MIGRATION AS AN ENABLER OF DEVELOPMENT IN UKRAINE

A study on the nexus between development and migration-related financial flows to Ukraine
This volume is the fruit of a collaborative effort by a team of contributing authors and the Editorial Team under the direction of the Editor-in-Chief. The findings, interpretations and conclusions expressed herein do not necessarily reflect the views of IOM or its Member States. The designations employed and the presentation of material throughout the work do not imply the expression of any opinion whatsoever on the part of IOM concerning the legal status of any country, territory, city or area, or of its authorities, or concerning its frontiers or boundaries.

IOM is committed to the principle that humane and orderly migration benefits migrant workers and society. As an intergovernmental organization, IOM acts with its partners in the international community to: assist in meeting the operational challenges of migration; advance understanding of migration issues; encourage social and economic development through migration; and uphold the human dignity and well-being of migrant workers.

This report is produced within the project Research and Policy Dialogue Initiative on Migration and Remittances in Ukraine, implemented by the International Organization for Migration, Mission in Ukraine, and financed by the Government of Canada. The project aims to assist the Government of Ukraine in developing policies to effectively harness the link between migration and development.

© 2016 International Organization for Migration (IOM), Mission in Ukraine

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of IOM.
## CONTENTS

ACRONYMS ................................................................. 4

LIST OF FIGURES ......................................................... 5

ACKNOWLEDGEMENTS .................................................. 8

FOREWORD .................................................................. 9

I. EXECUTIVE SUMMARY ............................................. 10

II. INTRODUCTION ......................................................... 20

III. METHODOLOGY ....................................................... 22

IV. PROFILE OF UKRAINIAN MIGRATION ...................... 29

V. KEY CHARACTERISTICS OF UKRAINIAN INTERNATIONAL LABOUR MIGRATION ................. 39

   SOCIO-ECONOMIC CHARACTERISTICS OF INTERNATIONAL LABOUR MIGRATION .............. 39

   PERMANENT-RETURN MIGRATION .................................. 47

VI. KEY FINANCIAL CHARACTERISTICS ................................ 52

   INCOMES, EXPENDITURES AND SAVINGS ............................ 52

   REMITTANCES ................................................................ 54

   SAVINGS ....................................................................... 74

   INVESTMENTS ................................................................ 76

VII. FINANCIAL OVERVIEW ............................................. 80

   FINANCIAL INTERMEDIATION IN UKRAINE .............................. 82

   MARKET OPPORTUNITIES ................................................ 85

   MARKET GAPS ................................................................ 87

VIII. CONCLUSIONS AND RECOMMENDATIONS ...................... 89

   CONCLUSIONS .............................................................. 89

   RECOMMENDATIONS AND RELATED AREAS OF INTERVENTION ........................................ 96

BIBLIOGRAPHY ............................................................. 107

ANNEXES ................................................................. 109

   ANNEX 1: NON-RESPONSE RATE FOR THE MOST SENSITIVE QUESTIONS ....................... 109

   ANNEX 2: CHARACTERISTICS OF UKRAINIAN-CANADIAN LABOUR MIGRATION .............. 111
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>BiH</td>
<td>Bosnia and Herzegovina</td>
</tr>
<tr>
<td>CIS</td>
<td>Commonwealth of the Independent States</td>
</tr>
<tr>
<td>CIVIS</td>
<td>Centre for Sociological, Political and Psychological Analyses and Investigations</td>
</tr>
<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>ECA</td>
<td>Eastern Europe and Central Asia</td>
</tr>
<tr>
<td>EC Delegation</td>
<td>European Commission Delegation</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GoU</td>
<td>Government of Ukraine</td>
</tr>
<tr>
<td>HH</td>
<td>Household</td>
</tr>
<tr>
<td>IASCI</td>
<td>International Agency for Source Country Information</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IOM</td>
<td>International Organization for Migration</td>
</tr>
<tr>
<td>NBU</td>
<td>National Bank of Ukraine</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>OSCE</td>
<td>Organization for Security and Cooperation in Europe</td>
</tr>
<tr>
<td>RF</td>
<td>Russian Federation</td>
</tr>
<tr>
<td>SEEE</td>
<td>South-Eastern and Eastern Europe</td>
</tr>
<tr>
<td>SMS</td>
<td>State Migration Service of Ukraine</td>
</tr>
<tr>
<td>SSS</td>
<td>State Statistics Service of Ukraine</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UN DESA</td>
<td>United Nations, Department of Economic and Social Affairs</td>
</tr>
<tr>
<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>USSR</td>
<td>The Union of Soviet Socialist Republics</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
</tbody>
</table>
LIST OF FIGURES

<table>
<thead>
<tr>
<th>Nr</th>
<th>Name</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Profile of Ukrainian migration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Figure 1: Estimates of current, returned and potential various categories of migrant workers</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Figure 2: Dynamic of long-term labour migration, as a percentage of the total population</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Figure 3: Purpose of stay abroad</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Figure 4: Breakdown of long-term labour migration by destination country</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Figure 5: Dynamic of ratio of long-term migrant workers by main destinations</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Figure 6: Number of long-term migrant workers as a percentage of the total population from respective region</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Figure 7: Country of destination for education purpose</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Figure 8: Age profile of international migrant workers for family reunification purpose</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Figure 9: Destination countries for potential short-term migrant workers</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Figure 10: Intended place in Ukraine for employment purpose</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Key characteristics of Ukrainian international labour migration: socio-economic characteristics</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Figure 11: Age groups of short and long-term migrant workers</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>Figure 12: Level of employment in destination country</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Figure 13: Estimated proportion of long-term migrant workers employed in professions requiring high qualification, by number of years abroad</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Figure 14: Sector of employment in destination country by gender</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Figure 15: Average personal income of male and female long-term migrant workers by level of employment</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>Figure 16: Regular status in a destination country</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Figure 17: Estimated number of migrant workers with irregular status in top 10 destination countries, as a percentage of total short-term and long-term migrant workers in the respective country</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Figure 18: Main source of income of HH members abroad in the past 12 months</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Figure 19: Percentage of HH members intending to migrate in the next two years: breakdown by employment status in Ukraine and HH with and without long-term migrant workers</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>Figure 20: Do you know of friends or neighbours that are also abroad for one year or longer?</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Figure 21: On average, how often do you normally visit Ukraine?</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Figure 22: How often do you use the following means of communication with HH members abroad?</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>Figure 23: How often do you discuss financial issues related to Ukraine with your HH members abroad?</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>Figure 24: What are your three most trustworthy sources of information about Ukraine?</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Key characteristics of Ukrainian international labour migration: permanent-return migration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Figure 25: Do you plan to return to Ukraine (to live and work there permanently in the future)?</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Figure 26: Which primary condition has to be met before you will consider permanent return to Ukraine?</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>Figure 27: Where do you plan to return?</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>Figure 28: Where do you currently own property?</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Figure 29: Where do you intend to purchase property?</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Figure 30: In which year did your HH member return from long-term labour migration (for permanent stay)?</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>Figure 31: Overall number of permanent returnees (1992-2013), expressed as a percentage of total migrant workers in that country in 2014-2015</td>
<td>51</td>
</tr>
</tbody>
</table>
### Key financial characteristics: incomes, expenditures and savings

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>32</td>
<td>HH net monthly incomes and expenditures abroad</td>
<td>52</td>
</tr>
<tr>
<td>33</td>
<td>Top three savings objectives of HH to be achieved during period of migration</td>
<td>53</td>
</tr>
<tr>
<td>34</td>
<td>Estimate of the total amount of money needed to meet savings objectives</td>
<td>53</td>
</tr>
</tbody>
</table>

### Key financial characteristics: remittances

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>35</td>
<td>Did you or a member of your HH abroad transfer money (incl. hand-carry) to Ukraine over the preceding 12 months?</td>
<td>55</td>
</tr>
<tr>
<td>36</td>
<td>Three most important purposes for transferring money to Ukraine</td>
<td>56</td>
</tr>
<tr>
<td>37</td>
<td>Annual average value of transfers to Ukraine per HH (only remittance senders) in 2014</td>
<td>56</td>
</tr>
<tr>
<td>38</td>
<td>Annual budget structure of HHS with long-term migrant workers (only remittance senders)</td>
<td>57</td>
</tr>
<tr>
<td>39</td>
<td>Purposes for sending remittances to Ukraine</td>
<td>58</td>
</tr>
<tr>
<td>40</td>
<td>Remittance values by purpose in 2014 (only remittance sending HH)</td>
<td>58</td>
</tr>
<tr>
<td>41</td>
<td>Grouping of remittance senders by remittance purpose (R-remittances, C-consumption, S-saving and I-investment) in 2014</td>
<td>59</td>
</tr>
<tr>
<td>42</td>
<td>Number of transfers in the preceding 12 months, including carried/sent in cash (only of remittance senders)</td>
<td>60</td>
</tr>
<tr>
<td>43</td>
<td>What is your preferred means of money transfer to Ukraine? (multiple choice)</td>
<td>61</td>
</tr>
<tr>
<td>44</td>
<td>Channels for receiving remittances (only HHs receiving transfers)</td>
<td>62</td>
</tr>
<tr>
<td>45</td>
<td>Of the amount transferred over the preceding 12 months, what amount was sent by MTO/bank and carried personally/sent in cash?</td>
<td>62</td>
</tr>
<tr>
<td>46</td>
<td>Average number of transfers per year</td>
<td>63</td>
</tr>
<tr>
<td>47</td>
<td>Total value of all money (including hand-carry) received from abroad in the past 12 months (remittance receiving HHs only)</td>
<td>63</td>
</tr>
<tr>
<td>48</td>
<td>Total remittance value to Ukraine in 2014, including formal and informal channels</td>
<td>64</td>
</tr>
<tr>
<td>49</td>
<td>HH average monthly income in the past 12 months, by remittance receiving status and migration status (total income, share of income source, average size of HH and average income per HH member)</td>
<td>65</td>
</tr>
<tr>
<td>50</td>
<td>Overall, is the financial situation of your HH sufficient to cover all your basic needs?</td>
<td>66</td>
</tr>
<tr>
<td>51</td>
<td>How would you rate your HH economically compared to other HHs in your neighbourhood?</td>
<td>66</td>
</tr>
<tr>
<td>52</td>
<td>Allocation of HH income on average in the last 12 months, by remittance receiving status and migration status</td>
<td>67</td>
</tr>
<tr>
<td>53</td>
<td>HHs, which received in-kind remittances, which migrant workers sent/brought back in the past 12 months</td>
<td>68</td>
</tr>
<tr>
<td>54</td>
<td>Types of in-kind remittances</td>
<td>68</td>
</tr>
<tr>
<td>55</td>
<td>Total in-kind remittance value to Ukraine in 2014</td>
<td>69</td>
</tr>
<tr>
<td>56</td>
<td>Overall estimate of financial and in-kind remittance value in 2014</td>
<td>69</td>
</tr>
<tr>
<td>57</td>
<td>Ukraine’s inward FDI stock by source country (2014)</td>
<td>70</td>
</tr>
<tr>
<td>58</td>
<td>Ukraine’s outward FDI stock by country (2014)</td>
<td>71</td>
</tr>
<tr>
<td>59</td>
<td>Migrant workers remittance inflow (2001–2014), according to WB definition, USD million</td>
<td>72</td>
</tr>
<tr>
<td>60</td>
<td>Share of remittances (according to NBU, Def. 1), remittances (according to NBU, Def. 2), net FDI (IMF ef.), net ODA (WB def.) and remittances (according to current study) in the GDP of Ukraine</td>
<td>73</td>
</tr>
</tbody>
</table>

### Key financial characteristics: savings

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>61</td>
<td>Regular savings status in Ukraine</td>
<td>74</td>
</tr>
<tr>
<td>62</td>
<td>Regular savings status abroad</td>
<td>75</td>
</tr>
<tr>
<td>63</td>
<td>Overall estimate value of remittances and savings abroad of HHs with long-term migrant workers</td>
<td>75</td>
</tr>
<tr>
<td>64</td>
<td>Estimation of annual savings in Ukraine</td>
<td>75</td>
</tr>
</tbody>
</table>

### Key financial characteristics: investments

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>Do you plan to initiate or expand an investment in a business enterprise in Ukraine in the future?</td>
<td>76</td>
</tr>
</tbody>
</table>
Figure 66  In which sectors do you plan to invest?  77
Figure 67  Have the skills and experience you have obtained during your migration experience influenced your investment interest?  77
Figure 68  Where shall this investment take place?  78
Figure 69  How interested would your HH be in investing – together with local authorities or private sector – in a public sector infrastructure project or a private sector enterprise in your community in Ukraine, if this investment returned a reasonable profit for you? Options “very interested/interested” shown  78
Figure 70  Does your HH or a member plan to initiate or expand an investment in a business in the future?  79
Figure 71  What activities from the Government of Ukraine could encourage your HH to open a business in Ukraine?  79
Financial overview
Figure 72  Financial overview – cross-country comparison  80
Financial overview: financial intermediation in Ukraine
Figure 73  Banking status in Ukraine  83
Figure 74  If your HH does not have a bank account in Ukraine, why not?  83
Figure 75  Does your HH have a bank account in a destination country/in Ukraine?  84
Figure 76  Where does your HH regularly save money?  84
Figure 77  In [destination country], you keep your HH savings in ...?  84
Figure 78  In Ukraine, you keep your HH savings in ...?  85
Financial overview: market opportunities
Figure 79  How interested would current and future migrant worker members of your HH be in using the following services and products both, in Ukraine and abroad?  85
Figure 80  Which of the following financial products in Ukraine does any HH member have?  86
Figure 81  If no, would your HH consider purchasing these products in Ukraine?  86
Financial overview: market gaps
Figure 82  Do you know any organization, company or ministry providing information or assistance [of any kind] to people planning labour migration or currently abroad?  87
Figure 83  Do you interact with Ukrainian associations/NGOs abroad in any way?  87
Figure 84  How do you interact with Ukrainian associations/NGOs?  88
ACKNOWLEDGEMENTS

Identifying the areas and means by which stakeholders interested in Ukraine can better promote and capture the positive aspects of labour migration as well as the linkages between migration and development are key outputs of this report. Through its comprehensive quantitative and qualitative approaches, important insights are gained on the behaviours of Ukrainian households with short-term and long-term migrant workers. The focus of the report is to emphasize and describe these categories of population as distinct target groups through the analysis of every stage of their migration experience and possible return.

To what extent migration will contribute to development depends on the wealth accumulation goals and related remittance, savings and investment behaviours of migrant workers. It is hoped that the new findings contained in this report about Ukrainian migrant workers will serve as a foundation for evidence-based approaches, including policy development at national and local government levels, as well as in private and civil society sectors. The following pages are oriented towards specialist and non-specialist readers in the above-mentioned areas of activity, and are meant to serve as an inspirational resource and a practical guide for developing evidence-based and relevant migrant worker-specific approaches and interventions.

Appreciation goes to the members of the Project Steering Committee and the International Organization for Migration (IOM), Mission in Ukraine, in particular Manfred Profazi, Chief of Mission, for the close collaboration in adapting the research methodology and tools to Ukraine’s reality. Gratitude is extended to Anastasia Vynnychenko, IOM Senior Project Specialist, in her role as a Project Manager, and for coordinating and monitoring the fieldwork activities, as well as for organizing the focus group discussions in Canada, Italy and the Russian Federation and expert interviews in Ukraine.

Gratitude is extended to the Government of Canada, whose financial support and strong interest in examining the related issues of effective migration management and the migration-development link from new and innovative perspectives made this study possible.

Many people and agencies assisted in the carrying out of this research effort, and appreciation goes to them all. A special appreciation is extended to the 1,890 respondents to the migrant survey, as well as the 20,951 respondents participating in the household survey. In carrying out these surveys, the “European Research Association” expert team, analysts and fieldwork interviewers contributed efforts above and beyond expectations, and often worked under difficult circumstances, for which the authors are grateful.

Gratitude is also extended to:

- Ruslan Sintov, IASCI Senior Technical Expert, Director of CIVIS and co-author of this report;
- Lilian Galer and Volodymyr Sarioglo, independent sampling experts, for their valued consultancies related to the sample design, weighting of data, calculation of probabilities and statistical inferences;
- Viorel Nutu, Senior Researcher at CIVIS, whose dedication to the statistical processing and analyses of huge volumes of data made the drafting of this report possible;
- Natalia Cojocaru, independent researcher, for her invaluable support in drafting the literature review.

As is usual in these instances, the analysts and authors take full responsibility for the methodologies, data, analysis, conclusions and recommendations presented in this document, and nothing in this research necessarily reflects the official views of IOM, Governments of Canada or Ukraine and research partners.

Nicolaas de Zwager
Kyiv, December 2015
FOREWORD

In a world of unprecedented global mobility, labour migrants, diasporas and transnational communities are now playing an increasingly important role in the development of their home countries. These communities have links that span boundaries, and possess knowledge and resources that are invaluable to the countries they originate from. There is a growing recognition that these resources can be better leveraged to facilitate humanitarian, intellectual, economic and cultural development in countries of origin and contribute to their social and economic development.

The development impact of migration is closely related to remittances, savings and investment behaviours of migrant workers. However, the question remains how the human, social and financial capital of migrants can be better used for the development of Ukraine. What can be done at the national, regional and local policy levels to increase the amounts and the positive impact these transfers have on the future development of the country? What actions can be taken by the Ukrainian Government, Parliament, the private sector and migrant communities, to facilitate a productive use of migrant transfers to Ukraine and increase their positive impact on migrant workers, their households and the country’s economy as a whole?

With the Canada-funded project “Research and Policy Dialogue Initiative on Migration and Remittances in Ukraine”, of which this publication is the final outcome, the International Organization for Migration (IOM) aims to increase awareness among policy makers, donors, the private sector and the civil society on the migration and development nexus and how it can be better leveraged in the Ukrainian context.

IOM undertook a comprehensive study of migrant monetary flows to Ukraine with the goal of raising awareness of the enormous impact Ukrainian migrants have on the economy, and building the scientific base for an informed policy dialogue among all stakeholders on the future potential migrant remittances and savings have in this respect. In a consultative approach with the members of the Project Steering Committee, a set of policy recommendations have been developed and relevant areas for intervention have been identified, which we as IOM hope will serve as a starting point and guidance for developing efficient migration management policies, aimed at better harnessing the development impact of labour migration and engaging its capital in Ukraine’s development policies.

Manfred Profazi,
Chief of Mission
IOM Ukraine
I. EXECUTIVE SUMMARY

INTRODUCTION

This report is produced within the Research and Policy Dialogue Initiative on Migration and Remittances in Ukraine project, implemented by the International Organization for Migration (IOM), Mission in Ukraine, and financed by the Government of Canada. The project aims to assist the Government of Ukraine in developing policies to effectively harness the link between migration and development.

The context for this research project is the current lack of a unified and exhaustive data collection system on migration in Ukraine, with statistical data collected by different institutions, including state authorities, intergovernmental and non-governmental organizations. Migration data produced at the country level is often contradictory and varies considerably from one source to another, as well because of inconsistencies in definitions used by analysts in what constitutes a short-term migrant worker, long-term migrant worker, emigrant or circular migrant worker. All above-mentioned factors lead to incompleteness and unreliability of available information on labour migration from Ukraine.

The main objective of the research is, therefore, to provide accurate estimates of the number of international migrant workers (short-term and long-term), returned migrant workers, potential migrant workers, and internal migrant workers, as well as overall volumes of migrant worker remittances, savings and investment. Last, but not least important, the study aims to assess the impact of remittances and savings on the socio-economic development in Ukraine, as well as to provide relevant data to support evidence based policy recommendations in order to promote stability and sustainable socio-economic development in Ukraine, facilitate the development of migration management strategies and mainstream migration into development planning of the Ukrainian Government.

A triangulation procedure (comprising quantitative and qualitative approaches) was applied to support the above-mentioned objectives and provide a broad range of information from primary sources.

Nationally Representative Household Survey (HH Survey): probabilistic large-scale quantitative survey, excluding the Autonomous Republic of Crimea, the city of Sevastopol, Lugansk oblast, Donetsk oblast and the Chernobyl-affected areas of the first and second radioactive contamination levels (therefore, the analysis provided in these pages should not be interpreted to apply to the country as a whole). The research sample included 480 secondary sampling units with an average number of 37 HHs visited (based on probabilistic selection) per sampling unit. In all, 357 localities were included in the sample. Target categories: long-term migrant workers, short-term migrant workers (including seasonal migrant workers), returned migrant workers, potential international migrant workers, internal migrant workers, and potential internal migrant workers. Sample size included: (i) 20,951 HHs at screening stage; (ii) 209 HHs with short-term and 330 with long-term migrant workers; (iii) 299 HHs with no migrant worker, as a control group. Data was collected in two waves: Wave 1: June – August 2014 and Wave 2: February – May 2015.

Socio-Economic Survey of Long-Term Migrant Workers (Migrant Survey): random and quota based by main country of destination, carried out at eight main ports of entry to Ukraine, covering all means of transportation including personal vehicles, trains, buses, and airplanes. The survey targeted specifically long-term migrant workers, covering a sample of 1,890 Ukrainian long-term migrant workers, including 321 long-term migrant workers in Canada as a boost sample. Data was collected during August 29 – October 8, 2014.

Focus Group Discussions (FGD): targeted HHs with short-term migrant workers and long-term migrant workers, as well as HHs without migrant workers. In all, 15 focus group discussions were carried out in August-
September 2015. Six focus group discussions were conducted in Ukraine and nine focus group discussions – in three destination countries: Canada, Italy and the Russian Federation.

**In-Depth Expert Interviews:** eight expert interviews were carried out in the first half of October 2015 with representatives of central public authorities, international organizations and the banking sector.

**Literature Review:** a large pool of migration related materials were reviewed in order to understand policy framework in the area of migration, as well as available statistics.

All methodologies and research tools were adapted to the Ukrainian reality in close consultation with IOM and the Project Steering Committee, composed of technical experts from central government authorities, specialized agencies and international organizations.

## MAIN FINDINGS AND TRENDS

### Profile of Ukrainian Migration

The international labour migration stock at the survey period was assessed at 688,200 individuals (423,800 long-term and 264,400 short-term migrant workers). In addition, about 310,000 individuals expressed intention to migrate in the next 12 months, which represent about 45 per cent of current stock.

Another important finding is related to the high number of people engaged in internal mobility, which is two times higher than the number of external migrant workers (1,643,000 individuals). Total internal migration stock in 2014 makes up 9 per cent of the economically active population in Ukraine (19,035,200 individuals¹), and the annual rate of internal mobility is expected to increase by about 50 per cent in 2015-2016.

The Russian Federation continued to be the main country of destination for Ukrainian migrant workers, especially for short-term migrant workers. Poland, Czech Republic and Italy were the most important directions for long-term migrant workers. Overall, top five countries of destination (the Russian Federation, Poland, Czech Republic, Italy and Belarus) cover about 80 per cent of total of current short-term and long-term migration flows from Ukraine.

When comparing current migration pattern with potential pattern, based on the analysis of this study, the following changes might occur:

- Higher long-term labour migration flows towards USA and Canada, but also increase of short-term labour migration flows towards EU countries and a decrease towards CIS countries
- More women will engage in both long-term and short-term labour migration
- Much higher participation of young people (aged 18-29) in both internal and international labour migration
- Higher external long-term and short-term labour migration flows from urban areas, especially from large towns
- Increases in numbers of residents from North, East and Center willing to engage in long-term labour migration

Finally, permanent return to Ukraine after long-term labour migration is an ongoing and seemingly growing trend. 144,400 international long-term migrant workers or 39 per cent of the total current long-term migrant workers population have returned to Ukraine for permanent stay to date. The top four countries of return are the Russian Federation (33%), Poland (19%), Italy (9%) and Czech Republic (9%). As expected, the older the migrant worker is the more likely he/she is to return.

Key Characteristics of Ukrainian International Labour Migration

Ukrainian long-term labour migration has been characterized by increasing tendency since 2006 and is ongoing. It is expected that 1.6 per cent of total population will be engaged in long-term labour migration by 2016.

When comparing the age profile with other surveyed countries in South-Eastern and Eastern Europe (SEE) using the same methodology, it appears that Ukrainian migrant workers engage in migration at a more mature age (average 34 years old). The majority of both short (64%) and long-term migrant workers (71%) are between 18-44 years. Older people (45 years and more) are more likely to engage in short-term labour migration, while those in the 30-44 age group are more engaged in long-term labour migration.

A defining characteristic of Ukrainian migrant workers is their high level of education and professional experience, with 37 per cent of all migrant workers having completed university-level education, and 41 per cent completed high school or professional/vocational education. When looking at destination countries, the share of highly educated migrant workers in other countries (other than CIS and EU) is twice as high as long-term migrant workers in EU and CIS countries. This finding is consistent with other SEE countries studied.

Of special interest is the extremely low unemployment rate of about 1 per cent among long-term migrant workers. Such low unemployment figures for migrant workers are also consistent with previous surveys carried out in SEE countries.

On average, Ukrainian long-term migrant workers have achieved a high level of regularization of residency and work status, with about 79 per cent working on a contractual basis and only around 14 per cent employed without contract. Of those who regularized their status, the vast majority managed to do so early in the migration cycle. The trend is towards regular migration and earlier regularization of status.

Employment sectors are, in general, similar for short and long-term migrant workers. The main sectors of employment are construction, manufacturing, hospitality industry, domestic care and agriculture. The last three sectors are more popular in EU countries, while trade and transportation are more popular in CIS countries.

Return intentions and actual behaviours are critical determining factors in explaining and forecasting savings, remittances, and investment trends. As a result, they impact the level of development that can be gained from migration. In this context, data shows that only 60 per cent of long-term migrant workers have clear return intention, with the highest return numbers expected from EU countries. Of concern, the number of migrant workers that have decided not to return permanently is almost double among those within the 18-29 years old age group compared to those in the 45-65 years old age group. Moreover, when looking at potential labour migration, almost one out of two potential migrant workers is in the 18 to 29 years old age group.

The vast majority of Ukrainian migrant workers with return intention plan to return to their place of origin. A positive assessment of international factors beyond the control of the migrant worker (i.e. environmental issues), such as employment opportunities and business climate in Ukraine, continue to be important factors influencing the decision to return to Ukraine on a permanent basis. These are often described collectively as the “return conditions”.

One out of ten long-term migrant workers managed to reunify with their family members abroad, while other 11 per cent achieved partial family reunification. As expected, the rate of reunified families is significantly higher in such countries as USA and Canada. It is also two times higher in CIS countries as compared to EU countries.

Diaspora associations have no significant role for the vast majority of long-term migrant workers, irrespective of destination countries. Only one in ten Ukrainian migrant workers have any kind of interaction with diaspora associations abroad and only 41 per cent of these are registered members of such associations.
Key Financial Characteristics

Projected income is an important factor in selecting a country of destination. However, other factors considered by migrant workers constitute the total costs and risks of migration. These include labour market demand, living expenses, costs of travel between the two locations, among others. Other issues influencing migration decisions and HH incomes/savings and investment decisions are: number of income earners abroad, the sector of economy of employment, duration of migration, level of integration and gender.

Personal monthly income of a long-term migrant worker is, on average, four times higher than the average income of people residing in Ukraine.

An estimated average annual net income of a long-term transnational Ukrainian HH abroad is about 24,150 USD, out of which 39 per cent represent HH expenses abroad and the balance of 61 per cent is gross savings (i.e before remittances). This is the highest level of savings among the SEE countries studied to date: Moldova – 58 per cent, Romania – 49 per cent, Kosovo – 42 per cent, Albania – 37 per cent and Bosnia-Herzegovina – 30 per cent.

Remittance values and HH incomes abroad are not correlated. This confirms the hypothesis that Ukrainian migrant workers (as in all other SEE countries studied) go abroad primarily for wealth accumulation purposes.


The majority of Ukrainian HHs with migrant workers receive remittances on a regular basis. An important share of HHs without migrant workers also benefit of remittances, most likely from distant relatives (diaspora members) or friends.

Remittances have a significant positive impact on the overall HH budget of HHs with remitting migrant worker family members, representing the main income source for the average HH budget. Remittances contribute almost 50 per cent to the budget of remittance receiving HHs with long-term migrant workers and 60 per cent to the budget of remittance receiving HHs with short-term migrant workers. Even in case of remittance receiving HHs without migrant workers, the impact of remittances is still significant (21% of the overall budget), having the same weight as incomes gained from salaries in private sector (20%) and pensions (20%). These funds are mainly used to cope with basic daily needs (food, clothing, etc.) of the family, and then for improving the living conditions (buying furniture and home appliances etc.), as well as to expand or buy/build a new house.

Saving and investing represent a large share of remittance values to Ukraine, but largest part of investment is oriented towards real-estate purchases.

The tops three reasons for money transfer are family support, support of parents and accumulation of savings.

Available official migrant worker remittance estimates are unreliable, insofar as they do not accurately estimate the value of transfers made through unofficial channels, as well as the value of in-kind remittances. This study addressed that gap.

The total estimated annual value of monetary remittances in 2014, based on the survey results, was about 2.8 billion USD sent through formal and informal channels, with the largest amount coming from long-term migrant workers. In addition, about 0.1 billion USD was received as in-kind remittances. The contribution of long-term migrant workers to this financial inflow to Ukraine was at the level of 61 per cent, short-term migrant workers brought about 25 per cent and the other 14 per cent of remittances was received by HHs without migrant workers.

Ukrainian migrant workers show a clear preference for informal channels when sending remittances to Ukraine. A full 98 per cent of HHs with long-term migrant workers used informal channels at least once in 2014, as well as 75 per cent of those with short-term migrant workers. Contrary to official estimation,
the survey indicates a much higher volume of remittances sent through informal channels – 53 per cent of total value.

There were more than 790,000 in-kind remittance transfers in 2014 (couriered and hand-carried), with an average of about 2,200 of transfers per day and 130 USD value per transfer on average.

Between 2013 and 2014, personal remittances became a larger percentage of GDP than FDI and ODA combined. This reinforces the importance of remittances as a stabilizing economic factor. However, based on survey results, and contrary to the literature and expectation that remittances act as a countercyclical financing source by increasing during the recent difficult social and economic period experienced by Ukraine, they have remained relatively stable (in hard currency terms).

