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External Labour Migration In Ukraine As A Factor In Socio-Demographic And Economic Development

Alexander L. Borjas [S]

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Creating an Observatory of Migration East of Europe

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**External Labour Migration In Ukraine As A Factor In Socio-Demographic
And Economic Development**

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This project which is co-financed by the European Union is the first migration observatory focused on the Eastern Neighbourhood of the European Union and covers all countries of the Eastern Partnership initiative (Belarus, Ukraine, the Republic of Moldova, Georgia, Armenia and Azerbaijan) and Russian Federation.

The project's two main themes are:

- (1) migration from the region to the European Union (EU) focusing in particular on countries of emigration and transit on the EU's eastern border; and
- (2) intraregional migration in the post-Soviet space.

The project started on 1 April 2011 as a joint initiative of the European University Institute (EUI), Florence, Italy (the lead institution), and the Centre of Migration Research (CMR) at the University of Warsaw, Poland (the partner institution).

CARIM researchers undertake comprehensive and policy-oriented analyses of very diverse aspects of human mobility and related labour market developments east of the EU and discuss their likely impacts on the fast evolving socio-economic fabric of the six Eastern Partners and Russia, as well as that of the European Union.

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- builds a broad network of national experts from the region representing all principal disciplines focused on human migration, labour mobility and national development issues (e.g. demography, law, economics, sociology, political science).
- develops a comprehensive database to monitor migration stocks and flows in the region, relevant legislative developments and national policy initiatives;
- undertakes, jointly with researchers from the region, systematic and *ad hoc* studies of emerging migration issues at regional and national levels.
- provides opportunities for scholars from the region to participate in workshops organized by the EUI and CMR, including academic exchange opportunities for PhD candidates;
- provides forums for national and international experts to interact with policymakers and other stakeholders in the countries concerned.

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Abstract

The paper focuses on the role of labor migration in Ukrainian development, particularly its impact upon demographics and the labor market. The author evaluates the real size and composition of the resident population of Ukraine. It is demonstrated that the *de facto* population is almost 1.5% smaller than its official size. The impact of external labor migration on the unemployment level is studied. It is demonstrated that without labor migration the unemployment level in Ukraine would be almost twice as high as the registered level. Special attention is paid to the entrepreneurial potential of labor migrants and its possible financial effects. It is proved that the main challenge associated with labor migration policy in the country is the underestimation of the possibility of using the entrepreneurial potential of labor migrants and their relatives staying in Ukraine. The potential financial benefits from the entrepreneurial activities of migrants and their relatives exceeds 1 billion hryvnias (around 100 million euros) as of 2010. It is demonstrated that in 10-12 years Ukraine will face a workforce deficit. Ukraine will need employable-age migrants up until 2061, namely 7.9 mln. people. The need to pursue a more proactive policy of immigrant integration is justified. Based on the analysis performed, recommendations for improvements in Ukrainian state policy are developed and justified, including measures in the field of emigration regulation, as well as the attraction and integration of immigrants.

1. Introduction

Ukraine is a labour donor country, a population recipient country (though not on a large scale) and a transit country, too. In general, the attractiveness of Ukraine for migrants is average: the positive balance of registered external migrations has been maintained for six years in a row, and yet the number of foreign nationals registered with law enforcement authorities has been growing too. Neither permanent nor temporary labour immigration to Ukraine has been on a massive scale.

Labour emigration is more numerous than all other types of migration and plays a special role in migration in Ukraine. Currently Ukraine is one of the largest labour donor countries in Europe. Labour emigration flows started up in the 1990s, and were accompanied by low remuneration in a registered sector of economy; constant remittances; high unemployment level and forced sub-employment; widespread poverty and a high level material stratification in the population; not to mention significant discrepancies in terms remuneration levels between Ukraine and other countries (especially when calculated in foreign currency in accordance with the official currency rate). One of the prerequisites for the formation of labour migration proper has been shuttle trade, which has promoted links between traders and residents of Ukrainian labour recipient countries.

The economic uptake started in Ukraine in 2000, and for the first time since the declaration of independence there was growth in GDP, growth that continued until 2008. Still, even under these conditions neither labour demand nor significant improvement in living conditions among the wider population masses was observed. The world financial and economic crisis has had a detrimental effect on the development of the Ukrainian economy. In 2009 the GDP volume (in stable prices) dropped compared to the previous year by 14.8%¹, while average real wages decreased by more than 9%². The national currency rate (hryvnia) dropped against the US dollar in 2009 almost 1.5 times compared to 2008, and by more than 40% compared to the EURO³.

In 2010-2011 an economic recovery got underway in Ukraine yet the majority of indicators of socio-economic development are still far from European standards. Opportunities to find employment in the official labour market remain limited. Average remuneration, despite growth in recent years, stood at UAH 2633⁴ in 2011, or EUR 237 in accordance with the annual average official currency rate of the National Bank of Ukraine⁵. Thus, employment in a registered economic sector not only does not guarantee prosperity. Often it does not provide for the needs to reproduce employee manpower. At the same time, even the availability of jobs with this level of remuneration has decreased: the unemployment level of working-age population, in accordance with the data of the State Employment Service, reached 2.5%⁶ in 2009 while the unemployment level in accordance with ILO methodology (for the same age group) fell to 9.6%⁷, which represents a record high since 2004. In 2010-2011 a decrease in unemployment indices was observed, though it is still above the pre-crisis level. Under these conditions external labour migration is almost the only way to provide for an agreeable level of living for many working-age Ukrainians.

¹ The Socio-Economic Development of Ukraine in 2011. (*Соціально-економічний розвиток України за 2011 рік.*) – Kyiv, The State Statistical Service of Ukraine, 2011 – p. 4

² Ibidem, p. 21.

³ http://www.bank.gov.ua/files/Exchange_r.xls

⁴ Socio-economic development of Ukraine in 2011 – Kyiv, The state statistical service of Ukraine, 2011 p. – С. 21 (*Соціально-економічний розвиток України за 2011 рік.* – Київ, Державна служба статистики України, 2011)

⁵ http://www.bank.gov.ua/files/Exchange_r.xls

⁶ http://www.ukrstat.gov.ua/operativ/operativ2007/rp/ean/ean_u/osp_rik_07u.htm

⁷ Ibidem

Although currently Ukraine has been primarily the labour donor country, the situation is going to change in the near future. Persistent population ageing, and a decrease in the working-age population will bring about a shortage of labour and the need to attract migrants.

