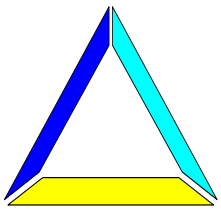
Institute for Economic Research and Policy Consulting in Ukraine
German Advisory Group on Economic Reform

Reytarska 8/5-A, 01034 Kyiv,
Tel. (+38044) 278-6342, 278-6360, Fax 278-6336
E-mail: institute@ier.kiev.ua, http://www.ier.kiev.ua



W11

Should I stay or should I go?

Ukrainian migration in economic perspective

Executive Summary

Ukraine experiences substantial cross-border migration flows. In the recent past widespread poverty and unemployment have been the main reasons for migration. Other push factors are lack of access to financial services and bad housing conditions. Poor rural households supply most migrants. Migrants often work in low-skilled occupations. The location of a household in Western Ukraine increases the likelihood of migration. Migrants into low skilled work overwhelmingly migrate temporarily and seasonally and send most income as remittances to their families, which are staying in Ukraine. We conclude that migration is a strategy of households to cope with poverty. Furthermore, remittances may contribute to economic growth, increase domestic aggregate demand and reduce unemployment. The Government of Ukraine could increase the benefits of migration by negotiating with European countries legal temporary worker migration agreements. Removing rigidities in Ukraine's labor market and other barriers to domestic migration could provide domestic alternatives to cross-border migration. The development of rural areas and providing financial services would open up economic opportunities.

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1 Introduction

On July 20th, 2007, the National Security and Defense Council of Ukraine issued the decree "On the directions of the governmental migration policy and measures to improve its efficiency". The decree states that "illegal migration is a real threat to national security … deepens the demographic crisis … and causes the outflow of the more qualified labor force and intellectual potential" The decree orders the government to develop a concept for migration policies and to implement several administrative measures to combat illegal migration.

Since independence Ukraine experiences substantial cross-border migration flows. During the first half of the 1990s most migration into and out of Ukraine was attributed to the ethnic unmixing of the post-Soviet space. Since the late 1990s Ukrainian migration became increasingly economically motivated.

This paper analyzes Ukrainian migration from an economic perspective. We provide a microeconomic explanation of migration and discuss the magnitude of Ukrainian migration. Then we analyze, based on household survey data, the household profiles of migrants and reasons for their decision to migrate. The paper closes with policy recommendations.

2 A microeconomic perspective on migration

People with economic motives migrate from places where they are less productive to places where they are more productive and hence achieve higher income. Migration decouples individual economic opportunities from geography. Migrants want to improve their economic situation and hence compare wages of their home country to potential wages abroad. But migration is also costly and risky and costs tend to increase with geographic distance and other hurdles. Strong incentives to move abroad exist, if the individual calculation of the wage differential between the receiving country and the sending country remains positive after subtracting migration costs and including the probability of not finding a job.

Migration is especially risky for those who travel to the unknown. But the pioneers among migrants keep in touch with those staying at home and supply them with information and – if those decide to migrate as well – with local knowledge and housing. With the development of transnational networks the costs of migration decline for the followers. Networks create more flexibility in the length of stay abroad, allowing for seasonal or circular migration.

As regards the skill level of migrants, the mobility of low skilled workers has a greater impact on poverty reduction in the home country as compared to the migration of high skilled. Empirical studies show that low skilled workers tend to migrate shorter distances and with a strong intention to return home to their families, which are usually staying behind due to financial constraints. Because of their strong intention to return low skilled migrants tend to send more money (remittances) home[1]. Moreover, low skilled migration reduces the pool of the unemployed and possibly raises wages among low skilled workers who remain back home. Hence, especially low skill migration contributes to economic growth and poverty reduction in the sending country through changes in labor supply and remittances.

While migration is a process of crossing borders, it also involves those staying at home. The analysis of the household framework of migrants provides a good understanding of what motivates this decision. Households tend to send out the person which is expected to earn the highest returns from migration. Especially for poor households migration can be a strategy to overcome income shocks or to insure themselves against economic risks. Further, labor migration relaxes liquidity constraints of households which exist because banking credit and other financial products are not available due to underdeveloped financial infrastructure or low creditworthiness. In sum, migration is determined by wage differentials, job opportunities, migrations costs and the development of financial markets.