A transnational long-term migrant HH manage to save 44 per cent of its overall income (i.e. propensity to save, not including social security, pensions and other mandatory deductions), after expenses and remittances. The purchase of house/durable goods and education of children are among the most important savings objectives. Another important objective, emergencies and risks management, undoubtedly reflects the ongoing insecurity in Ukraine, and the economic deterioration associated with that.

The overall value of annual net savings kept abroad by long-term migrant households is 240% higher than the overall remittances value sent to Ukraine. This is in line with the factors of savings to remittance values found in SEE countries (i.e. from about 180% to 400%)

Total estimated annual value of HH savings in Ukraine is about 6 billion USD. This can be compared to the 4 billion USD – total value of savings generated and kept abroad by transnational long-term migrant households. These HHs represent only 3 per cent of total number of HHs in Ukraine.

Financial Management

Migration influences savings and banking patterns of Ukrainian remittance receiving HHs – the incidence of savers and bank account holders is at least two times higher among HHs with migrant workers as compared to HHs without migrant workers.

Ukrainian HHs have clear savings objectives oriented towards long-term investment, but mainly passive investment (saving accounts, real-estate etc.).

3 out of 4 HHs with long-term migrant workers reported regular savings, with an average targeted amount of about 200,000 USD.

Reflecting the transnational character of many HHs with long-term migrant workers, banking relationships are maintained in both – country of origin and destination. But, the value of net savings is held approximately 80 per cent in destination countries and 20 per cent in Ukraine.

In general, migrant workers and their HHs continue to maintain a careful and conservative position as regard their savings. Concerns about trust, risk and cost issues remain. The high level of cash kept at home both abroad, but especially in Ukraine, reflects this.

Market opportunities are much broader than the traditional financial intermediation and remittance transfer mechanisms considered to date by most analysts and practitioners in public and private sectors. There is very high demand for a wide range of services considered relevant to the whole of migration cost perspective and at actual stage of the migration cycle experience (from pre-departure to return and reintegration).

There is a high demand for a wide range of financial services in Ukraine, especially for insurance products, private pensions and banking products. But, notwithstanding the evident demands and opportunities, significant market gaps between service providers and migrant workers’ demand for financial intermediation continue to exist. This is due to:
(i) Service providers/actors from public, private sector and civil society have been negatively influenced by commonly held views and media reports of the negative social and personal aspects related international migration (brain drain, children and elderly left behind, depopulation of rural areas, smuggling, trafficking in all its aspects and other vulnerabilities) rather than the actual experience of the vast majority of HHs with migrant workers, as described in detail in the following sections.

(ii) Over the preceding 15 years undue attention has been placed by the private sector and in particular the financial intermediation industry on the issue of remittances and financial literacy rather than looking at the migrant worker and his/her overall wealth accumulation objectives, or from the related whole of migration cost perspective.

Reflecting this lack of engagement and negative personal experiences during the ‘transition period’ since 1991, Ukrainian migrant workers show a very low level of trust in potential service providers from both government and private sectors, in particular those from Ukraine.

Data shows high interest in investment in local infrastructure projects (22%), especially on behalf of long-term migrant workers in EU countries.

Almost every fifth long-term migrant worker expressed an investment intention with higher preference towards investment in their local communities in Ukraine.

Investments in small and medium enterprise (SME) in construction, trade, tourism and manufacturing are the most popular. It is interesting to note that the most attractive sectors for migrant workers are reflecting the interest of FDI investors in general, mainly manufacturing, trade and construction.

**Gender Aspects**

Male long-term migrant workers predominate in the age group 30-44 years (50% male / 36% female), while women are more likely to be in the 45-65 years category (47% female / 28% male). In the younger age group of 18-29 years, the number of men/women is closer to being balanced (17% / 22%).

There are clear divisions of labour between men and women. Men are employed mainly in construction, manufacturing and transportation, while women are employed mainly in domestic care and hospitality industry. Younger women are more likely to be working in hospitality, while older women are more occupied providing domestic care. Construction is the sector of preference for many young Ukrainian male migrant workers.

The average disparity of personal income level between men and women is 5 per cent in favour of male long-term migrant workers. This disparity is much lower than that found in other SEEE countries studied. When examining the two primary destinations, it can be seen that men earn on average 22 per cent more in CIS countries (USD 1,456 versus USD 1,198 for female migrant workers), while in EU countries, there is a general parity between personal incomes of men and women.

Comparing employment within the same sector, the sectors with the largest discrepancies in personal incomes between men and women are health (53%), hospitality (53%) and agriculture (28%) in favour of men. This is despite the fact that the proportion of higher educated female migrant workers is significantly higher (53%) than among men with the same educational level (37%).

Women are as likely as men to send remittances in terms of incidence and frequency. But, female migrant workers send, on average, 20 per cent less remittances (5,708 USD) as compared to men (7,200 USD).

Female migrant workers are more likely to prefer formal channels for remittances, but in practice, the remittance sending behaviour is almost similar between men and women.

Female migrant workers are more likely to send money to support parents and relatives, while male migrant workers – for savings, purchase of property and investment in a business.
Women are more likely to send in-kind remittances (51%), as compared to men (40%). In particular, women more often send house cleaning supplies and clothing/shoes.

Women are as likely as men to save money (97% versus 96%), but keep higher volume of money abroad (87%), as compared to men (73%).

Women are as ambitious as men in terms of amount of savings targeted (201,000 / 194,000) and amount of money saved already (27,000 / 25,000).

**CONCLUSIONS**

This report examines labour migration-related phenomena that are largely unknown to the Ukrainian government, analysts and commercial financial intermediaries.

The people and economy of Ukraine will continue to be characterized by international and internal labour migration as well as migration-related financial flows for the foreseeable future.

To some extent, evidence from the research complements the existing literature to the point that recipients in Ukraine use current remittances to increase household consumption and investment in real estate, rather than to invest in a business or productive assets.

The key migration-related objectives of most Ukrainian short and long-term migrant workers are:

- to support their households, as well as
- to accumulate financial capital during the period of migration – often combined with other important skills and contacts – and then
- return ‘home’

A significant pool of Ukrainian migrant workers’ savings is accumulated in cash, investments and banking systems in countries of destination. Given appropriate incentives and conditions, Ukrainian migrant workers may choose to transfer this accumulated capital to Ukraine.

This accumulated capital – combined with the social and human capital – has a promise of a greater impact and representing a substantial development enabler – assuming that suitable local savings, investment and return and reintegration conditions exist.

At the personal micro-economic level, the primary condition facilitating successful labour migration and return and reintegration is to support migrant workers to achieve their migration goals and ensure suitable return conditions.

From the savings, intermediation and development perspective, HHs with long-term migrant workers abroad are the most interesting target group. Given their small numbers, relative homogeneity, and communication behaviours marketing approaches can be developed in a cost effective manner.

Policy development and interventions in this area should be consistent with the personal choices of migrant workers and their families, and with overall policy priorities in two related areas:

- a) fostering sustainable development in Ukraine, by moving beyond remittance dependent and consumption-led economic models towards an investment led model; and
- b) supporting efficient labour migration and ensuring protection of migrant workers’ rights, increasing financial literacy levels and fostering environments for sustainable return and reintegration.

Clear visions of the role of migration in the development process, and a sense of what can be achieved, as well as what is beyond the realm of the government, are yet to be developed in Ukraine.
RECOMMENDATIONS AND AREAS OF INTERVENTION

Presented below is a summary of policy recommendations and areas of intervention. For a detailed analysis and examples, please refer to the respective section of the report.

General Guidelines

Under the related objectives of maximizing the developmental impact of migration and providing the means for migrant workers and their beneficiaries to transfer their remittances and savings from countries of destination to Ukraine, and from informal to formal channels, proposed areas of intervention can be grouped under the following guidelines:

- Support capacity for well-managed circular migration through coordinated action at international, national and sub-national levels, as well as promote coordinated civil society and public-private sector collaboration
- Mainstream migration and development in both public and private sectors, through evidence-based means, continuous public consultations and clear migrant-oriented approaches
- Systematically adapt and transfer international experiences, test new financial and service instruments and mechanisms, best practices and develop joint actions
- Ensure more research on migrant wealth accumulation goals and migration-related financial flows to Ukraine
- Focus on understanding circularity of labour migration, the attraction of migrant transfers within that context, and the challenges, as well as potential opportunities, provided by the evolving return process
- Support the broadening and deepening of the Ukrainian financial intermediation market in relation to migrants and their objectives
- Initiate critical revision of relevant policy and regulatory frameworks, and develop targeted awareness amongst key decision makers in both private and public sectors.

Summary of Recommendations

National government level:

- Create an efficient and flexible political and operational level inter-ministerial coordination and capacity-building process by means of identified focal points in line ministries and key agencies
- Establish a Migration/Diaspora focal office under the auspices of the Prime Minister that is supported to:
  a. act as Secretariat to the above-mentioned inter-ministerial process, b. provide coordination and clearing house for migration-related initiatives, and c. develop into a recognised centre of experience and excellence, capable of interacting efficiently with a broad range of domestic and international stakeholders
- Support the above with a series of broad and inclusive, but parallel and sector-based coordination and consultation fora
- Develop and approve a “National Plan of Action on Migration and Development” setting out a medium-term roadmap, showing how Ukraine will mainstream migration into development planning
- Utilise the above-mentioned coordination mechanism to provide the necessary oversight and coordinate the implementation of the Action Plan
- Reinforce efforts in creating a stable, transparent, predictable and well-governed economic and political “return environment” by: a) reviewing and adjusting banking regulations to determine if they hinder easy money transfers and savings/investment options for migrants/diaspora members; b) reviewing and improving SME regulations; c) considering the design of selective tax incentives/benefits and loan subsidies for investments into business and development type projects attracting both migrants and their transfers back to Ukraine
• Adopt best practices and carry out further targeted research on specific migrant groups in order to analyse their migration, savings, investment, and return patterns
• The National Bank of Ukraine and responsible line ministries should encourage further research by qualified institutes and specialised agencies
• The National Bank of Ukraine should be supported in updating data sources that are not available on a regular basis (special surveys)
• More systematically engage specialized expertise within relevant international organizations
• IMF and World Bank are recommended to work with the Ukrainian government to review and improve the quality of data and methodologies used to estimate remittances
• Apply this survey methodology in a longitudinal manner (e.g. every three years), aiming to measure long-term labour migration related trends
• Establish fora, dialogue and partnership channels between key countries of destination and Ukraine in mainstreaming migration into: national development strategies in Ukraine, in coordination with official development assistance strategies of countries of destination
• Engage in discussion with governments in countries of destination to expand their policies by including the concept of migrants’ savings/transfers for development
• Include local authorities and diaspora/migrants associations in the planning of such projects and activities to better understand and integrate their needs and concerns
• Government should engage with qualified partners to examine the viability of designing and market-testing more attractive savings/investment products for migrants/diaspora, including: private sector pensions and insurances; development savings accounts; guarantee funds, and; municipal, project-related and general diaspora funds
• Government should consider to systematically adapt and transfer international experiences and best practices, as well as develop and test new financial and service instruments and mechanisms, and develop joint actions
• Government should engage partners to carry out a feasibility study for the establishment of a financial intermediation mechanism for attracting substantial migrant/diaspora savings and directing them towards productive investments in both private and public spheres (e.g. PARE 1+1).
• Develop international outreach and two-way communication programmes to provide migrants with comprehensive support and financial literacy training on the above types of migrant-relevant savings opportunities and investment products as they become available

Private sector level:
• Intermediaries (including banks, insurance and pension companies, micro-credit institutions) should raise awareness of potential clients among transnational migrant HHs at local levels to improve the amount of savings and migrant transfers
• Commercial banks should increase their efforts in identifying interesting market segments and their specificities
• Propriety market research should be carried out regularly in order to better understand their potential customer base among the migrant and transnational HH populations
• Opportunities offered by maintaining accounts with the same bank or corresponding banks in different countries should be further explored within the migrants savings segment. An example of such cross-border initiatives might be the building and transferring of credit histories (with the prior approval of the client concerned)
• Active promotion and developing dialogues and cooperation between migrants/diaspora organizations, banks and governments should be fostered.
Local authorities and migrant/diaspora associations can and should play an increasingly important role in developing labour migration and development (M&D) capacities:

- Collaborate actively within the coordination and collaboration structures recommended above in order to ensure appropriate mutual support and unified outreach
- Engage in related capacity building (training and workshops in relation to migrant transfer/saving/investment)
- Act in coordination with the central government and financial intermediation sector to re-build trust in the financial system, as well as related institutions
- Encourage the formation of Hometown Associations (HTAs), build their capacities in regard to awareness raising and cooperation on issues such as developing small scale social projects, savings and investment mobilization, and remittances
- Develop and support local level ‘business clubs’ or migrant resource centres that are able to provide meaningful and trusted expert advice to potential returnees and migrant entrepreneurs, as well as attracting migrant/diaspora investment at local level.

International organizations, donors and qualified partners:

- Assist the Government of Ukraine and the primary countries of destination to mainstream labour migration and M&D principles into their national development strategies, both at central and local levels
- Facilitate capacity building measures that support local authorities, migrants and diaspora members to be more prominent in developing M&D strategies, interventions and projects
- Work with the governments and financial sector to develop incentives and regulatory frameworks that support the necessary conditions (for example, offering bank accounts, give guarantees for hard-currency savings deposited in Ukraine, etc.) for encouraging the transfer of savings/migrant transfers to Ukraine
- Organize operational programmes with governments, recruitment agencies, as well as with migrant associations, who should be given a voice in bilateral labour agreements, as well as in the whole process of migration
- Provide expert and coordinated advice to the above-mentioned policy debates, particularly with regard to financial intermediation and opportunities for developing SMEs as well as the broader economy
- Research and share international best practices in mainstreaming migration in development planning
- Support establishment of working groups at the operational Focal Point (at national and local) levels to discuss and develop ideas for future follow-up researches and projects on better facilitating labour migration and M&D initiatives in Ukraine
- Support activities related to the enhancement of networks for information and best practice exchange.
II. INTRODUCTION

This report presents selected data generated from migrant worker and household surveys carried out within the Project Research and Policy Dialogue Initiative on Migration and Remittances in Ukraine, implemented by the International Organization for Migration (IOM), Mission in Ukraine, and financed by the Government of Canada. Focus groups, key informant interviews and review of secondary literature/data triangulated this primary data. Where relevant, it provides a comparative analysis with the results of similar surveys conducted in other South-Eastern and Eastern European (SEE) countries since 2006, in particular 2012-2013 data from the Republic of Moldova. This comprehensive and multistage approach was carried out by adapting concepts and methodologies developed by the International Agency for Source Country Information Migration (IASIC), in collaboration with the Center for Sociological, Political and Psychological Analysis and Investigations (CIVIS), to Ukraine’s context in close coordination with IOM and the Project Steering Committee.

The objective of the project Research and Policy Dialogue Initiative on Migration and Remittances in Ukraine is to assist the Government of Ukraine in developing policies to effectively harness the link between migration and development. To achieve this, it is necessary to increase awareness among key stakeholders on the nature, use and impact of remittances entering Ukraine, to describe migrant workers’ and their households’ overall financial behaviour, including savings and consumption, as well as to assess the overall impact of migration on the country’s socio-economic development.

The research program took place within a consultative process in a form of an inter-ministerial working group (Project Steering Committee), with the purpose of developing policy recommendations aimed at mainstreaming migration into development planning.

Financial flows from migrant workers to their home communities are at the core of the relationship between migration and development. Most research, policy development, and financial industry attention to date have focused on migrant worker remittances. The approach of this research project takes a broader and deeper perspective. The initiative is based on the premise that financial, human and social wealth accumulated by migrant workers abroad are interlinked, and that this accumulated wealth has real potential to substantially impact the economic and social development of Ukraine.

The focus is provided by the recognition that migrant workers and their households represent a potentially significant and distinct target audience, one that should be of particular interest to the Government of Ukraine, as well as to private and civil society stakeholders and international donors.

The analysis is organized into five main sections, leading to recommendations for coordinated action on the part of the Ukrainian Government, as well as stakeholders in the private and civil society sectors.

The first section outlines the methodology and different procedures used in migrant worker and household surveys, as well as procedures used for qualitative approaches. The Ukrainian quantitative findings are compared, where relevant, with data obtained from similar researches in other countries in SEE, as mentioned above.

The second section includes a general overview of the migration situation and scale in Ukraine, presents the concept of multifaceted migration and provides a general description of each category of migrant workers, as well as some forecast of potential internal and international migratory flows.

The third section introduces the analytical framework and provides supporting data related to socio-economic characteristics of Ukrainian migrant workers and their households, their communication behaviours, and
their return intentions. This section also introduces the concept of circular migration and relevant data in the Ukrainian context.

In the fourth section, the report provides an insight into the key financial characteristics of long and short-term migrant workers from Ukraine. This includes a cross-sectional examination of incomes, expenditure, savings, investments and remittance trends. Recognizing that migrant workers are not a homogeneous group, this section introduces separate profiles of primary migrant worker groups in order to examine variations in their remittance and saving behaviours.

The analytical part of the report closes with a financial overview intended to allow cross-tabulation of Ukrainian data with key financial data sets of other country studies, as well as an overview of the status of financial intermediation in Ukraine, market opportunities and gaps.

The report is based almost exclusively on the quantitative and qualitative data collected from primary sources – households in Ukraine and migrant workers working abroad. In this context, and to ease reading, only data and information gained from secondary sources is cited.

To view all raw and disaggregated data of both, the migrant and household surveys, as well as focus groups top-line reports and literature review, please contact IOM Ukraine.
III. METHODOLOGY

This analysis includes a review of household and migrant surveys carried out in 2014-2015 in Ukraine. The same methodology was previously used by Nicolaas de Zwager, Director of IASCI, in different countries within the South-Eastern and Eastern Europe (SEESE) region, including Albania (2005, 2009, 2010), Bosnia and Herzegovina (2009, 2010), Kosovo (2009), Moldova (2009/2010, 2012/2013), and Romania (2010). In order to allow for cross-country analysis, similar questionnaires were used.

The following triangulation procedures were applied in order to provide a broad range of information, as well as the ability to validate the results of the other procedures used:

- nationally representative household survey
- survey with long-term migrant workers at the main border crossing points in Ukraine
- focus group discussions both, in Ukraine and three destination countries (Russian Federation, Italy and Canada)
- in-depth expert interviews in Ukraine
- literature review
- coordination and peer-review

Target Categories and Definitions

**Long-term international migrant worker**: a person who moves to a country other than that of his or her usual residence for a period of at least twelve months with employment purpose (9 months and more for those working in the Russian Federation), so that the country of destination effectively becomes his or her new country of usual residence.

**Short-term international migrant worker (including seasonal migrant worker)**: a person who moves to a country other than that of his or her usual residence for the period between three to twelve months per year with employment purpose.

**Returned migrant worker**: a person who moved for employment purposes to a country other than that of his or her usual residence during last ten years, but has returned to and is residing in Ukraine permanently – and who has no further migration intentions at the time of interview. *Those migrant workers that are visiting family members / or doing some business (days to weeks) are not considered a returned migrant worker.*

**Potential international migrant worker**: a person who permanently resides at the time of interview in his or her usual residence, but has intention to move to a country other than that of his or her usual residence in the next twelve months.

**Internal migrant worker**: (i) a person who resides at the time of interview in his or her usual residence, but works in another location in the same country; (ii) a person who moved from his or her usual residence to another location in the same country for employment purpose.

**Potential internal migrant worker**: a person who resides at the time of interview in his or her usual residence in the country of origin, but has intention to move or to take up employment in another place in the same country in the next twelve months.

---

General Principles

Reference period for data collected: August 2013-April 2015.

Targeted interviewee: The respondents interviewed were aged 18+ for both household and migrant surveys. Only the head of HH or acting head of HH was interviewed for the HH survey.

Age groups of respondents: Some questions are related to all age groups (for example, HH composition); some other questions (like labour migration) refer to people aged 18+.

Connections of HH survey with migrant survey: The sample for the migrant survey was based on data from the nationally representative HH survey. Specifically, data from the HH survey was used to determine the quota of long-term migrant workers by country of destination to be interviewed during the migrant survey at border crossing points in Ukraine.

Comparative analysis among main destination countries: The report includes cross-tabulated analysis among three categories by main destination regions:

- CIS countries – mainly Russian Federation and Belarus;
- EU countries – 28 member countries;
- Other countries – other destination countries, besides CIS and EU countries, especially USA, Canada, Turkey, Israel, United Arab Emirates.

In some instances, Canada based migrant workers are analysed separately.

Nationally Representative Household Survey (HH Survey)

The main advantages of the conducted HH survey, compared with other previous studies carried out in the area of migration, are:

- use of a probabilistic sampling scheme
- use of a large scale sampling size
- measurement and categorization of uninhabited HHs, of which all inhabitants are deceased, versus HHs where all members are abroad or moved to another place within Ukraine
- expanding sources of information about surveyed HHs to neighbours, relatives, local authorities, community leaders, teachers etc. in those cases where HH is abandoned or no HH inhabitant can be contacted

Survey goals:

- estimate the overall volume of migrant worker remittances and savings and their impact on socio-economic development of Ukraine
- provide relevant data to support evidence based recommendations in order to promote stability and sustainable socio-economic development in Ukraine and to facilitate the development of migration management strategies
- provide an accurate estimate of the number of international migrant workers (short-term and long-term), returned migrant workers and potential migrant workers, as well as internal migrant workers

Methodological Background

Method: probabilistic large-scale nationally representative quantitative survey, excluding the Autonomous Republic of Crimea, the city of Sevastopol, Lugansk oblast, Donetsk oblast and the Chernobyl-affected areas of the first and second radioactive contamination levels.

Target groups:

1. Ukrainian HHs in general, during first stage screening
2. HHs with at least one family member engaged in short-term or long-term international labour migration
3. Control group: HHs without migrant workers
Sample size:
1. 20,951 HHs at the screening stage
2. In-depth interviews with 209 HHs with short-term and 330 with long-term migrant workers (excluding HHs with all family members working abroad)
3. In-depth interviews with 299 HHs without migrant workers, as a control group

Survey technique: face-to-face interview at household level

Survey tools:
- Screening questionnaire at the first stage – target group one – to identify migration profile at household level (primary source of migrant workers origin);
- Structured questionnaires with open-ended questions for target groups two and three.

Working languages were Ukrainian and Russian.

Sample design: stratified, multistage, probabilistic – settlements and HHs were selected based on a probabilistic scheme, each HH having an initial known non-zero probability to be included in the sample. Research sample included 480 secondary sampling units with an average number of 37 HHs visited (based on probabilistic selection) per sampling unit. In all, 357 localities were included in the sample.

Reference population: totality of population and HHs in the surveyed country. The Autonomous Republic of Crimea, the city of Sevastopol, Lugansk oblast, Donetsk oblast and the Chernobyl-affected areas of the first and second radioactive contamination levels were excluded from the territorial sample.

Sampling frame: the list of all localities at the first sampling stage, the list of all secondary sampling units (SSUs) in every locality selected at the first stage for the second stage, the list of all HHs within each SSU obtained in the listing.

Multistage sampling procedures were implemented in designing the stratified sample. For large cities and rural communities, a two-stage sampling procedure was applied. In large cities (which are self-representative primary sample units, PSUs), secondary sampling units (SSUs) were selected at the first stage from among those that had been selected for the 2009-2013 State Household Sample Surveys (SHSS)\(^3\). In rural areas, village councils (which are PSUs) were selected from among those that had been selected for the 2009-2013 SHSS. Both the SSUs in large cities and village councils were selected with the probability proportional to their size. At the second stage, the established number of HHs was selected from the complete HH lists updated as of August-September 2012 for each cluster (SSU and PSU, respectively). For this purpose, the procedure of systematic sampling was used.

For small cities, a three-stage sampling procedure was applied. At the first stage, a subsample of urban settlements (which are PSUs) was generated out of those that had been selected for the 2009-2013 SHSS. At the second stage, for each selected settlement (PSU) a subsample of SSUs was generated out of those that had been selected for the 2009-2013 SHSS. Both, the PSUs and SSUs were selected with probabilities proportional to their size. At the third stage, HHs were sampled from each established SSU. This procedure was similar to that implemented for large cities.


The initial fieldwork started in June 2014 and stopped in August 2014 due to the effects of the evolving geostrategic disturbances in the southern and eastern parts of the country. The field reports from the survey organization indicated continuous lack of necessary trust and openness at the respondent level to faithfully answer both screening and in-depth survey questionnaires. This led to a low level in the response rates and

---

\(^3\) The current household sample was designed based on the sample frame of 2009-2013 State Household Sample Surveys.
potentially misleading data, when considering data from other sources on migration and remittances, including previous applications the HH survey methodology in other countries of the SEE region.

Overall, about 20 per cent of the planned number of screening forms and in-depth HH interviews were completed during this first wave of the fieldworks. The data accumulated to date were not considered to be statistically significant for relevant analysis and the projection from survey organization was that continuation would not improve that situation.

Therefore, and in order to safeguard the objectives of the research, as well as financial resources of the donors, it was decided to postpone the HH survey component of the research until early spring of 2015.

Following completion of Wave 2 of the fieldwork the data from the both waves were combined, resulting in the overall sample size of 20,951 valid screening forms and 539 in-depth interviews with HH with international migrant workers, ensuring confident and statistically significant level of relevance for further in-depth analysis.

**Extrapolation and calibration principle:** data was calibrated, weighted and extrapolated based on the official data about household numbers and structure from last available Census (2001) and current evidence of population as of January 2015. Data presented for the HH survey was extrapolated to the entirety of Ukrainian HHs and/or population, excluding the Autonomous Republic of Crimea, the city of Sevastopol, Lugansk oblast, Donetsk oblast and the Chernobyl-affected areas of the first and second radioactive contamination levels. Therefore, the analysis provided in these pages should not be interpreted to apply to the country as a whole.

In the analysis of incomes, expenditures, remittances and savings values, the top and bottom three values were excluded from the sample, in order to eliminate extreme outliers.

**Data limitations:**

- No direct effort was made to capture the migrant worker population outside the target groups, i.e. diaspora members and emigrant workers that have effectively not maintained their contacts with Ukraine. It seems that HHs interviewed in Ukraine do not consider those individuals who emigrated especially to countries such as Canada, USA, Australia etc. (reflected in the report under category “Other countries”) as part of their HHs. The concept of the study is rather focused on the concept of “transnational households” and HHs with long-term migrant workers and not emigrant workers or diaspora members. Consequently, the incidence rate of HHs with migrant workers in category “other countries of migration” than CIS and EU is very low and the data collected for this category should be treated with caution. For this reason, no extrapolation to the general population is applied for this category.

- As noted above, a significant area of population (about 9 million or about 20 per cent of the overall population in Ukraine) was excluded from the sample and further analysis due to the on-going geo-strategic disturbances in the southern and eastern parts of the country. This limitation may slightly impact on the overall migration profile at the whole country level (in terms of total migration stock, financial flow and countries of destination) due to the fact – according to available literature – that the excluded regions have lower incidences of international migrant workers; and, for those who migrate, a higher propensity to migrate to the Russian Federation.

- The geo-strategic disturbances, followed by several rounds of mass mobilization, played a role in the final response rate. Compared with other South-Eastern and Eastern Europe (SEE) countries surveyed, using similar methodologies, the response rate in Ukraine was significantly lower at the screening stage (73 per cent). In Moldova, for example, the response rate in 2013 survey was closer to 90 per cent.

- The above-mentioned factors, combined with economic recession and regulatory measures probably led to lower levels of openness and trust among the respondents, as reported by the surveying organization in their field reports. This may have resulted in some respondents not reporting the real migration status of their HHs, which, in turn, may have led to a certain underestimation of the actual number of international migrant workers.
Non-participation rates (including non-contacts and refusals to participate in the survey):

- Ukrainian HHs in general, during first stage screening – 27.1 per cent
- HHs with at least one family member engaged in short-term or long-term labour migration – 38.3 per cent
- Control group: HHs without migrant workers – 66.4 per cent
- The average non-response rate for the most sensitive questions is 13.9 per cent.

The in-depth questionnaire for HHs with short-term migrant workers, long-term migrant workers, and control group was composed of 85 questions. The table in Annex 1 provides data on refusal rates for the 14 most sensitive questions related to financial situation of the HH.

### Quality scale of the key indicators on labour migration, according to standards of Statistics Canada

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Coefficient of variation</th>
<th>Quality of estimation *</th>
<th>Quality of estimation **</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term labour migration</td>
<td>8.0 per cent</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Employment purpose</td>
<td>8.2 per cent</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Short-term labour migration</td>
<td>9.7 per cent</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Internal labour mobility</td>
<td>8.9 per cent</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Return labour migration</td>
<td>12.9 per cent</td>
<td>A</td>
<td>C</td>
</tr>
<tr>
<td>Potential labour migration</td>
<td>10.5 per cent</td>
<td>A</td>
<td>C</td>
</tr>
<tr>
<td>long-term labour migration</td>
<td>16.4 per cent</td>
<td>A</td>
<td>D</td>
</tr>
<tr>
<td>short-term labour migration</td>
<td>13.7 per cent</td>
<td>A</td>
<td>C</td>
</tr>
<tr>
<td>internal labour mobility</td>
<td>13.3 per cent</td>
<td>A</td>
<td>C</td>
</tr>
</tbody>
</table>

* Current quality scale in use

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Type of estimate</th>
<th>Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Acceptable</td>
<td>Estimates have low coefficients of variation in the range of 0.0 per cent to 16.5 per cent. Can be considered for general unrestricted release. Requires no special notation.</td>
</tr>
<tr>
<td>E</td>
<td>Marginal. Use with caution</td>
<td>Estimates have high coefficients of variation in the range of 16.6 per cent to 33.3 per cent. Estimates can be considered for general unrestricted release, but should be accompanied by a warning cautioning subsequent users of the high sampling variability associated with the estimates.</td>
</tr>
<tr>
<td>F</td>
<td>Unacceptable. Too unreliable to be published</td>
<td>Estimates have very high coefficients of variation in excess of 33.3 per cent. Statistics Canada recommends not to release estimates of unacceptable quality.</td>
</tr>
</tbody>
</table>

** Former quality scale standards of Statistics Canada to 2014

<table>
<thead>
<tr>
<th>Variation coefficient in per cent</th>
<th>Meaning of quality scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>A &lt;= 5</td>
<td>Excellent</td>
</tr>
<tr>
<td>B &lt;= 10</td>
<td>Very good</td>
</tr>
<tr>
<td>C &lt;= 15</td>
<td>Good</td>
</tr>
<tr>
<td>D &lt;= 20</td>
<td>Acceptable</td>
</tr>
<tr>
<td>E &lt;= 35</td>
<td>Can be used with precaution</td>
</tr>
<tr>
<td>F &gt; 35</td>
<td>Too poor to be published</td>
</tr>
</tbody>
</table>
Socio-Economic Survey of Long-Term International Migrant Workers (Migrant survey)

During August 29 – October 8, 2014 a large-scale survey of 1,890 Ukrainian long-term migrant workers, including 321 long-term migrant workers in Canada as a boost sample, was carried out. This period was selected in order to capture a representative sampling among the high number of migrant workers returning to Ukraine over the traditional holiday (vacation) season. Migrant workers were interviewed at eight main ports of entry to Ukraine, covering all means of transportation including personal vehicles, trains, buses, and airplanes, thereby providing a range of different socio-economic profiles. Interviews at Boryspil airport served to further diversify the sample.

