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Refugees and Return:

Resolving Ukraine's Human Capital Crisis

By Dariia Mykhailyshyna and Markus Ziener

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Ukraine is facing a human capital crisis of enormous proportions. Millions of its citizens fled the country after Russia launched its full-scale invasion in February 2022. To share best practices and generate possible solutions, the German Marshall Fund of the United States (GMF), along with its partners—the German Federal Ministry for Economic Cooperation and Development and the German Society for International Cooperation (GIZ), hosted a conference titled “Toward a Skilled Workforce: Rebuilding Ukraine’s Human Capital” in Berlin on April 25–26, 2024. To set the stage, Dariia Mykhailyshyna of the Center for Economic Strategy in Kyiv presented the findings of three waves of surveys among Ukrainian refugees. Those findings, as well as some recommendations, are below.

Markus Ziener: A warm welcome to our guest, Dariia Mykhailyshyna. She’s a senior economist with the Center for Economic Strategy in Kyiv, where she concentrates on labor economics and migration. Dariia holds a master’s degree in economic policy from University College London and degrees in philosophy, politics, and economics from the University of Warwick. She is also a PhD student in economics at the University of Bologna focusing on applied microeconomics and empirical political economy.

More than two years after the start of the Russian attack on Ukraine, migration is still one of the main issues. To encourage the many Ukrainians who have fled to return to their home country, it is important to learn more about their reasons for leaving, about their integration in the host countries and, of course, about the likelihood of their return to Ukraine. Dariia, perhaps you could give us a few figures at the beginning of your presentation. Do we know how many Ukrainians live abroad?

Dariia Mykhailyshyna: Thank you very much, Markus. Regarding the numbers, there are many different estimates based on different sources. Based on our estimates, there are 4.9 million Ukrainians abroad right now. Of these, 1.3 million are in Russia, many of whom were forcibly deported there. As for other countries, Germany right now is number one with 1.3 million Ukrainians staying there, then Poland with around one million, then Czechia, the United States, the United Kingdom, and Canada [see figure 1].