The present paper focuses on the impact of labour migration on Ukrainian development. The real permanent population of Ukraine has been assessed in terms of number and composition, and the impact of external labour migration has been studied in terms of unemployment. Special attention has been devoted to the assessment of the potential of the entrepreneurial business of migrant workers and possible financial effects generated by it. Besides, taking into account prospective demographic tendencies, Ukraine's demand for migrants has been assessed. Apart from methodological developments worked out in the course of research, the paper discusses a number of the author's proposals that have not yet been published.

2. Literature review

Ukrainian population researchers usually outline the following two major types of migration: migration related to the alteration of the official place of residence (stationary migration) and labour migration that is predominantly return migration. Yet this distinction is rather theoretical in nature: in practice one can identify moves by the return characteristic only conditionally, in particular a temporary departure sometimes ends in residence on a new site.

The described approach is based on the assumption that labour migration, unlike stationary migrations, does not lead to changes in the number of population of the country and regions and, correspondingly, does not have a direct effect on the number as well as sex-and-age composition of the population. Under the existing conditions it is doubtful whether such an approach is applicable to Ukraine. Certainly, in the 1990s, the labour migration of Ukrainian citizens rarely became a permanent form of migration. But more recently they have been common. Some labour emigrants are not going to return to Ukraine.

A number of scholars in Ukraine study migrations, including labour migration. In particular, issues related to labour-migration tendencies, the socio-demographic characteristics of migrants, their position in the labour markets of foreign countries were depicted⁸ in works by E. Malynovskaya, I. Pribytkova, U. Sadovaya, I. Maydanik, I. Markova and O. Ivankova-Stetsyuk. In the second half of the 2000s, a number of attempts were made to assess the scale of remittances by migrants and their role in development⁹, and a number of recent works have been devoted to research into the life strategies of migrants and the assessment of labour migration consequences for

⁸ See Malynovskaya O. Migrants, migration and the Ukrainian state: the analysis of managing external migrations: the Monograph, Kyiv, 2004 (Малиновська О. Мігранти, міграція та Українська держава: аналіз управління зовнішніми міграціями: Монографія. – Київ, 2004); Pribytkova I. Contemporary migration processes: theoretical-and-methodological aspects of research// Sociology: theory, methods, marketing. – 1999. - No. 1. – p. 161-172 (Прибыткова И. Современные миграционные процессы: теоретико-методологические аспекты исследования // Социология: теория, методы, маркетинг. – 1999. - №1. – С. 161-172); Maydanik I. The Ukrainian youth in labour markets of foreign countries. – Kyiv, 2010; Processes of Ukrainian labour migration in Russia: social and gender aspects. Materials of a combined sociological research. – Odessa, 2011 (Майданик І. Українська молодь на ринках праці зарубіжних держав. – Київ, 2010; Процессы украинской трудовой миграции в России: социальный и гендерный аспекты. Материалы комплексного социологического исследования. – Одесса, 2011);

⁹ Migration processes in Ukraine: the state-of-the-art and prospects/ Ed. by O.V. Poznyak – Uman, 2007 (Міграційні процеси в Україні: сучасний стан і перспективи / За ред. О.В.Позняка. – Умань, 2007); Gaudutskiy A. Migration capital in Ukraine: concealed reality [the Internet access]: The Weekly Mirgor. (Гайдуцкий А. Миграционный капитал в Украине: скрытая реальность [Электронный ресурс]: Зеркало недели.) – Accessed at: http://zn.ua/ECONOMICS/migratsionnyu_kapital_v_ukraine_skrayta_realnost-49791.html; External labour population migration/ - the Ukrainian centre for social reforms, the National Statistical Committee of Ukraine – K., 2009 (Зовнішня трудова міграція населення / Звіт – Український центр соціальних реформ, Державний комітет статистики України. – К., 2009.)

migrants and their families¹⁰. The department of migration research at the M. V. Ptukhi Institute of Demographic and Social Studies (IDSS) of the National Academy of Sciences of Ukraine, headed by the author, carried out studies and assessments of a number of components on demographic and socio-economic development and migration¹¹.

The interest in migration in the world and the national scientific literature has been high. It is explained both by the scale of the phenomenon (the estimated total number of international migrants is 215,000 people¹² or 3% of the world population) and the role of migration in demographic and socio-economic development around the world. Taking into account the growing importance of migration, UNDP has worked out a new indicator within the context of human development: the Human Development Index (HDI). This indicator refers to the level of human development of all individuals born in a given country¹³ regardless of their current place of residence and, therefore, reflects the impact of migration on the development of communities. Interrelations between migration and development were the topic of a report by the UN Secretary-General¹⁴. As is admitted in the world literature, 'labour migration is beneficial for migrants themselves and the host society'¹⁵.

At the same time, studies on the interrelation between migration and development in world science vary among themselves. Thus, researchers pay close attention to the issue of remittances (especially when mention is made of the analysis of migration tendencies in countries of origin). As noted by UNDP experts, nearly all quantitative studies of macro-consequences at the national level focused on the scope and role of remittances¹⁶. The preference for studying remittances is made even when we speak about the consequences for migrants and their families. Among other migration consequences the brain drain, human trafficking, and the impact of migrations on demographic tendencies are well-

¹⁰ See O.Ivankova-Stetsyuk, G.Seleshchuk, V.Susak. *Виклики та адаптаційні резерви полілокальних родин українських трудових мігрантів*. – Lviv (Львів), 2011.; O.Ivankova-Stetsyuk *Спільнота як Дім. Матеріали дослідницького проекту «Церковна громада як активна форма організації життя українців в умовах трудової міграції»*. – Lviv (Львів), 2010.; Olga Kupets. *The Development and the Side Effects of Remittances in the CIS Countries; the Case of Ukraine*. – <http://www.carim-east.eu/media/CARIM-East-2012-02.pdf>