Respondents were selected on the basis of the following criteria. The migrant survey specifically targeted long-term migrant workers, defined as persons (a) with more than one year of migration experience, (b) more than 18 years of age, and (c) migrated for the purpose of employment.

The sample was designed on quotas based on the results of the first wave of the probabilistic HH survey. Interviews with long-term migrant workers took place in the clear areas of the border crossing points. The method of the survey was face-to-face interview. The interviewers approached and interviewed migrant workers as they were waiting to enter or leave the border-processing and customs areas. The survey questionnaire took an average of twenty-two minutes to complete. The interviewers were trained to preserve gender and age balance.

Following consultations with the Project Steering Committee, the final questionnaire included 80 questions. The questionnaires gathered quantitative data concerning socio-demographic characteristics of migrant workers and their HH members, their primary financial characteristics (including incomes, expenditures, and savings, remittances and investment intentions), types of social networks and communication practices with Ukraine and among labour migrant worker community, as well as return intentions.

For further final data processing and analysis the database was weighted (by residence in country of origin, gender and destination) according to the profile of long-term migrant workers resulting from the probabilistic HH survey.

The average non-response rate for the most sensitive questions is 5.4 per cent.

Data Limitations

The focus of this component of the research was to examine the migration, remittance, savings and investment behaviours of long-term migrant workers, and thereby analyse key links between migration and economic development. The survey purposely excluded short-term migrant workers, irregular migrants and migrant workers that have effectively not maintained their contacts with Ukraine (i.e. emigrant workers). No direct effort was made to capture the migrant worker population outside the target group.

Due to ongoing geo-strategic disturbances in the southern and eastern parts of the country, the key border crossing points in those regions were not included in the sample.

Focus Group Discussions (FGD)

Focus group discussions aimed to complement the core HH and migrant surveys and provide supplementary insights into the key findings emanating from analysis of the quantitative data.

15 focus groups were carried out in the period of August-October 2015 in Ukraine and three countries of destination. The brief profile of target groups and number of groups is as follows:
Target population:
- Ukraine – (i) HHs with short-term migrant workers; (ii) HHs with long-term migrant workers; and (iii) HH without migrant workers.
- Canada, Italy and the Russian Federation – (i) short-term migrant workers; (ii) long-term migrant workers; and (iii) diaspora members (at least 5 years abroad and no return intention).

Sample size:
- Ukraine – 6 focus group discussions (two groups for each category);
- Canada, Italy and the Russian Federation – one group for each target category in each country (three groups in each country)

Participants in focus groups were identified using the snowball method and diversified by age, gender, level of education and employment status.

In-depth Expert Interviews

Eight expert interviews were carried out in the first half of October 2015 with representatives of the following institutions: Ministry of Economic Development and Trade, Ministry of Social Policy, National Bank of Ukraine, United Nations Development Program (UNDP), International Labour Organization (ILO), National Institute for Demography and Social Studies, Analytical Centre “CEDOS” and JSC “UKREKSIMBANK”.

Literature Review

The study reviewed a large pool of migration related materials, which informed both the quantitative and qualitative procedures.

Coordination and Peer-Review

Methodology and questionnaires, proposed to be applied by the Project Consultant, were adapted to the Ukrainian reality in close consultation with IOM and the Project Steering Committee, composed of technical experts from central government authorities, specialized agencies and international organizations. Draft reports were presented during validation working groups.
IV. PROFILE OF UKRAINIAN MIGRATION

Generally, information on labour migration in Ukraine remains incomplete and unreliable. There is no unified data collection system on migration, with statistical data collected by different institutions, including state authorities, intergovernmental and non-governmental organizations. Only the data produced by public authorities (such as the State Statistics Service, various ministries and state agencies) and the National Bank of Ukraine is considered official. The information collected by state institutions does not cover all aspects of labour migration, is not regularly recorded and processed, very often is not compatible (when the same data is collected by different authorities), and is not published or used for internal purposes only. There is insufficient cooperation between Ukrainian state authorities on registration of migration data. Hence, the migration data produced at the country level is contradictory and far from exhaustive\(^\text{4}\).

That said, the demographics show a considerable decrease in the population during the last decade (from around 52 million people in 1993 to approximately 45 million in 2013\(^\text{5}\)). This is largely due to natural population movements rather than migration. According to State Statistical Service data, the Ukrainian population has decreased by almost 3 million individuals between 2003 and 2014 – or an average of 241,000 annually\(^\text{6}\).

As a result of the above, and various definitions used by analysts in what constitutes a short-term migrant worker, long-term migrant worker and or emigrant, data on labour migration stocks from Ukraine vary considerably from one source to another. In the literature, the number of “migrant workers” ranges from one to seven million, depending on the source used.

Demographic Profile of Ukrainian Households

The general demographic profile of the surveyed HHs during the first screening stage closely reflects official statistics in terms of key variables, such as HH size, rural/urban distribution, gender distribution and age groups.

The average size of a Ukrainian HH is 2.6 members. 66 per cent of all HHs are based in urban areas, and the other 34 per cent in rural areas. Compared to SEEE countries surveyed, Ukraine has a higher level of urbanization. In Moldova, for example, 60 per cent of the population resides in rural areas. Women outnumber men by 54 per cent compared to 46 per cent in Ukraine.

In addition, the screening stage revealed certain interesting and novel findings:

1. Almost 3.7 per cent of houses/apartments have been or are not inhabited – either all inhabitants are deceased, or they simply abandoned the house because they were unwilling or unable to sell it. This information was collected through interviews with neighbours, local authorities or community leaders.
2. Almost 60 per cent of the abandoned / empty properties are located in rural areas.
3. In addition to the 3.7 per cent abandoned properties, in 0.3 per cent of properties all members migrated abroad, which translates to approximately 37,400 HHs with migrant workers. These properties are considered “temporarily not inhabited”. In other surveys, these HHs are excluded from sampling schemes when standard methodologies are applied. This normally leads to an underestimation of number of migrant workers.

\(^\text{4}\) Pozniak O., Statistical data collection on migration in Ukraine, p. 35-49 in Regional Migration Report, http://cadmus.eui.eu/bitstream/handle/1814/28898/CARIM-East_EasternEurope.pdf?sequence=1

\(^\text{5}\) Demoscope, Malynovska, 2013.

4. Almost 0.5 per cent of surveyed properties are used for commercial purposes (warehouses, shops, bars etc.).
5. 13.2 per cent of Ukrainian HHs had one or more individuals engaged in international migration and/or internal mobility.
6. 4.4 per cent of HHs had one, more or all members engaged in international migration, either long-term or short-term.

Further in-depth analysis of rural to urban internal mobility and international migration (short and long-term) shows that, at certain periods during the year (when the majority of migrant workers are abroad or in internal labour mobility), the rural population can decrease by 11 per cent (compared to a 28% decrease in Moldova). This decrease is due only to labour mobility and does not take into account internal mobility for education purposes (which is also from rural to urban centres).

On the other hand, international migration originating in urban areas is more than compensated for by large-scale internal rural-urban mobility, especially to large cities (see Chapter Internal labour migration).

Multi-Faceted International Labour Migration

Ukrainian migration flows are much more complex than commonly assumed. This finding reflects similar profiles identified in SEEE countries surveyed. When disaggregated, the data (as in Figure 1) shows that migration in Ukraine is less about international flows of short-term or long-term migrant workers, and more about internal migration for employment purpose.

The HH survey estimates there were about 688,200 Ukrainian citizens engaged in international labour migration (defined as people who went abroad with the objective to work) in 2014-2015. Of these, about 423,800 were engaged in long-term labour migration, and 264,400 citizens of Ukraine were engaged in short-term labour migration. In addition to these migrant workers, about 25,400 Ukrainians were studying abroad and 18,200 people moved abroad for the purpose of family reunification.

At the same time, a significantly larger number of Ukrainians (1,643,000 people) are engaged in internal labour migration. They either reside in one community and work in another or have moved their primary residence to another locality in Ukraine. At present, internal labour migration represents 70 per cent of all
movements related to Ukraine. Moreover, internal labour migration seems to become even more attractive for Ukrainians, since the share of potential internal labour migration is increasing to 73 per cent of all potential labour migration flows in the next 12 months. This high level of internal labour migration (mainly directed from rural to urban areas) has not been previously analysed in-depth.

The HH survey data indicates a high potential for international labour migration flows in the short-term, with 310,000 individuals expressing an intention to engage in either long-term or short-term labour migration in the next twelve months. This represents a potential 41 per cent increase in the number of international migrant workers (compared to 22% in Moldova, for instance), during the 12 months following the survey period. The higher level of potential labour migration might be related to various push factors intensified by the geo-strategic disturbances in the southern and eastern parts of the country.

Finally, return to Ukraine from long-term labour migration for permanent stay is an ongoing and seems a growing trend, as described below.

Current and Potential Long-Term International Labour Migration

In the modern era, migration began with the collapse of the Soviet Union and the independence of Ukraine. As shown in Figure 2, labour migration maintained a relatively low intensity during the 1991 to 2008 period.

When considering mass international labour migration, there is a noticeable increase in 2008-2009, as a result of economic factors. International labour migration on a mass scale can therefore be considered a relatively recent phenomenon, when compared to other SEEE countries studied. As shown in Figure 2, it has maintained a high intensity through 2014 and is forecast to grow.

A significant increase in migration flows occurred around 2010 and again around 2014. The 2010 spike may be explained by the delayed impact of the 2008 global economic crisis on the Ukrainian economy. In 2014, economy deteriorated rapidly in large part due to geostrategic situation in eastern regions of the country, resulting in a 5.3 per cent drop in GDP⁷, among other negative factors. These increases in long-term labour migration flows (see Figure 2 above) had an impact on the macro-economic indicators described below.

In addition, potential migration remains higher than commonly assumed, as discussed in the section below.

---

⁷ http://www.tradingeconomics.com/ukraine/gdp-growth
483,000 or 1.3 per cent of the total population\(^8\) are engaged in long-term international migration for various purposes (Figure 3), but mainly for employment. Overall, long-term Ukrainian migrant workers come from all occupations and originate from both urban (53%) and rural (47%) areas.

<table>
<thead>
<tr>
<th>Purpose of stay abroad</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work</td>
<td>87.9%</td>
</tr>
<tr>
<td>Study</td>
<td>5.3%</td>
</tr>
<tr>
<td>Family reunification</td>
<td>3.8%</td>
</tr>
<tr>
<td>Forced migration</td>
<td>0.5%</td>
</tr>
<tr>
<td>Other</td>
<td>1.8%</td>
</tr>
<tr>
<td>NA</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

*Figure 3: Purpose of stay abroad*

*Source: HH Survey*

1.1 per cent of the total population or 423,800 people are long-term migrant workers.\(^9\) The current stock of long-term migrant workers is expected to increase in the next 12 months by 28 per cent or about 117,300 individuals.

Like short-term labour migration, long-term labour migration is slightly more likely to originate from urban areas (53%), rather than rural areas, and in the nearest future, this trend will scale-up to 69 per cent for migrant workers originating from urban areas. This finding differs from the profile in Moldova, where 68 per cent of long-term migrant workers originate from rural areas.

Two thirds of long-term migrant workers are men, which mirrors the similar pattern for internal labour migration and short-term international labour migration. However, it is forecasted that the percentage of women engaged in long-term labour migration will increase from 34 per cent to 42 per cent.

Unlike short-term labour migration, where the main destination country is the Russian Federation, long-term labour migration flows are directed towards four main destination countries, Poland, the Russian Federation, Czech Republic and Italy (see Figure 4), which account for 75 per cent of this category of migrant workers. On the other hand, EU countries make main destination, accounting for almost three quarters of all long-term migrant workers from Ukraine.

Ukrainian migrant workers choosing Poland and the Russian Federation do so primarily because of their large labour markets, relative freedom of movement, lower total cost of migration, historical ties, migrant worker networks and family friends already there, as well as socio-cultural proximity.

During 2000-2009, there was a marked increase of Ukrainian migrant workers going to EU countries, from about 59 per cent to 86 per cent of all migrant workers (Figure 5). Since 2010, this trend seems to have partially reversed. At the same time, it is interesting to note the decrease of labour migration flow towards other countries\(^10\), like USA, Canada, Australia, UAE etc., during 2000-2014, when compared to the period up to 2000.

---

8 Excluding population from Lugansk, Donetsk and the Autonomous Republic of Crimea.

9 Excluding households from Lugansk, Donetsk and the Autonomous Republic of Crimea.

10 Category of other countries includes all destination countries, except those CIS and EU region, especially USA, Canada, Turkey, Israel, and United Arab Emirates.
The increase in labour migration flows to CIS countries, mainly to the Russian Federation, can most likely be explained by the closing of the gap in both incomes and savings of HHs with migrant workers residing in EU and CIS countries respectively (for more information on this topic see the section *Key Financial Characteristics*).

When looking forward, the data shows a significant change in the attractiveness of the following destination countries: the Russian Federation, Poland, Czech Republic and Italy have decreased in attractiveness, while Canada, Belarus, USA and Germany register a significant increase.

Seemingly, there is a reorientation among long-term migrant workers towards North American and CIS labour markets and away from EU countries (see Figure 5). As related to CIS, this might be due to the fact that a higher percentage of individuals from eastern and central regions, when compared to the percentage of current migrant workers from these regions, have a stated intention to engage in long-term labour migration. In-depth analysis confirms that two thirds of all individuals with a stated intention to migrate to the CIS (the Russian Federation and Belarus) originate from these two regions.

Looking in-depth and when amalgamated with internal labour migration and short-term labour migration, it becomes apparent that the western region plays a key role in the labour migration profile of Ukraine, being the region most exposed to the costs and benefits of migration. As a percentage of the total population by region, migrant workers are more likely to originate from the western region of Ukraine.

<table>
<thead>
<tr>
<th>Destination Country</th>
<th>Population</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>95,300</td>
<td>22.5 per cent</td>
</tr>
<tr>
<td>The Russian Federation</td>
<td>81,400</td>
<td>19.2 per cent</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>77,500</td>
<td>18.3 per cent</td>
</tr>
<tr>
<td>Italy</td>
<td>66,500</td>
<td>15.7 per cent</td>
</tr>
<tr>
<td>Germany</td>
<td>13,600</td>
<td>3.2 per cent</td>
</tr>
<tr>
<td>Portugal</td>
<td>11,400</td>
<td>2.7 per cent</td>
</tr>
<tr>
<td>Belarus</td>
<td>10,600</td>
<td>2.5 per cent</td>
</tr>
<tr>
<td>USA</td>
<td>8,500</td>
<td>2.0 per cent</td>
</tr>
<tr>
<td>Spain</td>
<td>8,500</td>
<td>2.0 per cent</td>
</tr>
<tr>
<td>Slovakia</td>
<td>7,200</td>
<td>1.7 per cent</td>
</tr>
<tr>
<td>Hungary</td>
<td>5,100</td>
<td>1.2 per cent</td>
</tr>
<tr>
<td>Greece</td>
<td>3,800</td>
<td>0.9 per cent</td>
</tr>
<tr>
<td>Israel</td>
<td>3,400</td>
<td>0.8 per cent</td>
</tr>
<tr>
<td>France</td>
<td>3,000</td>
<td>0.7 per cent</td>
</tr>
<tr>
<td>The United Kingdom</td>
<td>3,000</td>
<td>0.7 per cent</td>
</tr>
<tr>
<td>Belgium</td>
<td>2,100</td>
<td>0.5 per cent</td>
</tr>
<tr>
<td>Romania</td>
<td>1,700</td>
<td>0.4 per cent</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>1,300</td>
<td>0.3 per cent</td>
</tr>
<tr>
<td>Denmark</td>
<td>1,300</td>
<td>0.3 per cent</td>
</tr>
<tr>
<td>Other country</td>
<td>3,400</td>
<td>0.8 per cent</td>
</tr>
<tr>
<td>No answer</td>
<td>15,300</td>
<td>3.6 per cent</td>
</tr>
</tbody>
</table>

*Figure 4: Breakdown of long-term labour migration by destination country Source: HH survey*

![Figure 5: Dynamic of ratio of long-term migrant workers by main destinations Source: HH Survey](image-url)
Migration as an enabler of development in Ukraine

Analysing available data, it seems that the conflict in Ukraine has had little impact on the migration and refugee situation in the European Union to date. Given the huge scale of internal displacement, the number of Ukrainians who have applied for refugee status in the EU countries (around 10,000 people in 2014, mainly in Poland, Germany and Sweden) is quite modest.\(^{11}\)

Irregular migration (as measured by illegal border crossings) on the EU’s borders with Ukraine has risen, but is still relatively low (a few thousand persons annually), and is not comparable with the situation in South Europe (over 1 million people entered the EU via the Mediterranean Sea in 2015\(^ {12}\)).

The introduction of biometric passports has increased Ukraine’s chances of being granted a visa-free regime with the EU in the near future. However, the EU has never abolished visas for a state on which territory an armed conflict is ongoing.

A pool of internally displaced persons, the poor economic situation, and the armed conflict are factors that make increased migration by Ukrainians more likely. However, this phenomenon has been observed mainly in Poland, and applies more to residents of Western Ukraine.

In addition to long-term migrant workers, about 25,400 Ukrainians are studying abroad. Most of them originate from urban areas (69 per cent), especially from large towns (i.e. over 100,000 population), which is opposite to the Moldovan pattern, where the majority of students originate from rural areas.

Students, like migrant workers, also reflect a gender imbalance, with men outnumbering women on a ratio of 2 to 1.

In terms of regional distribution, unlike labour migration pattern, migrant workers for education purpose are more evenly distributed among the five regions of Ukraine. However, the western region continues to be predominant with 35 per cent of all students originating from this region.

Three quarters of this category of migrant workers are 18-29 years old and the other 21 per cent are 30 to 44 years old. This distribution might be explained by the fact that Ukrainians go abroad for university, postgraduate degrees or to improve their qualifications.

Poland is the most popular country among Ukrainian students (Figure 7). Unlike current labour migration flows, Canada and USA are much more popular countries of destination for Ukrainian students.

People going abroad for the purpose of family reunification represent another interesting category of long-term migrants. To date, Ukrainian migrant worker HHs have maintained a very low level of family reunification in the destination countries, when compared to other countries studied with similar migration histories. The HH survey estimates that about 18,200 individuals had left the country by 2014 for family reunification purpose. This represents 4.2 per cent of all long-term migrant workers by that time.

Unlike overall labour migration pattern, the family reunification pattern is clearly led by individuals originating from urban areas (81%), especially from large cities. While rural areas represent the place


\(^{12}\) http://data.unhcr.org/mediterranean/regional.php
Migration as an enabler of development in Ukraine

Figure 8: Age profile of international migrant workers for family reunification purpose
Source: HH survey

![Chart showing age profile of international migrant workers for family reunification purpose]

...of origin for 48 per cent of all long-term migrant workers, only 19 per cent of family reunification movements abroad by 2014 originated from rural areas.

Figure 8 shows that almost one in 10 Ukrainians who went abroad for family reunification is aged 45 years and over. This may indicate an intergenerational unification of parents joining their working age children in destination countries. This would be in line with tradition, where grandparents often take care of their grandchildren while parents are otherwise engaged.

In terms of countries of destination, the pattern of reunification reflects the overall labour migration trends: higher level of family reunification in EU countries, as compared to CIS countries.

**Current and Potential Short-Term International Labour Migration**

International labour migration flow for short-term period (up to 9 months) represents 1 per cent of the total population and impacts 2 per cent of all HHs in Ukraine. The 12-month forecast indicates an increase in the short-term labour migration flow by 73 per cent or by about 192,600 individuals.

Most of current short-term migrant workers originate from urban areas (55%) and come from the western region of the country (45%). The lowest short-term labour migration incidence rate is registered in the central and northern regions (three times lower than in the western region). This pattern will continue and will...
scale-up: more people from urban areas (68%) and western region (55%) have stated intention to engage in short-term international labour migration.

Two out of three short-term migrant workers are people aged 18-44 years. As compared to Moldova, older people (45-64 years old) are more likely to be engaged in short-term labour migration. But, among the potential migrant workers, it is expected that the youngest group of the population (18-29 years) will take the lead in this type of international migration, with 38 per cent as compared to 23 per cent at present.

At the time of the survey, the Russian Federation was a preferred country of destination for short-term migrant workers with 47 per cent or about 124,000 people choosing this country. A further 17 per cent migrated to Poland and 10 per cent to the Czech Republic. These three countries therefore attract almost three quarters of the entire short-term labour migration flow from Ukraine.

When looking at the short-term future, it becomes evident that the attractiveness of the Russian Federation will diminish as a destination for short-term migrant workers (from 47% at present to 12% in the next 12 months), while Poland and Czech Republic will become much more attractive (32% and 19%, respectively).

There is a clear reorientation towards EU and North America labour markets (see Figure 9). This might be influenced to a certain degree by current geo-strategic disturbances in Ukraine, as well as the recent changes in the Russian labour laws, the status of foreign citizens and administrative measures regulating migration in-flows.

**Current and Potential Internal Labour Mobility**

Total internal labour migration stock in 2014 represents 9 per cent of the economically active population in Ukraine\(^{13}\), and the annual rate of internal migration is expected to increase by about 50 per cent in the nearest future, i.e. with approximately 829,000 individuals stating an intention to engage in internal labour migration within the next 12 month. Seven out of ten individuals engaged in internal labour migration originated from the western (48%) and northern (23%) regions of the country, as compared to 29 per cent cumulative originating in the eastern, central and southern regions. This pattern is expected to continue in the short term.

As noted in the literature review, internal migration in Ukraine is both intra- and inter-regional, and is mainly economically driven. Intra-regional migration refers, in particular, to the movement of rural population to urban areas within the same oblast\(^{14}\). Since the 2000s, this type of labour mobility represented the highest

---

\(^{13}\) http://www.ukrstat.gov.ua/operativ/operativ2014/rp/rp_reg/reg_e/ean_2014_e.htm

\(^{14}\) Oblast is the primary administrative unit of the country, further subdivided in rayons (district).
Migration as an enabler of development in Ukraine

Share (more than one half) of all population movements within the country (in 2008 – 58%, in 2012 – 54%)\(^{15}\). According to the ETF-2008 study\(^ {16}\), the economic imbalance between rural and urban areas, as well as poor transport and communication infrastructures, modest public financing, unequal access to healthcare and education, lack of decent employment opportunities and severe poverty in rural regions are the primary push factors resulting in the outflow of people from villages to urban settlements.

Commuting is an important feature of internal (in particular, intra-regional) labour migration. It does not include a change in the place of residence: people go to work in a nearby town or city. This is because cities offer better employment opportunities and improved living conditions compared to rural settlements. The amount of commuting to big cities is considerably higher (55%) compared to medium and small towns (34%) or other rural areas (17%).

*Inter-regional* labour migration is also a significant type of internal labour migration of Ukrainian citizens. It represents more than 1/3 of the migration within the country (36% in 2003, 37% in 2008 and 39% in 2012)\(^ {17}\). The key determinants of the inter-regional labour migration are economic factors, such as economic attractiveness of an area and persistent income gaps across regions. Highest labour migration outflows were experienced in those regions with lower levels of economic development. Other non-economic factors determining inter-regional labour migration are attractive living conditions, developed infrastructure and social security.

The most attractive cities for internal migrant workers are Kyiv, Lviv, Kharkiv, Dnipropetrovsk, and Odesa. Most affected by rural depopulation are the West and the North of Ukraine\(^ {18}\).

When looking forward, it is clear that urbanization in Ukraine is an ongoing trend with 95 per cent of all potential internal labour migration being oriented towards urban areas; especially large cities (see Figure 10). The places of origin for nine out of ten potential internal migrant workers are rural areas (68%) and small towns\(^ {19}\) (21%).

Men are much more likely to engage in internal labour migration (62%) than women (38%) and this trend will continue in the nearest future. The age profile of internal migrant workers is similar with the profile of short-term and long-term migrant workers with predominant category of individuals engaged in internal labour migration are citizens aged 30-44 years (41%). But, it seems that, in the nearest future, internal labour migration will become more attractive for the younger population (18-29 years), with an increase in the proportion from 28 per cent to 34 per cent.

**Permanent-Return Migration**

Return migration for the purpose of permanent stay seems to be much more prominent in case of Ukrainian migrant workers, when compared to Moldovan migrant workers, for instance. 144,400 international long-term migrant workers or 39 per cent of the current long-term

---

15 Zaychkovskaya-2009; Pribitkova-2013; ETF-2008
16 Ibid
17 Pribitkova-2013
18 [Межрегиональная трудовая миграция в Украине, Газета Деньги](http://www.dengi-info.com/archive/article.php?aid=1971)
19 Small towns are categorized as urban areas smaller than 100,000 inhabitants.
migrant workers have returned to Ukraine to date (in Moldova returned migrant workers represented only 11% of the total long-term labour migration stock in 2013). This pattern was valid until recent geo-strategic disturbances in Ukraine, however, it might change taking into account the expected high flow of potential migration, as proportion to the current number of long-term migrant workers.

Returned migrant workers represent 0.4 per cent of the total Ukrainian population, and this migration type affects 0.9 per cent of all HHs in Ukraine.

The return pattern reflects the overall labour migration trends in gender, area of residence and regional breakdown: more men (67%) returned and those originated from urban areas (59%) and western region of the country (57%). However, when looking in-depth at the regional profile, migrant workers originating in the North (36% return rate\(^20\)) and East (27% return rate) have been more likely to return home for the purpose of permanent stay, while migrant workers from the West (19% return rate) and South (13% return rate) have been less likely.

Reflecting the overall migration trends, the top four countries of return are the Russian Federation (33%), Poland (19%), Italy (9%) and Czech Republic (9%).

In terms of age, the return incidence is directly proportional to the age of migrant workers: the older the migrant worker is the more likely he/she is to return. This finding is reasonable insofar, as migrant workers in older age categories are more likely to have reached their migration objectives; or they may be motivated to return for other reasons, such as health concerns or inability to adapt to changing labour market conditions in the countries of destination.

The return pattern shown above is consistent with the return intention trends identified from the survey with current long-term migrant workers.

\(^{20}\) Permanent return rate is calculated as a percentage of returned migrant workers from the total number of current short-term and long-term migrant workers.
V. KEY CHARACTERISTICS OF UKRAINIAN INTERNATIONAL LABOUR MIGRATION

SOCIO-ECONOMIC CHARACTERISTICS OF INTERNATIONAL LABOUR MIGRATION

At the time of the first departure, the average age of a Ukrainian long-term migrant worker was 34.3 years, according to the results of the HH survey. By the time of the interview, this average had climbed to 39 years. When comparing the age profile among SEEE countries surveyed, it appears that Ukrainian migrant workers engage in migration at a later stage in their life. In Moldova, for instance, the average age of a migrant worker at the first departure was 27.5 years, despite the fact that mass labour migration in these two countries started at around the same time, i.e. 2009-2010. These differences in behaviours might be explained by a more attractive employment opportunities and lower poverty level in Ukraine. An indication for this could be that only 10 per cent of Ukrainian long-term migrant workers were unemployed before engaging in migration, as compared to about 25 per cent of Moldovan long-term migrant workers. Another factor might be that a higher number of Ukrainian young people are engaged in tertiary education, thereby postponing eventual labour migration intentions.

The majority of both short (64%) and long-term migrant workers (71%) are between 18-44 years. Figure 11 shows that older people are more likely to engage in short-term labour migration, while those in the 30-40 age group are more engaged in long-term labour migration. According to the migrant survey data, men predominate in the age group 30-44 years (50% male / 36% female), while women are more likely to be in the 45-65 years group (47% female / 28% male). In the younger age group of 18-29 years, the number of men/women is closer to being balanced (17% / 22%). Predomination of women in the older age category might be explained by a series of factors:

Ukraine remains a paternalistic society, where men are expected to be a primary breadwinner, risk-taker and decision-maker in the family. This is reflected in the overall preponderance of men in all forms of migration,

![Figure 11: Age groups of short and long-term migrant workers](Source: HH Survey)
their earlier initiation of migration (initial departure being 3 years earlier, on average, than that of female migrant workers). Long-term female migrant workers are more likely to be widowed or divorced (29% of female migrant workers compared to 10% of male migrant workers) and therefore need to be self-sufficient. On the other hand, female migrant workers who are married, in most cases migrated with their spouse (58% as opposed to only 27% of married male migrant workers).

Another factor relates to labour demand abroad. Consistent with the findings from SEE countries surveyed, Ukrainian female migrant workers are largely (43%) employed in domestic care and agriculture. These sectors attract mostly older women (64% of 45-65 age group compared to 12% of 18-29 age group), while younger women are more likely to work in the hospitality industry, trade and other services (17% of 45-65 age group compared to 59% of 18-29 age group).

Data also shows a slight age difference by destination countries, with migrant workers in the EU countries being on average slightly older (40.3 years) than those in the CIS countries (37.9 years) and other countries (37.1 years). This would seem to be consistent with labour market demand. For instance, younger men are more attracted to opportunities in construction work, while, as noted above, older women are more likely to be engaged in domestic care and agriculture.