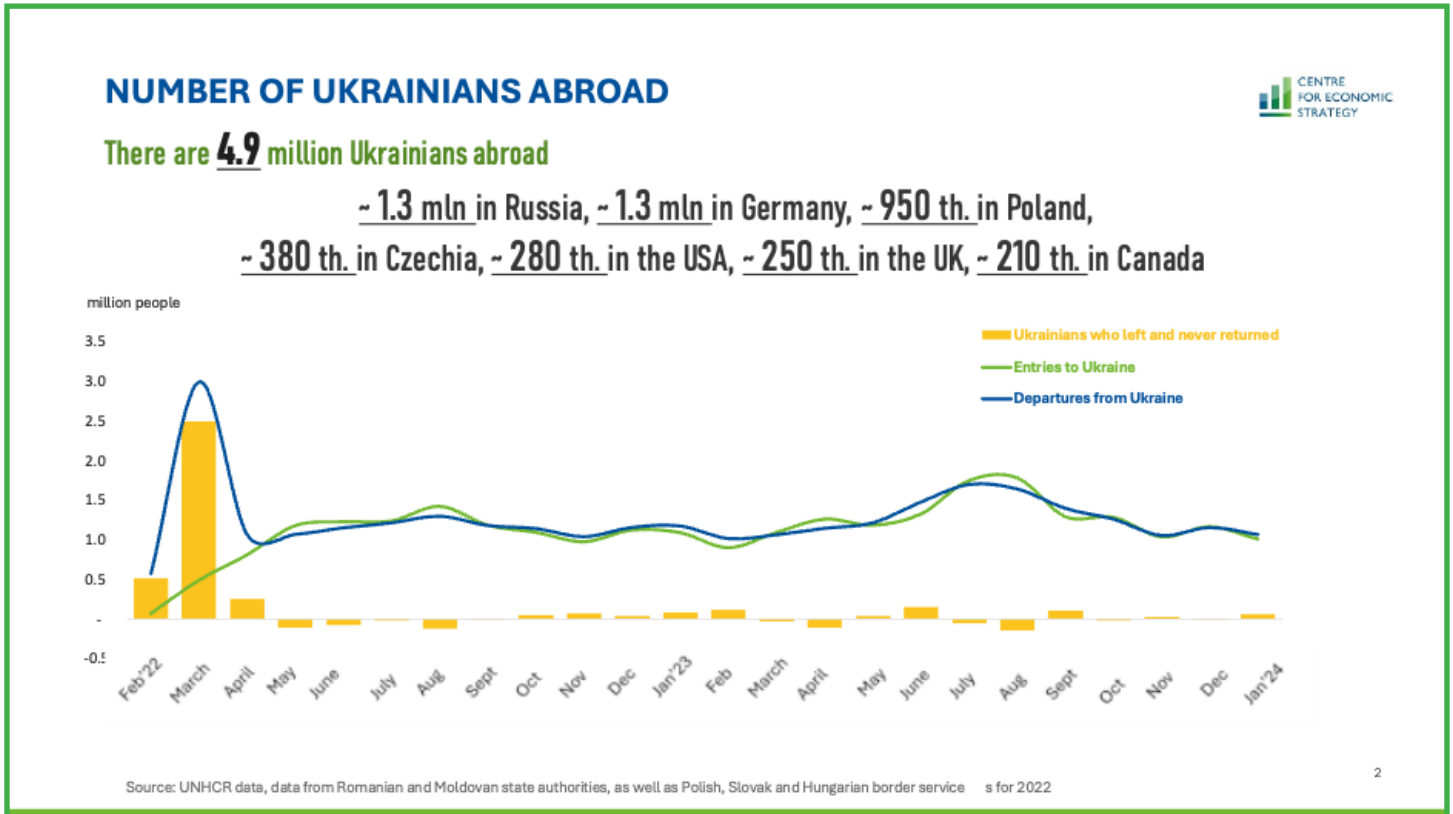


Figure 1

The majority of Ukrainians who left did so at the beginning of the full-scale invasion, when the danger was at its most acute. Since then, we have seen that the number of people coming back and the number leaving every month is about the same. The level is more or less stable.

Another important question is, Who are those people? We have conducted three waves of surveys—in November 2022, April 2023, and January 2024. Based on those we can give the general picture of the demographic characteristics of Ukrainian refugees. We see that 65% of refugees are female.