¹¹ Migration processes in Ukraine: the state-of-the-art and prospects/ Ed. by O.V.Poznyak – Uman, 2007 (Міграційні процеси в Україні: сучасний стан і перспективи / За ред. О.В.Позняка. – Умань, 2007); Poznyak A. The role of population migrations in socio-demographic and economic development (Роль міграцій населення в соціально-демографічному і економічному розвитку)// „Procesele socio-demografice în societatea contemporană: de la meditații la acțiuni”, conf. șt. intern. (2009, Chișinău). *Materialele Conferinței științifice internaționale „Procesele socio-demografice în societatea contemporană: de la meditații la acțiuni”*: cu prilejul aniversării a 15-a de la adoptarea Progr. de Acțiune al Conf. Intern. pentru Populație și Dezvoltare (Cairo, 1994): 15-16 Oct. 2009, Chișinău / col. red.: Gheorghe Paladi, Olga Gagauz, Mariana Buciuceanu-Vrabie. -Ch.: Inst. Integrare Europeană și Științe Politice, 2009 (Nova-Imprim SRL). – P. 161-167.; Poznyak A. The impact of labour migrations of the population of Ukraine on the labour market and population incomes// *Problems of the labour market and formation of labour resources: materials of the international scientific-and-practical conference*, Moscow, December 17, 2010// Ed. by M.M.Medvid, V.A.Nazarov, A.K.Skovikov. - M.: «НИПКЦ Восход – А» Ltd., 2010. – P. 183-192. (Позняк А. Влияние трудовых миграций населения Украины на рынок труда и доходы населения // Проблемы рынка труда и формирования трудовых ресурсов: материалы междунар. науч.-практич. конф., г.Москва, 17 декабря 2010 г. /Редкол.: М.М.Медвид, В.А.Назаров, А.К.Сковиков. – М.: ООО «НИПКЦ Восход – А», 2010. – С. 183-192); *Population of Ukraine. Labour emigration in Ukraine*. – Kyiv, 2010 (Населення України. Трудова еміграція в Україні. – Київ, 2010).

¹² Migration and remittances. Factbook 2011. – World Bank, Washington, 2010. – P. 9.

¹³ Overcoming barriers: Human mobility and development. Human Development Report 2009/ UNDP (Преодоление барьеров: человеческая мобильность и развитие. Доклад о развитии человека 2009 /ПРРООН.) - М.: «Весь Мир», 2009. - P. 14

¹⁴ International migration and development. The report by the Secretary-General/ UN. The UN General Assembly. Sixtieth session. Agenda item 54(c). Globalization and interdependence: international migration and development. A/60/871.

¹⁵ For example: Overcoming barriers: Human mobility and development. Human Development Report 2009/ UNDP (Преодоление барьеров: человеческая мобильность и развитие. Доклад о развитии человека 2009 /ПРРООН.) - М.: «Весь Мир», 2009. - P. 4

¹⁶ Ibidem, p. 78.

studied¹⁷. Then there is the question of migration's impact on development, on labour migration on unemployment levels and on the entrepreneurial potential of labour migrations. Here researchers mainly limit themselves to general conclusions without formulating specific numeric indicators.

This publication covers the following issues:

1. an assessment of the real number and composition of the permanent population of the Ukraine;
2. an assessment of the impact of external labour migration on unemployment levels;
3. an assessment of the possibilities of using the entrepreneurial potential of migrant workers and its impact on the socio-economic situation in Ukraine;
4. an assessment of Ukraine's likely demand for migrants.

Three of the above mentioned issues (the first, third and fourth) have been little studied in Ukraine, and the respective issues have not been sufficiently explored internationally in the scientific literature. The study of the impact of migration on unemployment in Ukraine was explored in previous works by the author, and the present paper offers a new assessment of the impact of labour migration on unemployment, drawing on the adjusted data on the scope of labour migration.

The major problem as regards the formation of labour migration policy in the country is the danger of underestimating the entrepreneurial potential of migrant workers and their relatives left behind in Ukraine. Migrants engaged in business activity abroad are not inclined to get involved in entrepreneurship upon their return to Ukraine, given the unsatisfactory conditions for entrepreneurial activity there. That is why what is vital for Ukraine is not so much the assessment of the existing effects of remittances, so much as the assessment of the potential effects of unimplemented entrepreneurial activity on return migrants and their families. Apart from the economic effect, favourable conditions for entrepreneurial activity are a prerequisite for the return nature of labour emigration, which has become vital for Ukraine under the conditions of the prospective shortage of labour. And, in this paper, we concentrate on the possible financial effect of the entrepreneurial activity of migrants: a practically unresearched area in terms of the impact of migration on the socio-economic development of Ukraine. Ukraine's prospective demand for migrants is also assessed here.

3. Work objective and expected results ⁴

The objective of this work is to carry out an in-depth analysis of the impact of labour migration on the socio-demographic and the economic development of Ukraine. This paper is a logical follow-up on the author's previous writings in this field.

Proposals for Ukraine's public policy have been worked out and substantiated based on our research. These include both emigratory regulatory measures as well as measures to attract and integrate immigrants. The paper contains the author's insights into methodologies for assessing the impact of migration on various aspects of socio-demographic and economic development, as well as methodological approaches constructed as part of the research process.

Our research is based on the following assumptions:

1. The permanent population of Ukraine is smaller than that indicated by the State Statistics Service of Ukraine (Gosstat). The estimated data on sex-and-age composition annually published by Gosstat cover external migrant workers including long-term migrants: at the

¹⁷ See e.g. Abazov, R., (2009) Current Trends in Migration in the Commonwealth of Independent States, Human Development Research Paper 2009/36, UNDP; Borgy, V., X. Chojnicki, (2008), Labor migration: Macroeconomic and demographic outlook for Europe and neighbourhood regions, *Economie Internationale* 119: 115-153; Migration and remittances. Factbook 2011. – World Bank, Washington, 2010; Overcoming barriers: Human mobility and development. Human Development Report 2009/ UNDP (Преодоление барьеров: человеческая мобильность и развитие. Доклад о развитии человека 2009 /ПРООН.) - М.: «Весь Мир», 2009.

same time they do not cover unregistered immigrants yet the number of these is not high and hence they are not discussed in the present essay. As for migrants from Ukraine, they reside abroad residence and these individuals are not at present a permanent part of the population of Ukraine.

2. Prevalence of external labour migrations brings about a more noticeable decline in unemployment in Ukraine compared to earlier estimates by the author.
3. Ukraine possesses significant resources both for bringing down the unemployment level and for increasing budgetary receipts. Ukraine also has the potential to develop the entrepreneurial skills of migrant workers and members of their families as an alternative to labour migration. Hence, the improvement of the entrepreneurial environment has become one of the major tasks of public socio-economic policy.
4. Ukraine is on the verge of moving from a labour donor country to become a labour recipient country. Indeed, in the near future the country is going to experience significant demand for migrants, demand which definitely exceeds the potential of return migration for Ukrainian citizens and individuals of Ukrainian origin. Successful integration of migrants is possible only in the case of the timely implementation of relevant state policies.