A defining characteristic of Ukrainian migrant workers is their high level of education and professional experience, a profile that in general reflects that of the overall population. Data from the migrant survey shows that 37 per cent of all migrant workers have completed university-level education, and 41 per cent completed high school or professional/vocational education. When looking by regions of migration, the data shows that the share of highly educated migrant workers in other countries (including Canada) reaches 70 per cent, which is twice as high when compared with level of education of migrant workers in EU and CIS countries. This finding is consistent with other countries studied, where highly qualified migrant workers tend to go to other countries.

Ukrainian migrant workers have the highest proportion of highly educated persons among all long-term migrant workers studied to date. This does not necessarily imply that education and experience qualifications meet the labour market demands of either Ukraine or the countries of destination.

As noted by analysts, a high number of educated and professional people (engineers, doctors, IT specialists, teachers, agronomists, etc.) working abroad contribute to a certain level of “brain drain”. This process is accompanied by a certain degree of de-qualification (loss of skills), as the migration process often results in qualified migrant workers undertaking lower-skilled work.

At the same time, these two processes should not be overstated (as reflected in Figure 12). First, many people migrate because they are underemployed or unemployed prior to their decision to migrate. This means that brain waste and de-qualification processes
are push factors that were initiated in Ukraine, largely by a mismatch in the labour market demand and the products of the educational system. Second, when looking closer at the migrant survey data, it is possible to conclude that approximately 30 per cent of long-term migrant workers can be considered as engaged in highly skilled professions prior to migration. This finding can be compared to the 20 per cent of long-term migrant workers that are engaged in highly skilled professions in their destination country.

Third, previous studies show that migrant workers often move from less to more qualified work in destination countries, usually in line with their education/qualification and integration over a period of time. This trend seems to be equally valid in the case of Ukraine (see Figure 13), even if at a lower scale at present. This can be explained by the shorter period of mass migration (i.e. 10 years as compared to 25 years or more for other SEEE countries studied), as well as the overall migration profile (i.e. single women working in domestic care and single men working in construction).

There is also evidence of significant under-employment and hence “brain waste” occurring prior to migration: with one out of ten people being unemployed and one out of three highly educated long-term migrant workers being under-employed.

The main sectors of employment for Ukrainian migrant workers are construction (29%), manufacturing (14%), hospitality industry (11%), domestic help (10%) and agriculture (8%). The last three sectors are more popular in EU countries, while trade and transportation are more popular in CIS countries. At the same time, construction and manufacturing are equally important in both regions.

Further distinctions are identified when examining the division of labour between men and women (Figure 14). 45 per cent of men are employed in construction (3% of women), 17 per cent in manufacturing (against 9% of women) and 9 per cent – in transportation (1% of women). On the other hand, 33 per cent of women are employed in domestic care (1% of men) and 21 per cent in hospitality industry (against 5% of men). Younger women are more likely to be working in hospitality (47%), while older women are occupied providing

![Figure 13: Estimated proportion of long-term migrant workers employed in professions requiring high qualification, by number of years abroad](image1)

*Source: Migrant survey*

![Figure 14: Sector of employment in destination country by gender](image2)

*Source: Migrant survey*
Migration as an enabler of development in Ukraine

Domestic care (53%). Construction is the sector of preference for many young Ukrainian male migrant workers. Construction work together with agriculture is more prevalent among migrant workers from rural areas in Ukraine, as well as those with low and middle levels of education.

Differences in employment patterns between the regions of migration can be explained by the structure of their economies and resulting demand for labour. For example, CIS (mainly the Russian Federation) has a higher demand for less-qualified labour in construction and trade.

The average disparity of personal income level between men and women is 5 per cent in favour of male long-term migrant workers. This disparity is much lower than that found in SEE countries studied. When examining the two primary destinations of migration, it results that men earn on average 22 per cent more in CIS countries (USD 1,456 versus USD 1,198 for female migrant workers), while in EU countries, there is parity between personal incomes of men and women.

Comparing employment within the same sector, the sectors with the largest discrepancies in personal incomes between men and women are health (53 per cent), hospitality (53%) and agriculture (28%) in favour of men. This is despite the fact that the proportion of higher educated female migrant workers is significantly higher (53%) than men with the same educational level (37%).

Wage discrepancies become more pronounced at higher levels of employment

Of special interest is the extremely low unemployment rate of about 1 per cent among the long-term migrant workers. This data is consistent between HH and migrant surveys. Moreover, such low unemployment figures for migrant workers are consistent with previous surveys carried out in other SEE countries.

The unemployment rate among long-term migrant workers is even more striking when compared against the official unemployment rate among general population in CIS (about 5.5%21) and EU countries (10.5%22) in 2014. This finding contradicts the popular conception that migrant workers are always “last hired and first fired”. Interviews show that migrant workers are much more flexible in adapting to labour market conditions than the host populations. Migrant workers are more likely to move from sector to sector and country to country, in line with their overall migration goal – wealth accumulation.

Figure 15: Average personal income of male and female long-term migrant workers by level of employment

Source: Migrant survey

21 http://www.tradingeconomics.com/russia/unemployment-rate
Overall, according to the migrant survey, 62 per cent of Ukrainian long-term migrant workers surveyed in 2014 were married. In-depth analysis shows that over 40 per cent of female migrant workers aged 30 and older, residing in CIS and EU countries are unmarried. On the other hand, one of four Ukrainian men of the same age group is unmarried. As discussed below, family reunification rate in destination countries (11%) is very low. Given that a married migrant worker has been residing in their current destination country for an average of 7.4 years for men and 8.3 years for women (at the time of survey), this separation is undoubtedly one factor in the personal, family and social tensions observers frequently note about the Ukrainian migration experience.

Irregular Long-Term Labour Migration

Contrary to conventional wisdom, the rate of irregular labour migration is very low. This finding is consistent with the rate of irregular labour migration among long-term migrant workers from SEE countries studied (Figure 16).

Not surprisingly, at 50 per cent, the rate of irregular labour migration among short-term migrant workers is significantly higher.

Related to long-term migrant workers with “irregular status” according to their HH in Ukraine, the majority (2/3 or about 52,000 individuals) resides in EU countries.

According to HHs surveyed, about 60,000 Ukrainian migrant workers (both short- and long-term) in the Russian Federation held an irregular status (see Figure 17).

---

### Table: Number of migrant workers with irregular status in top 8 countries of destination

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
<th>per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>20,321</td>
<td>13 per cent</td>
</tr>
<tr>
<td>The Russian Federation</td>
<td>60,420</td>
<td>38 per cent</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>12,448</td>
<td>10 per cent</td>
</tr>
<tr>
<td>Italy</td>
<td>24,005</td>
<td>32 per cent</td>
</tr>
<tr>
<td>Belarus</td>
<td>10,008</td>
<td>42 per cent</td>
</tr>
<tr>
<td>Portugal</td>
<td>2,884</td>
<td>23 per cent</td>
</tr>
<tr>
<td>Spain</td>
<td>2,286</td>
<td>22 per cent</td>
</tr>
<tr>
<td>USA</td>
<td>1,123</td>
<td>15 per cent</td>
</tr>
</tbody>
</table>

Source: HH survey

---

### Figure 16: Regular status in a destination country

Source: HH survey

---

### Figure 17: Estimated number of migrant workers with irregular status in top 8 countries of destination, as a percentage of total short-term and long-term migrant workers in the respective country

Source: HH survey

---

### Figure 18: Main source of income of HH member abroad in the past 12 months

Source: Migrant survey
Out of the top 10 countries of destination, the highest proportion of Ukrainian migrant workers with irregular status was identified in Belarus (42% of short and long-term migrant workers), the Russian Federation (38%) and Italy (32%).

On average, Ukrainian long-term migrant workers have achieved a high level of regularization, with about 79 per cent working on a contractual basis and only around 14 per cent employed without a contract (Figure 18).

A smaller percentage of long-term migrant workers (61%) work on a contractual basis in CIS countries, particularly in the Russian Federation. This may be explained by the large number of migrant workers employed in the construction sector, the lack of visa requirements (90 days visa free), and the lack of effective labour legislation enforcement, which has led to a growing informal sector. In January 2014, new regulations were introduced to manage labour migration to the Russian Federation. These issues are further explored below.

**Migration Drivers**

Ukrainian mass migration has been primarily economically driven as a coping mechanism to alleviate poverty or escape unemployment. The State Statistic Survey of 2012 findings reveal that for 79 per cent of Ukrainian migrant workers low salaries at home represented the main reason for migration. Almost every tenth migrant worker (11%) left the country because of the inability to find a job according to qualification. Poor quality of life in Ukraine made another 4 per cent of migrant workers choose another country to live and/or work. Poor living conditions are very often associated with the loss of hope for a better future at home.

Among other reasons, the following social factors can be noted: scarce opportunities for self-employment and professional development, desire to improve skills and pursue a career abroad, family reasons, access to health services, vulnerability of people to corruption and crime, lack of security and so on. The recent geopolitical and security disturbances in Ukraine might fuel further emigration from the country.

High wages and overall economic performance in destination countries are the strongest incentives (pull factors) for migration. According to the Delphi survey, in 2010, disposable household income in Ukraine was almost three times lower than in the Russian Federation, Czech Republic and Poland and about ten times lower than in Italy and in Spain. On the other hand, the migrant survey shows that the average income of a Ukrainian long-term migrant worker abroad was USD 1,550 in 2014 (or USD 2,013 per migrant worker HH in destination country), which was four times higher than the average wage rate in Ukraine.

---

24 Ibid
25 http://korrespondent.net/ukraine/politics/3298189-v-ukrayne-podnialas-novaia-volna-emyhratsyy
Among other pull factors, the following can be noted: higher standards of living, the development of democracy, cultural and language similarities, social networks abroad.

The HH survey confirms that unemployment and underemployment continue to be among the key drivers that foster future migration from Ukraine (Figure 19).

Of note is the marked increase in the number of students with migration intentions, when compared to the number of students that migrated in the past (1%).

The presence of an existing migrant worker in the transnational HH plays an important role in attracting more members abroad, irrespective of the employment status. This intention most probably reflects the wish to achieve family reunification, which is a medium to long term process that affects financial behaviours (savings, remittances) and return intentions.

Communication Networks

Gaining insight into the mutual assistance and available trusted communication sources of migrant workers is important to developing relevant outreach, marketing and awareness-raising strategies. The literature shows that social networks and mutual-help between migrant workers, as well as between migrant workers and home communities play a vital role in every phase of the migration cycle, from pre-departure planning through to eventual return and reintegration. For instance, 72 per cent of Ukrainian HHs with long-term migrant workers reported being aware of friends and neighbours that are also long-term migrant workers.

In line with the expectations, proximity affords more visits home per year, with average annual visits dropping significantly for other countries and Canada. Almost 1/3 of long-term migrant workers in CIS countries visit Ukraine at least three-four times over the year, which might be in line with the validity three months period of visa free regime in the Russian Federation, where most migrant workers work.

Ukrainian long-term migrant workers maintain strong links to their home communities, by regular visits during the year

![Graph showing the frequency of visits to Ukraine](image-url)

*Figure 21: “On average, how often do you normally visit Ukraine?”*  
*Source: Migrant survey*
Migration as an enabler of development in Ukraine

In general, long-term migrant workers from Ukraine communicate with their families and friends in Ukraine by telephone (79% weekly) and internet (59% weekly), which is consistent with findings from interviewed long-term migrant workers – 95 per cent of migrant workers using the Internet abroad, do it for communication purpose with their family members in Ukraine.

On a separate note, HHs with long-term migrant workers communicate more often with their HH members abroad, as compared to HHs with short-term migrant workers, irrespective of the means of communication.

Overall, the data shows that HHs with migrant workers that achieved family reunification abroad and those with no return intention, are less likely to maintain regular communications with HHs in Ukraine.

Almost three out of four HHs with long-term migrant workers stated regular communication with their family members abroad concerning various financial issues, such as investment or employment opportunities, commercial offers, interest rate in banks etc. Communication patterns on these specific topics are similar with overall communication pattern as regards family reunification status abroad and return intention. Moreover, it seems that HHs with migrant workers in EU countries and other countries of migration are more likely to discuss financial topics as compared to HHs with migrant workers in CIS countries.

As can be seen in Figure 24, Ukrainian migrant workers are rich in horizontal social capital. They are poor, however, in structural social capital (organizations and formal networks that facilitate joint actions).
One way to measure horizontal social capital among migrant workers is to look at membership rates in diaspora associations. Though Ukrainian migrant workers and diaspora associations exist, their role and importance to migrant workers and their families seem to be limited. Only 9 per cent of Ukrainian migrant workers interact with diaspora associations in any way, compared to 8 per cent of Moldovan migrant workers. Of these 9 per cent, 46 per cent reported membership in such organizations (compared to 25% of Moldovans). This can be estimated to be approximately 18,000 members; from a total population of 423,800 long-term migrant workers or about 4 per cent. In this context, only 4 per cent of migrant workers see such associations as “a trusted source of information”.

Of particular note is the very low level of trust expressed towards embassies and consulates. Anecdotal evidence indicates that this low level of trust is related to a lack of client-oriented services, bureaucratic approaches, high fees and inaccessible locations and working schedules. According to the data, the lowest trust is expressed by migrant workers in EU countries.

### PERMANENT-RETURN MIGRATION

Sustainable return and reintegration is commonly considered the last phase of a labour migration process. From migration and development as well as migration management perspectives, the process of return migration is considered important because this is closely linked to the transfer of accumulated financial capital (retained savings), human capital (experience, skills, knowledge, business practices, ideas, etc.), and social capital (contacts, networks).
Return intentions and actual behaviours are critical determining factors in explaining and forecasting savings, remittances, and investment trends. As a result, they impact the level of development that can be gained from migration.

The overall return intention of Ukrainian long-term migrant workers (60%) is similar with those of their Moldovan neighbours (59% in 2013). As expected, return intentions vary across the regions of destination, with the highest return numbers expected from EU countries (Figure 25). At 35 per cent, a high number of undecided individuals in CIS countries maybe due to the on-going conflict during the survey period. This possible explanation is reinforced by the higher incidence of this group of migrant workers originating from Ukraine’s eastern region (42%). On the other hand, a much lower return intention from other countries and Canada is predictable and consistent with the experience in other SEEE countries studied, as well as with behaviours of migrant workers themselves, i.e. lower remittances, fewer home visits, higher family reunification rates etc.

The average return intention period for long-term migrant workers is about 6 years.

Worryingly, the number of migrant workers that have decided not to return permanently is almost double among those in the 18-29 age group (30%) compared to those in the 45-65 age group (16%). This pattern is consistent with the higher number of permanently returned migrant workers aged 45 and more (almost every second permanent returnee against every tenth permanent returnee in the 18-29 group). Moreover, when looking at potential migration, almost one out of two potential migrant workers belongs to the 18 to 29 age group. Taken together, these three findings show that international migration plays a role in the aging of the Ukrainian population, as well as on the decrease of birth rates and levels economically active population.

In terms of gender, it seems that women are less likely to return permanently (54% as compared to 63% of male migrant workers), as well as those migrant workers originating from urban areas (51% compared to 69% from rural areas).

At the same time, single migrant workers (30%) and those who achieved family reunification abroad (55%) are less likely to return to Ukraine on a permanent basis. Consistent with this finding, non-remitters are less likely to return to Ukraine (36%) than remitters (72%). For more information on remittances’ behaviour see the respective section.

Generally, female migrant workers are much more interested in securing a pension plan (14% compared with 5% of men). The same holds true for migrant workers in the 45-65 age group (20% would like a pension compared to 2% of migrant workers in the 30-44 age group).

27 Returned migrant worker is a person who moved for labour purpose to a country other than that of his or her usual residence, but has returned to and is residing in Ukraine permanently – and who has no further migration intentions at the time of the interview. Those migrant workers who are visiting family members / or doing some business (days to weeks) are not considered returned migrant workers.

Overall, 60 per cent of long-term migrant workers have a definite intention to return permanently to Ukraine, and further 19 per cent remain undecided.

![Figure 25: “Do you plan to return to Ukraine (to live and work there permanently in the future)?” Source: Migrant survey](image_url)
At the same time, migrant workers in the 45-65 age group are much more interested in meeting their saving objectives (50%) before considering permanent return, while those younger are more interested in securing gainful employment in Ukraine – 69 per cent for 18-29 age group and 53 per cent of 30-44 age group.

The profile of those intending to return to Kyiv rather than to their place of origin consists of persons that are within the 18-29 age group.

As noted above, the main reason for this preference is presumably the greater employment and investment opportunities found in Kyiv. Return and investment intentions are closely correlated (see Investment section).

In any case, a positive assessment of international factors beyond the control of the migrant worker (i.e. environ-

Ukrainian migrant workers, like all migrant worker populations surveyed to date, have clear objectives and conditions before they will consider returning.

Unlike other countries studied, where reaching savings goal is paramount, for many Ukrainian migrant workers with a return intention, securing gainful employment in Ukraine is the most important objective (45%) before permanent return will be considered. More in line with other SEEE countries studied, meeting their personal savings goals is the second most important objective (38%) to be reached before permanent return.

The vast majority of Ukrainian migrant workers with return intention plan to return to their place of origin.

- **Source:** Migrant survey
mental issues), such as employment opportunities and the business climate in Ukraine, continue to be important in influencing the decision to return.

Return intention remain higher for Ukrainian migrant workers than in other countries studied, but the same rate as for Moldovan migrant workers, which is consistent with similar overall migration experience of the two countries. Experience in other SEE countries studied shows that family reunification, progressive increases in the migration objectives, integration in the country of destination, and improvement of their socio-economic status all lower the rate of return intentions. Comparing the 2009 and 2012 survey data for Moldova indicates that this trend holds true for Ukraine as well.

The Ukrainian survey is consistent with Moldovan findings that:

- an increased aspiration to return to Ukraine is closely correlated with increased age, marital status (those with family in Ukraine) and level of achieved savings;
- those working in agriculture, construction, manufacture and domestic care are more likely to return compared to those employed in other sectors abroad;
- migrant workers with lower levels of occupation are more likely to return compared to those with middle and high level employment (i.e. managers, medical professionals, engineers etc.).

Figure 28 shows very limited property ownership abroad among Ukrainian long-term migrant workers, even when compared to the other countries studied to date. At the same time, the majority of these HHs continue to maintain their properties in Ukraine.

As Figure 29 shows, accumulating savings for the purchase of real estate (houses and apartments) in Ukraine, rather than in the destination country, remains the primary objective for 44 per cent of Ukrainian long-term migrant workers.

On average, 17 per cent of Ukrainian long-term migrant HHs have interest to
purchase real estate in a destination country. This interest is the highest in other countries and Canada and lowest in CIS countries, which is consistent with their migration objectives and other related behaviours.

This combination of four factors (limited property ownership or interest in purchasing property abroad, maintaining properties in Ukraine and accumulating savings for the purchase of real estate in Ukraine) seems to confirm the high overall return intentions of Ukrainian migrant workers, as discussed above.

The HH survey data about actual permanent returnees also seems to confirm an increasing return trend over the last 20 years, as illustrated in Figure 30. Overall, about 144,400 long-term migrant workers had returned at the time of the survey with the intention to stay permanently in Ukraine, of which 53 per cent returned during the preceding four years.

The main countries of permanent return are the Russian Federation with 33 per cent of all returnees (about 47,600), Poland with 19 percent (about 27,500), Italy with 9 per cent (about 13,000) and Czech Republic with 8.9 per cent (about 12,800). Other destination countries each account for less than 4 per cent of all returnees.

The average ratio of returnees to current economic long-term migrant workers is 34 per cent. Looking closer at the top 10 countries of return, the permanent return pattern is as follows:

Higher level of returns from Greece, the Russian Federation, Portugal and Spain might be explained by the ongoing economic downturn, which was particularly severe and long running in these countries.

On the other hand, a potential trend towards decreasing of permanent return intention is reflected in the sales pattern of real estate owned by transnational HHs in Ukraine. Data from the migrant survey shows that 7 per cent of migrant workers sold at least one of their properties in Ukraine in the previous three years, while another 5 per cent plan to do so in the following three years, predominantly those who have a stated intention not to return permanently. These findings are confirmed by the concurrent household survey.
VI. KEY FINANCIAL CHARACTERISTICS

INCOMES, EXPENDITURES AND SAVINGS

Level of income is certainly an important factor in selecting a country of destination. Other factors considered by migrant workers are the costs and risks of migration, as well as the costs of travel between the two locations (i.e. regulatory framework and distance, respectively). Other than the country of destination, HH incomes are influenced by a series of other factors, such as number of income earners abroad, the sector of economy of employment, length of migration, level of integration and gender.

At the first sight, it is surprising to note that expenses of Ukrainian migrant workers in the CIS countries are significantly higher than of those in the EU countries. This, in turn, affects their savings rate, as seen in Figure 32. On the other hand, this can be explained by the higher family reunification rate in CIS countries (19%, compared to 8% in EU countries) and large numbers of Ukrainians living in major urban centres (like Moscow and Saint Petersburg), where cost of living is higher. The data shows that shifts from single-person migration to family reunification increases expenses in a destination country almost three to six fold, while also lowering remittance values two fold.

Another factor might be the recent (starting in the third quarter of 2014) deterioration in value of Russian Rubble against major currencies, which also directly influenced remittance and saving capacities of migrant workers. Previous research experience shows that migrant workers react relatively quickly to deterioration of savings rates. Further, due to their well-developed social networks and strong communication channels (see section Social Networks and Communication), most migrant workers are aware of the relative potential incomes and expenditures of various migration options. In the case of Ukraine, this may lead either to returns to Ukraine or reorientation to other countries of destination. This process might scale up due to geo-political disturbances and tougher migration regulations in the Russian Federation. To a certain degree, this trend is already reflected in the potential migration intentions described in the Profile of Ukrainian Migration section.

Overall, expenses in the destination country, whether countries of EU or CIS, are higher for the HHs that include one or more of the following characteristics: originate from urban areas and the central region of Ukraine, have higher level of education, families are fully or partially reunified, have no return intention, do not remit regularly. Length of migration and changes in migration objectives over time also influence total expenses. These factors are even more clearly demonstrated for the category of other countries of destination and Canada in Figure 32, where, for instance, return intentions are even significantly lower and family reunification is even higher.
As an interim conclusion, this section of the study confirms previous quantitative and qualitative research suggesting that it is the determination of potential savings capacity, rather than absolute level of income, which commonly determines migration decisions and economic behaviours.

The savings objectives of Ukrainian migrant workers are in line with those of migrant workers from other SEE countries studied. The purchase of a house and durable goods, and education of children are among the most important savings objectives (Figure 33).

Another important objective, emergencies and risks management, undoubtedly reflects the ongoing insecurity in the country as a whole, and the economic deterioration associated with that. A similar situation occurred in Moldova during the effects of the recent world economic crisis, starting in 2008. At that time the emergency and risk management was surveyed to be at 35 per cent, by 2012 it had decreased to 10 per cent.

Three out of four migrant workers stated they have savings, either in their country of destination or in Ukraine. The propensity to save is influenced by a series of factors:

- age – migrant workers of mid-age (30-44) and older group (45-65) are more likely to save as compared to younger migrant workers,
- marital status – married migrant workers are more likely to save regularly;
- return and remittances status – individuals with return intention and remittances sending households also have higher propensity to save.

In 2014, Ukrainian long-term migrant HHs had an average annual income of USD 24,156, of which USD 14,916 was saved. This implies a propensity to save (before remittances) of 62 per cent of HH net income (after taxes.

### Figure 33: Top three savings objectives of HH to be achieved during period of migration

*Source: Migrant survey*

<table>
<thead>
<tr>
<th>Objective</th>
<th>Average</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secure a pension/retirement</td>
<td>27%</td>
<td>39%</td>
</tr>
<tr>
<td>Buy a house/apartment where family members will live in Ukraine</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>Buy a house/apartment for lease in Ukraine</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Finance education of children</td>
<td>27%</td>
<td>32%</td>
</tr>
<tr>
<td>Gain sufficient funds for business investment</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Invest in farm/buy agricultural land</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Emergencies and risk management (accidents, sudden illness, floods,...)</td>
<td>53%</td>
<td>48%</td>
</tr>
<tr>
<td>Purchase of durable goods (car, refrigerator, furniture)</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>Financing family event</td>
<td>3%</td>
<td>17%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>NA</td>
<td>1%</td>
<td>4%</td>
</tr>
</tbody>
</table>

### Figure 34: Estimate of the total amount of money needed to meet savings objectives

*Source: Migrant survey*

- CIS countries: $193,400
- EU countries: $194,893
- Other countries: $196,576
- Average: $479,397
- Canada: $384,578

The propensity to save is influenced by a series of factors:

- age – migrant workers of mid-age (30-44) and older group (45-65) are more likely to save as compared to younger migrant workers,
- marital status – married migrant workers are more likely to save regularly;
- return and remittances status – individuals with return intention and remittances sending households also have higher propensity to save.
and other mandatory deductions). This is the highest level of savings among the SEEE countries studied to date: Moldova – 58 per cent, Romania – 49 per cent, Kosovo – 42 per cent, Albania – 37 per cent and Bosnia-Herzegovina – 30 per cent.

This high rate of savings can be explained by the characteristics and dynamics of Ukrainian migration, including such factors as fewer years in migration, higher level of return intention, lower family reunification rate and lower level of integration in country of destination. On the other hand, overall savings objectives are influenced by another set of migration related factors; these include being younger, having higher education, higher level of reunification abroad, lower return intentions, and non-remittance sending status.

52 per cent of Ukrainian long-term migrant workers stated that they are “confident / very confident” in reaching their savings objectives, while the share of “less confident / not confident” is very low (12%). The level of confidence varies among destination countries, with lower confidence in CIS countries (42%) and higher confidence in EU countries (54%) and, especially, in other countries (67%).

The average number of years estimated to reach their savings ambitions is about 7 years. Given the average savings objective of Ukrainian migrant workers this translates into an ambition of achieving an average annual household savings rate of USD 24,400. When comparing this to the actual current annual average savings rate, before remittances are deducted, USD 14,900, there is a discrepancy, which can be explained by their intention to integrate more fully into the labour market, and their belief that they can rise to their level of professional competence, and perhaps unify with family members abroad. All three of these projections will in turn contribute to a higher household income.

The two above indicators of confidence are correlated with the actual level of savings achieved to date. The level of savings achievement towards the goal is highest in other countries (on average, 17% of the value achieved) and EU countries (13%), but the lowest in the CIS countries (10%).

REMITTANCES

Compared to other SEEE countries studied, the contribution of migration to GDP is relatively small in Ukraine, with remittances amounting to 2-5 per cent of GDP (depending on the measurement used, see Figure 58). According to the literature, the main impact of migration and remittances to date has been the alleviation of poverty, with most remittances going to consumption.

Remittances have had a positive impact on the macro-economic stability of Ukraine. They helped finance the trade deficit of the country, aid in fiscal consolidation and have supported the value of the currency. These peer-to-peer transfers are economically significant for many receiving countries, such as Ukraine.

In absolute volumes, international economic institutions rank Ukraine ninth among middle-income remittance-receiving countries in the world, and in the top position in Eastern Europe and the Former Soviet Union. Official estimates of annual remittances, including those sent through formal and informal channels, increased concurrently with the rising number of migrant workers.

30 The definition of migrant worker remittances for the purposes of this study are personal remittances that include a) personal transfers and b) compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from non-resident households. Personal transfers thus include all current transfers between resident and non-resident individuals. Compensation of employees refers to the income of border, seasonal or short-term workers who are employed in an economy where they are not resident. Unlike the World Bank definition, compensation of residents employed by non-resident entities is not included.


32 http://www.ifad.org/remittances/pub/money_europe.pdf
On a private level, remittances have been important in alleviating poverty and supporting livelihoods. Their current role and future scope in supporting investment and the sustainable development of the country is discussed in more detail below.

On average, the share of migrant households remitting to Ukraine is relatively high in Ukraine, but significantly lower than in its neighbour country, the Republic of Moldova, where the share of remitting households is closer to 80 per cent. As can be seen in Figure 35, there is a lower propensity among Ukrainian migrant workers from other countries to remit money to their beneficiaries. This finding is in line with lower return intention and higher family reunification rates than in EU and CIS countries.

In-depth analysis of remitting long-term migrant households reveals that there is a direct correlation between the age of the remitters and their higher propensity to remit regularly (from 42% of remitters aged 18-29 to 75% of those aged 45-65). Supporting statements above, married long-term migrant workers, those with return intention and those not reunified are more likely to remit on a regular basis. No significant difference in propensity to remit was identified in terms of gender, rural/urban residence and economic zones in Ukraine.

When comparing remitters with non-remitters, the following profiles emerge. Non-remitters are more likely to be younger and single; if married they are more likely to be reunified abroad; they have lower return intentions than remitters and are more likely to originate from the wealthier northern and eastern regions of Ukraine.

Due to its relatively short mass labour migration period (from 1991), Ukraine long-term migrant HHs remain more likely to remit than HHs from countries such as Albania, Kosovo or BiH, where the rates of non-remitting HHs are higher.

There is a significant difference in remittance purposes between migrant workers in CIS and EU countries comparing with migrant workers in other countries, where the main objective for remitting money is to support parents and other relatives. This is consistent with the above-emphasized trends in other countries, including Canada: lower return intention, lower propensity to remit and higher rate of family reunification.

Nonetheless, given the relatively early stage of mass labour migration (since 1991), the poor economic conditions in Ukraine and low rates of family reunification, the majority of migrant workers continue to remit with the purpose of supporting their spouse and children, as well as their parents. On the other hand, when looking at the expected use of remittances (Figure 36), it is interesting to note that, on average, only 39 per cent of the remittances value is expected by the sending HH members to be used for consumption needs by the receiving HH members. However, when looking at the actual remittance receiving HH budget (with long-term migrant workers), data shows that consumption represents about 80 per cent of remittance value.
Migration as an enabler of development in Ukraine

The second figure is much more in line with the behaviour in the SEEE countries studied, as well as the general literature on this topic.

After interviewing remittance recipients, HH survey confirms that these funds are mainly used to cope with basic daily needs (food, clothing, etc.) of the family, and then for improving the living conditions (buying furniture and home appliances, etc.), as well as to expand or build a new house. The findings in Figure 36 show that 37 per cent of remitters prioritized “renovation and reconstruction of a house”, which confirms this trend.