International empirical evidence shows that with improved economic development in the sending country, the number of emigrants starts to increase. This rather counterintuitive process takes

[1] OECD (2007): Policy Coherence for Development: Migration and Developing Countries. Chapter 4: pp.60ff

place, as income growth now enables even the previously "too poor" to finance the costs of migration. This process will slow down as the country economically catches up with the destination countries. Emigration rates will decrease and the country itself will eventually become an attractive destination for migrants from poorer regions.

3 Official data and international comparisons of migration

Measurements and comparisons of migration data refer either to the stock of migrants on a given territory at a given day or to the flow of individuals during a predefined period. A recent report published by the World Bank[2] received widespread attention in Ukraine as it placed the country in a worldwide ranking on the forth place as regards migration, just next to the USA, Russia, and Germany. The World Bank relied in its report mostly on figures from the UN population division. The UN counts the stock of migrants as "the number of people who are born outside the country"[3]. According to the UN approach about 6.84 million migrants live in Ukraine[4], in comparison to 10.14 million in Germany. But the UN data for Ukraine should be interpreted with extremely high caution, as they mostly reflect the patterns of the Soviet past and do not provide any insights into more recent migration patterns and the possible problems associated with it.

To estimate the number of Ukrainians abroad, we use calculations from household surveys which offer the most complete picture of migrant prevalence. A study by GfK for the International Organization for Migration[5] (*further:* GfK survey) found that in 2006 10.2% of families have at least one member abroad. Taking the reported median size for the extended family of six persons, the estimate for legal work migration is 781,000, for illegal migration 235,000. Taking ULMS data[6] (2004), the multiple-migrant adapted estimate for migrant workers is 697,000. These numbers reflect current stocks at the interview date. Since most of Ukrainian migration is short-term[7], the total number of Ukrainians leaving their country throughout the year might be larger.

Nevertheless, official data in combination with household evidence do not support the notion of very large migration flows from and to Ukraine. In international comparisons Ukrainian migration levels are rather low.

4 Patterns of Ukrainian cross-border migration

The largest part of economic migration from Ukraine is characterized by short-term circular migration. Data on migration duration in Ukraine suggest that the median return migrant lived abroad for 6 month[8]. Economic migrants from Ukraine choose destinations according to wage differentials towards Ukraine. In most European countries the wage levels are higher than in Ukraine. However, as discussed above, the wage differential is not the only variable under consideration of migrants. Russia is a destination for migrants from Ukraine with low emigration costs, established networks and high skill transferability, as no language barriers exist and professional education is similar to the Russian. Furthermore, the absence of visa restrictions fosters circular migration between Russia and Ukraine. The only estimate of the number of

[2] Manssor, A. and B. Quilin (eds.) 2006: Migration and Remittances: Eastern Europe and the Former Soviet Union. Washington: The World Bank.
[3] www.unpopulation.org
[4] By UN standards many Ukrainians like the former Prime ministers Kinach and Jechanurow or Vice-Prime minister Azarov are counted as migrants.
[5] The survey was conducted by GfK Ukraine for IOM. For more information see: GfK (Growth from Knowledge) 2006: Human trafficking survey: Belarus, Bulgaria, Moldova, Romania, Ukraine. Kyiv: GfK.
[6] A description of the data can be found in: Brück, T., A. M. Danzer et al. 2007: Changes in Determinants of Poverty and Inequality during Transition: Household Survey Evidence from Ukraine. Paper presented at the conference of the European Economic Association, Budapest 2007.
[7] cp. Mansoor and Quillin 2006, ibid.
[8] Only 6% of respondents with migration experience lived abroad for 2 years or more. It should be noted, however, that only return migrants were interviewed in this study in 2005/6. We thank Barbara Dietz for making available the data of the INTAS project.

Ukrainians working in Russia sums up to about 1 million persons[9] but does not distinguish between Ukrainian labor migrants and Ukrainian residents in Russia. But despite its proximity, Russia is not among the most popular destinations of Ukrainian migrants: According to the GfK survey in 2006 the majority of Ukrainians with migration plans prefer to migrate to Western countries[10]: Germany (45%), Italy (26%), USA (25%), UK (22%) or Canada (16%).

Ukrainian migration flows towards western OECD countries changed significantly over the years with regards to destination and volume (see Table 1).

