



UKRAINE

Ukrainian Refugees and their Effect on Labor Markets at Home and Abroad



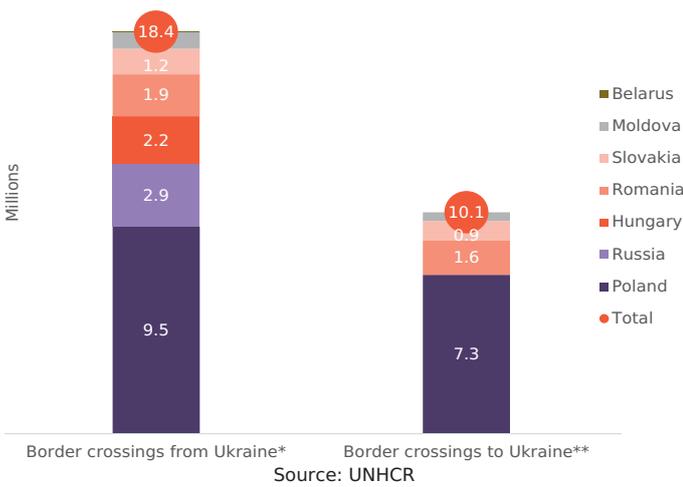
Research

Issue #19 | 02.03.2023

PMC RC stands firmly with Ukraine, supports its sovereignty and territorial integrity, and condemns Russia's unprovoked and unjustified military aggression against Ukraine. We continue to maintain our long-standing commitment to support Ukraine's democratic and economic progress.

The unprovoked Russian invasion of Ukraine has brought economic and political turmoil to the world, taking numerous civilian lives as well. Since the war broke out, more than 8 million Ukrainians have been recorded as having emigrated across Europe,¹ making it crucial to understand their impacts on the economy and in particular the labor market of host countries and Ukraine. Therefore, this bulletin overviews the dynamics of displacement from Ukraine and analyzes their current and potential economic and social impacts on Ukraine and host countries.

Ukrainian border crossings after February 24, 2022



To investigate the current situation of Ukrainian refugees thoroughly, it is essential to take a closer look at the statistics of Ukrainian border crossings after that fateful day of 24 February 2022. Since the beginning of the war, 18.4 million Ukrainians have fled the country. While 10.1 million of them have returned to Ukraine, more than 8 million remain outside their homeland.

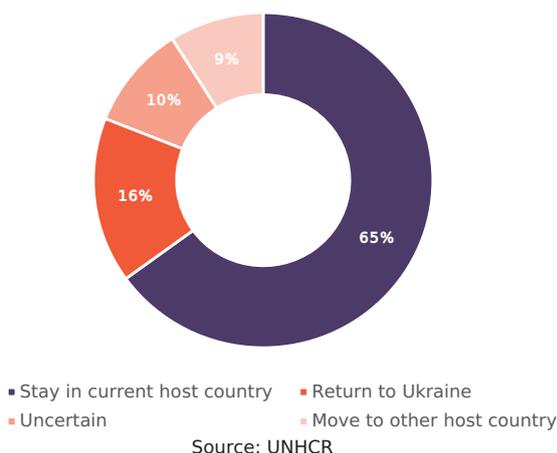
From February 2022 to February 2023, more than half of Ukrainians crossing its borders entered Poland. As for border crossings into Ukraine, 7.3 million citizens have returned from Poland over this period, while 1.6 million made their way through Romania.

Due to mass displacement, there is a high chance that social and economic challenges like unemployment, economic strain, loss of tax revenue, and pressure on social services will arise in Ukraine, as the number of Ukrainians living in foreign countries now accounts for 18.4% of the Ukrainian population.²

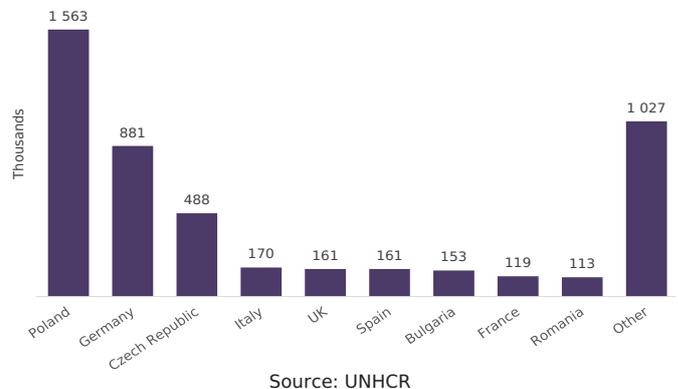
Many of these individuals have registered for temporary protection plans or similar national protection schemes, which provide various social and legal services to refugees and asylum seekers. According to UNHCR, since 24 February 2022, a total of 4.5 million Ukrainians have registered in such schemes, representing more than half of Ukrainians living outside Ukraine. Most displaced Ukrainians have chosen to seek refuge in European countries that offer greater economic opportunities and social support. For instance, Poland, with more than 1.5 million Ukrainian protection-seekers and Germany with 881,000, are the most desired host countries for Ukrainian refugees, followed by Czech Republic, Italy, the UK, Spain, and France.