The following trends in the remitting behaviour of migrant workers have been identified in terms of their socio-demographic profile:

- Female, younger, and single migrant workers, migrant workers reunified abroad and with no return intention, originating from urban areas and residing in CIS countries or other countries are more likely to transfer remittances for supporting parents.
- Migrant workers in EU countries, in the age group of over 30 years, married and not reunified abroad send remittances mainly with the purpose of supporting their spouse/children and for renovation or reconstruction of a house. In terms of residence and economic zones of Ukraine, migrant workers from western region and rural areas are more likely to remit for supporting spouse/children and renovating a house, but less likely to support parents.

A large number of Ukrainian long-term migrant workers (49%) remitted with the purpose of accumulating savings in Ukraine. This is a significantly higher percentage compared to migrant workers from other studied countries in the SEEE region. The profile of this category of migrant workers has the following characteristics: work in EU countries, not reunified abroad, have higher return intentions. They are also more likely to originate from rural areas (59%, compared to 39% in urban areas) and come from the western region (60%, which is twice as much as from other regions) of Ukraine.

In 2014, only 6% of remitters transferred money for the purpose of investing in a business. This pattern seems to be consistent with the overall behaviour of migrant workers from SEE countries studied and reinforcing the hypothesis, that vast majority of migrant workers do not perceive themselves as entrepreneurs.
Consequently, remittances continue to improve the living conditions of many families in Ukraine, while also having some direct role in economic development and job creation.

Probably reflecting the current geo-strategic disturbances in Ukraine, almost one in four HHs with migrant workers remitted money for emergencies and risks management, especially those households originating from the East, Centre and South of Ukraine. Similar trend of sending money for emergency purpose was observed in the Republic of Moldova during last economic crisis in 2008-2010, when about 38 per cent of households were remitting for this specific purpose. As the economic and political situation recovered in Moldova, the rate of remittances for emergencies decreased to 10 per cent. The same trend can be expected to occur in the Ukrainian context.

Factors related to the situation in Ukraine that influence remittance values include the relationship of the remitter to the recipient, the socio-economic situation of the recipient, the level of interest in saving and investing in Ukraine, and the interest of the sender in returning to Ukraine.

It is obvious from Figure 38 that remittance values are not influenced by HH incomes. In general, the amounts in remittances observed are very similar to those found in other SEE countries studied. This is not surprising, as the migration strategy, sectors of employment and other factors influencing the migration behaviours and incomes of Ukrainian long-term migrant workers, are very similar across the countries studied.

For remitting HHs the higher the household income the lower the share of household budget set aside for remittances. Data presented in the above figure are in line with assumptions and previously described findings on return intention (higher in EU; lower in CIS), family reunification (higher in CIS; lower in EU).

Moreover, even for remitting HHs and in each migration region, annual net savings are higher than the value of remittances. This finding strengthens the hypothesis that for most long-term migrant HHs the accumulation of wealth is a major objective of migration.

When non-remitting households are included, the average remittance value drops from 30 per cent to 18 per cent of the total income of all Ukrainian long-term migrant HHs, while net savings (after remittances) increase from 35 per cent to 44 per cent. These rates can be compared with: a) Moldova, where remittances amount to 21 per cent of migrant HH income abroad and 35 per cent of the overall savings; b) Albania (6% / 16%); c) BiH (6% / 18%); d) Kosovo (6% / 15%).

The above findings imply that for Ukrainian long-term migrant HHs savings are, on average, 240 per cent of remittance value. When looking at regions of migration separately, the savings to remittance value are as follows: 185 per cent for CIS countries, 230 per cent for EU countries and 770 per cent for other regions of migration.

At 39 per cent, consumption (also including durable goods and “other” category – Figure 39) is a very low component of remittances, when compared to other SEE countries studied and the literature concerning Ukraine. At the same time, saving and investing represent a large share of remittance value in Ukraine.
The higher than expected savings component might be explained as a result of the geo-strategic disturbances taking place during the survey period. As seen in Figure 38, emergency and risk preparedness is a high concern for many migrant worker HHs. Another possible explanation of this pattern could be the relative attractiveness of financial institutions in Ukraine during that period. This is supported by the findings that 53 per cent of all migrant worker households maintain a bank account in Ukraine, while 54 per cent of migrant worker households with savings in Ukraine keep at least some of their savings in term-deposit accounts.

On the other hand, when analysing more closely the investment component reflected in Figure 40, it becomes evident that the average value of investment is 1,209 USD (with 624 USD for CIS countries and 1,359 USD for EU countries). But, the largest part (94%) of this investment is oriented towards real-estate purchases or renovations. The remaining 6 per cent of all investment or 1 per cent of the total average remittance value is allocated towards productive investment in a business, farm or other activity. This equates to only about 18.6 million USD in productive investment in that surveyed/reporting period.

Approximately 110,800 remittance-sending HHs (or 28% of all long-term migrant worker HHs abroad) purchased or renovated real estate in Ukraine in 2014. This translates into a value of 287 million USD.

The 42 per cent of remittances value sent to Ukraine in 2014 with the purpose of being saved, as indicated in Figure 39, translates to a total estimated value of approximately 717 million USD.

Finally, about 39 per cent of remittance value transferred to Ukraine in 2014 by long-term migrant workers for the purpose of consumption (including also durable goods and “other” category) is approximately 668 million USD (out of which about 145 million USD went into durable goods).

There are clear differences in remittance behaviours between the countries of destination for long-term migrant workers.
Migration as an enabler of development in Ukraine

Figure 40 shows that migrant workers in EU countries are the most likely to save and invest in Ukraine. On the other hand, migrant workers in CIS countries and other countries are more oriented towards supporting the consumption needs of their dependents and close relatives. A number of migration related factors can explain these variances:

- Overall higher trend of family reunification and lower return intention in the CIS countries and other countries. This is also in line with primary objectives for sending remittances to Ukraine of this group of migrant workers, which is to support parents in Ukraine in their daily needs.
- Migrant workers in EU countries have higher levels of return intention and lower family reunification rates. They are therefore more likely to be interested in investment in property and maintain a larger share of their savings in Ukraine.
- One hypothesis relates to the gender balance and family structure between the destinations of migration. As noted above, women are much more likely to migrate to EU countries, while men tend to migrate to CIS countries. Moreover, migrant workers in EU countries are more likely to be in the age group of 45-65 years, whereas migrant workers in CIS countries are more likely to be in 18-29 and 30-44 age groups. This would imply that EU based migrant workers include a larger number of single women in their 40-ies to 60-ies, and have fewer dependents, since their children have matured. Therefore, the need to supplement consumption is lower for female migrant workers in EU countries. In addition, men of these female migrant workers (in case they are married) remaining in Ukraine are more likely to have a well-established job.

The above analysis is consistent with findings about the maturing migration cycle that remittance behaviours will decrease over the medium and long term. Overall, remittance senders can be divided into seven separate categories:

<table>
<thead>
<tr>
<th>Category</th>
<th>Average value per HH (R)</th>
<th>per cent of remitting HH</th>
<th>“S/I” value</th>
<th>“C” value</th>
<th>“C” as per cent of “R”</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 C+S+I</td>
<td>8,317</td>
<td>34 per cent</td>
<td>5,765</td>
<td>2,552</td>
<td>31 per cent</td>
</tr>
<tr>
<td>2 C+S</td>
<td>6,995</td>
<td>24 per cent</td>
<td>3,821</td>
<td>3,174</td>
<td>45 per cent</td>
</tr>
<tr>
<td>3 100 per cent consumption</td>
<td>3,548</td>
<td>23 per cent</td>
<td>–</td>
<td>3,548</td>
<td>100 per cent</td>
</tr>
<tr>
<td>4 S</td>
<td>7,774</td>
<td>7 per cent</td>
<td>7,774</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>5 S+I</td>
<td>7,062</td>
<td>5 per cent</td>
<td>7,062</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>6 C+I</td>
<td>7,794</td>
<td>5 per cent</td>
<td>4,049</td>
<td>3,745</td>
<td>48 per cent</td>
</tr>
<tr>
<td>7 I</td>
<td>4,873</td>
<td>2 per cent</td>
<td>4,873</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

The largest group (34%) (C+S+I in Figure 41) is comprised of migrant worker HHs that include some level of savings and investment, as well as consumption to their remittances. In 2014, this category of migrant worker households represented 1/3 of all long-term remittance sending households. Their annual remittance

Average consumption 2,642
Average saving 2,845
Average investment 1,217

Figure 41: Grouping of remittance senders by remittance purpose (R-remittance value, C-consumption, S-saving and I-investment) in 2014
Source: Migrant survey
transfer value was 8,317 USD, which is the highest value of all seven categories. Of this amount, consumption represents 31 per cent and it is the lowest in both value and rates among all other categories with consumption component (Figure 41). The extrapolated total value of savings and investment component of this group is 505 million USD.

The second largest group (24%) includes migrant worker HHs that sent remittances specifically for consumption and saving purposes only (C + S) as a priority part of their 2014 remittances. The average remittance value of this group was 6,995 USD, of which 3,821 USD was savings and investment. The consumption rate of this group is significantly higher than the category described above. The extrapolated total value of savings and investment component of this group is almost 240 million USD, or two times less than the category above.

The third largest group (23%) is composed of those migrant worker HHs that sent remittances expecting the money transferred will be fully consumed, usually for the purpose of supporting their immediate or extended family. Within this group, those senders who prioritized remitting for the purpose of ‘supporting spouse and children’ in Ukraine, sent an average of USD 4,293. When parents were the primary beneficiaries, this value drops to USD 2,437. As the process of migration maturity and family reunification continue, a systemic drop in overall remittances to Ukraine (assuming that the total stock of migrant workers remains steady) can be expected.

The above three categories cover 81 per cent of all remitting households.

The fourth group (7%) includes those migrant worker HHs that sent remittances only for savings purposes. At 7,774 USD, the average value of savings for this group is the highest among all categories with saving component. This results in the total value of 140 million USD, savings that were sent to be kept in Ukraine.

The fifth group (5%) includes migrant workers who sent remittances only for savings and investment purposes (S + I) and with no consumption. The extrapolated total value of savings and investment component of this group is almost 91 million USD.

The sixth group (5%) includes migrant worker HHs that sent remittances specifically for consumption and investment purposes only (C + I). This category of migrant workers has the highest consumption value, on average, among all groups with a consumption component. The estimated total value of the investment component of this group is 52 million USD.

The last group (2%) includes those migrant worker HHs that sent remittances only for investment purposes (I). Further calculations show that investment value of this category is 25 million USD.

Taken together, the transfer of savings (estimated at the total of about 720 million USD), when deposited in the Ukrainian banking system, represent one of the main sources of liquidity from physical persons in the system as a whole (estimated at 16.5 Bln USD deposits from all physical persons in both national and foreign currencies in September 2015). It is worth re-
membering that investment components estimated above are largely used for real estate purchases or housing renovations, with only 1 per cent of total remittances oriented towards productive investment.

The annual total number of transfers from this category of migrant worker households is estimated at about 1.2 million.

The average number of transfers is significantly lower for migrant workers in EU countries, compared to other countries (Figure 42). The in-depth analysis emphasizes that higher average number of transfers is related to lower individual transfer value. This is consistent with the findings related to family structure and priority placed on supporting parents and relatives in the CIS countries, Canada and other countries, while migrant worker households in EU countries are more likely to remit for savings and investment.

Similarly, higher number of transfers is directly correlated with the age group of senders: the older the sender is, the more often transfers are made.

**Remittances transfer channels**

The data from Figure 43 shows that 59 per cent of remitting households prefer to use informal channels, mainly hand-carry by the migrant worker themselves or by friends or bus driver. Logically, the propensity to prefer formal channels increases with the distance from Ukraine. In other countries the preference for formal channels is 72 per cent, while in CIS countries it drops to 50 per cent and in EU countries, where the largest group of long-term migrant workers reside, the preference for formal channels drops to 37 per cent.

An interesting finding of the HHs survey is that 4 per cent of HHs without a member in labour migration still receive remittances.

Further, as can be seen in Figures 43 and 44, the preference for using a particular remittance method is reflected in actual practice. This is often not the case in SEEE countries studied, where there is a lower correlation between preference and practice.

However, there are differences in the remitting behaviours between households with short-term and long-term migrant workers, as well as households without migrant workers (but receiving remittances). The greatest users of informal channels are HHs with migrant workers, both short-term and long-term. A full 98 per cent of HHs with long-term migrant workers used informal channels, at least once in 2014, as well as 75 per cent of those with short-term migrant workers. Logically, HHs without migrant workers (but
And, as the HH survey illustrates, receiving HHs continue to receive through both, formal and informal channels

- Bank transfer: 17% HH with short-term migrant worker, 47% HH with long-term migrant worker, 57% HH without migrant worker
- MTO transfer: 12% HH with short-term migrant worker, 11% HH with long-term migrant worker, 36% HH without migrant worker
- Electronic payment: 0% HH with short-term migrant worker, 2% HH with long-term migrant worker, 8% HH without migrant worker
- Payment cards: 0% HH with short-term migrant worker, 0% HH with long-term migrant worker, 3% HH without migrant worker
- Hand-carry by the migrant: 68% HH with short-term migrant worker, 78% HH without migrant worker
- Hand-carry by friend/fellow migrant worker: 4% HH with short-term migrant worker, 13% HH with long-term migrant worker, 28% HH without migrant worker
- Bus driver, travel agency: 3% HH with short-term migrant worker, 5% HH with long-term migrant worker, 11% HH without migrant worker
- DK/NA: 1% HH with short-term migrant worker, 1% HH with long-term migrant worker, 11% HH without migrant worker

Figure 44: Channels for receiving remittances (only HHs receiving transfers)
Source: HH survey

Actual remittance values are consistent with the preference and incidence of channels used

- MTO/bank transfer: 43% CIS countries, 55% EU countries, 28% Other countries, 53% Average, 20% Canada
- Carried/sent in cash: 57% CIS countries, 45% EU countries, 72% Other countries, 47% Average, 80% Canada

Figure 45: “Of the amount transferred over the preceding 12 months, what amount was sent by MTO/bank and carried personally/sent in cash?”
Source: Migrant survey

On average, only 47 per cent or 3,120 USD of the average remittance value per long-term migrant worker HH was transmitted through formal channels in 2014. This translated to 795 million USD of the overall remittance value of approximately 1.7 billion USD.

Informal channels are more likely to be used by migrant workers residing in EU countries (55%), as compared with 43 per cent of migrant workers in CIS countries and 28 per cent in other countries.

When looking at the place of residence in Ukraine, the data shows that long-term migrant workers originating from rural areas send higher amounts of remittances through informal channels (4,236 USD versus 2,869 USD for urban areas). This might be explained by lower access to banking institutions in rural areas, as well as a tendency to visit home more often.

In terms of gender perspective, Ukrainian women in migration are just as likely to remit as their male counterparts. But, when looking at the remittance values, a gender discrepancy is more apparent, with the data showing that women sent 6,046 USD in remittances, compared to 7,391 USD for men (in non-family unification situations for both). This difference might be explained by a range of factors: women recipients are more...
likely to be homemakers and taking care of children and elderly dependents and less likely to be part of the economically active part of the population; while those women who are employed, on average earn less than their male counterparts.

OVERALL FINANCIAL REMITTANCE FLOWS

As can be expected, HHs with short-term migrant workers are much more likely to use informal channels for remittance purposes (Figure 46). This relates first to their relatively short-term migration period and little motivation to keep savings abroad.

On the other hand, HHs without migrant workers cannot rely as easily on unofficial channels, as they are more likely to receive remittances from diaspora members and more distant relatives.

Interestingly, the total average annual number of transfers reported is almost equal for each of the three groups of HHs (approximately four transfers per year). This equals to approximately 3.8 million formal and informal transfers per year in 2014.

When looking at value of remittance received (Figure 47) by all three categories of HHs, it is according to expectations that short-term migrant workers remit more than long-term migrant workers. This can be explained, by their relatively short-term migration period and little motivation to keep savings abroad. Further,
when looking at the sector of employment abroad of workers engaged in short-term migration, it largely mirrors the profile of long-term migrant workers. Almost half of short-term migrant workers (46%) are employed in construction.

When amalgamating the data reported from remittance sending and receiving households, the total estimated amount of remittances to Ukraine in 2014 was 2.771 billion USD (Figure 48). Out of this amount, approximately 51 per cent was sent/received through informal channels. Contribution of long-term migrant workers to this financial inflow to Ukraine is at the level of 61 per cent, short-term migrant workers bring about 25 per cent and the other 14 per cent of remittances are received by HHs with no migrant worker household member.

<table>
<thead>
<tr>
<th>Channel</th>
<th>Household with short-term migrant workers</th>
<th>Household with long-term migrant workers</th>
<th>Household with no migrant worker</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official transfers</td>
<td>$268,542,000</td>
<td>$794,770,000</td>
<td>$306,008,000</td>
<td>$1,369,320,000</td>
</tr>
<tr>
<td>Hand-carry</td>
<td>$438,148,000</td>
<td>$896,230,000</td>
<td>$67,172,000</td>
<td>$1,401,550,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$706,690,000</strong></td>
<td><strong>$1,691,000,000</strong></td>
<td><strong>$373,180,000</strong></td>
<td><strong>$2,770,870,000</strong></td>
</tr>
</tbody>
</table>

Figure 48: Total remittance value to Ukraine in 2014, including formal and informal channels

Source: HH survey and Migrant survey

IMPACT OF REMITTANCES ON UKRAINIAN HOUSEHOLDS

When comparing the structure of Ukrainian HH budgets between remittance receiving and non-receiving HHs, it is clear that remittances have a significant positive impact on the overall HH budget (Figure 49), representing main income source for household budget. This is valid for both HH with long-term and short-term migrant workers. Remittances contribute almost 50 per cent to the budget of remittance receiving HH with long-term migrant workers and 60 per cent to the budget of remittance receiving HH with short-term migrant workers. Even in case of remittance receiving HHs without migrant workers, the impact of remittances is still significant (21% of the overall budget), having the same weight as incomes gained from private sector (20%) and pensions (20%).

In case of non-receiving remittance HHs, salaries from private and public sector, as well as pensions generate the largest part of income: almost 70 per cent for HHs with short-term or long-term migrant workers and over 80 per cent for HHs without migrant workers. As a trend, keeping in mind that the size of sub-samples is quite small, these categories of HHs are more likely to be: self-employed in the non-agricultural sector; receive income from agricultural sector; be engaged in business.

As can be seen in Figure 49, remittance receiving HHs with short-term migrant workers have a significantly higher HH income than the other five categories. More importantly, when comparing income per HH member, non-receiving remittances HH with short-term migrant workers are the poorest of the six categories of HHs, at an average of 97 USD per HH member per month. This is due partly to larger size of the HH (3.4 members).

Turning to the expenditure side of HH budget (Figure 50), it is clear that access to remittances increases the purchasing power of remittance receiving Ukrainian HHs, as well as the investment behaviour.

When looking at consumption patterns and day to day expenses (such as food, clothes, utilities etc.), overall, remittance-receiving HHs spend a smaller percentage of HH income on these costs.
From the perspective of maximizing migrant worker remittances and savings on the development of Ukraine, the most significant difference between remittance receiving and non-receiving HHs is that remittance receiving HHs are much more likely to engage in investment and business expenses, including farm expenses (animal feed, maintenance, etc.). In addition, remittance-receiving HHs with long-term migrant workers put aside the highest share of income for savings (22%).

When directly comparing (Figure 52):
- HHs with short-term migrant workers that receive (A) and do not receive (D) remittances (A/D)
- HHs with long-term migrant workers that receive (B) and do not receive (E) remittances (B/E)

the following trends emerge, as a ratio of expenditures between remittance receiving and non-receiving HHs:

---

*Figure 49: HH average monthly income in the past 12 months, by remittance receiving status and migration status (total income, share of income source, average size of HH and average income per HH member)*

Source: HH survey

<table>
<thead>
<tr>
<th>HH budget incomes</th>
<th>Receive remittances</th>
<th>Do not receive remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HH with short-term</td>
<td>HH with long-term</td>
</tr>
<tr>
<td></td>
<td>migrant workers</td>
<td>migrant workers</td>
</tr>
<tr>
<td>Salaries from Public Sector</td>
<td>8 per cent</td>
<td>10 per cent</td>
</tr>
<tr>
<td>Salaries from Private Sector</td>
<td>13 per cent</td>
<td>14 per cent</td>
</tr>
<tr>
<td>Pension</td>
<td>5 per cent</td>
<td>10 per cent</td>
</tr>
<tr>
<td>Social Security Payments – economic aid, disability, unemployment insurances, welfare, allocations for children etc.</td>
<td>1 per cent</td>
<td>3 per cent</td>
</tr>
<tr>
<td>Casual Work</td>
<td>6 per cent</td>
<td>7 per cent</td>
</tr>
<tr>
<td>Self-employment in the non-agricultural sector</td>
<td>1 per cent</td>
<td>1 per cent</td>
</tr>
<tr>
<td>Agricultural sector</td>
<td>3 per cent</td>
<td>3 per cent</td>
</tr>
<tr>
<td>Business – if you employ non-family members</td>
<td>1 per cent</td>
<td>0 per cent</td>
</tr>
<tr>
<td>Income/rent from property</td>
<td>0 per cent</td>
<td>0 per cent</td>
</tr>
<tr>
<td>All Financial Transfers from Abroad (incl. hand carry)</td>
<td>60 per cent</td>
<td>49 per cent</td>
</tr>
<tr>
<td>Borrowing Money from others, credits from banks etc.</td>
<td>1 per cent</td>
<td>0 per cent</td>
</tr>
<tr>
<td>Other</td>
<td>3 per cent</td>
<td>2 per cent</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$589</td>
<td>$424</td>
</tr>
</tbody>
</table>

| Size of HH (average) | 3.1 | 2.54 | 2.9 | 3.4 | 2.335 | 2.5 |
| Number of children (up to 18 years) (average) | 0.5 | 0.8 | 0.9 | 0.6 | 0.2 | 0.5 |
| Number of old people (60 years +) (average) | 0.2 | 0.4 | 0.5 | 0.3 | 0.4 | 0.6 |
| Income per HH member (average) | $190 | $170 | $104 | $97 | $110 | $109 |

34 HH members living and working abroad are not included
35 HH members living and working abroad are not included
Migration as an enabler of development in Ukraine

- about 120 per cent higher expenditure for food, even if, as noted above, the share of such costs in the total HH budget is significantly smaller;
- from 160 per cent (A/D) to 180 per cent (B/E) higher expenditures for clothing;
- more than two to four times higher costs for furnishing, renovating or building a home;
- between two and four times as much is invested in education;
- between 180 per cent and 845 per cent more is invested in repaying debts, savings, business and investment expenses.

HHs without migrant workers that receive remittances (C/F) invest 246 per cent in education and 236 per cent more in repaying debts.

When asked to self-assess the overall financial situation of the HH (Figure 50), it becomes apparent that both HHs with short (57%) and long-term (77%) migrant workers are better off than HHs without migrant workers (39%). The impact of remittances on the financial welfare of HHs seems to be the determining factor, especially for HHs with long-term migrant workers.

On the other hand, when asked to compare their HH economic situation to that of their neighbours, a more balanced picture emerges (Figure 51). Overall, HHs with short and long-term migrant workers do not see themselves as significantly better off than other HHs in their neighbourhood.

As an interim conclusion, it is possible to state that remittance receiving HHs of all three categories do not spend significantly more on day to day expenses, than their non-remittance receiving neighbours. In other words, once basic requirements are met, much of the remaining remittances go into various forms of savings and investment.

Figure 50: “Overall, is the financial situation of your HH sufficient to cover all your basic needs?”
Source: HH survey

Figure 51: “How would you rate your HH economically compared to other HHs in this neighbourhood?”
Source: HH survey
Migration as an enabler of development in Ukraine

<table>
<thead>
<tr>
<th>HH budget expenditures</th>
<th>Receive remittances</th>
<th>Do not receive remittances</th>
<th>Ratio of expenditures between remittance receiving and non-receiving HHs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>23 per cent</td>
<td>26 per cent</td>
<td>31 per cent</td>
</tr>
<tr>
<td>Clothing</td>
<td>12 per cent</td>
<td>13 per cent</td>
<td>14 per cent</td>
</tr>
<tr>
<td>Utilities (heat, electric, telephone, fuel, etc.)</td>
<td>7 per cent</td>
<td>8 per cent</td>
<td>18 per cent</td>
</tr>
<tr>
<td>Furnish / Equip / Build home</td>
<td>4 per cent</td>
<td>5 per cent</td>
<td>2 per cent</td>
</tr>
<tr>
<td>Health Services (medicaments, etc.)</td>
<td>4 per cent</td>
<td>5 per cent</td>
<td>7 per cent</td>
</tr>
<tr>
<td>Education (for ALL HH members)</td>
<td>6 per cent</td>
<td>4 per cent</td>
<td>7 per cent</td>
</tr>
<tr>
<td>Savings</td>
<td>15 per cent</td>
<td>22 per cent</td>
<td>7 per cent</td>
</tr>
<tr>
<td>Investments and Business Expenses, including farm expenses (animal feed, maintenance, etc.)</td>
<td>20 per cent</td>
<td>8 per cent</td>
<td>1 per cent</td>
</tr>
<tr>
<td>Repaying debt</td>
<td>3 per cent</td>
<td>4 per cent</td>
<td>9 per cent</td>
</tr>
<tr>
<td>Transportation / fuel for personal car</td>
<td>5 per cent</td>
<td>3 per cent</td>
<td>5 per cent</td>
</tr>
<tr>
<td>Other</td>
<td>1 per cent</td>
<td>1 per cent</td>
<td>1 per cent</td>
</tr>
</tbody>
</table>

Cumulative share of education, savings, investment and repaying debts

<table>
<thead>
<tr>
<th></th>
<th>43 per cent</th>
<th>38 per cent</th>
<th>23 per cent</th>
<th>28 per cent</th>
<th>22 per cent</th>
<th>21 per cent</th>
</tr>
</thead>
</table>

Cumulative value of education, savings, investment and repaying debts (USD)

|                       | 254         | 159         | 67          | 90          | 57          | 57          |

Figure 52: Allocation of HH income on average in the last 12 months (by remittance receiving status and migration status (share of expenditure items, ratio of amount of expenditures among remittance receiving and non-receiving HHs)

Source: HH survey
IN-KIND REMITTANCES

In 2014, Ukrainian households received more than 100 million USD as in-kind remittances

Figure 53 shows 35 per cent of HHs with long-term migrant workers, 14 per cent with short-term migrant workers and 1 per cent of HHs without migrant workers received in-kind remittances (defined as all material transfers of a non-financial nature, see Figure 53) from their HH members or relatives and friends abroad. These in kind remittances benefited about 285,000 receiving households with an amount of more than 100 million USD.

In-kind remittance transfers are more likely to be sent from migrant workers working in EU countries (every second migrant worker), as compared to CIS countries (every third) and other countries (every fifth).

The profile of in-kind remittance sending migrant workers is as follows: most are women (51% female over 40% male migrant workers), originating in rural areas of Ukraine (52% over 37% urban), married (50% over 34% unmarried), older aged category (53% in the age group 45-65 versus 26% in the age group 18-29). In terms of economic zones in Ukraine, the highest propensity to send in-kind remittances was registered for western region (51%) and eastern region (44%).

In almost 90 per cent of cases, migrant workers sent food supplies, mainly those from EU countries (Figure 54 remittances are cleaning supplies and clothing/shoes, again mainly from EU countries. On the other hand, migrant workers working in CIS and other countries are more likely to send audio/video equipment. Young male migrant workers are more likely to send audio-video equipment.

The average annual value of transferred goods was estimated by receiving HHs with short-term migrant workers to be 433 USD, while HHs with long-term migrant workers reported sending goods with annual aver-
Migration as an enabler of development in Ukraine

Age value of 623 USD. This results in a total estimated annual value of in-kind remittances at about 105 million USD (Figure 55). Over 80 per cent of these in-kind remittances, in terms of value, originate from long-term migrant workers.

An interesting trend can be discovered, when looking in-depth at the data: while there is higher propensity to send/receive packages to rural areas of Ukraine, the average value of in-kind transfers is higher to urban areas.

There were more than 790,000 transfers in 2014 (per courier and hand-carried), with an average of about 2,200 of transfers per day and 130 USD value per transfer on average.

ESTIMATE OF OVERALL REMITTANCE FLOWS TO UKRAINE IN 2014

When adding financial transfers and the value of in-kind remittances, the resulting total remittance flow to Ukraine in 2014 is about 2,876 million USD.

Monetary transfers represent 96 per cent of the overall remittance flows to Ukraine (Figure 56).

Transnational households with long-term migrant workers contribute with almost 2/3 (62%) to the overall remittance flow, while the share of short-term migrant workers is assessed at 25 per cent.

No less important is the contribution of monetary and in-kind transfers towards households with no migrant worker family member. In 2014, they benefited from about 380 million USD, which account for 13 per cent of the total estimated annual remittance value to Ukraine.

COMPARING OVERALL REMITTANCE FLOWS WITH FOREIGN DIRECT INVESTMENT AND OFFICIAL DEVELOPMENT ASSISTANCE

This section will compare the relative sizes of main international financial flows to Ukraine, specifically foreign direct investment (FDI), official development assistance (ODA) and various official measurements of remittances versus remittances measured in this study.
Foreign Direct Investment

One challenge, which Ukraine is currently facing, relates to the attraction of foreign direct investment (FDI). In 2014, only about 300 million USD (equivalent to 0.2 per cent of GDP) was attracted on a net basis (the balance between inflow and outflow of FDI). The inward stock of FDI declined by about 15 billion USD to 63.8 billion USD (equivalent to 48.4 per cent of GDP) over the year\(^{36}\). These adverse developments raise a number of concerns, as FDI flows are of crucial importance for at least two reasons:

- **Balance of payments perspective:** In the future, significant amounts of private capital, and here in particular stable and long-term oriented FDI inflows need to supplement and eventually replace capital inflows that are provided currently by official sources (international financial institutions, multilateral and bilateral donors).
- **Investment perspective:** Due to their dual nature, inflows of FDI can supplement domestic investments, which are currently very low due to the challenging economic and security situation, as well as very high funding costs. Gross fixed capital formation shrunk by 23 per cent in 2014 (versus 2013) to reach a level of only 14.0 per cent of GDP\(^{37}\) – the lowest level since statistical records are available.