Table 1
Flows of outward migration from Ukraine to selected OECD countries

			1997	2001	2004
Central Europe	Germany	Flow	12,525	20,530	15,000
		% of total OECD	37.0	17.3	17.1
CEE	Czech Republic	Flow	1,404	2,755	16,290
		% of total OECD	4.2	2.3	18.6
	Poland	Flow	...	4,822	10,182
		% of total OECD	...	4.1	11.6
	Hungary	Flow	1,390	2,539	3,615
		% of total OECD	4.1	2.1	4.1
Southern Europe	Italy*	Flow	1,027	5,128	11,204
		% of total OECD	3.0	4.3	12.8
	Portugal	Flow	...	45,541	1,879
		% of total OECD	...	38.5	2.1
	Spain*	Flow	173	10,987	10,277
		% of total OECD	0.5	9.3	11.7
Northern America	USA	Flow	15,691	20,914	14,156
		% of total OECD	46.4	17.7	16.2
	Canada	Flow	2,476	3,590	2,401
		% of total OECD	7.3	3.0	2.7
OECD (for available countries)		Flow	33,814	118,410	87,603

Value for 1998 instead of 1997

Source: OECD statistics, authors' calculations

The geographical pattern of migration does not only reflect wage differentials, but also network effects. In 1997, the largest flows of migrants were directed towards the more traditional migration destinations in North America (following family ties with emigrants of the early 20th century) and Germany (in the form of Jewish emigration). In 2001 Southern Europe became the main recipient of Ukrainian migrants; a region which had not experienced similar migration flows from Ukraine before. Despite higher wages in other European countries, these migration flows were driven by high demand for unskilled labor in Southern European countries, a comparatively inexperienced migration control and the fast development of Ukrainian migrant networks[11]. In 2004, migration flows from Ukraine were more equally dispersed across regions, but with large inflows to CEE countries. Czech Republic was taking in more Ukrainians than Germany or the United States[12]. The latter flows reflect the economic success of the new EU member states,

[9] Estimate of the Ukrainian embassy in Moscow 2002; Malynovska, O. 2004: International migration in contemporary Ukraine: trends and policy, Global Migration Perspectives, No. 14. Online: http://www.gcim.org/attachements/GMP%20No%2014.pdf

[10] Multiple answers were possible

[11] Dietz, B. 2007: Migration policy challenges at the new eastern borders of the enlarged European Union: The Ukrainian case. Working Paper No. 267. Munich: Institute for Eastern European Studies.

[12] Since there did not exist visa regimes between Ukraine and these CEE countries until the year 2003, unregistered shuttle trade and short-term work were widespread.

turning them immediately into attractive migration destinations. One main problem of estimating labor migration numbers is that many Ukrainian migrants leave the country for short-term and circular migration purposes with a tourist visa (see section on illegal migration).

Table 2
Stock of Ukrainian population in selected OECD countries (by nationality)

			1997	2001	2004
Central Europe	Germany	Total	51,397	103,477	128,110
		% women	54.1	57.6	59.7
CEE	Czech Republic	Total	43,402	51,825	78,263
		% women	...	...	...
	Poland*,**	Total	...	312,321	...
		% women	...	61.1	...
Southern Europe	Italy	Total	1,910	12,618	93,441
		% women	...	...	...
	Portugal	Total	...	45,744	66,981
		% women	...	15.2	18.8
Northern America	USA*	Total	131,752	220,170	215,885
		% women	62.3	53.5	52.2
OECD (for available countries)		Total	241,024	481,613	631,371

* born in Ukraine (by country of birth)

** value for 2002

Source: OECD statistics; authors' calculations

The pattern of migration flows is also reflected in the stock of Ukrainian citizens across regions (see Table 2). It shows that Ukrainian migration populations are well established in many OECD countries[13]. The numbers count only emigrants who leave Ukraine and enter the destination country officially. Malynowska (2004) offers estimates of the numbers of Ukrainian labor migrants based on embassy information and reports figures almost twice as large for Portugal, Czech Republic and Italy.

[13] The sharply risen numbers of Ukrainians in Southern European countries reflect massive legalization schemes, thus masking the true years of migration to those countries. Greece (1998): 9,800; Portugal (2001): 63,500; Italy (2002): 100,100; OECD 2005: SOPEMI: Trends in International Migration: Continuous Reporting System on Migration, annual Report 2004. Paris: OECD.