While some Ukrainians may hope to return to their home country as soon as the war ends, others will stay in different European countries long term, and join the labor market as well as partaking in other aspects of society.

Ukrainians' plans for the near future



Ukrainians registered for Temporary Protection or similar national protection schemes



To analyze the willingness of Ukrainians to stay in their host countries, it is important to review studies carried out in this context. For instance, according to the UNHCR's "Profiles and Intentions of Refugees from Ukraine," which was published in July 2022, almost two-thirds (65%) of the Ukrainian refugees intended to stay in their host country in the near future, while 16% of respondents indicated that they were planning to return to Ukraine.

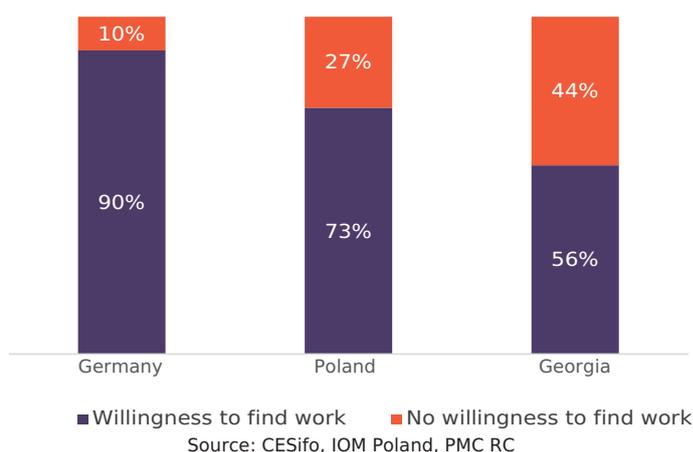
As up to 73% of the surveyed Ukrainians were planning either to stay in their current host country or move to another host country, the facilitation of a smooth integration process is crucial. There are several challenges facing the refugees as well as their host countries. For the refugees, the various challenges will include adjusting to a new culture and language, as well as finding employment and housing. For the host countries, the challenges may include assuming the burden of providing basic needs and social services to the refugees, which can create additional budgetary pressures and put extra strain on local resources, including housing and healthcare.

While accommodating Ukrainian refugees after the war can present significant economic and social challenges to host countries, there are also potential opportunities for these countries.

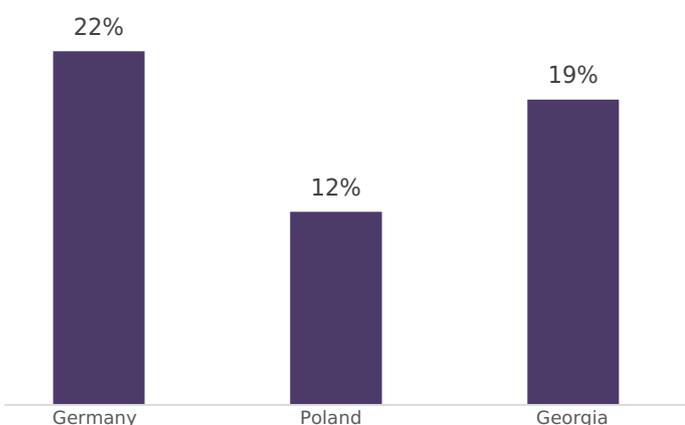
From an economic perspective, refugees can contribute to the labor force and bring valuable skills and entrepreneurial spirit to their host communities. For instance, according to several studies carried out in different countries, most Ukrainian refugees are keen to find work in their host countries.

According to the Ifo Institute,³ 90% of Ukrainians residing in Germany were eager to find work, while the rest had no interest or believed they had no opportunities. Elsewhere, the majority of respondents in Poland and Georgia also stated they were looking for work there. It is also worth noting that 14% of PMC RC's Ukrainian respondents in Georgia claimed they were working online already.

Willingness to work in the host countries



Share of Ukrainians who started working in the host countries' labor market



Source: CESifo, IOM Poland, PMC RC

Despite the high level of willingness to work in their host countries, considering the language barrier and possible skills mismatch, finding a job might be challenging for Ukrainian refugees in many cases. According to the surveys conducted in Germany, Poland, and Georgia, the employment rate in the host countries is much lower than the willingness to work.

In addition, 22% of the surveyed Ukrainian refugees in Germany has managed to start working in their host country, of whom slightly less than half had found jobs in their specialty and slightly more than half had found employment below their self-reported formal qualifications.

Only 12% of surveyed Ukrainians had found a job in Poland, while the corresponding number for Georgia amounted to 19%. It is also worth noting that according to PMC RC's study, most of the Ukrainian refugees in Georgia had taken on jobs that require fewer qualifications than they would have done in Ukraine. Therefore, unsurprisingly, the average monthly salary for respondents employed in Georgia is significantly lower than what they would have received in Ukraine (US\$303 in Georgia and US\$748 in Ukraine).

