of necessary time of service and long-term pause in employment. Those who kept a sham employment in Ukraine may be entitled to a minimal amount of benefits. Second, most of them still rely on external labor migration as a way to earn their living, as the local labor market has long been unattractive for them.

However, these processes develop differently in the western part of the country, where a large proportion of the population takes part in migrations, and the funds received from the migrant workers are an important part of their families' budgets. The decreasing standard of life of large sections of the public has become reality. Besides, the migrant workers return home not only from abroad, but from other Ukrainian regions as well. Therefore, the increase of pressure at the local labor markets has become quite significant.

Professional rehabilitation of migrant workers is an extremely difficult task, since they have formed a certain behavioral stereotype and tendency to a nomadic way of life, paying little attention to the nature and conditions of work, without a feeling of belonging to a certain job or company, and even to the place of residence and living conditions.

The global financial crisis did not decrease the desire of a part of the population, primarily those who have already participated in labor migration, to go abroad, especially given the lack of an acceptable job in Ukraine.

## **Conclusions**

In order to minimize the negative impact of the global financial crisis, the Ukrainian employment and migration policy must include: a structural reform of the labor market; facilitation of geographic mobility of labor resources in the domestic labor market; creation of a favorable climate for investments and business in order to facilitate the return of an economically active part of the migrant workers; provision of social security in the sphere of employment, especially for the underprivileged citizens: the disabled, the youth, those approaching the pension age, persons retired from the military duty, and those released from penitentiary institutions; prevention and reduction of large-scale and long-term unemployment; organization of professional training and professional counseling of unemployed citizens; regulation of the migratory flow of population from the standpoint of national priorities, quantitative and qualitative structure of the migration flows, as well as their social, demographic, and economic structure; long-term forecasting of the need to engage foreign labor force and planning of the immigration quotes based on such forecasts; protection of the citizens permanently residing abroad, and creation of favorable conditions for return of the migrant population.

Under the circumstances of the global financial and economic crisis, the regulation of international labor migration experiences certain changes and specific transformations, which include the unpredictability of the situation, implementation of protective measures against immigration by the developed countries, and intensification of social tension in the labor market. In the future, attention must be focused on the development of an institutional basis for the regulation of migration processes. In particular, this would involve increasing the effectiveness of the existing bilateral



agreements with the countries characterized by the largest proportion of Ukrainian migrant workers, including Spain, Portugal, Greece, Russia, Italy, Czech Republic, Poland, Hungary, etc., as well as the development of new agreements.

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### Impact of the financial crisis on migration flows in Ukraine

The global financial crisis is one of the main causes of international migration. The article analyzes the impact of the global crisis on labor migration flows in Ukraine, identifying the motives of international labor migrants. The influence of labor market situation in the European Union and the Russian Federation on Ukrainian migration flows is discussed in the paper. It is shown how the massive return of migrants can be and how the lack of foreign earnings may affect the local labor market and the level of material welfare.

### Wpływ kryzysu finansowego na przepływy migracyjne na Ukrainie

Światowy kryzys finansowy jest głównym powodem migracji międzynarodowej. Artykuł analizuje wpływ globalnego kryzysu na przepływ migracji zarobkowej na Ukrainie, identyfikując motywy migrantów międzynarodowych. W artykule omówiono wpływ sytuacji na rynku pracy w Unii Europejskiej i Rosji na przepływy migracyjne na Ukrainie. Pokazano, jak masowy powrót emigrantów i brak dewiz może wpływać na lokalny rynek pracy i poziom dobrobytu.