Box: Remittances sent to Ukraine

Remittances - the money migrants send home - are difficult to measure. Official data are often misleading due to different accounting practices across countries and unregistered remittances. Most European countries do not provide information for monetary flows below EUR 12,500[14], which are of special relevance in the context of workers' remittances. Informal remitting is a response to high transaction costs, exchange rate fluctuations and the absence of efficient local transfer institutions (e.g. banks), especially in rural areas. For that reason, migrants bring their money home personally, or use informal networks of migrants, or change their earnings into in-kind remittances, like cars and other goods. All three channels are not accounted for in the official statistics.

The amounts declared in Ukraine's balance-of-payments statistics of USD 600 m in 2006 underrate remittance flows for the above mentioned reasons. The OECD estimated remittances sent to Ukraine at the level of USD 1.25 bn or 4% of GDP for the year 2000. Based on the ULMS data we estimate the volume of remittances at the level of about USD 1.5 bn. (or 2.3% of GDP) for the year 2004.

Remittances do not only provide some protection for the poor in the absence of targeted and effective social policies, but also raise aggregate domestic demand and potentially set free multiplier effects, which positively impact on the labor market. Inflation pressure and currency appreciation have to be watched carefully. However, in-kind remittances do not impact on the macroeconomic stability.

5 Illegal migration

The issue of illegal migration is an important topic among politicians. But by definition illegal migration defies proper quantification. Household survey based estimates of the number of illegal Ukrainian migrants working abroad, showed that the problem of illegal migration is limited (GfK 2006: 235,000 illegal migrants). However, the survey also turned out that in 0.2% of families a person was promised employment abroad but forced to work in the sex business (about 15,000 persons) and in 1.3% of families there was a person who was promised employment, but was forced to work under adverse conditions (extreme workload, low or no pay, no freedom to move), totaling to about 100,000 persons. However, interpreting this numbers needs to take into account that the survey asked about all past experience (i.e. the total stock) and not only the year 2006.

Most Ukrainian migrants leave Ukraine with proper documents and regular (tourist) visa via official border crossings. Which (tourist) visa they obtain depends on the costs and probability, that the visa will be denied. When Germany relaxed the visa requirements the number of tourist visa issued increased from 125,000 in 1999 (84% of all visa issued, including visas for family unification and students) to 270,000 in 2001 (90% of all visa issued)[15]. As compared to this increase the flow of migrants to Germany increased only slightly (see Table 1), as most Ukrainian tourists continued their journey to the "Schengen" countries of Southern Europe. Hence, they turned "illegal" by taking up work without permit or by overstaying the visa period within their destination country. Thus, these migrants turn illegal outside the reach of Ukrainian authorities.

A much smaller group of Ukrainians takes the risk to cross borders illegally. Since there are no reliable estimates on the topic, we show that the number of detainments at the borders or inside the territories of neighboring countries is relatively small (see Table 3). The figure for 2005, as a point of reference, states about 5,000 arrests of illegal persons from Ukraine, which is less the 1% of total migrants. By far most of the Ukrainians detained as illegal migrants are caught at the Ukrainian-Polish border, followed by Slovakia and Hungary. The reported numbers have to be interpreted cautiously: They do not necessarily reflect geographic patterns or trends over time, since an improvement in border security is likely to result – all else equal – in a rising number of detainments. Several motives exist for crossing borders illegally, including crime and human trafficking. However, some of the migrants turn illegal because they cannot afford the high costs associated with obtaining proper passports, visa and other travel documents.

[14] European Commission 2006: Second EU survey on workers' remittances from the EU to third countries, Brussels: European Commission.
[15] Numbers according to Foreign Office of Germany.

A recent study[16] compares official passport costs around the world and finds that passport costs in Ukraine are the highest in the region. While Ukraine charges about 34 USD for a passport, a passport in Czech Republic costs about 8 USD, in Estonia 11.50 USD, in Russia 14 USD, in Hungary 24 USD and in Poland 32 USD. The costs of Ukrainian passports are especially high if measured as share of per capita Gross National Income. Obtaining a passport in Ukraine costs 2.7% of annual per capita GNI, while in the countries reported above the shares do not exceed 0.5%. Furthermore, as anecdotal evidence indicates, for the bureaucratic and rather complicated process of obtaining a Ukrainian passport additional fees are charged and payments to corrupt officials are quite common. High costs of legal migration may let people chose less costly but more risky illegal migration.