The fall in investments made a major negative contribution to the fall in real GDP of 6.8 per cent in 2014\(^{38}\). Thus, an eventual economic recovery would depend on reconstruction and modernization of the Ukrainian economy, which requires a strong focus on FDI attraction.

Perhaps surprisingly, at around 50% of GDP, the inward FDI stock is a bit higher than that of Poland, and well ahead of Romania’s (42.2%). However, this issue deserves a deeper investigation, and one likely answer comes when looking at the composition of source countries that were responsible for those investments (Figure 57).

When looking at source countries of FDI inflow, Cyprus is the most important direct investor in Ukraine (Figure 57). Moreover, when looking at Ukraine’s FDI outward stock (Figure 58), Cyprus holds the share of 92%.

This would seem to point to the presence of “round-tripping” of finance, which can have different reasons (tax advantages, advanced legal system with better protection, among others). However, it is clear that such funds do not constitute genuine FDI flows with all their associated benefits (technical, management and human capital know-how transfers and spill-overs), but rather a domestic investment which is re-routed via an offshore zone.

---


\(^{37}\) Ibid.

\(^{38}\) Ibid.
Official Development Assistance

As related to official development assistance (ODA), unlike FDI, it has remained relatively constant during the 2009-2013 period\(^{39}\) (Figure 58). Between 2003 and 2012 Ukraine received 4.8 billion USD in official development assistance (ODA), making it the 52\(^{40}\) largest recipient in the world. In the same 10-year period, the proportion of ODA given as humanitarian assistance averaged 1 per cent. Ukraine received the equivalent of 0.4 per cent of its GDP as ODA in 2012 and 2013.\(^{40}\)

However, it is expected that the absolute volume of ODA will increased significantly for the next year, given the military conflict in the eastern part of the country. The top three humanitarian donors who have committed or contributed funds since the beginning of the crisis in 2014 have been the European Commission (32.7 million USD), United States (16.9 million USD) and Germany (13 million USD). These three donors were also the main providers of ODA over a five-year period (2009 – 2013); in 2013, the EC provided 351.6 million USD, the US 118.7 million USD and Germany 65.3 million USD\(^{41}\).

The International Monetary Fund announced on 12 February 2015 plans for an economic reform program in the form of a four-year Extended Fund Facility amounting to 17.5 billion USD. The new agreement replaces last year’s (April 2014) Stand-By Agreement of 20 billion USD (including the 3 billion USD for immediate disbursement). In January, the EC President Jean-Claude Juncker advanced a proposal of 2 billion USD in EU loans to Ukraine in addition to the 1.8 billion USD in two previous assistance programs. Other countries have also recently pledged financial support to Ukraine. The US announced in February 2015, it would guarantee 2 billion additional USD borrowing to Ukraine.\(^{42}\)

Also in February 2015, the UK committed 15 million USD in technical assistance and a second 23 million USD package in emergency assistance to provide food, blankets, emergency shelter and basic medical supplies. In March 2015, Japan extended a 2014 1.8 billion USD economic assistance program to Ukraine.\(^{43}\)

Remittances

Remittances to Ukraine are large and were continuously growing until 2014 (Figure 59). According to the World Bank estimates\(^{44}\), the 9 billion USD that Ukraine received in 2013 placed this country in the top 10 recipient countries in the world and among leaders in Eastern Europe and Central Asia region.

---

\(^{39}\) http://data.worldbank.org/indicator/DT.ODA.ALLD.CD

\(^{40}\) http://www.globalhumanitarianassistance.org/countryprofile/ukraine


\(^{42}\) Ibid.

\(^{43}\) Ibid.

\(^{44}\) WB-Brief 21
According to the National Bank of Ukraine (NBU), USD 46.920 million was transferred to Ukraine from outside from 2008 to 2014. Since 2009 and until 2013 (including), the amount of remittances has been increasing. During 2014, the amount steadily decreased.

The NBU data for 2014 excludes the territory of the Autonomous Republic of Crimea and the City of Sevastopol. However, the contribution of migration to GDP growth was small, comparing to other countries studied. In 2014, even if remittances decreased in USD, they represented 4.9 per cent of Ukraine’s GDP. This can be compared to the other countries studied: Republic of Moldova (26.1% in 2014), Bosnia and Herzegovina (11.2% in 2014), Albania (8.5% in 2014) and Romania (1.9% in 2013).

In Ukraine, unlike in many countries, the volume of remittances was not significantly larger than the total value of FDI and ODA. However, this trend changed in 2013. While remittances and ODA have remained relatively stable, the value of FDI dropped significantly (Figure 60), due to social disturbances and geo-strategic struggles in the South and East of Ukraine.

When examining different measurements of remittances, three key factors should be noted:

- Official remittances estimates, as published by the National Bank of Ukraine, besides personal transfers (by long-term and short-term migrant workers, as well as diaspora members) also include payments made to residents of Ukraine by non-resident entities, i.e. salaries, fees, commissions etc. paid by foreign companies, NGOs, governments to persons residing in Ukraine (see blue line and respective definition in Figure 58). This results in a large increase in the National Bank’s estimate of remittances from 2.2 billion USD to 6.5 billion USD, or 4.9 per cent of GDP, in 2014.
- Second factor to consider is that official remittance estimates are notoriously unreliable, insofar as they do not accurately estimate the value of transfers made through unofficial channels, as well as the value of in-kind remittances.

The measurement used in this study included personal transfers (by long-term and short-term migrant workers, as well as diaspora members) made through both formal and informal channels, as well as estimate of in-kind remittances. As a result, the 2014 remittance estimate of the National Bank of Ukraine expressed in personal transfers only (orange line in Figure 58), the 2014 estimate gained through the household and migrant surveys

---

45 Remittances represent household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies. Remittances include cash and noncash items that flow through formal channels, such as electronic wire system, or through informal channels, such as money or goods carried across borders. Remittances include net compensation of employees and personal transfers (source: http://www.bank.gov.ua/doccatalog/document?id=80651).

46 http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS
Migration as an enabler of development in Ukraine

**RESEARCH AND POLICY DIALOGUE INITIATIVE ON MIGRATION AND REMITTANCES IN UKRAINE**

**Figure 60:** Share of remittances (according to NBU, Def. 1), remittances (according to NBU, Def. 2), net FDI (according to IMF def.), net ODA (according to WB def.) and remittances (according to current study) in the GDP of Ukraine


**Remittances (all):** National Bank of Ukraine define remittances as i) Net compensation of employees and ii) Personal transfers.

- **Net compensation of employees** is a part of income of household members abroad, which they transmit to other members of the household in the resident economy. It is the difference between the compensation of employees that workers receive from temporary employment abroad, and taxes and other expenses incurred in the economy where the work is performed in the host country.
- **Personal transfers** consist of all current transfers in cash or in kind received by resident households from non-resident households. They consist of remittances of workers who work more than a year, and other private transfers between residents and non-residents.

**Remittances (personal transfers only):** Only personal transfers are included as defined by the National Bank of Ukraine.

**Net Foreign Direct Investment (FDI):** According to International Monetary Fund definition, FDI refers to direct investment equity flows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Ownership of 10 percent or more of the ordinary shares of voting stock is the criterion for determining the existence of a direct investment relationship.

**Net official development assistance (ODA):** According to World Bank definition, ODA consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients.

**Remittances (according to survey):** The definition of migrant worker remittances for the purposes of this study are personal remittances that include a) personal transfers and b) compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from non-resident households. Personal transfers thus include all current transfers between resident and non-resident individuals. Compensation of employees refers to the income of border, short-term workers who are employed in an economy where they are not resident. Unlike the World Bank definition, compensation of residents employed by non-resident entities is not included.
can be considered comparable. As the survey results reveals significantly higher preference for informal channels to transfer remittances (1.4 billion USD or 51% of the total value), plus another 105 million USD in in-kind remittances, the final estimate of total remittances is about 700 million USD higher than the National Bank estimates. This difference is reflected in Figure 60 by the higher share of GDP: 2.17 per cent versus 1.64 per cent. Between 2013 and 2014, personal remittances became a larger percentage of GDP than FDI and ODA combined. This reinforces the importance of remittances as a stabilizing economic factor. However, and contrary to the literature and common sense expectation that remittances act as a countercyclical financing source, the personal remittances indicated in Figure 60, remained relatively stable during the recent difficult social and economic period experienced by Ukraine.

But, remittances represent only a part of the whole story of migration and development.

**SAVINGS**

### Migration influences the savings capacity of Ukrainian households

<table>
<thead>
<tr>
<th>Type of Household</th>
<th>Yes</th>
<th>No</th>
<th>DK/NA</th>
</tr>
</thead>
<tbody>
<tr>
<td>HH with short-term migrant worker</td>
<td>37%</td>
<td>49%</td>
<td>14%</td>
</tr>
<tr>
<td>HH with long-term migrant worker</td>
<td>43%</td>
<td>28%</td>
<td>29%</td>
</tr>
<tr>
<td>HH without migrant worker</td>
<td>18%</td>
<td>76%</td>
<td>6%</td>
</tr>
</tbody>
</table>

*Figure 61: Regular savings status in Ukraine*  
*Source: HH survey*

- HHs residing in the northern and eastern region of Ukraine are less likely to save on a regular basis (15% on average), as compared to other regions (44% and more);
- HHs that are not reunified abroad, benefit of remittances and have investment intentions are much more likely to save on a regular basis;

Another interesting fact is that HHs whose members are abroad for more than five years are less likely to save regularly. This is actually consistent with the principle that the longer the migration experience continues, the less likely the migrant worker will return and remit, but rather reunify abroad.

Simultaneously, three out of four long-term migrant worker HHs abroad are regularly accumulating savings (Figure 62). This is reinforced by the finding that a) the percent of HHs that regularly save abroad is almost twice as high as per cent of HHs with long-term migrant workers that save in Ukraine; and almost four times as high as HHs without migrant workers; b) incidence rate of HHs with regular savings status is almost similar across all destination countries.

When compared to remittances, it is important to emphasize two things: a) the incidence of regular savings of long-term migrant worker HHs abroad is slightly higher than incidence of remitting HHs (76% versus 66%); b) the volume of savings abroad is 2.4 times higher than the volume of remittances sent by the same category of HHs (Figure 63). From the developmental perspective, it is important to recall that most remittance value...
is consumed immediately; while the savings abroad are accumulated for a certain period and until they are spent or invested for the reasons provided in previous sections. It is always possible that savings and migration objectives change in line with personal experience and ambition of a migrant worker and their HH, as well as the return, savings, and investment conditions in Ukraine. The literature and research experience of other countries show that return intentions and related savings and investment behaviours diminish over time.

Looking further at destination countries, with 71 per cent of all long-term migrant workers currently in EU countries, they accumulate 78 per cent of all savings abroad, while 22 per cent of long-term migrant workers in CIS countries save 15 per cent of all savings abroad. The balance of savings abroad is accumulated in other countries of destination.

### The value of annual net savings abroad generated by long-term migrant worker households is 2.4 times higher than remittances sent to Ukraine by the same category of households

<table>
<thead>
<tr>
<th>Type of HH</th>
<th># of HHs</th>
<th>per cent of all HHs</th>
<th>Average annual savings per HH</th>
<th>Total annual savings of HHs</th>
</tr>
</thead>
<tbody>
<tr>
<td>HH with short-term migrant workers – in Ukraine</td>
<td>229,296</td>
<td>2 per cent</td>
<td>898 USD</td>
<td>0,2 bn USD</td>
</tr>
<tr>
<td>HH with long-term – in Ukraine</td>
<td>390,408</td>
<td>3 per cent</td>
<td>1,022 USD</td>
<td>0,4 bn USD</td>
</tr>
<tr>
<td>HH with no migrant worker – in Ukraine</td>
<td>12,868,296</td>
<td>95 per cent</td>
<td>421 USD</td>
<td>5,4 bn USD</td>
</tr>
<tr>
<td>All households</td>
<td>13,488,000</td>
<td>100 per cent</td>
<td>447 USD</td>
<td>6 bn USD</td>
</tr>
<tr>
<td>Long-term migrant worker HH – abroad</td>
<td>390,408</td>
<td>3 per cent</td>
<td>10,560 USD</td>
<td>4 bn USD</td>
</tr>
<tr>
<td><strong>Total annual savings of long-term migrant worker households abroad</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The value of annual net savings abroad generated by long-term migrant worker households is 2.4 times higher than remittances sent to Ukraine by the same category of households.
From the savings, intermediation and development perspectives, HHs with long-term migrant workers abroad are the most interesting market segment. Given their small numbers and relative homogeneity, marketing approaches can be developed in a cost effective manner.

**INVESTMENTS**

**Migrant worker households abroad**

As noted above, in 2014 only 1 per cent of the total average remittance value from long-term migrant workers was directed towards productive investment in a business, farm or other activity. This is significantly lower than 6 per cent of direct productive investment found in Moldovan total remittance value in 2012. This very low investment rate can most likely be explained by the same factors that saw a significant drop in FDI in 2013-2014 period, which is probably closely related to the geostrategic disturbances that Ukraine faces, in addition to the high level of corruption and low rate of ease of doing business.

On the other hand, as shown in Figure 65, two out of ten long-term migrant worker HHs abroad have some kind of direct investment intention in Ukraine, but it is still significantly lower than four out of ten Moldovan long-term migrant worker HHs with similar intentions.

The desire to initiate or expand investment in a business enterprise in Ukraine is similar between CIS and EU based migrant workers.

When looking in-depth at the profile of these HHs, it is possible to determine that migrant workers with high level of education, from urban places of origin, lower return intention / remittance behaviour, and higher level of family reunification abroad are much more likely to consider investing in Ukraine. This is somewhat counterintuitive and would need further examination.

When looking at investment sectors of interest (Figure 66), it is interesting to note that the most attractive sectors to migrant workers are reflected in the interest of FDI investors in general, mainly manufacturing, trade and construction.

On the other hand, when comparing migrant worker HHs in Canada, from where three out of ten HHs have an investment interest, it appears that most of them are attracted to the construction and agriculture sectors.

---

Migrant workers working in EU countries show higher preference for retail trade and tourism sectors.

Another interesting finding is that male migrant workers are much more attracted to invest in construction and agriculture, while female migrant workers – in tourism. This probably reflects their sector of employment in destination countries and is a form of accumulated human and social capital. This is also reflected in the Figure 67, where 1/3 of migrant worker HHs state that migration experience influences their investment intention.

Human and social capital gained abroad seems to have a greater influence on investment intention of those working in Canada or other countries.

When looking at the education profile of long-term migrant workers, it appears that those with higher levels of education are more influenced by their migration experience (49%), than migrant workers with lower levels of education (about 26%).

At the same time, Ukrainian long-term migrant workers show a strong interest to develop a business in their current destination country (Figure 68), especially those working in Canada, other countries and EU countries.

Figure 69 shows that, overall, Ukrainian migrant workers are more interested to invest in the private sector (21%), rather than in the public sector (15%). For comparison, in 2012, 48 per cent of surveyed Moldovan migrant workers had either a “strong interest” or “interest” to invest in a private sector enterprise in their community. In both countries, this finding reinforces the theory that most migrant workers are savers, many are potential investors and few are entrepreneurs. Moreover, it reinforces the above finding that many migrant workers still maintain a return intention to their place of origin and care about development of their community.
In line with their intention to return to their place of origin (locality), most migrant workers consider investing in their place of origin.

![Figure 68: “Where shall this investment take place?”](Source: Migrant survey)

**Ukrainian migrant workers have a lower level of interest to invest in their communities of origin with private sector partners or with local authorities, when compared to Moldovan migrant workers.**

![Figure 69: “How interested would your HH be in investing – together with local authorities or private sector – in a public sector infrastructure project or a private sector enterprise in YOUR COMMUNITY in Ukraine, if this investment returned a reasonable profit for you?” Options “very interested/interested” shown](Source: Migrant survey)

Logically, due to their nature of movement and higher remittance behaviour and return intentions, short-term migrant workers and their HHs are twice as likely to be interested in direct investment in Ukraine, as shown in Figure 70, when compared to HHs with long-term migrant workers or without migrant workers.

Due to small sample size, sectors of highest investment interest for HHs with short-term migrant workers seem to be agriculture and retail trade.
When comparing data between long-term migrant worker HHs abroad and their families in Ukraine, there is a wide discrepancy in direct investment intentions, with only 3 per cent of Ukrainian based HHs stating investment intention, compared to 21 per cent of the transnational HH component abroad. It might be explained by the intergenerational nature of transnational HH with either parents or adult offspring being abroad and not necessarily sharing their investment interests.

The number one shared concern of the HHs is corruption in local and central government (Figure 71). Closely related to this is the need in the decrease of bureaucratic and administrative procedures.

At the same time, there is a high preference for tax exemption and access to better loan conditions.

Interestingly, more access to information and the related business consulting and training are not considered priority issues. However, it seems that migration experience does play a certain role in increasing interest in these services.

In between these two trends, reducing vulnerability to organized crime is an on-going concern to many potential local investors and entrepreneurs.

As an interim conclusion, it is possible to state that given a more conducive business environment at the macro level and in line with the concerns and preferences described above a significant number of HHs might be attracted to invest or become entrepreneurs in Ukraine.
VII. FINANCIAL OVERVIEW

In line with other countries studied, Ukrainian migration carries within it unexplored potential to substantially impact the socio-economic development of the country.

<table>
<thead>
<tr>
<th></th>
<th>Bosnia</th>
<th>Romania</th>
<th>Moldova</th>
<th>Moldova</th>
<th>Moldova</th>
<th>Ukraine</th>
<th>Ukraine</th>
<th>Ukraine</th>
<th>Ukraine</th>
<th>Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>Average</td>
<td>CIS</td>
<td>EU/Other</td>
<td>Average</td>
<td>CIS</td>
<td>EU</td>
<td>Other</td>
<td>Average</td>
<td>Canada</td>
</tr>
<tr>
<td>HH Income Monthly (USD)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>3,995</td>
<td>2,514</td>
<td>1,650</td>
<td>2,036</td>
<td>1,855</td>
<td>1,694</td>
<td>1,937</td>
<td>4,948</td>
<td>2,013</td>
<td>4,864</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Incomes per HH</td>
<td>2</td>
<td>1.48</td>
<td>1.34</td>
<td>1.36</td>
<td>1.39</td>
<td>1.27</td>
<td>1.24</td>
<td>1.68</td>
<td>1.26</td>
<td>1.64</td>
</tr>
<tr>
<td>HH Expenditures Monthly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>2,788</td>
<td>1280</td>
<td>581</td>
<td>955</td>
<td>780</td>
<td>815</td>
<td>667</td>
<td>2402</td>
<td>770</td>
<td>2465</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HH Savings Monthly</td>
<td>1,207</td>
<td>1,235</td>
<td>1,069</td>
<td>1,082</td>
<td>1,075</td>
<td>879</td>
<td>1,270</td>
<td>2,546</td>
<td>1,243</td>
<td>2,399</td>
</tr>
<tr>
<td>HH Income Annually</td>
<td>47,936</td>
<td>30,174</td>
<td>19,796</td>
<td>24,437</td>
<td>22,263</td>
<td>23,244</td>
<td>59,376</td>
<td>24,156</td>
<td>24,156</td>
<td>58,368</td>
</tr>
<tr>
<td>Annual GROSS HH Savings</td>
<td>14,478</td>
<td>14,816</td>
<td>12,827</td>
<td>12,982</td>
<td>12,905</td>
<td>10,548</td>
<td>15,240</td>
<td>30,552</td>
<td>14,916</td>
<td>28,788</td>
</tr>
<tr>
<td>Annual Remittance Values</td>
<td>2,614</td>
<td>2,861</td>
<td>5,403</td>
<td>3,834</td>
<td>4,569</td>
<td>3,706</td>
<td>4,570</td>
<td>3,485</td>
<td>4,348</td>
<td>2,774</td>
</tr>
<tr>
<td>of which Saved and Invested (S+I)</td>
<td>-29 per cent</td>
<td>-29 per cent</td>
<td>-54 per cent</td>
<td>-50 per cent</td>
<td>-52 per cent</td>
<td>-39 per cent</td>
<td>-66 per cent</td>
<td>-51 per cent</td>
<td>-61 per cent</td>
<td>-35 per cent</td>
</tr>
<tr>
<td>of which Consumption in USD</td>
<td>1,848</td>
<td>2,030</td>
<td>2,485</td>
<td>1,917</td>
<td>2,193</td>
<td>2,261</td>
<td>1,554</td>
<td>1,708</td>
<td>1,696</td>
<td>1,803</td>
</tr>
<tr>
<td>Total Savings/Invest (Abroad + Home)</td>
<td>12,630</td>
<td>12,786</td>
<td>10,343</td>
<td>11,065</td>
<td>10,711</td>
<td>8,287</td>
<td>13,686</td>
<td>28,844</td>
<td>13,220</td>
<td>26,985</td>
</tr>
<tr>
<td>of which Annual HH Savings Abroad</td>
<td>11,864</td>
<td>11,956</td>
<td>7,425</td>
<td>9,148</td>
<td>8,836</td>
<td>6,842</td>
<td>10,670</td>
<td>27,067</td>
<td>10,568</td>
<td>26,014</td>
</tr>
<tr>
<td>of which S+I Component of Remittances</td>
<td>766</td>
<td>830</td>
<td>2,918</td>
<td>1,917</td>
<td>2,376</td>
<td>1,445</td>
<td>3,016</td>
<td>1,777</td>
<td>2,652</td>
<td>971</td>
</tr>
<tr>
<td>Annual HH NET per cent of Income Saved Abroad</td>
<td>25 per cent</td>
<td>40 per cent</td>
<td>38 per cent</td>
<td>37 per cent</td>
<td>37 per cent</td>
<td>34 per cent</td>
<td>46 per cent</td>
<td>46 per cent</td>
<td>44 per cent</td>
<td>45 per cent</td>
</tr>
<tr>
<td>Annual HH NET per cent Saved Abroad + Home</td>
<td>26 per cent</td>
<td>42 per cent</td>
<td>52 per cent</td>
<td>45 per cent</td>
<td>48 per cent</td>
<td>41 per cent</td>
<td>59 per cent</td>
<td>49 per cent</td>
<td>55 per cent</td>
<td>46 per cent</td>
</tr>
<tr>
<td>ANNUAL SAVINGS ABROAD TOTAL</td>
<td>6,500 million</td>
<td>15,889 million</td>
<td>1,141 million</td>
<td>1,014 million</td>
<td>2,155 million</td>
<td>614 million</td>
<td>3,059 million</td>
<td>379 million</td>
<td>4,052 million</td>
<td>16.1 million</td>
</tr>
<tr>
<td>ANNUAL REMITTANCES TOTAL</td>
<td>1,441 million</td>
<td>3,802 million</td>
<td>782 million</td>
<td>400 million</td>
<td>1,182 million</td>
<td>332 million</td>
<td>1,310 million</td>
<td>49 million</td>
<td>1,691 million</td>
<td>1.7 million</td>
</tr>
<tr>
<td>SAVINGS TO REMITTANCE FACTOR</td>
<td>4.51</td>
<td>4.18</td>
<td>1.46</td>
<td>2.54</td>
<td>1.82</td>
<td>1.85</td>
<td>2.34</td>
<td>7.73</td>
<td>2.40</td>
<td>9.47</td>
</tr>
<tr>
<td>Non-remitting HHs</td>
<td>35 per cent</td>
<td>40 per cent</td>
<td>12 per cent</td>
<td>29 per cent</td>
<td>21 per cent</td>
<td>35 per cent</td>
<td>34 per cent</td>
<td>46 per cent</td>
<td>34 per cent</td>
<td>42 per cent</td>
</tr>
</tbody>
</table>

Figure 72: Financial overview – cross-country comparison
When comparing Ukraine to other countries in the region with high intensities of migration, it is possible to identify some key characteristics with some shared and others unique.

Migration experience of Ukrainians and Moldovans are most similar of the countries examined in the table above. As 79 per cent of the long-term migrant worker population are in low income EU countries, namely Poland (23%), Czech Republic (18%) and Italy (16%), as well as in CIS countries (22%), a lower average migrant worker HH income results, i.e. USD 2,013. Compared to Bosnia & Herzegovina and Romania, for instance, this places Ukrainian migrant worker HHs in the low end of the overall income range. At the same time and very much like Moldovan HHs, their monthly expenditures in the places of migration are, on average, significantly lower than Bosnian or Romanian migrant worker HHs, resulting in a very similar gross savings (before remittances) of about 1,250 USD per month.

The above findings can be explained by a series of factors by comparing only EU based migrant workers:

- the primary destination countries within Europe, as Ukrainian migrant workers primarily reside in lower income countries, while migrant workers from BiH and Kosovo tend towards higher income countries in Northern Europe (Germany, Switzerland, Austria, Nordics, etc.);
- the number of HH members generating incomes. In the case of Ukraine, the number of income earners is 1.24. This is lower than the average of 1.94 for the other countries.
- the primary sectors of employment, which for Ukrainian migrant workers (like Moldovans, Romanians and Albanians) are typically construction, domestic care, hospitality industry, manufacturing and agriculture, while migrant workers from BiH and Kosovo who have been in migration for longer and have more likely risen to the level of competence are more often engaged in manufacturing, services and the professions, i.e. management positions, professions such as doctors, engineers etc.;
- combined with the above, a lower level of qualified employment, which remains despite high educational levels among Ukrainian migrant workers. Nonetheless, experience shows that over time migrant workers tend to rise to their level of qualification.

the length of the mass migration period, which for Ukraine, Moldova and Romania are significantly shorter (14-15 years each) than for BiH and Kosovo, which have migration histories going back as far as since the 1960s and 1970s, as well as Albania whose mass migration started in 1991.

As noted, HH incomes remain lower than other migrant workers in EU countries, the expense levels of Ukrainian migrant worker HHs are also significantly lower than those of their Albanian, BiH, Kosovo and Romania counterparts. This can be explained by:

- geographic focus on relatively low-cost countries;
- lower number of HH members in destination countries (including dependents); and
- primary sectors for employment (domestic care and construction) often include accommodation and meals in the remuneration package.

This combination of income and expenditure results in a very high propensity to save among Ukrainian HHs of approximately 62 per cent of HH income (compared to 30% for BiH, 49% for Romania and 58% for Moldova).

Comparing remittance values, at USD 4,348 per year, Ukrainian HHs, as like as Moldovan HHs at USD 4,569, remit significantly more than migrant workers from the other countries studied to date. This can be explained by:

- lower family reunification: Ukrainians remit primarily to support their spouse and children whose expenditures are higher than the expenses of recipients (primarily parents) in other countries;
- a lower level of savings being retained in destination countries resulting in a higher component of savings and investment within current remittances (61%, against 19-29%). But, as noted, previously, only 1 per cent of the total remittance value is invested in a business activity.
- a higher level of poverty in Ukraine, resulting in more demand for remittances.
It is interesting to note that when the respective savings and investment component of remittances is deducted for each country researched, the actual consumption component of remittances becomes more similar, ranging from USD 1,848 in BiH to USD 2,193 in Moldova, as compared to USD 1,696 in Ukraine.

Remaining consumption differences may have to do with the family composition and cultural values in countries of origin (i.e. number and relation of dependents), as well as relative purchasing-power parity considerations between these countries. In addition, the lower consumption value from remittances in Ukraine and the related higher savings component may be directly connected to the challenging economic and geostrategic disturbances taking place during the survey period. When comparing higher saving rates from remittances with savings objectives, on one hand, and official reported data on deteriorating purchasing power parity and negative GDP growth trend over the reporting period, on the other hand, the data looks very consistent. In other words, Ukrainian migrant workers and their HHs in Ukraine both felt less secure and therefore increased the savings component of the HH income. This behaviour is similar to the Moldovan experience where when interviewed in 2009, when the global economic crises impacted Moldovan economy, savings for emergency preparedness spiked to 35 per cent to all saving HHs. By 2013, this emergency component of savings had decreased to 10 per cent of all HHs. This trend reinforces the importance of adopting a longitudinal approach to country specific research.

In addition, it is important to note that 34 per cent of Ukrainian migrant worker HHs did not remit at all in 2014. This is in line with the average within the SEE region.

Low income levels combined with high remittance values produce a relatively low remittance to savings ratio of 2.40 (compared to an average of 4.2 for the SEE countries), meaning for each USD remitted, 2.40 USD was saved abroad. The total estimated pool of retained savings among 390,400 Ukrainian long-term migrant worker HHs in 2014 is a hefty USD 4 billion, in addition to the USD 1.7 billion remitted.

**NOTE!** The above estimates of remittances and savings apply only to long-term labour migrant worker households (more than 12 months abroad for employment purpose). This excludes short-term migrant workers, students and diaspora members without close connection to Ukraine.

**FINANCIAL INTERMEDIATION IN UKRAINE**

In summary, Ukrainian migrant worker HHs are characterized by a very high propensity to save (62% of net income), even when compared to other migrant workers studied to date. The largest part of their **HH savings** – USD **10,568** on average, or **4,052 million** in total – is retained in their respective destination countries.

Concurrently, this group of Ukrainian long-term migrant workers **remitted USD 1,691 million**, or an average of USD 4,348 per HH. Of this amount an estimated 61 per cent, or about USD 1,023 million, was saved or invested in Ukraine, and the balance – USD 668 million – was used for consumption. The savings abroad to remittance ratio is 2.40:1.

Long-term migrant workers represent an estimated 1.3 per cent of the overall population of Ukraine, and although they continue to keep the bulk of their savings abroad, they are nonetheless one of the primary sources of liquidity in the country.

In addition, Ukrainian migrant workers are characterized by a relatively high rate of entrepreneurial behaviour and ambition. For many, the objective of migration is to accumulate a specific amount of capital in order to initiate or expand a business venture in Ukraine.

---

48 Number of HH with long-term migrant workers in 2014 was estimated at about 390,000.
49 Of this amount, about 2 per cent (or USD 18,6 million) was invested in a business activity.
Ukrainian migrant workers therefore represent both sides of financial intermediation (borrower and lender) and a significant potential market for the financial sector.