4. Methodology and data

For present purposes labour emigrants are regarded as Ukrainian citizens involved in paid economic activity abroad permanently, seasonally, temporarily or as cross-border shuttle migrant workers. Moreover, both those employed legally and illegally need to be taken into account here. Labour migration is considered short-term if it lasts up to 6 months (as a rule, these are seasonal or occasional trips); mid-term migration lasts between 6 to 12 months; and long-term migration, more than one year. That said, long-term migrants are regarded as part of the permanent population of recipient countries. This paper taking into account the specific characteristics of migrants in the first nationwide sample survey of labour migrations (2008) considered by the author as the main source of information. On this paper it takes migration of up to 1 month as ultra-short-term, while migration of more than 3.5 years, as ultra-long-term migration. Ultra-short-term migration is considered a constituent part of short-term migration while ultra-long-term as a constituent part of long-term migration. As of today, the official data on the number and the composition of the permanent population of Ukraine (published annually by Gosstat) including long-term labour emigrants. The results of the annual estimates of the official data on permanent populations are based on the information drawn from census¹⁸ results and information on migrants born, deceased and registered following the census. This is why this paper has introduced the notion of real permanent population that, unlike official “permanent” population, does not comprise long-term migrants.

The major problem of scientific studies on labour migrations from Ukraine is that the existing sources of administrative data and regular surveys in Ukraine, do not provide reliable data about external labour migration. A special nationwide survey as regards these issues was carried out only once (in 2008)¹⁹ and a second survey is planned this year.

The research information database comprises information of the State Statistics Service of Ukraine including data of regular sample surveys carried out by Gosstat (The survey of the issues of the population economic activity and the survey of living conditions of households). It also included a

¹⁸ The last population census of Ukraine was carried out in late 2001.

¹⁹ External labour population migration/ - the Ukrainian centre for social reforms, the National Statistical Committee of Ukraine – K., 2009 (Зовнішня трудова міграція населення / Звіт – Український центр соціальних реформ, Державний комітет статистики України. – К., 2009)

number of special sample surveys on labour migration and immigration conducted together with the author in 2008-2011, in particular:

- the first nationwide sample survey on labour migrations carried out by the Ukrainian centre for social reforms and Gosstat of Ukraine in mid-2008. Due to the support of the International Organization for Migration, the World Bank and Arseniy Yatsenyuk 'Open Ukraine' Foundation, the survey was carried out on the basis of an additional module to two official surveys regularly conducted by Gosstat : the survey of the issues related to the population economic activity and the survey of living conditions of households. The surveys covered working-age migrants (men aged 16-59, women aged 16-54) who went abroad between 2005 – 2007 and the first half of 2008, ignoring cross-border shuttle migrants;
- There was also the survey of the adult children of migrant workers in 4 regions of Western Ukraine (Ivano-Frankovsky, Lvovsky, Ternopolsky and Tshernovitsky regions). This was carried out in November-December 2010 by the Department of Migration Research of the M. V. Ptukhi Institute of Demographic and Social Studies (IDSS) of the National Academy of Sciences of Ukraine. It took place within the project 'Formation of the potential of activities aiming at the enhancement of the potential of local authorities of Ukraine in terms of improvement of migration and socio-educational policy for the benefit of children, women and local communities'. And it was supported by the International Organization for Migration; 345 children of migrant workers who reached legal age (the age of 18) with the right of financial signature and 43 experts were interviewed in the course of research;
- There were three surveys among Ukrainian students devoted to the problem of attitudes towards the natives of developing countries. This was carried out by the Department of Migration Research of the M. V. Ptukhi Institute of Demographic and Social Studies (IDSS) at the National Academy of Sciences (NAS) of Ukraine in 2005-2011. In 2005 and 2009 a survey was conducted in Kiev, in 2011 – in six cities of Ukraine: 738 respondents were questioned.

This paper also uses the variant forecast of demographic development in Ukraine worked out annually by the M. V. Ptukhi IDSS NAS of Ukraine²⁰. A forecast of population migrations as a constituent part of the demographic forecast as worked out by the author is also employed as is a forecast of the labour market situation.

5. Outcomes and discussion.

5.1 The assessment of the real number and composition of the permanent population of Ukraine including prevalence of long-term labour migration.

In accordance with the data of the first nationwide sample survey of labour migration issues 1,500,000 Ukrainians or 5.1% of the working-age population worked abroad²¹ between 2005 and the first half of 2008.

Taking into account specific characteristics of the methodology of the survey, it should be noted that this number does not include the following categories of migrant workers:

- individuals who left for work abroad before 2005 and who have not returned to Ukraine ever since;
- migrant workers older than working age (men aged 60 and older, women aged 55 and older);

²⁰ <http://www.idss.org.ua/public.html>

²¹ External labour population migration/ - the Ukrainian centre for social reforms, the National Statistical Committee of Ukraine – K., 2009 (Зовнішня трудова міграція населення / Звіт – Український центр соціальних реформ, Державний комітет статистики України.– К., 2009)

- household members who went abroad, in their entirety (these households could not be covered by the survey);
- cross-border shuttle migrants.

The number of working individuals at retirement age or older can be assessed through patterns of changing intensity of labour migration with age. The 2008 survey data indicate that among men the extent of their representation in labour emigration starts to drop dramatically after 50: the number of male migrants aged 50-54 is 2.5 times lower compared to those aged 45-49, while the number of migrants aged 55-59 is 1.5 times lower compared to those aged 50-54. Based on the average pace of gradual decline in labour migration volumes among men who have reached 50, it is estimated that the number of migrants aged 60-64 constitutes about 10,000, while the number of those aged 65-69 is almost null.

There is no tendency for a decline in the number of labour migrants among women aged 35 and above. Perhaps during the first five years of retirement (55-59) the intensity of external labour migration among women remains at the level of the 50-54 bracket. Later on, with age, migration activity diminishes with the growing pace of the decline. Based on these assumptions, the number of women-migrants of retirement age is estimated to be 165,000, hence, the total number of migrants of the retirement age of both sexes constitutes 175,000. At the same time, the distribution of migrants of retirement age across countries of employment and periods of employment abroad is regarded as the same as in the case of migrants of elder working age (beyond 50) for each sex.