Table 3
Illegal emigration from Ukraine

Country	detained at	2004	2005
Poland	Border	1,884	1,388
Romania	Territory	151	146
Slovakia	Border	166	122
	Territory	116	923
Hungary	Border	393	770
	Territory	42	40
Lithuania	Border	76	81
	Territory	33	47
Latvia	Border	24	32
	Territory	64	50
Estonia	Border	10	7
	Territory	41	38
Belarus	Border*	-	698
	Territory	-	350
Moldova	Territory	96	187
Total		3,096	4,879

** number for 2006*

Source: Söderköping Process

[16] David McKenzie (2007): Paper walls are easier to tear down. Passport costs and legal barriers to emigration, in: World Development, Vol.35 No.11 (November), p.2026-2039.

6 Understanding the decisions to migrate

Developing effective migration policies requires an understanding of who migrates and why. Every individual decides upon migration according to various factors in the country of origin and the destination country. The factors that motivate to leave Ukraine are *push-factors*, while the factors making a specific destination attractive are *pull-factors*.

For more than two thirds of Ukrainian migrants the lack of income is the major push factor (see Table 4). Other important push factors are insufficient job opportunities (55%) and bad housing conditions (25.8%).

Table 4

Push Factors: Motives to working abroad

Low income	68.4%
No job opportunities in Ukraine	55.0%
Desire to earn quick money	34.5%
Housing problem in Ukraine	25.8%
Following the example of relatives/friends	11.0%

Source: GfK 2006

With 34.2% of respondents the most important pull factor is the salary level abroad (Table 5). Formal job characteristics like legality, the type of work and the working conditions are significantly less important. What seems to matter least is the destination country.

Table 5

Pull factors: Most important factors influencing the migration decision

Salary level	34.2%
Legality	24.8%
Detailed information about the employer	13.3%
Type of work	9.5%
Working conditions	9.5%
Destination country	4.3%

Source: GfK 2006

The results indicate that push factors (especially economic hardship) are strong reasons for emigration from Ukraine, while pull-factors also have some relevance: Ukrainian migrants want to mitigate their economic deprivation *no matter where* and *with moderate emphasis on the conditions*. It seems appropriate to interpret current migration from Ukraine as a coping strategy for the poor and deprived[17].

Deprivation seems prevalent, as indicated by the high average age of the emigrants (35 years) and the 40% share of female migrants (Table 6).

[17] As the Ukrainian Parliament Commissioner for Human Rights expressed, "a large part of the population sees migration for employment not as an alternative way of pursuing their economic activity, but as the only possibility of earning wages and realizing their labor potential"; Karpachova, N.: Migration for employment within the context of global migration processes; online document: http://www.ombudsman.kiev.ua/S_Report1/gl1_4.htm

Table 6
Gender aspect of work migration

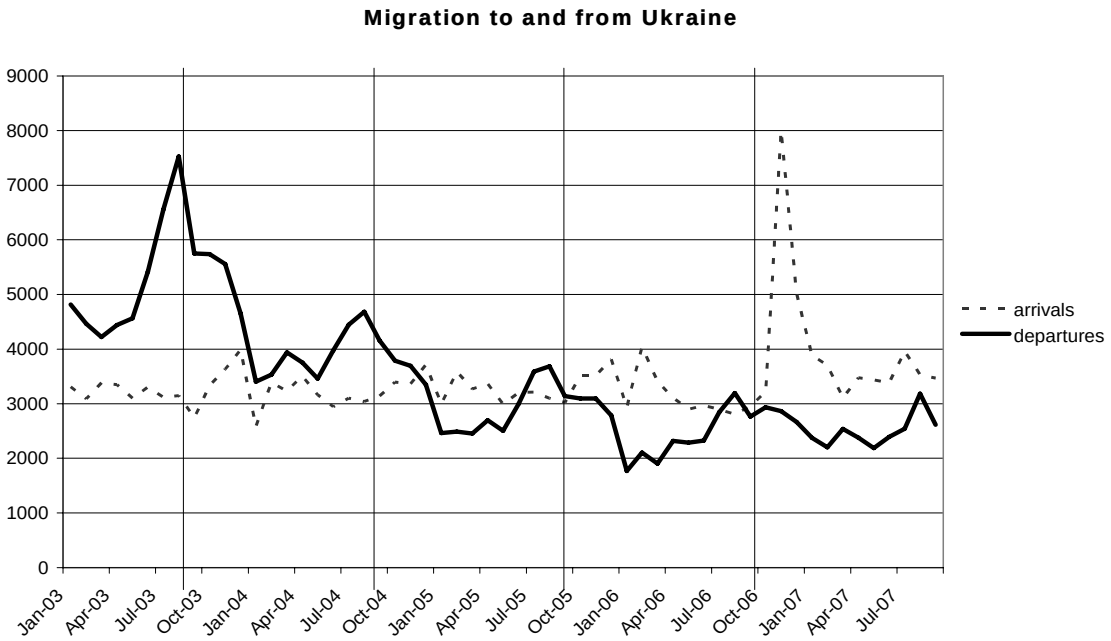
	Men	Women
Gender share	59.6%	40.4%
Age	34.5	35.1
Share 17-25	22.6%	26.2%
Share 26-35	35.5%	26.2%
Share 36-45	22.6%	28.6%
Share 46-55	16.1%	9.5%
Share 56+	3.2%	9.5%

