THE IMPACT OF UKRAINIAN LABOUR MIGRATION ON LABOUR MARKETS IN UKRAINE AND THE EU
(a Case Study of Construction Workers)

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Labour migration of Ukrainians – the present-day reality

The lack of opportunities to find a suitable and adequately-paid job in the domestic labour market encourages Ukrainians to look for employment abroad, predominantly in EU countries, such as Poland, the Czech Republic, Romania, Hungary, Slovakia, Lithuania, and others, where Ukrainians have become the main group of labour migrants.

In recent years, labour migration has led to a labour force reduction and a decrease in the population of Ukraine. For example, from 2013 to 2016, the labour force aged 15 to 70 years in Ukraine dropped from almost 21 million down to 18 million persons, whereas the number of those employed and self-employed decreased by 2 million and 2.5 million persons, respectively. According to various sources, the number of Ukrainians working abroad is at least three to four million.

Labour market impact

A precise and complex evaluation of the number of labour migrants from Ukraine and the extent of losses the labour migration inflicts on the national labour market is quite problematic. Yet it can be taken for granted that labour migration has led to substantial gaps in the Ukrainian labour market: the understaffing problem at Ukrainian enterprises is getting more and more acute as Ukraine demonstrates Europe's highest employee turnover rate, every fifth employee quitting within a year. A situation that has formed in Ukraine is that, on the one hand, companies cannot find workers, and on the other hand, they cannot retain them.

The lack of manpower is especially felt in the construction sector, which accounts for a majority of migrant workers, due to the rising internal demand in EU countries. As a result, the construction sector lost 192,000 workers over the period of 2012 to 2017 (from 836,000 down to 644 persons, respectively).

One of the main reasons for migration is the low level of wages in Ukraine. The labour remuneration gap even with neighbouring countries is three- to tenfold, and it is not for the benefit of Ukraine. For example, the minimum hourly pay for unskilled labour in EU countries varies from €2.32 to €19.92 (UAH 75.86 to UAH 651.38, respectively, according to the National Bank of Ukraine exchange rate UAH 32.70/€1 as of March 2018). In Ukraine, the minimum hourly pay equals €0.79 (UAH 25.13 according to the NBU exchange rate UAH 31.62/€1 as of February 2019).

According to the Labour Market Situation infographics published by the State Employment Service (dated Jan. 18, 2019), the average monthly wage of full-time construction workers in Ukraine is UAH 8,500 (€268). This is below the EU’s lowest minimum wage in Bulgaria (€286).

Positive aspects of labour migration:

- The comparatively high level of labour remuneration abroad encourages labour migration of population with a clear-cut seasonal character;
- It is also spurred on by the high demand for the blue-collar labour force, a good deal of which are unable to find a job in their home country;
- Perception of the living quality in neighbouring countries helps migrants develop for themselves corresponding living standards and cultural values;
- New skills acquisition;
- Helps migrants eliminate poverty and generally improve the economic security and living quality of their families.

The money transferred by Ukrainian Gastarbeiters from abroad contributes to economic development, by far exceeding the foreign investment. It is estimated that money transfers from Ukrainian labour migrant in 2018 totalled $11.33 billion, which is by 24.3% more than in 2017.

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Negative aspects of labour migration:
- The outflow of the labour force, namely the working-age population;
- A change in the labour force supply structure, which in some economic sectors has already resulted in a deficiency of certain skills;
- The "social orphanage" problem (when children are "orphans" although their parents are alive but work abroad) that results in social tension;
- Aggravated demographic crisis.

Illegal employment: risks for Ukrainian labour migrants:
- Likely deportation and ban on entering the country in the future;
- The impossibility for migrants to properly protect their rights;
- Non-fixed working hours;
- Disregard for occupational safety and performance of health-hazard and life-risky work;
- Untimely and incomplete payment of wage, which is much lower than that of a legally employed worker;
- Lack of proper social protection;
- A risk to fall victim to labour exploitation of even human trafficking.