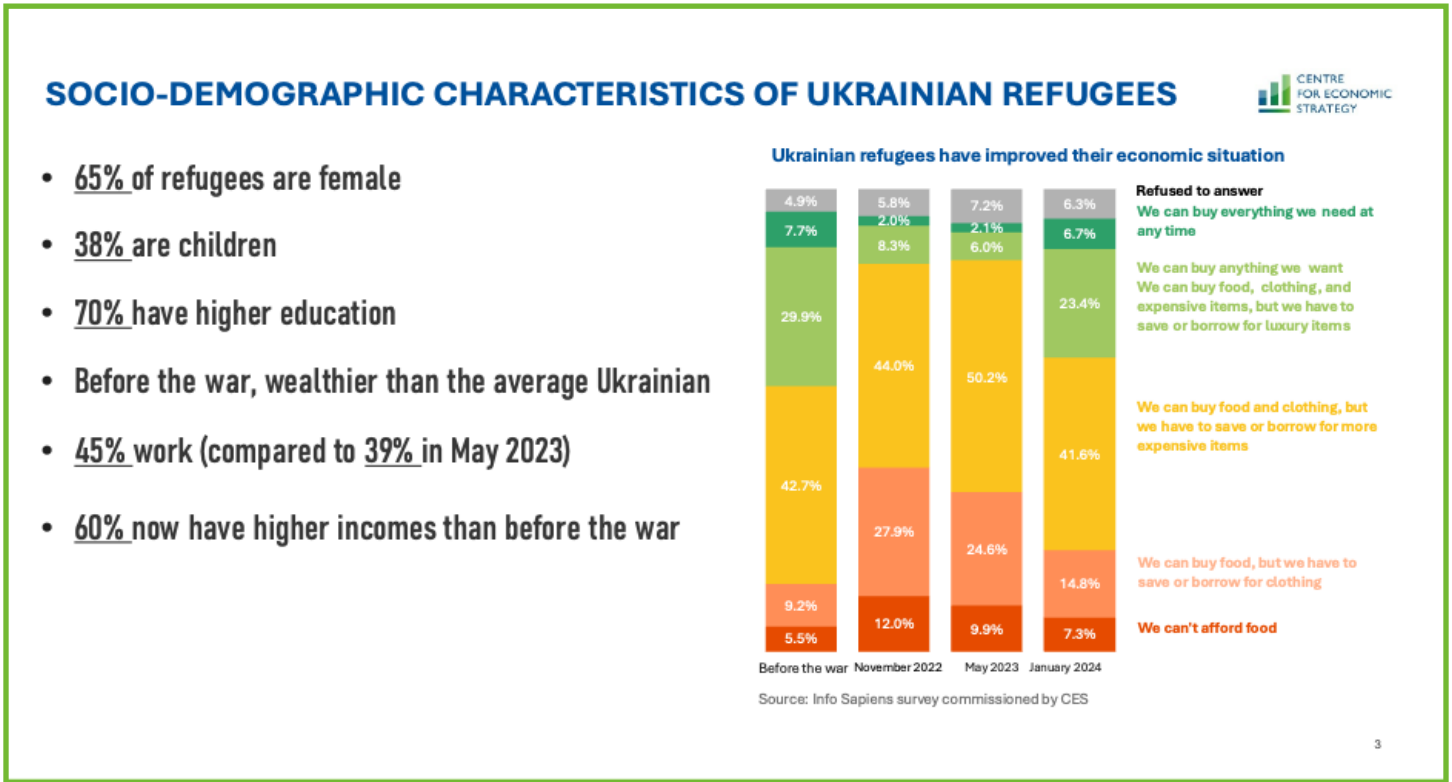


Figure 2

Seventy percent of Ukrainians abroad have a higher education, which is a larger proportion than the overall proportion of Ukrainians with a higher education. This indicates that there may be some brain-drain issues for Ukraine. But it is also much higher than for the previous waves of refugees that Europe has encountered—for example, refugees from Afghanistan and from Syria. This means that the integration challenges are different, and it may be easier for Ukrainians to find jobs than for those in previous waves of refugees.

In addition, we see that Ukrainians who left were wealthier than the average Ukrainian before the war. At the beginning of the war, they lost a very large portion of their incomes, as you can see on the plot to the right side of Figure 2. But since then, many of them have regained their income and have started to work.