Source: ULMS 2004; authors' calculations

This is a striking contrast to the patterns found for other countries, where international migration is usually the dominion of very young men. According to the results from ULMS almost half of the female migrants are aged 36 and older. These women migrate because their families are in economic despair and because they do care for their families.

Seasonal migration show, that each year in spring departures from Ukraine start to increase until the end of the summer and then decline again during the winter months, indicating large migrant flows directed into the agriculture and construction sectors (Figure 1)[18]. The seasonal patterns indicate that Ukrainian work migrants enter to large extent low–skilled occupations. This does not necessarily reflect the formal qualification level of Ukrainian migrants as such, but illustrates the existing limits of skill transferability, language barriers and formal (bureaucratic) hurdles.

Figure 1



Source: State Statistics Committee of Ukraine

[18] The immigration peak in November 2006 is most likely connected to tightening Russian migration rules.

7 Household background of migrants

Next we analyze the profiles of households with and without migrants. We distinguish migrants into workers and students (see Table 7).

Geographic location of migrant households: Migrant workers are significantly more often from villages and from Western Ukraine. Student migrant households are mostly found in villages of central Ukraine, probably due to the proximity to the many universities of Kiev. Despite their rural location, student migrant households are better - off than average (see below).

Household composition: Households with migrants tend to be larger and younger than households without migrants. Migrant worker households have more children than the average, while migrant student households are below average. The share of pensioners in migrant households is lower. Only households with an "education migrant" differ significantly in the average years of schooling of all household members in the working age. Unfortunately, we do not have information on the education level of the migrants, but generally speaking education differences between migrants and non-migrants are rather small, because the distribution of educational attainments in Ukraine is relatively compressed. If comparably highly skilled workers leave Ukraine to take up rather low skilled work abroad, then they do this because they were formally or informally un(der)employed or because wage levels for their skilled work at home were too low to make a living. Furthermore, migrants do not expect a serious depreciation of skills following emigration, because most migrate seasonal and temporary. Furthermore, migrants gain new skills abroad which might indeed not be applicable in their old occupation – which may has lost importance in the market economy – but open new sources for income generation.

Economic well-being: Work migrant households do not significantly differ in respect to total household consumption, but when adjusting for household composition, they are more likely to be consumption poor[19]. Student migrant households are less likely to be consumption poor, indicating that better-off households can afford to send a member away for education purposes. Migrant worker households have significantly less income at disposal and almost 70% of them were income poor[20] in the preceding year 2003.

Labor market: An inspection of unemployment across households shows that those households sending a work migrant abroad in the year 2004 were more likely to have at least one unemployed household member in 2003 and 2004. This indicates that labor market mismatches are serious push factors for emigration[21].