At an average savings target of about 200,000 USD, Ukrainian migrant workers are relatively ambitious compared to other countries studied. The most important savings objectives for Ukrainian long-term migrant worker HHs are purchase of durable goods, purchase of home, educating children and investing in a business, as shown in Figure 33.

Overall, the banking pattern mirrors the regular savings pattern – HHs with migrant workers are much more likely to have a bank account in Ukraine, compared to HHs without migrant workers (Figure 73). The highest share of banked HHs with migrant workers is in the western region (59%), which is twice as high as in northern and eastern regions. Similarly, remittances receiving HHs (57% compared to 27% of non-receiving HHs) and those with a migrant worker member with return intentions (52% versus 41%) are more likely to have a bank account.

As expected, Ukrainian migrant workers and their HHs maintain a careful and conservative position with regard to their savings. Concerns with trust and risk are the key issues, as reflected in Figure 74.

Reflecting the transnational character of many long-term migrant worker HHs, banking relationships are maintained in both place of origin and destination (Figure 75).

The relatively low banking penetration among Ukrainian migrant worker HHs in EU countries is primarily due to very low use of banks in Poland (only 18%), where a large percentage of EU based migrant workers reside. In other countries and Canada the maintenance of banking relations in Ukraine decreases markedly. This is in line with lower return intentions and higher family reunification level in these countries, leading also to lower remittance values to Ukraine.
Confirming the above, migrant workers in other countries and Canada are much more likely to keep all or a large part of their savings abroad compared to those in EU and CIS countries. As shown in Figure 76, on average, 36 per cent of long-term migrant worker HHs reported keeping all of their savings in Ukraine. Similarly, many transnational HHs with long-term migrant workers maintain banking accounts and savings in both Ukraine and country of destination. However, the actual value of Ukraine-based savings is significantly lower than the value of savings kept abroad. Overall, the value of net savings is approximately 80 per cent in a destination country and 20 per cent – in Ukraine.

Comparing Figures 77 and 78, one can see that Ukrainian migrant workers are more likely to use Ukrainian banks for term-deposits and foreign institutions for current accounts. This pattern holds true for both CIS and EU based migrant workers.
In general, migrant workers and their HHs continue to maintain a careful and conservative position with regard to their savings. Concerns about trust, risk and cost issues remain. This can be seen by the high level of cash kept at home both abroad, but especially in Ukraine.

MARKET OPPORTUNITIES

Although, the vast majority of Ukrainian migrant workers go abroad in an ad-hoc manner with a high reliance on mutual help, most of them recognize the utility of support in a variety of areas, if they were made available.

Market opportunities are much broader than the traditional financial intermediation and remittance transfer mechanisms considered by most analysts and practitioners in public and private sectors. Figure 79 illustrates the high demand for a wide range of services considered relevant to the whole migration cycle (from pre-departure to return and re-integration). Moreover, since many of these services can originate in Ukraine, the evident demand reinforces the link of Ukrainians to their country of origin.

Figure 79: “How interested would current and future migrant worker members of your HH be in using the following services and products both, in Ukraine and abroad?”
Source: Migrant survey
When looking deeper into the market, it is clear that many of these services, while available in theory, are not attractive, in fact. This is due to not tailoring such services to the specific needs of the migrant worker community. Inter-country experience in SEE shows that adaptation of existing services and introduction of new or more relevant approaches is required if these opportunities are to be achieved and this market demand met. This process requires private and public sectors within the respective service sectors, central and local authorities, as well as specialized agencies to engage in a well-coordinated approach, including changes to policy, legal and regulatory frameworks when and where necessary.

At the Ukrainian HH level the interest in the above migration related services drops off significantly with only an average of 18 per cent respondents from all three categories of HHs (long-term, short-term and no migrant worker) expressing an interest or strong interest.

Clearly, the experience of migration itself influences the priorities of the long-term migrant worker community, therefore marketing efforts in regard to the above services should be focused first on this narrower segment.

Figure 81 shows a clear unmet demand for a wide range of financial products.

72 per cent of long-term migrant worker HHs abroad (see Figure 79) have interest in accessing savings and investment products either in Ukraine or abroad.
When examined more closely, the strongest interest is for relatively low risk savings and investment products, including fixed term deposits (21%), insurances (16%), private pensions (14%). Long-term migrant worker HHs in Canada clearly have access to such financial services and, as a result, their demand for additional services is limited.

Interest in credit products (for personal, mortgage or business needs) is significantly stronger among migrant workers in EU countries. Migrant workers with this interest are more likely to originate from rural areas and western region of the country, have a return intention and send remittances home.

The basic profile of migrant workers interested in private pensions in Ukraine is female, 45 years or older, with a higher level of education and with remittance sending status.

When the findings from this section are compared to findings from Financial intermediation section, it becomes apparent that Ukrainian migrant workers, like all other migrant workers studied to date, are by and large conservative savers and low risk investors.

**MARKET GAPS**

Notwithstanding the evident demands and opportunities, presented in the previous sections, significant market gaps between service providers and migrant workers continue to exist. This is due to two primary causes.

(i) Service providers / actors from public, private and civil sectors have often focused on the negative aspects of migration (smuggling, trafficking and other vulnerabilities) rather than the actual experience of the vast majority of migrant worker HHs, as described in sections above.

(ii) Undue attention has been placed by the financial sector on the issue of remittances and financial education rather than looking at the migrant worker and his/her migration objectives from whole of migration cost perspective. Hence, potential service providers have not perceived migrant workers as an attractive and distinct market segment.

**Figure 82:** “Do you know any organization, company or ministry providing information or assistance (of any kind) to people planning to migrate or currently abroad?”

**Source:** HH survey

**Figure 83:** Do you interact with Ukrainian associations/NGOs abroad in any way?

**Source:** Migrant survey
On the other hand, while higher than in Moldova, Ukrainian migrant workers show a very low level of trust in potential service providers from both government and private sector, in particular those from Ukraine. This is most likely the result of negative experiences and perceptions of the country of origin. It is these push factors that led many migrant workers to adopt a migration strategy in the first place, one which relies mostly or even exclusively on migrant workers’ own efforts and resources, as well as significant assistance from fellow migrant workers and families. As noted, this leads to ad-hoc and inefficient migration processes, resulting in negative outcomes in migration and development at both personal and social levels.

The same phenomenon of low trust is reflected in Figures 83 and 84. It seems that Ukrainian long-term migrant workers do not perceive diaspora organizations as reliable resources or of relevance to their day-to-day requirements. As shown in Figure 24, only 4 per cent of interviewed long-term migrant workers view diaspora organizations as reliable source of information. The lack of engagement in these formal associations is clearly reflected in the migrant survey, which estimates the number of members (paying and non-paying) to be about 18,000 out of the 424,000 long-term migrant workers. Engagement is particularly low among migrant workers in CIS countries and other countries, including Canada.
VIII. CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The preceding sections examine a migration-related phenomenon that is largely unknown to the Ukrainian governments, analysts and commercial financial intermediaries. By closely examining possible means of promoting the positive aspects of circular migration, and in particular its relation to the nexus between development and migration-related financial flows, this study intended to go well beyond the standard remittance discussion. Importantly, and consistent with previous works in Albania, Armenia, Bosnia and Herzegovina, Kosovo and Romania, this research confirms the underlying hypothesis that a key migration-related objective of most Ukrainian short and long-term migrant workers is to accumulate financial capital during their migration experience – often combined with other important skills and contacts – and then return home.

To some extent, evidence from the research complements the existing literature to the point that recipients in Ukraine use current remittances to increase household consumption and investment in real estate, rather than to invest in a business or productive assets. On the other hand, the results also point to a higher overall household income abroad than is often presumed, and this income is combined with a very high propensity to save (both at the migrant worker and beneficiary levels). As the migration profiles of the various countries are quite similar these income levels and high propensity to save can be directly compared to the researches in SEE mentioned above. As a result of these two factors a significant, but less recognized, pool of Ukrainian migrant worker savings is being accumulated in cash, investments and banking systems in countries of destinations; in parallel to those funds that are being remitted home by the same set of households (i.e. long-term migrant workers).

Given appropriate incentives and conditions, Ukrainian migrant workers may choose to transfer this accumulated capital, or a portion thereof, at some future date. And it is in fact this accumulated capital, rather than current remittances per se – especially when combined with the social and human capital migrant workers might wish to invest in the realization of their plans and ideas – which bears the promise of greater impact and a more substantial development as well as commercial opportunity – again, assuming that suitable local conditions exist.

The people and economy of Ukraine will continue to be characterized by international and internal migration as well as migration-related financial flows for the near future. Migration will continue as the agricultural sector is being consolidated and restructured, releasing surplus labour, and as a result people will move from more isolated rural communities to urban settings, or abroad, in search of better employment and better facilities.

Maximizing the efficiency and impact of Ukrainian migrant worker contributions – including human, social and financial capital – can mitigate the effect of the more recent reduction in the volume of Foreign Direct Investment (FDI), and in the medium term can complement it. Thereby supporting key governmental priorities such as sustainable development and effective migration management processes (such as return, reintegration, brain gain) is crucial in the longer term.

As noted, while remittances will undoubtedly continue to be important to Ukraine and Ukrainian households (HHSs) alike, research and experience shows that it is the accumulation and eventual transfer of wealth (defined as financial, human and social capital) that motivates most long-term Ukrainian migrant workers. It is
this existing phenomenon that holds the greater promise of being a substantial and sustainable development and market-led opportunity. On the other hand, the return of savings (migrant worker transfers or migrant worker capital) and the physical and permanent return of the migrant worker are highly dependent on the existence, or the creation of, suitable local return conditions, regulations and targeted incentives.

Logically, and on the individual micro-economic level, the primary condition facilitating successful circular migration is to support as many migrant workers as possible to achieve their wealth accumulation objectives as efficiently as possible. Interventions and support efforts in this area are important in relation to, and should be consistent with, first the personal choices of migrant workers and their families, and, second, overall policy priorities in two related areas:

a) fostering sustainable development in Ukraine, by moving beyond remittance dependent and consumption-led economic models; and

b) supporting efficient circular migration and ensuring that the benefits and costs are equitably shared and managed.

Clear visions of the role of migration in the development process, and a sense of what can be achieved, as well as what is beyond the government, are yet to be developed in Ukraine. Experience from other countries show that the Ukrainian authorities at national and sub-national level (oblast and local) need to assume greater control of their coordinating role in the area of migration management and the related issues of migration and development (M&D); as well as take ownership for building the technical capacities to be able to support such management and related interventions. A domestic capacity, supported by the relevant specialised agencies, should be capable of increasing the development impact of migrant worker contributions by: identifying and filling significant informational gaps; ensuring that future initiatives in both public and private spheres are complementary and sufficiently coordinated on inter-ministerial, as well as national and local levels; and, initiating priority initiatives and suitable pilot projects that take into account the interests of relevant public and private stakeholders, and not least the interests of migrant workers themselves.

Ukrainian migrant workers and diaspora members undoubtedly have the potential to support their home country in other ways, and additional measures should be explored. For example, there is a role for the diaspora in raising the national image of Ukraine abroad through cultural, intellectual, business and sports activities. Ukrainian migrant workers and diaspora can also make significant contributions to research and technological development as well as to the country’s tourism sector. Furthermore, more efforts can be undertaken to harness the potential benefits from the return of qualified nationals (permanent, temporary or virtual).

But, there are several prerequisites to establishing successful collaboration between Ukraine and its migrant worker population – the most important of which is an environment of mutual trust. As noted repeatedly, the data shows that amongst the migrant worker population are significant numbers of Ukrainian savers and entrepreneurs that could make large and small investments in Ukraine-based businesses; but that many distrust the business environment in Ukraine as well as state institutions. Very much like any other investor, migrant workers require a stable macro-economic situation and regulatory framework as well as a range of understandable and attractive investment options (in line with their personal risk profiles).

Ensuring the effective participation and dissemination of information among migrant workers and their families on available investment opportunities and incentives offered is another necessary condition for the successful mobilization of migrant worker resources. The authorities of Ukraine (at national and local levels) should have the infrastructure in place to systematically communicate to the migrant worker population, as well as to diaspora, and other key stakeholders about the nature of interest of the government in engaging constructively with the migrant worker population. National and local authorities should develop a continuous technical capacity by which the Government can engage in personal and virtual consultations with diaspora associations, migrant workers, and other stakeholders willing to participate in projects and
initiatives under development. The views expressed should be gathered and presented at relevant fora and deliberations, thereby affording the migrant workers and diaspora at large a kind of virtual consultative and participatory role.

IOM Handbook “Developing a Road Map for Engaging Diasporas”, developed in partnership with the Migration Policy Institute has been designed to fill gaps in the current discourse on diasporas’ role in development by providing a guide on the state of the art in governmental diaspora initiatives. Far from being exhaustive, the handbook presents a menu of viable policy and program options based on experiences from around the world. It aims to highlight good practices, challenges, lessons learned, and presents cases that can be refined and adapted to suit national and local contexts. The handbook focuses on policies and programs initiated by and with governments: at various levels (regional, national, and local); in both origin and destination countries; and in partnership with other governments and stakeholders.

The Handbook serves as a road map toward strategic and sustainable engagement. Beyond a discussion of actual policies and programs, the handbook also offers a strategic plan of action in engaging diasporas more fully. Diaspora engagement is best approached as a process rather than as one, or even a series, of one-time actions. The road map is designed to help policymakers and practitioners fit the many elements of diaspora policy into a coherent strategy. It outlines the critical steps governments may take with their partners as they design, implement, and improve strategic and sustainable diaspora policies and programs.

With the key role of local authorities\(^50\) and cities in fostering development now widely accepted, in line with global and Ukrainian urbanization trends, it is clear that cities, local authorities and other local actors are fast becoming crucial actors in many efforts to foster sustainable human development in general and specifically in support of M&D. The increasing role of local governments in the field of migration and development follows on from the growing importance of the local level for planning and implementing socio-economic development. This is even more evident when factoring in the local dimension of migration whereby migrant workers tend to migrate between specific territories creating varied local migratory contexts within any one state. Local actors therefore find themselves at the forefront in managing the effects of migration, both positive and negative, where these impacts are most strongly felt.\(^51\)

The effectiveness of interventions in the area of M&D often depends on the identification and establishment of strategic partnerships between civil society organizations and governments at decentralized levels. This in turn can contribute to the development of higher-impact demand-based, rather than supply-based, cooperation activities.

Indeed, recent experience shows many of the most successful and sustainable M&D interventions are those associated with local governments in countries of origin and destination, in line with the essential local-to-local dimension of the migration and development nexus. When local authorities share a common vision with national authorities and civil society/private sector partners, they develop a sense of ownership over projects that lead them to commit time, energy and resources, which effectively contribute to the success and sustainability of an M&D initiative. The potential and added value for harnessing migration for development at the local level is therefore clear. And it is for these reasons that the adoption of systematic engagement with “oblasts”, local authorities and civil society actors would represent a strategic approach to M&D within the Ukrainian context.

---

\(^{50}\) Def. local authorities encompass a broad category that includes the largest variety of sub-national levels and branches of government, i.e. municipalities, communities, districts, counties, provinces, and regions. In fact, over the last 15 years, the main actors in the field of development cooperation have increased from only three categories—namely, multilateral, bilateral and NGO actors—to a multitude of new actors, such as local and regional governments, the private sector, foundations, entrepreneurs, unions, universities and others.

\(^{51}\) be that in terms of effects on the local labour market, the size and demographic of the local population, or the need for public service provision.
The IOM/UNDP/ILO ITC Toolkit on Migration Mainstreaming at Local Level can serve as a practical guide to foster engagement of local authorities in harnessing development potential of migration at the local level.

Globally, there are dozens of alternative approaches to engaging migrant workers and diasporas more effectively in home country development and mitigating the negative social and personal consequences of migration processes. Without attempting to describe all of them, or pre-determine which might be most suitable for Ukraine, an illustrative list includes the following.

Scotland and Ireland are examples where two countries with quite similar migration histories require different migrant worker/diaspora strategies simply because macro-economic, demographic and other factors, which motivate them to engage their respective diaspora populations are different.

Scotland’s attention to its migrant worker/diaspora communities stems from concerns in the early 2000s about impending skill shortages. Like Ukraine, as a relatively poorly performing economy at the periphery of Europe, skill shortages could not be attributed to the success of its economy, rather it derived from the problem of falling birth rates and an ageing population structure. There was a fear that in the future Scotland would not be able to meet replacement demand occurring in the labour market (existing jobs that will need to be filled due to retirements). As a result, attention was given first, and foremost to the impact of the absolute decline of the country’s working age population; and secondly the nation’s limited ability to serve as an incubator for members of what was referred to as the ‘creative class’.52

In the decade following it became apparent that Scotland’s population was stable if not growing slightly, that fertility levels had risen, and that no significant skill shortages existed. At the same time the country did suffer from relatively low levels of self-employment and entrepreneurial activity and could benefit from labour market expansion in these areas. Against this backdrop, a new set of rationales for engaging with the migrant worker/diaspora communities developed, rationales which were prompted in part by the publication of the Scottish Government’s Economic Strategy in 2007 and its International Framework.53 Three aspects of this strategy have important consequences for the framing of diaspora strategy:

First, population growth remains a key policy concern. Scotland has set itself the target of matching the average European EU (EU15) population growth over the period from 2007 to 2017.

Second, the Scottish Government has set itself the targets of raising Scotland’s GDP growth rate to the UK level by 2011, and matching the GDP growth rate of the small independent EU countries by 2017. Insofar as the Scottish diaspora populations can help Scottish businesses compete in the world market and help broker transnational capital investment into Scotland, the diaspora can help the Scottish economy to become ‘smarter’ and ‘wealthier’.

Third, it is presumed that a strong cultural identity and sense of national confidence will be important if Scotland is to match both the demographic and economic growth rates achieved by small independent European States. To conceive of Scotland as a globally networked population of 40 million people is arguably a more powerful way to think. It is clear that a strong cultural attachment to Scotland is a prerequisite for all other efforts to engage diaspora groups.

Ireland, on the other hand is an example of a country that has undergone enormous transformations since the start of the 1990s. Up to that point, Ireland was a poor nation on the periphery of Europe characterised by a weak economy and high emigration. During the 1980s, Ireland was in severe recession. Inflation and unemployment rates were high (unemployment was over 18% in 1985) and in 1987, Irish GDP was 63% of the EU

52 http://www.gov.scot/Publications/2009/05/28141101/13
53 Scottish Government (2007)
54 As specified in the Scottish Government International Framework (2008)
average making it the second poorest country in the EU behind Portugal. Unsurprisingly, the dire economic situation led to widespread emigration. Another wave of economic migration occurred as a direct result of the 2008 global economic crisis, which impacted on Ireland’s economy particularly hard.

In contrast, from 1994 to 2008 Ireland was the fastest growing and highest performing economy in Europe with year-on-year GDP growth often double or more its EU neighbours, and wealth levels in terms of average income amongst the highest of any developed nation. In 2003, the OECD estimated that in terms of GDP per capita, based on Purchasing Power Parities (PPS), Ireland was ranked 4th in the world. Accompanying the economic boom was a growth in the labour force and a fall in unemployment. Between 1992 and 2004 the number of workers increased by 755,000 from 1.165 million to 1.920 million. Unemployment dropped from 15 per cent in 1993 to stabilise around 4 per cent by 2000.

In 2002, as a reflection of the country’s new found wealth, Ireland’s Task Force on Policies towards Emigration, drawing on a full scale mapping of the Irish migrant worker/diaspora communities, recommended extending certain welfare rights to these populations, especially vulnerable groups (the elderly, the sick, the poor and prisoners) who left Ireland in large numbers during the 1950s and the 1980s to move to British cities. Presented as compensation for the failure of Irish domestic economic policy during these periods, and in recognition for the significant flows of remittances which these migrant worker groups repatriated, a number of welfare and citizen advice schemes were introduced, including the appointment of overseas welfare officers in British cities.

More recently there has been a growing concern that the strength of migrant worker/diaspora attachment to Ireland might be waning and that a certain level of disenchantment exists. As a consequence priority has shifted, not least in the country’s cultural policy, to the nurturing of the social and cultural life of the migrant workers/diaspora and its continued enthusiasm for matters Irish. In short, over the past decade, on one level, Ireland’s policy towards its diaspora has been primarily motivated by what the country might give the migrant workers/diaspora communities back.

Ireland’s success has been down to its capacity to compete successfully in the global economy, and its significant migrant worker/diaspora communities have played important roles in that. The first – and most widely recognized – tactic has been built around attracting foreign investment – the global goes local. The second, and more surprising tactic, given Irish economic history, is the emergence of a local network of indigenous firms that have become increasingly integrated into international business and technology flows and have been highly successful in international markets – the local goes global.

There is a clear recognition that diaspora networks have had a role to play in increasing the density of the webs of connections that exist between domestic capital and transnational capital. As a consequence, Irish ministries and agencies have been engaged in establishing diaspora business networks or diaspora knowledge networks in different locations, of different sizes, and in different sectors of the economy.

Other countries have established more specific financial incentives to attract the attention and participation and their migrant workers/diaspora: for example, Portugal has offered tax exemptions for purchases of real estate, while Israel, India and others have issued special national ‘migrant worker bonds’. Tax exemptions have been used to facilitate return (e.g. taxes on vehicles) or investment (e.g. taxes on investment goods).

In 2002, the Centre for Montenegro Diaspora was established as an independent governmental body with the purpose of being the bridge for cooperation of Montenegrin emigrant workers from all over the world.
with Montenegro. The Diaspora centre within the Ministry of Foreign Affairs of Montenegro became the main institution coordinating and promoting diaspora links with their homeland. The centre helps to organize meetings of emigrant workers and provides logistical support in the organization of business, cultural and other delegations from emigrant worker destination countries to Montenegro. Presentations on subjects such as tourism, cultural heritage of Montenegro and investment in Montenegro, inform the Montenegrin diaspora of their possibilities in their country of origin as well as in their country of destination. The centre has also developed a project called “Fund for Diaspora” that consists in offering loans to help diasporas start a small or medium-size business. The centre also organizes humanitarian assistance from diaspora to Montenegro and solves individual problems of migrant workers. Indeed, the latter also have the possibility to make conclusions, suggestions and proposals to state institutions through the Diaspora centre. These lead to the development of local projects.

Certain measures can be taken by governments and financial service providers to enhance the development impact of remittances; for example, institutions can accept remittances as a regular income stream to serve as collateral to support loans taken out by remittance-receiving families.

It is also possible to work with recipients to improve their utilization of savings and remittances; for example, IOM and IASCI work with banks in Albania, Kosovo and Moldova to promote the advantages of home-based savings and investment options.

In Kosovo, IOM assists the Ministry of Diaspora and other key institutions, at the central and local level, in a) identifying and addressing the needs of migrant workers and diaspora to facilitate their contribution to the economic development of Kosovo; b) building confidence among diaspora investors to feel comfortable with the investment environment in Kosovo (including physical infrastructure, legal regime, and risk profile) and c) providing financial support to remittance receiving households, especially those headed by women, to encourage the use of remittances for entrepreneurial activities, as well as helping local producers to access export markets in diaspora.58

To leverage the human capital of diasporas, countries have launched programmes to promote the temporary, permanent or virtual return of qualified nationals, while assisting diaspora organizations to create professional networks, especially for professionals working in the areas of education and health.

“Hometown associations” (HTAs) are organizations formed by migrant workers living in the same community and sharing a common nationality, or it can be diaspora groups originating from one town or region who act together to maintain ties with and materially support that town or region. In some instances HTAs have made important contributions at local levels. While the total number of HTAs worldwide is unknown, it is clear that their presence is significant. In 2007 Mexican HTAs, for example, numbered approximately 3,000; Filipino groups may have amounted to 1,000; and there were about 500 Ghanaian organizations59.

There have been successful fund-matching projects to promote social investment; such as the Mexico “three-plus-one” programme, in which migrant worker funds for development projects are matched by federal, state and municipal grants.

In SEEE countries, the government of Moldova has created a mechanism (Pare 1+1) that match diaspora investments for selected initiatives to promote return of qualified nationals and investment.

Local, national and international level ‘business clubs’ or networks can attract investors from host countries to invest in home countries (e.g. Indian diaspora have established the successful Indus Entrepreneur business network).

58 http://kosovo.iom.int/sites/default/files/New%20DEED%20Brochure.pdf
Assumptions, Challenges, Pre-conditions

Economic Pre-Conditions

Currently the conditions for allowing Ukrainian migrant workers to safely and effectively save or invest in Ukraine are not adequate. It is in this context that measures facilitating and stimulating the use of migration-related financial flows and in particular migrant workers’ capital in productive investments should be examined. A successful outcome to any such intervention is based on two crucial economic environmental pre-conditions:

Firstly, pursuit of sound macroeconomic policies and a political process that fosters stability, growth and development in Ukraine are self-evident and necessary pre-conditions to increasing the flow of return migration as well as migrant worker-transfers, and channelling them towards productive investments (note that the actual return of a migrant worker is not necessarily a precondition to attracting the migrant worker transfers). In this context, first and foremost, promotion of economic, financial and political/inter-ethnic stability is necessary;

Secondly, and building on the first, a framework of policies and measures that directly address the concerns of migrant workers and convince them, as well as their households in Ukraine, that they would benefit by transferring, and perhaps investing, a greater portion of their financial resources into savings products or productive investments in Ukraine. Clearly, any initiative in this area would need to be based on the clear recognition that remittances, migrant worker transfers and investments are private transfers and that the savings involved belong to the migrant workers and their families, whose primacy of choice in their allocation is paramount.

Underlying Assumptions

From the analysis presented in the preceding pages, it is possible to identify complementary areas between the savings/investment needs of different migrant worker groups and development opportunities presented by migration. The key needs are:

• To create large-scale employment opportunities: the majority of people in Ukraine are interested in securing waged employment, and only a small percentage of migrant workers and savers have either the skills or ambition to become entrepreneurs;

• To provide Ukrainian enterprises and other interested parties access to long term finance at attractive rates and conditions by deepening and broadening the financial market; at present this is one of the major constraints faced by many otherwise viable enterprises in Ukraine;

• To develop opportunities for engaging in a range of viable investments. The inability to channel funds into productive investments (or unwillingness given the current economic situation in Ukraine) not only discourages return and negatively affects the reintegration process (thereby potentially encouraging recurrent migration) but may in fact lead to situations of forced consumption whereby savings that have been accumulated for investment are consumed or continue to be placed into non-productive investments like real estate due to lack of perceived options (thereby aggravating the macro-economic and structural problems associated with remittances);

• To create opportunities for direct finance and credit-client relationships to overcome the ongoing distrust Ukrainian migrant workers hold for domestic banks and other financial intermediaries.

Opportunities presented by the mobilization of major financial resources gained through migration may be summarized as follows:

• Many Ukrainian migrant workers have a strong attachment to their country and a substantial number express an interest in returning and investing once sufficient capital is accrued (whether they will actually do so is another question, depending on a number of personal and economic environmental factors and incentives);
Migration as an enabler of development in Ukraine

- Migrant workers’ savings – whether retained in the host country or accumulated in the place of origin – present a substantial pool of funds that, given appropriate incentives, safeguards, and regulatory framework, might be encouraged towards investment and savings opportunities; of course, as noted above, always keeping in mind the primacy of the private nature of these funds;
- The pool of savings and interest in local investment can be predicted to increase over the medium to long term. When looking at the experience of other transition countries in the region there is sufficient evidence to show that, as Ukrainian migration continues and the immediate needs are met, a larger portion of income gained through migration will continue to shift towards savings and investment – either as retained savings or investments in the host country, or as migrant workers’ transfers;
- Within the context of the ongoing transition period and ongoing reform efforts, this expanding pool of savings will be occurring in a macro-economic and business environment that will continue to improve; thereby providing more opportunities for viable savings and investment options to develop.

Development Challenge

The overall development challenge is to meet the demand for financing large-scale job creation (for those Ukrainian citizens not interested in self-employment, entrepreneurship or income generating activities). The practical challenge is to understand, support and benefit from the existing permanent return, savings and investment aspirations of distinct migrant worker groups.

This mutually advantageous relationship can only be achieved by providing the migrant workers, as well as other investors, with investment and savings opportunities tailored to their needs and that are of direct relevance to them, their beneficiaries and their communities. This approach needs to take into account and complement overall development policies, as well as public and private actors currently involved in related areas, such as SME development and credit provision.

As mentioned above, project and study results point to a high overall household income in countries of destination; and that this income level is combined with a very high propensity to save at the household level. Interestingly, this higher propensity to save applies at both migrant worker and beneficiary levels, showing that the poverty alleviation aspect of remittances may have been met to some degree.

In addition, the vast majority of long-term migrant workers have experience with the banking systems of their respective host countries and entrust most of their savings to those intermediation agencies. The literature, as well as this study’s results, also highlight a substantial medium to long-term return potentiality of long-term Ukrainian migrant workers; bringing with them substantial human and social capital they have accumulated in their destination countries.

RECOMMENDATIONS AND RELATED AREAS OF INTERVENTION

The following recommendations and action points have been elaborated in close coordination with the Project Steering Committee, incorporating the visions of the Government of Ukraine and other interested stakeholders on linking labour migration related financial flows to development.

In this section, we evaluate a range of initiatives that could be undertaken to increase circular migration, as an alternative to permanent emigration, and the volume of migration-related financial flows (remittances, savings, migrant worker transfers, diaspora finance) and enhance their impact on economic growth and development of Ukraine. We also review initiatives that can strengthen linkages between Ukraine and its diaspora communities and intensify diaspora economic engagement. As noted, migrant workers and diasporas contribute to their home country not only through monetary remittances, but also through direct investment and non-monetary contributions such as human capital transfers, technology transfer, trade opportunities, and market opening.
It is important to keep in mind that there are two distinct types of Ukrainian communities abroad. The diaspora are composed of the descendants of “old” emigrants (those who left Ukraine long ago). On the other hand, there are “new” migrant workers who began to leave Ukraine starting in 1991, who are the focus of this study. In general, the “old” diaspora is highly organized and has long-established institutions representing it politically, socially, and economically. Its capacities to take collective action on behalf of Ukrainians abroad are high, though as noted the participation rate of “new” migrant workers in diaspora organizations is extremely limited. The “new” migrant workers are much less well organized and rely primarily on self-help and social capital/networks with their transnational families and other migrant workers.