The next group of migrants not covered by the survey – individuals who left to work abroad before 2005 and who have not since returned to Ukraine. Probably they also include members of households who have gone abroad altogether, in their entirety (short-term family migration is very low).

The results of compound distribution of migrants across countries and periods of stay abroad in accordance with the 2008 survey data indicate that the number of migrants in countries neighbouring Ukraine (Russia, Poland, the Czech Republic, Hungary...) is decreasing together with the growing duration of any trip, while the number of migrants in more remote countries (Italy, Spain, Portugal) is growing in terms of numbers and in terms of length of stay (table 1).

Table 1. Distribution of external labour migrants by country and duration of stay, thousand people (2005-2008)

	Duration of stay abroad, months				
	up to 1	1-3	3-6	6-12	above 12
Czech Republic	12.6	47.1	70.4	31.0	14.0
Hungary	7.8	25.1	3.8	6.2	4.1
Italy	1.6	9.7	10.5	98.6	77.9
Poland	15.6	69.9	21.4	9.3	1.9
Portugal	1.3	1.6	1.2	14.2	20.7
Russian Federation	39.8	358.7	137.1	130.0	44.7
Spain	0,0	4.6	1.1	17.4	16.9
Other countries	6.9	48.6	30.5	27.0	35.3

Source: results of the 2008 nationwide sample survey of the issues related to labour migration

At the same time, taking into account that the 2008 survey covered only those migrating in 2005-2007 and the first 5 months of 2008, the indicator “above 12 months” in table 1 shall be treated as “12-41 months”. To assess the number of migrants staying in recipient countries longer than 3 years 5 months, one may apply a model that describes changes in the number of migrants in a given country

and the growing duration of stay. The duration of stay is defined as the mean value of the interval of the period of stay. For the group "1-3 months" this means 2 months. For the subsequent groups it is respectively 4, 5, 9, and (see above) 26.5 months: note that migrants of up to 1 month are not taken into account since ultra-short-term migration differs significantly from longer trips. What remains to be established is the average time that ultra-long-term migrants stay abroad. In accordance with the 2010 survey data among adult children of migrant workers, the major part of labour migrants are involved in paid employment for up to 11 years, that is since 1999. It is clear that in the 2008 survey the maximum period of stay in paid employment of most migrants was 8.5 years i.e. the mean value of the interval of the period of stay abroad among ultra-long-term migrants stands at 71.5 months.

Estimates based on the data provided in the previous paragraph indicate that in the recipient countries closest to Ukraine (Russia, Poland, the Czech Republic, Hungary) ultra-long-term migrants are absent or their number is insignificant. In Italy their number stands at about 208,000, in Portugal 58,000, in Spain 43,000. Their total number in countries that do not belong to the first seven recipients of the Ukrainian labour force are 23,000 .

Development of cross-border shuttle migrations is really possible only in a 50-kilometer cross-border area in regions bordering Poland and Russia. Besides, only migrationally-active groups have been involved in such trips, namely groups that do not undertake long trips: it is noteworthy that regions of Poland and Russia bordering Ukraine are not regarded as the most economically developed regions of their countries. Moldova is absolutely not an attractive country for the employment of Ukrainian citizens, and Romania offers little improvement on Moldova. The development of shuttle trade to Belarus is limited since the majority of cross-border Ukrainian areas sharing a border with this country are underpopulated. While, on the other hand, a number of regions suffering from radioactive contamination have no populations. The number of shuttle migrants in Hungary and Slovakia cannot be high because of significant volumes of proper labour migration among citizens of the Zakarpattia region (bordering these countries). In Zakarpattia labour migrants include one third of the working-age population, and this is why there is simply no potential left for the development of shuttle migration movements.

Taking into account intraregional differences of population density in borderline regions and the fact that cross-border trips are *a priori* less convenient, shuttle migrants in Poland stand at one quarter of the number of labour migrants registered by the 2008 survey in the Lvyvsky and Volynsky regions, 56,000 , the number of shuttle migrants in Russia one quarter of the number of registered labour migrants in the Chernihivsky, Sumsky, Kharkovsky, Lugansky and Donetsk regions: namely, 67,000.

Thus, in accordance with conducted estimates, the total number of Ukrainian guest workers (including specified volumes) stands at 2.1 million . The distribution of migrants by country of employment differs slightly from the distribution in the 2008 survey: the share of countries of Southern Europe is larger while the share in Russia and the Czech Republic, smaller, compared to the 2008²² survey (table 2).

²² Conference Report on "The Future of Migration in Ukraine". – P. 16. – http://iom.org.ua/en/pdf/CP_small.pdf

Table 2. A specified number of Ukrainian emigrant workers by destination country, thousand people

	2008 survey data	Author's revaluation	Total
Czech Republic	175	10	185
Hungary	47	8	55
Italy	198	274	472
Poland	118	75	193
Portugal	39	60	99
Russian Federation	710	113	823
Spain	40	46	86
Other countries	149	59	208
Total	1,476	645	2,121

Sources: results of the 2008 nationwide sample survey of the issues related to labour migration; the author's estimates

Assessment results are consistent with the results of studies in recipient countries. Thus, in the Czech Republic the number of labour migrants, including those staying illegally, is estimated at 175,000-225,000²³. The number of Ukrainian migrant workers in Russia in 2008 stands at, according to experts, about 800,000²⁴.

Besides this, long-term migrants cover the following groups:

- individuals registered by the 2008 survey who stayed abroad for more than a year (215,500 thereof);
- some migrants beyond working age;
- ultra-long-term migrant workers, 332,000, in accordance with the author's evaluation.

Let us assume that the correlation between short- and medium-term migrants and between long-term migrants among retirement-age individuals is the same as among migrants of working age (from 50 upwards) separately for each sex. In this case, the number among listed groups of long-term migrants will be 35,500 .

Based on estimates, the number of the real permanent population of Ukraine in early 2008 constituted 45,609,300, which is almost 1.3% below the number of permanent population in accordance with the data of state statistics (46,192,300). An assessment of sex-and-age composition of the real permanent population of Ukraine is provided in table 3.