[19] Consumption poverty line according to basic needs of household members, adjusted for household composition and regional prices (see Brück, Danzer et al. 2007: ibid.).
[20] Benchmarked against an international benchmark poverty line of 4.3 US$ PPP per capita per day (as of the year 2000).
[21] On the low dynamics of the Ukrainian labor market see Hartmut Lehmann et al. (2006): The incidence and cost of job loss in the Ukrainian labor market, in: Journal of Comparative Economics, Vol. 34, p.248-271

Table 7
Profile of migrant households, 2004
Table reports means or shares in total (%)

		Student			Migrant worker		
	total	no	Yes		no	Yes	
Household size	2.9	2.9	3.1		2.9	3.1	*
Share of pension aged	32.1%	32.5%	12.1%	**	32.4%	21.0%	**
Share of children (0-14)	9.3%	9.3%	8.7%		9.3%	11.8%	*
Average years of schooling	11.1	11.1	11.8	**	11.1	10.9	
Total consumption	864.3	862.9	940.5		865.1	832.7	
Household income	652.2	651.3	701.4		654.4	564.5	*
Consumption poverty status	19.5%	19.7%	11.5%	*	19.3%	25.6%	*
Income poverty status 2003	44.9%	44.6%	58.9%	**	44.3%	69.0%	**
Monetary investment	7.9%	7.7%	14.8%	**	7.8%	8.9%	
Financial debt	14.1%	13.9%	27.9%	**	14.3%	8.9%	*
Unemployed in HH	15.0%	14.9%	18.0%		14.8%	20.0%	*
Unemployed in HH 2003	18.6%	18.6%	20.7%		18.4%	27.8%	**
House ownership	87.5%	87.4%	95.1%	**	87.5%	88.9%	
Housing space (m^2 per person)	23.7	23.7	23.2		23.8	22.5	
Overcrowding (persons/room)	1.2	1.2	1.2		1.2	1.4	**
No hot water	71.4%	71.2%	82.0%	**	71.2%	79.8%	**
Car ownership	21.2%	21.0%	31.1%	**	21.1%	23.3%	
PC ownership	7.9%	7.8%	14.8%	**	7.8%	10.0%	
Color TV ownership	79.2%	79.1%	86.9%	*	79.4%	72.2%	**
Washing machine ownership	66.5%	66.3%	78.7%	**	66.6%	63.3%	
Village	34.0%	33.7%	49.2%	**	33.8%	43.3%	**
Town	27.2%	27.1%	31.1%		27.2%	26.7%	
City	38.8%	39.2%	19.7%	**	39.1%	30.0%	**
West	21.3%	21.3%	23.0%		20.5%	48.9%	**
East	23.2%	23.4%	14.8%	*	23.5%	11.1%	**
Center	27.5%	27.3%	37.7%	**	27.5%	27.8%	
South	23.6%	23.6%	23.0%		23.9%	12.2%	**
Kiev	4.4%	4.4%	1.6%		4.5%	0.0%	**

*difference significant at 10%, ** difference significant at 5% (t-test)*

Source: ULMS 2003-4; authors' calculations

Housing: We measure the quality of housing with different variables such as ownership, space per person, an indicator for overcrowding and a variable indicating whether a household has hot water or not. Migrant worker households live in smaller and more crowded but less equipped households. Student migrant households are more likely to be house owners, but have less often access to hot water pipes, a fact that reflects their predominantly rural location (as shown above).

As indicated in the responses from the GfK 2006 survey, housing seems to be a push factor for migration.

Household Assets: Looking at the ownership of household assets we find that migrant worker households are less equipped with color TV sets and washing machines, but are more likely to own a car and computer than average households. The lack of the first two assets indicates social deprivation, while cars and computers are important for migrant's mobility and communication. Student migrant households are better equipped than the average with all four assets, indicating that they are generally better off.

Credit constraint: To measure the credit constraint of households is difficult, as taking credit can be both, a means to prevent deprivation or a means to finance higher level of consumptions or investments for the future. We first use an indicator for monetary investment into bonds, shares or insurance: If a household can afford such investments it will normally not suffer consumption deprivation. We find that student migrant households can afford almost twice as often monetary investments than do households without student migrant, while migrant worker households do not significantly differ from the non-migrants.

A second indicator is, whether a household is indebted. Financial debts certainly put economic burden on the household and might constitute a household's fight against economic hardship, but they also indicate whether a household can afford lending money in the first place, i.e. whether the liquidity of the households seems trustworthy to the creditor. Keeping in mind that this indicator should be used cautiously, we find that student migrant households are significantly more, migrant worker households significantly less creditworthy, i.e. the latter seem to be more credit constrained. These results are robust, when controlling for the access to financial infrastructure (which is lower in rural areas), the poverty status and the household composition.