March 2024

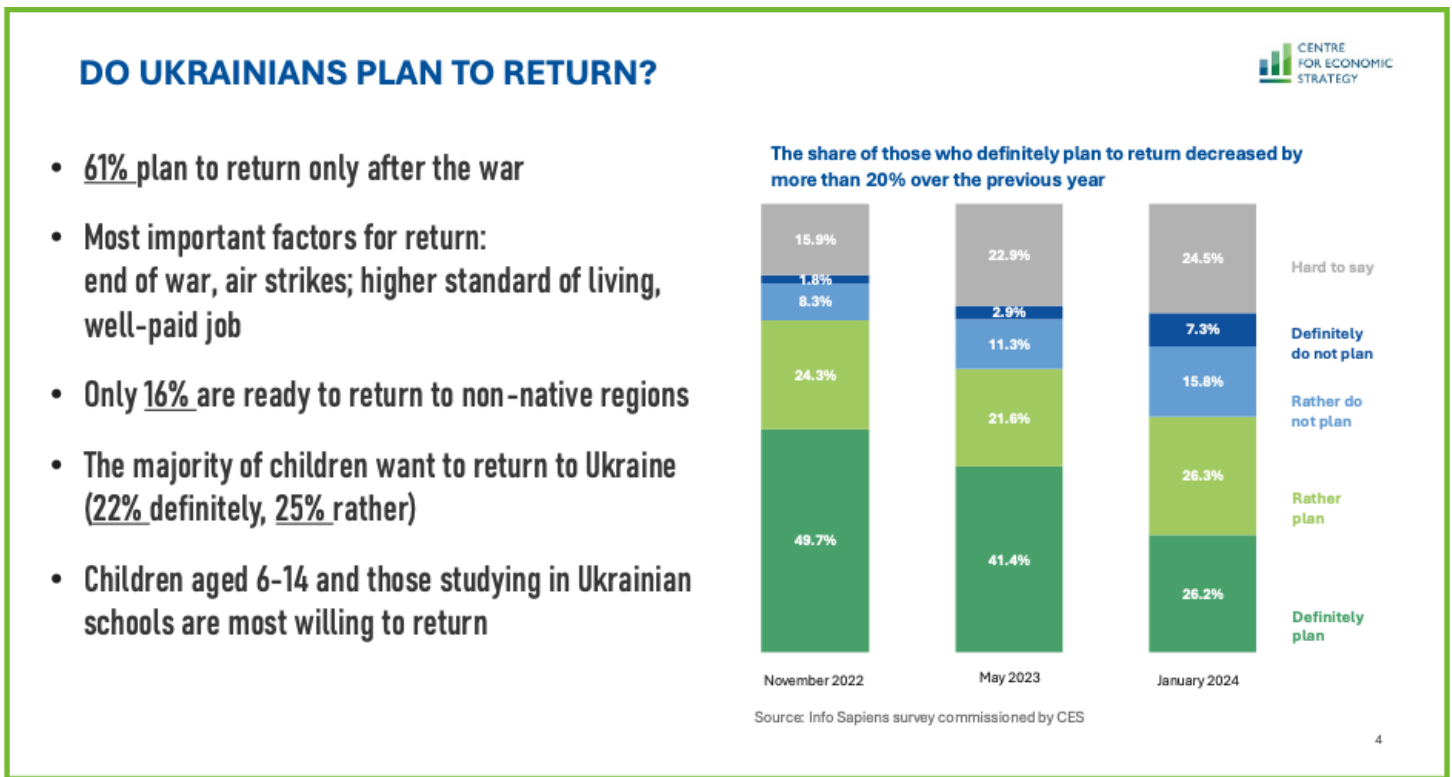


Figure 3

In all countries taken together, 45% of refugees worked as of January 2024, compared to 39% in May, 2023. Of those who work, 60% already have higher incomes than they had before the war.

The most important question, then, is, Do Ukrainians who are currently abroad plan to return? The answer to that is that the majority still do, but unfortunately the percentage of people who want to return decreases from wave to wave of our surveys. This could be due to the fact that people who wanted to return have already done so, some of them. But it could also be due to a change in intentions for many reasons. Perhaps because of integration into the labor market, perhaps because their expectations about the duration of the war were not met, and so on.

But I want to emphasize that the most important factor in Ukrainians' decision about return is security: either the end of the war or at least the end of air strikes or war action in their native region. So, air defense and other weapons are extremely important not just for the war effort but also for the return of refugees. People say that security is the most important factor by far for them in the decision on whether to return.

Also, only 16% of those surveyed are prepared to return to regions other than their native region. This means that focusing on the rebuilding and reconstruction of all of Ukraine is important so that people can return to their home region.

The intentions of children are approximately the same as those of their parents. But we also see that the children who are most willing to return to Ukraine are those who still study remotely in Ukrainian schools. So it is essential to keep that connection.

March 2024

We also estimate how many Ukrainians may return and how many may stay abroad after the end of the war, and how the numbers may impact the Ukrainian economy.

In our estimate, between 1.4 and 2.3 million Ukrainians may remain abroad after the war. And because of that, the Ukrainian economy may lose between 3.9 and 6.3% of its prewar GDP annually. This is a very significant proportion of GDP. So helping these people return and incentivizing them to return can also be viewed as a way to help Ukraine in its postwar reconstruction so that Ukraine doesn't have to lose this much of its GDP.

We also calculated how many people may move abroad after the war. This is based on the relatives, specifically spouses of people who have already moved abroad—for example, if a wife is abroad and her husband is in Ukraine. Based on what we see, up to 150,000 people may move abroad after the war.

This refugee crisis poses an important demographic challenge to Ukraine. On the right [in Figure 4], you can see the Ukrainian demographic pyramid in the dotted lines. You can see how many people in each age category moved abroad and are now abroad. We also see that even before the war, the Ukrainian demographic pyramid wasn't proportional. It was skewed towards older ages and there were not that many children, but now we see that the number of children has disproportionately decreased as around 14% to 18% of children in different age groups are currently abroad. This is a large proportion. And if they do not return, this will be a huge challenge to the Ukrainian economy and to the Ukrainian demographic situation as well.