²³ Drbohlav, D., Lachmanová, L. (2008): Irregular Activities of Migrants in the Czech Republic: a Delphi Study about Adaptations in a Globalising Economy. In: Dostál, P. (ed.): Evolution of Geographical Systems and Risk Processes in the Global Context. Charles University in Prague, Faculty of Science, Prague. - p. 129–156.

²⁴ Processes of Ukrainian labour migration in Russia: social and gender aspects. Materials of a complex sociological research. – Odessa, 2011. – p. 80 (Процессы украинской трудовой миграции в России: социальный и гендерный аспекты. Материалы комплексного социологического исследования. – Одесса, 2011. – С. 80.)

Table 3. The sex-and-age composition of the permanent population of Ukraine in early 2008

The sex-and-age group, thousand people	Permanent population in accordance with official data	Real permanent population
Total population	46,192.3	45,609.3
Age: 0-14, both sexes	6,501.1	6,501.1
Age: 15-44, men	10,141.7	9,905.6
Age: 15-44, women	10,168.0	9,957.1
Age: 45-69, men	6,271.1	6,250.2
Age: 45-69, women	8,193.6	8,078.5
Age: 70 and older, both sexes	4,916.8	4,916.8
The share of separate population groups, %		
Age: 65 and older	16.3	16.5
Age: 25-44	28.6	28.3
Women, age: 15-49	26.2	26.0

Sources: data of the State Statistics Service; the author's evaluation

Although differences in the age composition of the real permanent population and the permanent population in accordance with the official data are not significant, the advancement of the ageing process in Ukraine as a result of labour migration is apparent.

This assessment does not cover children permanently staying abroad and other non-working family members of emigrant workers. Although instances of the permanent stay of economically inactive Ukrainians abroad are known from the accounts of non-governmental organisations of migrants workers, there are no reliable data on the scale of this process.

5.2 The assessment of the impact of external labour migration on socio-economic development

In the course of research on labour migrations (2008) the author worked out the methodology of the assessment of the impact of labour migration on the unemployment level²⁵. In the course of this work the author conducted estimates based on this very methodology taking into account a specified estimate of labour migration volumes (table 4).

²⁵ Population of Ukraine. Labour emigration in Ukraine. – Kyiv, 2010. – p. 196-197; Poznyak A. The impact of labour migrations of Ukraine's population on the labour market and population incomes // The problems of the labour market and formation of labour resources: materials of the international scientific-and-practical conference, Moscow, December 17, 2010. / Editorial committee: M.M.Medvid, V.A.Nazarov, A.K.Skovikov. - «НИПКЦ Восход – А» Ltd, 2010 – p. 183-192. (Населення України. Трудова еміграція в Україні. – Київ, 2010. – С. 196-197.; Позняк А. Влияние трудовых миграций населения Украины на рынок труда и доходы населения // Проблемы рынка труда и формирования трудовых ресурсов: материалы междунар. науч.-практич. конф., г.Москва, 17 декабря 2010 г. /Редкол.: М.М.Медвидь, В.А.Назаров, А.К.Сковиков. – М.: ООО «НИПКЦ Восход – А», 2010. – С. 183-192.)

Table 4. Real and hypothetical indicators of Ukraine's labour market in the 1st half of 2008

	Real value	Hypothetical value (if labour migrations are lacking)
Economically active population, thousand people	22471.6	24005.1
Employed population, thousand people	21070.4	21070.4
Unemployed population (in accordance with the ILO methodology), thousand people	1401.2	2934.7
Unemployment level, %	6.2	12.2

Sources: the data of the State Statistics Service; the author's evaluation

Thus, with no possibilities for labour migration, the unemployment level in Ukraine in the first half of 2008 would have reached 12.2% (and not 9.8%, as earlier²⁶ assessed by the author), while the number of unemployed Ukrainians would have been twice as high as their real number.

It can be assumed that the number of external migrant workers has not changed significantly since the 2008 survey. As outlined by international experts, the majority of migrants would rather not return to their homelands because of the crisis²⁷. Remembering that the correlation between the numbers of migrant groups with different periods of stay abroad has also remained stable, the hypothetical unemployment level (with no possibilities of labour migrations) would constitute 14.1% compared to the estimated level of 8.1%²⁸, i.e. it would reach the critical level.

Labour migration of Ukrainian citizens abroad is an important source of remittances in foreign currency. Based on a comprehensive methodology worked out by the M. V. Ptukhi Institute of Demographic and Social Studies at the National Academy of Sciences of Ukraine, it has been estimated that, in 2007, the summary volume of remittances by migrants stood at 4.67 billion US dollars while the volume of migrant workers' incomes stood at 6.68 billion US dollars. In 2010, the numbers were respectively 4.43 and 6.32 bln US dollars²⁹.

Unfortunately, despite significant remittance levels, the ability to attract remittances to certain regions is lacking. The results of the first nationwide sample survey on labour migrations (2008) indicate that the majority of migrant remittances is spent on daily subsistence needs and the purchase of durable goods. Only in exceptional cases is the major purpose of spending money earned abroad investment.

Possible ways of attracting "migration" resources to a country's economy include the following points:

- promotion of remittances by migrants via official channels;
- opening of migrant bank accounts in national banks;
- inner loan shares and their distribution among migrants;
- engagement of migrants in entrepreneurial activity in Ukraine.

²⁶ Ibidem

²⁷ International migration and development. The report by the Secretary-General/ UN. The UN General Assembly. Sixtieth session. Agenda item 54(c). Globalization and interdependence: international migration and development. A/60/871. (Международная миграция и развитие. Доклад Генерального секретаря/ ООН. Генеральная Ассамблея. Шестидесятая сессия. Пункт 54(с) повестки дня. Глобализация и взаимозависимость: международная миграция и развитие. A/60/871. – p. 4.)

²⁸ The official website of the State Statistics Service of Ukraine. <http://www.ukrstat.gov.ua>

²⁹ The assessment of the levels of incomes of migrant workers and application of fiscal mechanisms to attract them to the economy of Ukraine – 2011 (Оцінка обсягів доходів трудових мігрантів та розроблення фіскальних механізмів їх залучення в економіку України (звіт з НДР). – К., 2011)

The policy priority in terms of attracting the earnings of migrant workers to the economy must be the improvement of entrepreneurial opportunities in Ukraine. Other approaches are difficult to implement because of the distrust among the Ukrainians towards financial institutions. Unfortunately, it is not really possible to offer effective measures that would quickly increase trust in the Ukrainian banking system.