As Ukrainian refugees are trying to integrate into the labor markets of their host countries, the latter have gained economically. More specifically, the European Central Bank anticipates that 25%-55% of Ukrainian working-age migrants will engage in the labor force of the euro area over the medium term as Ukrainians are adapting to the EU labor market faster than the refugees from previous waves.⁴

It is also important to highlight that according to UNHCR,⁵ 80% of Ukrainian refugees were an official part of the labor force in Ukraine before the war. Therefore, the failure of Ukrainian citizens to return to their homeland could potentially have a substantial impact on the Ukrainian economy, which may lose from 2.55%-7.71% of its GDP.⁶

To sum up, since the devastating Russia-Ukraine war began, more than 18 million Ukrainians have fled the country, with just over 8 million of them still residing in their host countries. Furthermore, up to 4.8 million Ukrainians have registered for temporary protection plans or similar national protection schemes around Europe, indicating that a significant share of displaced Ukrainians are planning to stay in their host countries. Moreover, Ukrainian refugees are generally looking for work in their host countries, and some have been employed already. However, it should be noted that many Ukrainians have found difficulty in starting new jobs due to language barriers and other hindering factors that obstruct them from fully integrating into their host countries' labor markets. Lastly, the mass outflow of Ukrainians from their home country is likely to cause a labor shortage in Ukraine.

1. Source: <https://data.unhcr.org/en/situations/ukraine>

2. Source: <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=UA>

*This figure reflects cross-border movements (and not individuals). An additional 105,000 people moved to the Russian Federation from the Donetsk and Luhansk regions between 18 and 23 February.

**This figure reflects cross-border movements (and not individuals). Movements back to Ukraine can be pendular, and does not necessarily indicate sustainable returns as the situation across Ukraine remains highly volatile and unpredictable.

3. Source: https://www.econpol.eu/sites/default/files/2022-11/EconPol-PolicyBrief_46.pdf

4. Source: https://bank.gov.ua/admin/uploads/article/Migration_impact_2022-12-15_eng.pdf?v=4

5. Source: <https://data.unhcr.org/en/documents/details/94176>

6. Source: <https://ces.org.ua/who-are-ukrainian-refugee-research/>

Basic Economic Indicators	2017	2018	2019	2020	2021
Nominal GDP (bln hryvnia)	2,984	3,561	3,975	4,194	5,460
GDP per Capita (USD, PPP)	11,871	12,629	13,341	13,057	14,219
GDP Real Growth (%)	2.5%	3.4%	3.2%	-4.0%	3.4%
Yearly inflation (%)	14.4%	10.9%	7.9%	2.6%	9.4%
Exchange rate (hryvnia/USD)	26.7	27.3	25.7	27.2	27.3
FDI (BOP net inflows) (bln USD)	3.7	4.5	5.9	-0.9	3.7
Unemployment Rate (%)	9.9%	9.1%	8.6%	9.5%	8.9%
Gross external Debt (bln USD)	115.5	114.7	121.7	125.7	129.7



PUBLICATIONS presented on the website are prepared by PMC Research Center only for informational and/or marketing purposes. Nothing in the PUBLICATIONS constitute, or is meant to constitute, advice of any kind, and the reader is responsible for their interpretation of all content and acknowledges that any reliance thereupon shall be entirely at their risk. PMC Research Center cannot be held liable for any claims arising as a result of the reader's use of the materials.

The PUBLICATION is presented "as is" without any representations or warranties, expressed or implied.

Without prejudice to the general message of the first paragraph above, PMC Research Center does not guarantee that:

- o the PUBLICATION will be constantly available; or
- o the information contained in the PUBLICATION is complete, true, accurate, or non-misleading.

PMC Research Center reserves the right to modify the contents of PUBLICATIONS from time to time as it deems appropriate.

PMC Research Center absolves itself of any liability of violations of other parties' rights, or any damage incurred as a consequence of using and applying any of the contents of PMC Research Center's PUBLICATIONS. PMC Research Center will not be liable to the reader (whether under contract law, tort law, or otherwise) in relation to the contents of, use of, or other form of connection with, the PUBLICATION.

The reader accepts that, as a limited liability entity, PMC Research Center has an interest in limiting the personal liability of its officers and employees. The reader agrees that they will not bring any claim personally against PMC Research Center's officers or employees with respect to any losses suffered by the reader in connection with the PUBLICATION.

The reader agrees that the limitations of guarantees and liabilities set out in the PUBLICATION disclaimer protect PMC Research Center's researchers, officers, employees, agents, subsidiaries, successors, assignees, and sub-contractors as well as PMC Research Center itself.

If any provision of this disclaimer is, or is found to be, unenforceable under applicable law, that will not affect the enforceability of the other provisions of the PUBLICATION disclaimer.

Giorgi Khishtovani

Research Director

g.khishtovani@pmcginternational.com

Nika Kapanadze

Researcher

n.kapanadze@pmcginternational.com

Shota Matcharashvili

Research Assistant

sh.matcharashvili@pmcginternational.com