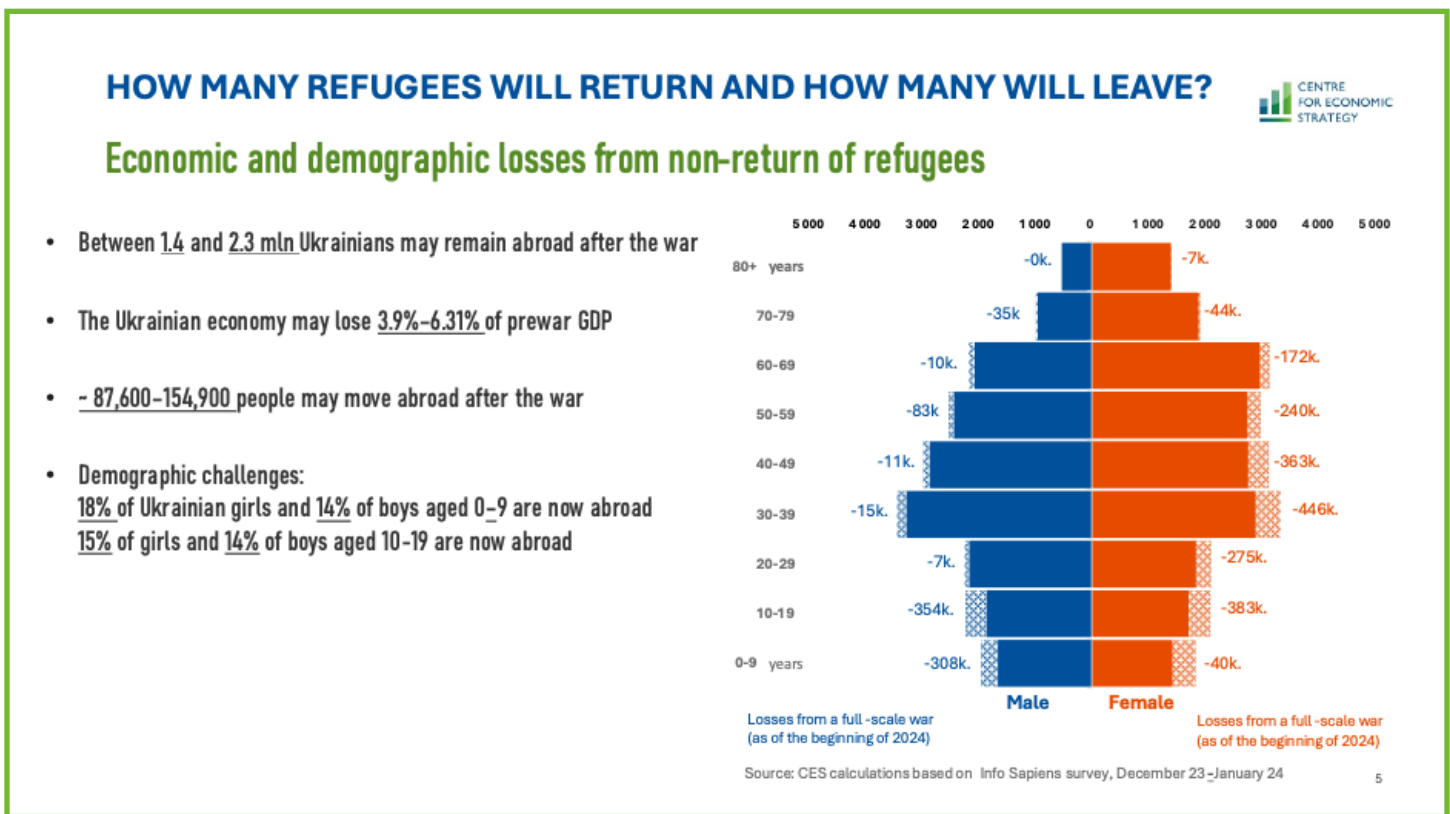


Figure 4

March 2024

To finish, our recommendations on what we think should be done to encourage Ukrainian refugees to return to Ukraine are in Figure 5.

First of all, we need to cooperate with the EU countries in creating the conditions for return.

As I said previously, security is very important, so your support and other countries' support in establishing security is the number one issue. But we need to cooperate with the EU also in other areas such as creating training courses in safer regions of Ukraine, for example, so that people can find a job that suits Ukrainian labor markets. And we need cooperation in reconstruction, which is also important so that people can return to their home regions.

Then there are the things needed from the Ukrainian side; for example, communicating with Ukrainians abroad through diplomatic missions. Also, [young people] need to be reintegrated into Ukrainian schools upon their return in a way that is as simple as possible—that is, without excessive bureaucracy or additional exams.

And [the Ukrainian government] must help people find housing in the safer regions if they cannot return to their native region. This could be done, for example, through the mechanism of a public-private partnership in which government funds their housing and the private company creates jobs.

Our final recommendation is to provide Ukrainians—not just refugees, but Ukrainians—with freedom of movement, which is part of the Ukrainian entry to the EU, but should be established earlier. Because we now see that many Ukrainians are afraid to go back to Ukraine because they worry that they will lose their benefits when they go back to the host country in Europe, or that they will not be able to return to Europe at all. Freedom of movement allows people to return to Ukraine but still have the ability to come back to Europe.