Another set of current problems is that relevant labour and social guarantees for Ukrainian citizens working in EU countries are not secured. The key problems include:
- Ukrainian labour migrants do not have the A1 certificate proving payment of social contributions (the document proves that the person comes within the provisions of social protection legislation);
- "Reexport" (relocation) of labour migrants, when a worker who has an employment permit of one EU country works in other EU countries;
- The use of hired labour based on agreements that do not provide for social protection of migrant worker or without any labour agreement at all (especially in agriculture and construction);
- Unawareness among Ukrainian labour migrants about payment of contributions to a social insurance fund in their country of work;
- There could be PIT-related complications, too, since the tax system functions based on somewhat other terms and conditions than the social insurance system does. In practice, taxes should be paid abroad if work is done there.

RECOMMENDATIONS

Based on a study, a team of experts has developed recommendations for Ukrainian authorities and civil society organizations as well as EU institutions on the regulation of labour migration issues:

1. At the national level in Ukraine, initiate active collaboration of trade unions, employers, CSOs and state authorities in solving issues related to labour migration. Also, ensure their joint and solidary participation in reforming the migration policy of Ukraine;
2. While reforming the migration policy of Ukraine, analyze, supervise, and impact migration flows based on the principles of systemic approach, timeliness, and rationality. This, in turn, will result in the mitigation of negative consequences of labour resources emigration from Ukraine. The operation of entities engaging in labour migration regulation should be transparent and subject to public monitoring;

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2 During 2018, the Trade Union of Ukrainian Construction and Construction Materials Industry Workers implemented a project on "The Impact of Labour Migration of Ukrainian Workers on Labour Markets in Ukraine and the EU (Using Construction Workers as an Example)". The project included a study and a series of regional round tables / workshops in Mykolaiv, Volyn and Odesa Oblasts as well as a conference in Kyiv. Project partners from the EU and the EaP countries: Federaţia Sindicatelor de Construcţii şi Industria Materialelor de Construcţii „SINDICONS" din Republica Moldova; The Architecture, Construction and Building Material Industry Workers’ Trade Union of Georgia; Związek Zawodowy "Budowlani" - Trade Union "Budowlani" (Poland); «Rakennusliitto» – The Finnish Construction Trade Union (Finland).
3. More extensively engage CSOs in awareness activities for potential and existing Ukrainian labour migrants;

4. Besides a number of achievements in the development of social dialogue in Ukraine, continue improving national legislation in order to have issues of labour migration regulated and diminish the effect of basic factors that have an impact on labour migration (a higher level of wages in host countries and their higher living standards in general);

5. At the international level, strengthen cooperation with EU countries and continue both the bilateral relations and support of the multilateral dialogue on reform implementation issues;

6. Continue working toward the signing and ratification of key UN and ILO conventions as well as additional ILO conventions on labour migration that Ukraine still has not adopted. For example, Ukraine has not yet ratified the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families and the Migration for Employment Convention (Revised), 1949 (№97);

7. Agreements on Ukrainian workers’ needs and protection in their countries of stay should be an important element. The format of these agreements should focus on issues of relationships with Ukrainian migrants’ destination countries where Ukrainian labour migration is numerous. At present, Ukraine does not have such agreements with Italy, Greece (a Memorandum of Cooperation between the Ministry of Social Policy of Ukraine and the Ministry of Labour, Social Security and Social Solidarity of Greece is being elaborated), Finland, Germany (an Agreement between Ukraine and the Federal Republic of Germany is being elaborated), Romania, and others. Intensify the negotiation process with countries interested in organized temporary migration of Ukrainian specialists for the conclusion of social security agreements, including guarantees for the protection of their rights;

8. In turn, it would be expedient for Ukrainian trade unions in the future to develop communication networks involving trade unions and other social partners of host countries in order to protect rights and represent interests of labour migrants in the destination countries. In this way, the trade unions will be able to increase their impact on labour migration regulatory processes for the benefit of all parties in the countries of both destination and origin;

9. Implement complex regulation of labour migration at the international level – effective cooperation among various ministries and state authorities, CSOs, and social partners. Continue working on the development of effective inter-institutional cooperation among the Eastern Partnership countries Georgia, Moldova, and Ukraine, and on the implementation of inter-agency coordination up to the best European practices.

The above recommendations for Ukraine are also relevant for its Eastern Partnership neighbours Georgia and Moldova. Civil society organizations in Moldova, Georgia, and Ukraine should collaborate as well as coordinate their actions with Governments to ensure the appeal of their national labour markets and the establishment of an adequate wage level.