We estimated the propensity for a Ukrainian household to send a migrant worker abroad (see Table 8). In the model we control for various household characteristics and for geographical location and investigate whether the decision to migrate is a response to poverty, labor market problems or housing conditions in the preceding year.

The model confirms that migration is a significant response to poverty in the preceding year as well as a reaction to troubles in the labor market, as measured by wage arrears and employer induced unpaid leaves from work. We find no statistically significant effect of housing. We find that location of a household in Western Ukraine, i.e. geographic proximity to European Union, significantly increases the likelihood of migration. Furthermore, female headed households and households with children are more likely to send a migrant abroad[22]. These groups use migration as a coping strategy against economic hardship. However, migration causes social harm especially to these groups, as children grow up without their parents. But forcing parents to stay with their children would not solve the economic deprivation of the family.

[22] Households may also become female-headed through the emigration of the male partner.

Table 8
Probit Regression reporting marginal effects

	Work migration decision
Number of household members	-0.003
	(1.31)
Share of persons in pension age (f: 55+ m: 60+)	-0.020
	(2.87)***
Share of children in household (0-14)	0.006
	(0.44)
Female headed household	0.014
	(2.20)**
Highest Education attained in household (adj. yrs. of schooling)	-0.001
	(1.64)*
Income poverty (lagged)	0.011
	(2.39)**
Wage arrears (lagged)	0.014
	(1.94)*
Forced leave (lagged)	0.057
	(1.77)*
Housing overcrowding (lagged)	0.006
	(0.77)
Village – settlement type	0.000
	(0.07)
South	-0.006
	(1.14)
West	0.028
	(4.03)***
East	-0.005
	(0.95)
Observations	3082
Pseudo R-squared	0.10

Robust z statistics in parentheses
** significant at 10%; ** significant at 5%; *** significant at 1%*
Source: ULMS 2003-4; authors' calculations

Our results also show that better educated households are less likely to send work migrants, indicating that often expressed fears of a huge brain drain might be exaggerated. However, a robust evaluation of those effects requires better data.

8 Summary and policy recommendations

Most Ukrainian labor migrants leave the country because of their dire economic situation. Poverty and unemployment are the main reasons for migration. Migrants are mostly low skilled workers from poor rural households, with a larger number of children. Lack of access to financial instruments and bad housing conditions worsen their situation further. In the absence of effective and targeted social assistance and with bleak employment opportunities at home, migration provides the possibility to cope with poverty.

But migration is costly and requires significant investment initially. The economic growth of the recent years enables an increasing number of poor Ukrainian households to invest into migration. At the same time migration costs are declining due to the development of Ukrainian networks abroad and the closer proximity to the European Union in the consequence of its Eastern enlargement. Hence, migration will most likely increase further over the next years. Policies aimed at increasing the monetary and non-monetary (legal) costs of migration, i.e. tightening migration rules as currently proposed, will either increase illegal migration, if barriers are ineffective, or raise poverty, if they are effective.

Most migrants into low skilled work leave Ukraine temporarily, thus become circular and seasonal migrants. They are leaving Ukraine legally and turn into illegal migrants in the receiving country. In order to enable legal circular labor migration the Ukrainian government should conduct bilateral negotiations with receiving countries about official temporary migration programs, especially in agriculture and construction. The few existing programs are mainly based on the initiative of receiving countries and are not sufficient.

In order to provide migrants a perspective inside Ukraine, the government should foster domestic migration by reducing labor market rigidities and mismatches. Social assistance and health care provision should be accessible at the actual place of living. A major obstacle to domestic migration is the lack of affordable housing in booming urban areas.

Rural areas are the main supplier of migrants. Hence the government should foster rural development[23]. The development of financial services in rural areas would provide access to financial instruments, allowing a reduction of liquidity constraints and providing credit for investment.

Overall, Ukraine benefits economically from migration through remittances, increased aggregate demand and reduced unemployment. Migration is not a threat to national security, but rather the opposite.

Authors: Alexander Danzer and Lars Handrich

Lector: Janna Czernomoriez

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[23] Oleh Nivyievsky (2005) Rural non-farm employment in Ukraine. IER Policy paper U13