RECOMMENDATIONS



How to encourage Ukrainian refugees to return to Ukraine?

- Cooperate with EU countries
- Carry out rapid postwar reconstruction of the affected regions
- Assist people from the affected and occupied regions
- Develop public-private partnership mechanisms
- Assist refugees in finding jobs in safer regions, provide retraining courses
- Communicate with Ukrainians abroad through diplomatic missions
- Simplify the reintegration of children into Ukrainian schools
- Facilitate the entry of Ukrainian graduates of foreign schools into Ukrainian higher education institutions
- Provide Ukrainians with freedom of movement and choice of residence, similar to EU citizens

Figure 5

March 2024

MZ: Dariia, thank you very much for this presentation. I think it's safe to say that the longer the war goes on and the longer refugees are here [in Europe], the more difficult it is for them to think about going back. Is that one takeaway? It's probably not that surprising, but maybe you can give us a little more insight into the extent to which Ukrainians who came here when the war started are integrated into destination countries' society.

DM: Thank you for this question. For the first part of the question, for sure, I think people had more optimistic expectations at the beginning of the war. Unfortunately, we see that the war is going on longer than many people expected. As for integration, I think it depends a lot on which country we're talking about, because different European countries, if you're only talking about Europe, have adopted different strategies for integrating Ukrainian refugees.

For example, in Poland, many Ukrainians are working. The majority have already found jobs. While in Germany, for example, most people attend language courses or integration courses because Germany has an integration strategy focusing on training Ukrainians first and paying them while they're attending these courses and finding jobs only later. But in all countries, including Germany, the percentage of people with jobs is steadily increasing over time.

MZ: So, money plays quite a role actually when it comes to thinking about going back or not. I mean, you said that 60% of those who work are better off than they used to be. Is that right?

DM: Yes.

MZ: So it means, on the other side of the coin, that the ones who don't work, probably are not better off.

DM: I would say it depends because many of those who do not work still have benefits, and depending on how much and which country they are in and what kind of work they did in Ukraine, their benefits could still be higher than their salary in Ukraine.

MZ: Okay. You gave us a number of recommendations for what to do. If you would, please name the three that are at the top of your priority list.

DM: Number one by far is safety. Jobs I would say is number two. And maybe housing is also important, but it's the general economic situation in Ukraine. It's the quality of life, the general quality of life, I would say.

MZ: When travelling to Ukraine, you see a lot of people going back and forth. Ukrainians who live in Poland and other countries but travel to their home country on a regular basis. Is there any way actually of taking advantage of those commuters for the Ukrainian labor market?

DM: Yes, for sure. I think what is also important is that many Ukrainians who are currently abroad are working remotely for a Ukrainian company. I think around 10% in our last latest wave of the survey. And it also benefits their home country because many of those people pay taxes in Ukraine and they remain connected to Ukraine, so it will be easier for them to transfer back to working for the same company in person after they decide to return.

March 2024

But I think it's important for those who visit regularly that they keep in touch with Ukraine and keep in touch with their families. Maybe they will not return. The majority of those who come back do so for a short period of time, not for work reasons. But it's still important that they are in touch with Ukraine.

MZ: Since this is all about the future of Ukraine, the youth, the young generation plays an important role. Can you say something about their feelings toward Ukraine at this point?

DM: Yes, we see that a lot of Ukrainians who went abroad are currently, for example, students in the foreign universities. And it's important to make sure that they are encouraged to come back. Because they are developing crucial human capital skills and education. Unfortunately, for now, we see that younger people are less likely to be willing to return than older people, which is an issue because, again, they're developing these labor market skills and they have more opportunity to work in the future. So I think it is important to also focus on encouraging these people to come back.

MZ: One final question. Incentives play a big role. What can the Western countries—the receiving end when it comes to Ukrainians coming here—what can they do to facilitate the return of refugees?

DM: For the Western countries, I would say establishing training programs in Ukraine rather than or in addition to in other countries because as we said jobs are very important. We also see that some countries have adopted policies of compensating Ukrainians who come back home, but it's too early to say how effective they are. Some countries are starting to tighten their criteria for entry or tighten their social benefits and reducing them to prevent more people from coming. Whether this will be effective, it's also too early to say.

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