In general, conditions for running your own business in Ukraine can be characterized as disadvantageous. The successful development of small business is hindered by imperfect legislation, corruption accompanied by pressure from the authorities as well as bureaucracy and fiscal constraints, not to mention the ineffectiveness of the credit system. World Bank data places Ukraine 152 out of 183 countries in the world³⁰ in business environment ranking. Compared to 2010, the country recorded a seven-point decrease in the world ranking. In accordance with World Bank estimates, 135 tax payments are anticipated annually, and enterprises spend about 657 hours annually in order to settle these payments.

The results of the first nationwide sample survey of labour migrations (2008) are instructive here. There are almost no employers-entrepreneurs and the self-employed (if we exclude the self-employed in private subsidiary farming) among emigrant workers who went abroad in 2005-2007 as well as the first half of 2008. Among migrants who worked abroad in 2007 and the first half of 2008 and who were present in Ukraine at the moment of survey, 16.0% were self-employed abroad, while 4.7% worked as entrepreneur-employers³¹. If migrant workers carried out their entrepreneurial activity at the same level as when staying abroad, about 23,000 entrepreneur-employers and almost 77,000 self-employed Ukrainians would be added to the entrepreneurs now found in Ukraine.

It is reasonable to assume that in the case of entrepreneurial activity individuals operate on the basis of a simplified tax system. With the typical 2010³² amount of a single tax of 150 hryvnia in Ukraine would-be entrepreneurs would pay UAH 179,400,000 (potential employers, UAH 41,100,000, the potential self-employed UAH 138,300,000) to the budget. Employment by one would-be employer of, on average, three hired employees would have generated another UAH 241,300,000 for the state budget in 2010. Employment of five people on average would have meant UAH 402,100,000 in the form of income tax for employee remuneration: this takes into account the average remuneration of individuals employed in private enterprises or by private individuals, based on the data of the Survey of households living conditions, namely UAH 18,800 annually.

Apart from the growth in budget income, hiring employees by entrepreneurs-employers could diminish the burden on the Social Security Fund in the case of unemployment and might lead to savings in Fund resources. The acquisition by migrants, who were employers abroad, of the same status in their homeland could ensure employment of anything from 15.2% (when hiring three employees by one employer on average) up to 25.3% (when hiring five employees) of the registered unemployed in Ukraine (in 2010). The possible savings of resources for the Social Security Fund in the case of unemployment would constitute UAH 430,800,000 to 718,000,000. At least this would be the case if we assume that the proportion of those receiving unemployment benefits and an average amount of the unemployment aid for this category would be the same as the total number of the unemployed

What is more, as indicated by the survey among adult children of migrant workers, as of 2010, there exists significant potential for entrepreneurship among young Ukrainians, whose parents are

³⁰ The assessment of business regulations. Ukraine. [The electronic version] (Оценка бизнес-регулирувания. Украина [Электронный ресурс]): The World Bank – accessed at: <http://russian.doingbusiness.org/data/exploreeconomies/ukraine>

³¹ Population of Ukraine. Labour emigration in Ukraine. – Kyiv, 2010. – p. 198 (Населення України. Трудова еміграція в Україні. – Київ, 2010. – С. 198.)

³² The data are provided for the year 2010, since at the time of the paper completion all the necessary data for 2011 were still unavailable.

working abroad. Respondents are mostly keen on entrepreneurial activity. Even with the unfavourable conditions for running one's own business in Ukraine, 62.2% of respondents have positively replied to the question about their willingness to establish their own business, and another 23.8% went with "rather yes than no". More than half adult children of migrant workers can see good prospects for setting-up and running entrepreneurial activity together with their parents who are staying abroad.

Let us attempt to define the probable volume of tax receipts for the budget from the activity of potential entrepreneurs whose parents are working abroad.

In accordance with the first nationwide survey of labour migration in 2008, 27.6% of migrants are in the 45 and older category. It can be stated that the number of migrant workers with adult children comes to not less than a quarter of the total migrant population. The 2010 survey of adult children of migrant workers indicate that nearly one third of respondents could open their own business without loans.

In accordance with the 2008 survey data, almost 800,000 migrant workers stayed in Ukraine at the moment of survey. Taking into account specified volumes of external labour migration (2.1 million), we define the number of migrants staying abroad at a given day in a year as 1.3 million. In this case the number of potential entrepreneurs among adult children of migrant workers will constitute $(1300 \cdot 0,25/3)$ more than 108,000. The volume of potential income taxes from entrepreneurs – children of migrant workers – would in 2010 constitute UAH 195,000,000, with a single tax of 150 hryvnia.

Thus, the aggregate financial effect of the implementation by any returning migrant workers and by young people staying in Ukraine, whose parents go on working abroad, of entrepreneurial activity, is impressive. It exceeds 1 billion hryvnia for 2010 or about 100 mln euro in accordance with the official currency rate of the National Bank of Ukraine³³.

Thus, external labour migration is an important source of investments for the economy of Ukraine – both direct (via the input of earnings of migrants into the development of their own business), and indirect (via the growth of the income part of the budget). Reaching a high level of effectiveness of entrepreneurship for migrant workers and their children requires specialist programs for investment protection as well as consultations for potential entrepreneurs. Yet significant expansion in attracting resources of migrant workers to the development of entrepreneurship is possible when reaching political and economic stability in the region and the country as a whole as well as the improvement of legislation in terms of entrepreneurship promotion at the nationwide level.

Taking into account the importance of attracting "migration" money to the Ukrainian economy (earnings of non-migrants facilitate the national economy), it would be worth considering a more favourable regime for the entrepreneurial activity of migrants and members of their families. This would include fiscal incentives for entrepreneurial entities, whose development might be boosted by the resources of migrant workers. The selection criterion for the beneficiaries of this system would include opening a bank account in the national bank for an individual who has stayed outside the country for at least 6 months.

5.3 Assessment of Ukraine's prospective demand for migrants

Although currently Ukraine is primarily an emigration country, the situation is going to change in the near future. In accordance with the medium variant of the projection of the demographic development of Ukraine worked out by the M. V. Ptukhi IDSS NAS of Ukraine³⁴, in early 2061 the population of Ukraine will have dropped to 36.9 million by nearly 20% compared to early 2011. If this low variant is fulfilled, the population of Ukraine is going to decrease by more than one third and only under conditions proposed as the basis for the high variant, an insignificant drop in population is expected (by 3%).

³³ http://www.bank.gov.ua/files/Exchange_r.xls

³⁴ <http://www.idss.org.ua/public.html>

Yet even should the high variant of the demographic projection be fulfilled, the working-age population is going to fall significantly (even provided the increased retirement age for women). The stabilization of the total population is going to occur as a result of the growing number of elderly people. The losses in the number of people aged 16-59 will stand at more than one fifth in the high variant of the projection and about one third in the medium variant and almost a half in the low variant. Under these conditions the attraction of migrants (“replacement immigration”) remains almost the only way to increase the population of Ukraine and to provide balanced sex-and-age structure.

In accordance with labour market projections as regularly worked out by the M. V. Ptukhi IDSS NAS Ukraine, labour demand in Ukraine will, in the immediate future, range from 20.4 to 20.9 mln people. Taking into account the natural unemployment rate, we define the required annual amount of the economically-active population as 21.5 mln people. Furthermore, the number of economically active population in recent years stays at the level of 77% among the 20-64 age group³⁵

Estimates of the required number of immigrants are based on the demographic projection (medium scenarios of the development of fertility and mortality processes, with the retained zero level of migration indicators). The total demand of the Ukrainian economy for migrants is estimated as the difference between the required number of the economically-active population (21.5 mln people) and the projected number of the 20-64 population at the end of the period, multiplied by 0.77. The positive value of the difference means that there is a demand for migrants in Ukraine.

Ukraine’s estimated demand for working-age migrants up to 2061 stands at about 7,900,000. Notably, first indications of the labour shortage will become visible in 7 years, while in 10-12 years the problem will become acute. Indeed, we shall promote immigration among individuals of Ukrainian origin and those with links to Ukraine. An important trend in state immigration policy is the further repatriation of representatives of earlier deported nations, and the continuous assistance of repatriates who have already returned to Ukraine.

Yet it is obvious that even the mass return of ethnic Ukrainians and Crimean Tartars is not going to solve the emerging problem. Thus, Ukraine has to make a choice. The first choice would be the co-existence of European and Afro-Asian ethnic groups with a prospect of numerous new single Ukrainian nations similar to the nations of so-called migratory countries. The second choice would be the preservation of the contemporary environment alongside the stable decrease in the number of its bearers. The second option does not solve the existing problem yet “passes it on” to subsequent generations in a much more acute form. In fact, Ukraine is facing a dilemma: it must either attract immigrants to the country through a balanced migration policy or allow uncontrolled inflows given the critically small number of (primarily economically active) population in the country. All this speaks of the relevance of working out public policy targeted, first of all, at public opinion for carrying out an active immigration policy, the justification among wide social circles of the necessity of implementing unpopular migration policy measures, and second, the promotion of consent among different groups in terms of immigrant integration in Ukrainian society. As indicated by surveys among Ukrainian university students carried out by the M. V. Ptukhi IDSS NAS Ukraine in 2005-2011, tolerance for “non traditional” migration among Ukrainian students is relatively high. The key questionnaire question is ‘Do you agree that Ukraine should attract migrants from developing countries to improve the demographic situation?’ In 2011, 31.6% of respondents-Kiev residents stated that they agree that a moderate number of migrants should be attracted in order to mitigate the most acute manifestations of the demographic crisis: in 2005 these were 24.6%, in 2009, 30.8%. In total, in six cities of Ukraine, whose representatives were interviewed in 2011, this indicator is even higher, 34.7%³⁶.

³⁵ The economically-active population also includes a proportion of individuals aged 15-19 and 65-70, though the age group 20-64 in particular plays a decisive role in the formation of the economically active population.

³⁶ Poznyak O.V. Problems of integration of ‘non-traditional’ immigrants in Ukraine// Museynyi visnik. – No. 11/2. – Zaporozhzhya, 2011. – P. 261-266 (Позняк О.В. Проблеми інтеграції “нетрадиційних” іммігрантів в Україні // Музейний вісник. – №11/2. – Запоріжжя, 2011. – С. 261–266.)

Among the top-priority public policy measures in immigration it is suggested procedure of granting Ukrainian citizenship to foreign nationals who have graduated from Ukrainian universities; to work out mechanisms for granting educational diplomas to immigrants; to work out mechanisms for counteracting the excessive territorial concentration of individuals of the same ethnic origin, and the formation of so-called “ethnic quarters”; to simplify the employment procedure of earlier highly-qualified foreigners in Ukraine who are needed in the economy of the country, to inform the population about the need for an active immigration policy.

6. Conclusions

As indicated by research results, the real permanent population of Ukraine is almost 600,000 fewer than the official statistics. Labour migration is an important process that exerts a significant impact on the socio-demographic and the economic development of Ukraine. It exerts an especially strong influence on the development of the labour market, while diminishing the probable level of unemployment by almost two-fold. Earnings by migrants represent not only the means of improving living conditions for separate layers of society. They are also a way to guarantee economic growth too. The basic way of attracting “migration” money to the Ukrainian economy is an improvement in entrepreneurial conditions. As a matter of fact, current earnings abroad are nearly the only real way to accumulate the start-up capital for the establishment of one’s own business. Governmental structures in Ukraine shall consider small business not as the basis for taxation, but as a source of new workplaces, diminishing the pressure on the labour market and a way to alleviate the burden on the social system of the country. The establishment of favourable conditions for entrepreneurial activity in Ukraine, apart from the economic effect, will promote the upgrading of the recoverability of work trips and the integration of long-term migrants in the society that changed during their absence.

Independent Ukraine has seen a number of laws adopted aiming at the regulation of migration processes. These include the Concept of the migration policy of Ukraine that was worked out and adopted by Presidential Decree, and the Agenda of activities to aid in its implementation. Still, in general, state migration policy formation is minimal. As of today, the most up-to-date direction in migration policy include the regulation of labour emigration and the encouragement of immigrants to Ukraine.

In accordance with the data of the M. V. Ptukhi IDSS NAS Ukraine, in 10-12 years Ukraine is going to face labour shortages that we should start to tackle today. The number of migrants from developing countries is not large in Ukraine, which creates conditions for their successful integration in the case of policy implementation. On the other hand, successful integration of initial groups of immigrants will facilitate adaptation to the recipient society of subsequent groups of natives from the same states.