Guidelines

Generally speaking, initiatives affecting migration-related financial flows can affect three things: their volume, their use (allocation), and their distribution and access. It is quite conceivable that a particular initiative could affect more than one of these. One key point that must be respected about these financial flows is that they are generally small-scale private transfers that are completely under the control of households, and efforts to increase their volume and/or alter their allocation must rely on changing incentives in an effort to attract interest, correct a market failure or promote competition.

In summary, and under the related objectives of a) maximizing the developmental impact of migration and b) providing means for migrant workers and their beneficiaries to shift their remittances and savings from destination countries to Ukraine, from informal to formal channels (MTO to banking channels), our proposed areas of intervention can be grouped under the following guidelines:

- Support capacity for well-managed circular migration through coordinated action at national and local levels, as well as promote coordinated civil society and public-private sector collaboration;
- Mainstream migration and development in policies at all levels, as well as in both public and private sectors, through evidence-based means, continuous public consultations and clear migrant worker-centred approaches;
- Systematically adapt and transfer experiences, test new financial and service instruments and mechanisms, best-practices and develop joint actions;
- Provide for more research and data development on migration-related financial flows; increase the understanding of migrant workers as a specific target group, with a particular focus on better understanding circular migration; attract migrant worker transfers within this context, and better understand the potential benefits from return migration;
- Support the broadening and deepening of the Ukrainian financial intermediation market in relation to migrant workers as a specific target group, by encouraging the development of a relevant policy and regulatory framework, as well as by raising awareness amongst key decision makers in both public and private sectors;
- Support the migration-related objectives of Ukrainian migrant workers through the provision of information services, relevant remittance, savings and investment products, as well as related services and interventions. This area of intervention should closely complement, and be complemented by, public and private actors involved in financial regulation, economic development, SME development, credit provision, and migration management. Its objective should be directly, and in a practical manner, to broaden and deepen financial intermediation by attracting remittances and migrant workers’ transfers towards financial intermediation and productive investments.

60 Products and services of relevance to migrant workers could cover the entire migration cycle ranging from pre-departure, migration and return, or certain aspects of it. By way of example, these might include: pre-departure financial education and language training, credit lines, short, medium and long term savings products (term deposits, bonds, etc.), investment vehicles (trust funds, mutual funds, social investment funds, etc.), business plan development and related services, financial packages for the establishment and ongoing support of businesses, etc.
Research and Data

Although this report has made some contributions to knowledge on Ukrainian migration and related financial flows, much more needs to be done. Current understanding of what motivates migration, remittance, savings and investment decisions of Ukrainian migrant workers remains surprisingly limited, and policy development is hindered by this paucity of information and analysis. Although it is accepted that these flows have crucially affected the alleviation of poverty and economic stabilization in Ukraine their relation to longer-term developmental processes have not been analysed in a systematic way – neither at the micro, nor at macro-economic levels.

In order to better understand and effectively respond to the evolving migration trends it is necessary for Ukraine to substantially and systematically improve the volume and accuracy of empirical data and information on migration and resulting financial flows. Therefore, the undertaking of serious and periodic empirical analysis of M&D trends at the appropriate levels, with the goal of informing policy actions, intervention and programme design, is crucial.

Special mention must also be made of the need for further in-depth and empirical research on the specific issue of migration and return potential of long-term migrant workers. The aim would be to further understand related operational level issues such as, a) identifying the key services necessary to support migrant workers to achieve their core migration goals, b) understanding the necessary return conditions required to support their sustainable return, and c) developing evidence-based incentives and mechanisms attractive enough to encourage their retained savings/remittances towards productive investment.

A related set of research activities could focus on: a) the strong role of social capital in all phases of migration, b) the creation of structural capital such as NGOs and other associations, informal and formal networks, organizations, etc., and c) the impact of internal migration on rural development.

The above six research areas will require repeated assessments of evolving trends, the changing requirements of the target groups, and long-term, flexible approaches – longitudinal surveys are therefore very appropriate.

Obviously the research would also need to monitor and evaluate policies, interventions and project related to remittance, savings, investment behaviours and return management. This information should be specifically designed to feed directly into other measures proposed in this section. With financial and technical support from relevant line ministries, the Central Bank, institutes of statistics and specialized agencies could undertake these research actions – each within their respective expertise and mandate.

Policy Dialogue for an Enabling Environment

To be effective, remittance/savings/migrant worker transfer related initiatives need to be placed within a comprehensive multi-level policy dialogue and result-oriented framework that understands Ukraine’s specific migration profile/potential (including savings, remittance and investment patterns; possible return and employment issues) and within the context of Ukraine’s macro-economic framework, business environment and overall development goals on the one hand.

Specialized agencies such as the World Bank and International Organization for Migration (IOM), as well as local public authorities, key private sector partners and migrant worker/diaspora organizations are able to make substantial contributions to discussions in the following technical areas, using the prospect of heightening the development impact of circular migration and migration-related financial flows to work with the Ukrainian authorities to improve the return conditions, business environment and undertake complementary investments:

- Reinforcing the importance of a sound macro-economic framework and business-friendly regulatory environment from a migrant worker’s perspective, with a view to facilitating and encouraging inward savings/investment from migrant workers;
- Increasing the value of current remittances by bringing a larger proportion into the formal sector, including by lowering the costs of formal remittance transfers, especially from non-CIS countries;
• Broadening and deepening financial services to poor people in rural areas, possibly using transfer receivers and existing savers as ‘early adaptors’;
• Amending legislation to make it easier for businesses to become established, in line with the priority concerns of migrant workers (Section VI, page 70);
• Enforcing existing legislation, policies and programs, strengthening the civil service, lowering corruption, in line with the priority concerns of Ukrainian migrant workers (Section VI, page 70);
• Examining the possibility of establishing remittance-backed national or municipal bonds, either targeting migrant workers directly or through securitization with the guarantee that money will be paid back from future remittance flows;
• Encouraging the formation of Hometown Associations and Community Economic Clubs, especially in regard to awareness raising and cooperation on issues such as savings and investment mobilization, and remittances.

The specific objectives of this recommendation are to:
• Establish a cohesive Ukraine-specific approach to migration management and migration and development. This can be achieved by creating a cross-cutting inter-ministerial process at the national level that incorporates a vertical process of dialogue with interested sub-national local authorities and a systematic outreach to civil society and private-sector actors;
• Introduce and debate some of the latest research on migrant worker/diaspora savings and investment potential;
• Discuss the obstacles for migrant workers to save and invest in their countries of origin and how the stakeholders can address these obstacles in a comprehensive and coordinated manner;
• Identify future targeted needs for research on migrant worker saving corridors and migration patterns;
• Develop future projects researching the awareness level of Ukrainian and country of destination banking institutions on the nature and volume of migrant worker savings;
• Develop future projects, which can facilitate investments of migrant worker savings / remittances / transfers.

Awareness Raising and Trust Building

One of the findings of this report was a widespread and general lack of knowledge about the Ukrainian financial market, its institutions and regulations, as well as lack of trust to both, public and private sectors. Equally, popular understanding of government and finance industry policy and actions as regards remittance-related issues, such as savings tools, investment opportunities, incentives and disincentives is for all intents and purposes non-existent. In order to ensure that diaspora members, migrant workers and their beneficiaries receive correct information regarding financial intermediation structures, their opportunities, benefits, uses and risks, a series of related information campaigns or financial literacy efforts could be developed.

Public information campaigns of direct relevance to the migration-finance-development challenge can be carried out via mass media outlets, diaspora associations, information dissemination at ports of entry, look-see visits, etc. A collaborative and coordinated effort on the part of all interested actors, including the ministries, financial institutions and specialized agencies would add additional emphasis and impact to such campaigns.

Relevance of each campaign should be ensured by means of high-quality research, as proposed here under the first intervention point; especially as regards the changing concerns and requirements of the migrant workers themselves. A pluralistic approach, taking into full account of the wide differences within the migrant worker community, their income levels and savings, as well as their experiences in the various host countries is crucial in this regard.

As with other countries studied, one of the interesting feature of Ukrainian migration is its largely localized nature in CIS and EU countries, allowing migrant workers to frequently visit their places of origin. When com-
bined with a strong social network in destination countries a natural and trusted distribution mechanism for the dissemination of information exists. Therefore, public information campaigns that carefully target the places of origin, will not only reach the beneficiaries of the remittances, but the migrant workers themselves. Ukrainian diaspora and other non-profit organizations as well as strengthened Embassy/Consular Offices could offer, in Ukraine and abroad, accurate information, as well as savings and investment advisory services to migrant workers (or those that wish to return). As noted above, up-to-date and impartial information on available credit facilities, saving schemes, training in small-scale business management, as well as assistance in obtaining services from relevant government departments, commercial financial intermediaries and micro-credit institutions could prove especially helpful.

A contextual issue that is not directly in the area of financial intermediation, is the need to reinforce legal migration through a concerted effort by the Ukrainian national authorities to negotiate further labour exchange and employment agreements with EU Member States and other primary countries of destination. For migrant workers, such an agreement framework would reduce the direct and indirect costs, as well as risks, related to migration, as well as reduce migrant worker’s vulnerability to exploitation. Parallel interventions in support of regular migration would indirectly support the government’s development objective by increasing the migrant workers’ incomes, remittances and savings values and encouraging the use of formal channels of remittances. Such benefits would also extend to their beneficiaries through increased remittance flows, while simultaneously representing a direct benefit to the broader home economies.

**Development and Delivery of Relevant Remittance, Savings and Investment Products, Services and Interventions**

By focusing on providing direct support to migrant workers and their households in Ukraine, mutually advantageous relationships might be created that benefit all stakeholders – including migrant worker/beneficiaries; place/country of origin; country of destination and participating institutions. As noted, initiatives that relate to savings, target investment and development need to be placed within an appropriate policy and communications framework including appropriate macro-economic conditions; a conducive business environment; a profound understanding of savings, remittance and investment patterns; and policies and programmes for employment promotion and income generation for potential returnees. These issues are partially addressed by the recommended intervention areas above.

The overall purpose of this area of intervention is to facilitate the establishment of conditions for a win-win situation for Ukraine and local places of origin, host countries, migrant workers, and participating private sector partners, by:

- directly supporting migrant workers to meet their personal migration objectives;
- maximizing the developmental aspects of migration as they relate to financial flows and local investment; and,
- improving entrepreneurship and employment creation for the people staying behind.

Particular emphasis could be placed on the promotion and use of financial institutions (including micro-credit and microfinance) among migrant worker communities, as well as assist these institutions to reach out to the migrant workers/diaspora communities with a view to developing new products and services, which specifically address the needs of this target group.

For example, actors in the broad retail financial intermediation sector could consider establishing intermediary vehicles, such as a social investment trust fund, which would focus on mobilizing a portion of migrant worker savings (i.e. migrant worker capital) accumulated in countries of destination. Such medium to long-term savings could then be intermediated and lent on for business activities in Ukraine through existing capacities and procedures. This would simultaneously support the capital requirements of the financial institutions while
also provide migrant worker clients with a reasonable rate of return on their savings, and providing these migrant workers with an opportunity to directly support the development of their home communities. In support, marketing strategies could be built on the social and human capital identified by the research presented. Marketing approaches should be specifically designed to compensate for the perceived risks related to institutional, regulatory and other issues commonly associated with the transitional character of Ukraine and the widespread mistrust of the target groups vis-à-vis Ukrainian financial intermediaries.

Overall, drivers for development should be first directed by the private sector, while authorities at national level should play a regulatory role. That said, national and local authorities working together can and should assume a catalytic role. International organizations with financial regulatory, migration and developmental expertise should be invited to lend their support where and when required.

Key partners under this area of intervention include: commercial financial institutions and micro-credit providers; decision-makers within the Ukrainian government at national and local levels and the Central Bank; operational-level departments and agencies; diaspora and Home Town Associations.

**SPECIFIC RECOMMENDATIONS**

**At the national level:**

The Government of Ukraine has to take greater responsibility for and assume ownership of the overall context in which Ukrainian citizens choose to migrate externally or internally, as well as those who already find themselves abroad as part of the migrant worker or diaspora communities. The Government has to develop policy and communication mechanisms capable of maximising the positive aspects of migration as an important aspect of Ukraine’s overall development process, while minimising its negative consequences on society as a whole and the persons involved.

As discussed above, effective migration management and its relation to national/local development is multi-faceted and involves a wide range of ministries, agencies as well as national, local and international partners (and at multiple levels). An equally comprehensive approach on the part of the government is therefore recommended. At the same time, as shown by the Irish and Scottish examples above, migration is a fluid social phenomenon and priorities can change quickly. Therefore, sufficient awareness, leadership and flexibility need to be incorporated into any mechanisms to be considered.

One suitable and directly relevant example that meets both of these requirements is Moldovan so-called “whole of government” approach or “Disposition 58 Process” (D 58). In a similar way the Ukrainian government could consider establishing an inter-ministerial migration-management structure under the auspices of the Prime Minister.

In this structure each Moldovan line ministry and agency established one focal point (FP) at the political level (usually a Deputy Minister or similar) and one focal point at the operational level (Head of Department or equivalent). These focal points are supported through a) a “Secretariat” within the State Chancellery (Bureau for Diaspora Relations, or BRD) that provides coordination and continuity to the process between FP meetings and b) coordinated capacity-building, technical assistance and financial support from sponsors (EU and SDC), IGOs and specialised agencies (IOM, UNDP, UN Women, IASCI, GIZ-CIM among others). In coordination with the participating ministries BRD is responsible for drafting the relevant policy documents and actions plans, monitoring of same, etc.

The D58 process recognizes that every line ministry and several agencies are actually service providers to the migrant worker/diaspora communities, and that migrant workers at every stage of migration require specific advisory or other assistance from the government and other stakeholders. The operational level focal points are brought together regularly and provided with training and related capacity-building measures, in order to serve as a “clearing house” for their specific ministry or agency in regard to this inter-action with migrant
workers, their trans-national households, and those interested in migration. This practical experience is collated and analysed. Gap analysis and recommendations are fed up to the political level focal points for further consideration and decision-making.

At the ministerial level this structure would ultimately report to the Ukrainian government in proposing strategic priorities and ensure it meets over-arching circular migration as well as migration and development goals, including respect for and protection of human rights. The political level FP consultative mechanism should also act as a Steering Committee in: (i) providing the necessary oversight and (ii) contribute to national-level inter-ministerial coordination to the implementation of these recommendations.

A Ukraine-specific and broadly consulted national plan of action on migration and development should be adopted and set out a medium-term roadmap showing how Ukraine will go about mainstreaming migration into its development planning. Inter alia, it should describe issues to be addressed, codify strategic goals and priorities, incorporate national and local public authorities, other stakeholder priorities and contributions, as well as outline programme/intervention areas, provide for binding indicators and a results matrix.

As mentioned, the plan and any related policy documents should be developed in line with and take full account of Ukraine’s overall development strategy. They should be drafted in collaboration with regional and local authorities, as well as key private sector and specialized agency partners. Viable monitoring and evaluation plan should be an integral part of any such plans.

Supporting the FP structure, a standing Secretariat (like the BRD in Moldova) is required to provide a single point of reference/support for all partners and stakeholders. The Secretariat should define, prioritize and monitor M&D activities and systematically engage those who have a stake in the issues through the organization of conferences, diaspora organization meetings, investment fora, research validations workshops and so on. To avoid duplication and ensure the efficient use of resources in line with the plan of action and Ukraine’s overall development strategy the Secretariat should also act as a clearing house-registry for migration and related initiatives and projects proposed by partners and other stakeholders (including providing for coordination and efficiencies of scale wherever possible). In this way, the Secretariat would also act as an information and intervention design resource, by providing partners with migration-related institutional memory of best and worst practices.

Complementing and working in coordination with the Secretariat a number of coordination and consultation fora are needed to provide broad-based two-way sectoral communication, as well as systematic insight into and necessary feedback from what will become a dynamic Ukrainian multi-level and multi-sector migration mainstreaming process.

In order to retain their focus and relevance to the stakeholders it is recommended that the coordination and consultation fora should be relatively small, and established of according sector and interest. Examples include: local authorities, line ministries and agencies, international donors, IGOs and specialised agencies, civil society including a separate forum for diaspora organizations, separate fora for financial intermediation and recruitment areas, trade unions, employers’ organizations, research institutions, etc.

This above structure and plans would benefit from the extensive experience of IOM in providing governments with targeted capacity building and the implementation of ‘mainstreaming migration in development’ projects.

As noted, an attractive macro-economic, business and investment climate in Ukraine is as important for migrant workers/diaspora as it is for foreign direct investors. Ukraine must reinforce its efforts in consider creating a stable, transparent, predictable and well-governed economic and political return environment. This may include taking a closer look at banking regulations to determine if they hinder easy money transfers and savings/investment options for migrant workers/diaspora members. Consideration should be given for the design of selective tax incentives/benefits and loan subsidies for investments into business and development type projects that might also assist in attracting both migrant workers and their transfers back to Ukraine.
Working through the Secretariat and FP structure establish a Diaspora Business Forum (DBF), the objective of which is to regularly bring migrant worker and diaspora community leaders together with senior-level national and local public authorities in order to exchange insights, constraints and recommendations on developing and maintaining effective migrant worker/diaspora relations; primarily from the point of view of attracting investment and related engagements. The Forum can also organize regular annual or bi-annual Investment and Business Conferences where selected Ukrainian businesses and local authorities with interesting projects and seeking investors/partners/sources can interact with interested migrant workers and diaspora members. Relevant examples of these approaches can be found in Moldova and Ireland.

The focus on the developmental and commercial potential inherent in circular migration and migrant worker’s savings/transfers is a relatively new approach, and hence a topic that has not been well studied over an extended period. Identification of best practices and further targeted research on specific migrant worker groups is required in order to analyse their migration, savings, investment, and return patterns. This type of research should be undertaken by the Ukrainian government and specialised organizations with specific migration/development/financial intermediation expertise, both working with independent local consulting and research partners.

The Ukrainian Central Bank and responsible line ministries should encourage further research by institutes and agencies. Besides consulting companies, the support of specialized expertise within relevant international organizations should be considered. The IMF and World Bank need to work with the Ukrainian Government to review and improve the quality of data and methodologies used to estimate remittances. Although the Central Bank is doing a very good job with the resources available to it, some improvements should be made at low or no cost. The Central Bank is also using data sources that are not available on a regular basis (special surveys), and it would be worthwhile to assist the Central Bank to update that information.

In order to inform public policies, it is not enough simply to carry out research and produce papers. The research must reach a domestic Ukrainian audience, including government policymakers. Ukraine needs a think-tank that is staffed by qualified economists capable of understanding and producing quality research (particularly quantitative research.) Such a think-tank should be supported by a group of highly qualified international economists who will work collaboratively with the Ukrainian researchers and provide peer review.

It is essential that the think-tank have effective channels of communication with government officials and the media. It is also essential that the think-tank become institutionalized, sustainable, and viewed as an asset to the Ukrainian government and general public. In order to ensure transparency and inclusiveness it is recommended that all researches be developed together with, and the data made available to, private-sector financial institutions, local authorities, and civil society agencies for further action. One way to achieve these three objectives is to link the think tank to the above mentioned political and operational level focal point structure.

At the international level:

Establish fora, dialogue and partnership channels between key countries of destination and Ukraine in mainstreaming circular migration thinking into both a) national development strategies in Ukraine, together with b) official development assistance strategies of countries of destination.

Engage in discussion with governments in countries of destination to expand their policies by including the concept of migrant workers’ savings/transfers for development. This would require inter alia the development of legal frameworks permitting financial institutions and local governments to invest in development projects in the countries of origin such as Ukraine. It would also require the inclusion of the local authorities and migrant worker/diaspora associations in the planning of such projects and activities to better understand their needs and concerns.

To assist the migrant workers to engage in improved and effective migration behaviours as well as utilization of banking products and financial services. Ukrainian authorities at national and local levels need to develop
a domestic capacity to provide leaving migrant workers, as well as their returning migrant workers and their family members with migration-related financial literacy training and information on different saving and investment products available in the country.

In parallel, international outreach and two-way communication programmes that provide migrant workers already abroad with comprehensive support and financial literacy training on different savings opportunities and investment products developed in relation to Ukraine would need to be put in place. In coordination, and to build trust in these intermediation services, countries of destination could develop programmes that offer qualified and interested returning migrant workers with meaningful matching funding for investment projects in Ukraine.

One possible way of achieving these goals is in the context of bilateral and multilateral labour agreements. Such agreements could also include information dissemination on savings and investment opportunities, re-integration services and programmes, possible collaboration on financial transfers, transfers of pensions and other social security-based savings accumulated by the migrant worker during the period of migration. Such initiatives are essential in furthering the concept of circular migration, brain gain, migrant workers’ savings for investment and development in Ukraine.

Obviously, national, regional and international financial intermediaries play important roles in the lives of migrant worker households and in supporting economic development. Therefore, the government should seek to work with qualified and interested partners to examine the viability of designing and market-testing more attractive savings/investment products for migrant workers/diaspora, including: private sector pensions and insurances; development savings accounts; guarantee funds, and; municipal, project-related and general diaspora funds. In many instances it is possible to systematically adapt and transfer international experiences and best practices. In other cases it may be necessary to develop and test new financial and service instruments and mechanisms, and develop joint actions.

It needs to be recognized that the combination of national market factors in countries of destination as well as migration histories/trends are unique. There are significant differences between migrant worker groups such as short-term, long-term migrant workers, emigrants, and diaspora members, as well as within each destination of migration. One approach does not necessarily fit all.

A feasibility study for the establishment of a financial intermediation mechanism for attracting substantial migrant worker/diaspora savings and directing them towards productive investments in both private and public spheres should be initiated. The mechanism should be practical, market-driven, and based on the principles of a standard trust fund or emerging market fund. It needs to closely correspond to the existing savings and investment ambitions of Ukrainian migrant workers on the one hand; and address the demand for long-term credit, capital and collateral requirements of viable large-scale projects and enterprises in Ukraine on the other.

Importantly, the mechanism should incorporate three key principles and efficiencies:

- Build on existing and well-known financial intermediation business models (do not reinvent the wheel);
- Register within a jurisdiction that is already proven to be trusted by migrant workers, and;
- Attract one or more known and trusted investment companies to assume the key role of lead trust fund/investment manager.

The IASCI/BRD Migrant Savings and Investment Trust (MSIT) is one example of this type of initiative. It is included in the Moldovan migration Plan of Action (to 2020).

Ukraine-specific peer-to-peer financing models could also be examined as part of a comprehensive service portfolio encompassing various risk/reward profiles.

Intermediaries (including banks, insurance and pension companies, micro-credit institutions) can improve the amount of savings and migrant worker transfers returning to Ukraine through more concerted efforts at new customer acquisition among the migrant worker and diaspora communities as well as awareness-raising at local levels.
Commercial banks should increase their efforts in identifying interesting market segments and their specificities. Propriety market research should be carried out regularly in order to better understand their potential customer base. This entails surveying and communicating with current and future migrant workers to understand their specific requirements, including the need for awareness raising about current market conditions and financial literacy training.

Delivering improvements in product availability in relation to mortgage and cross border banking services remains important.

Opportunities offered by maintaining accounts with the same bank or corresponding banks in different countries should be further explored within the migrant workers savings segment, based on a better understanding of the demand for such cross border financial services. One example of such cross border initiatives might be the building and transferring credit histories, with the prior approval of the client concerned.

As noted, in support, active promotion and developing dialogue and co-operation between migrant workers/diaspora organizations, banks and governments is crucial. Obviously, ‘knowing your client’ should be a precondition where relevant products and services are to be extended to migrant workers from pre-departure and throughout the migration cycle.

If deemed viable, such finance-related initiatives, taking place within the above national context of structural change and policy/regulatory framework revue, would provide complementary and parallel means of enhancing the positive impacts of circular migration, mainstreaming migration in development, engaging the local authorities and private sector, and supporting Ukraine to further move from its largely consumption-led economic model to one that is more balanced and investment/development-oriented. At the same time they would simultaneously facilitate more successful personal migration practices through meaningful service provision in key areas of migrant worker concern – wealth accumulation, leading to eventual return to Ukraine.

**Local Authorities and migrant worker/diaspora associations can and should play an increasingly important role in developing circular migration and M&D capacities.**

Important tools for maximizing migrant workers’ success and investment should include the following:

- Create a network of locally based offices that are able to directly support efficient circular migration practices and financial literacy on the part of all migrant worker groups. The carrying out of training workshops in this regard could be extremely helpful, especially in relation to migrant worker transfer/saving/investment;
- Act in coordination with the government and financial intermediation sector to re-build trust in the financial system, as well as related institutions. As noted repeatedly, the preceding sections indicate that the majority of Ukrainian migrant workers tend to keep the largest portion of their savings in their destination countries;
- Encourage the formation of Hometown Associations (HTAs), especially in regard to awareness raising and cooperation on issues such as savings and investment mobilization, and remittances. HTAs are voluntary civic associations of migrant workers/diaspora members who come from the same town or region of their home country. They grew rapidly in the 1990s and have become prominent among Mexican and other Latin American migrant worker groups working in the United States. HTAs typically pool contributions from migrant workers to fund projects in health, education, public infrastructure (roads, utilities, churches, cemeteries,) and recreation. They play an active role in identifying, planning, and implementing these projects. HTAs have not so far been much involved in funding “productive” (business) projects that directly generate income and employment. HTAs typically have limited fundraising abilities but often work in very small communities in which their contributions are very large compared to municipal public works budgets. An important merit of HTA projects is that they are fully “owned” by the funders and communities receiving them. We did not find any evidence that HTA-type
organizations have yet formed in the Ukrainian context. However, Ukrainians do have a clear sense of identification with their hometown, and HTA emergence is possible;

- Develop and support local level ‘business clubs’ or networks that are able to provide meaningful and trusted expert advice to potential returnees and migrant worker entrepreneurs, as well as attracting migrant worker/diaspora investment. One of the important initiatives inspired by the International Agency for Source Country Information in the context of the NEXUS Moldova project was the launching of Consultative Economic Clubs (CEC) (April-June 2014). The CECs represent informal forums of local business and community leaders that in a very practical way help migrant workers to identify opportunities and invest their human and financial capital gained abroad in economic and social projects in their native localities. CEC’s members provide practical recommendations to existing and potential entrepreneurs and investors through an informal platform based on evidence and needs. The CECs are connected vertically to the national level through the Diaspora Business Forum (DBF). The objective of the DBF is to regularly bring together migrant worker and diaspora community leaders and senior-level national public authorities in order to exchange insights, constraints and recommendations on developing and maintaining effective diaspora relations; primarily from the point of view of attracting investment and related engagements.

International organizations, donors, and qualified partners can assist the Government of Ukraine and the primary countries of destination to mainstream circular migration and M&D principles into their national development strategies.

They can facilitate measures that support local authorities, migrant workers and diaspora members to be more prominent in developing the M&D strategies, interventions and projects in Ukraine.

Cooperation should be further strengthened with the Government of Ukraine, international organizations, donors and qualified partners to develop incentives and regulatory frameworks that support the necessary conditions (for example, offering bank accounts, give guarantees for hard-currency savings deposited in Ukraine, etc.) for encouraging the transfer of savings/migrant worker transfers to Ukraine. Migrant workers and diaspora will only respond once the necessary preconditions have been fulfilled.

Operational programmes should be organized with governments, recruitment agencies, as well as with migrant worker associations, who should be given a voice in bilateral labour agreements, as well as in the whole process of migration. In terms of best practice, migration should be considered from the moment it starts to the moment it ends.

Within the context of the inter-ministerial process described above, specialized agencies could further support the authorities, private sector and civil society actors in promoting a wide-ranging consultative process to determine the policy framework in which Ukrainian internal mobility, short and long-term migration, and return processes are occurring, and what trade-offs Ukraine is both willing and able to make in regard to managing the positive and negative aspects of large scale migration. Specialized agencies can provide important insights to this policy debate, particularly with regard to financial intermediation and opportunities for developing SMEs as well the broader economy.

Related to this, working groups at the operational focal point (at national and local levels) could be organized to discuss and develop ideas for future follow up research and project ideas on how to better facilitate circular migration and migrant worker/diaspora investments in Ukraine. The main activities would relate to the enhancement of networks for information and best practice exchange.

Key partners for specialized agencies include: decision-makers at the Ukrainian Government at national level – especially the Ministry of Social Policy, Ministry for Regional Development, Ministry of Economic Development and Trade, State Employment Service, the National Bank of Ukraine; oblast and local authorities; operational-level departments and agencies; diaspora and Home Town Associations; other relevant civil society actors; commercial financial institutions and micro-credit providers; and Ukrainian media.
BIBLIOGRAPHY

1. de Zwager, N., R. Sintov

2. International Organization for Migration (IOM)


4. Kirchner, R., V. Kravchuk, J. Ries

5. International Labour Organization (ILO)
   2013 Report on the Methodology, Organization and Results of a Modular Sample Survey on Labour Migration in Ukraine / Decent Work Technical Support Team and Country Office for Central and Eastern Europe. – Budapest; ILO

6. Zaychkovskaya Zh., G. Vitkovskaya
   2009 Постсоветские трансформации: отражение в миграциях, Центр миграционных исследований, Москва, pages 116-186

7. Pribitkova I.

8. European Training Foundation (ETF)
   2008 The Contribution of Human Resources Development to Migration Policy in Ukraine

9. Kotashevskaya, T.

10. European University Institute

11. Malynovska O.

12. State Statistic Service of Ukraine
13. Trading Economics  
   2015 Ukraine GDP Growth Rate, available from www.tradingeconomics.com/ukraine/gdp-growth

14. Jaroszewicz, M.  

15. State Statistics Service of Ukraine  

16. Trading Economics  
   2015 Russia Unemployment Rate, available from www.tradingeconomics.com/russia/unemployment-rate

17. Eurostat Statistics Explained  

18. Butchenko, M.  

19. Pew Research Center  

20. International Fund for Agricultural Development (IFAD)  


22. www.data.worldbank.org

23. Global Humanitarian Assistance  
   2013 Key figures 2013, available from www.globalhumanitarianassistance.org/countryprofile/ukraine

24. Global Humanitarian Assistance  


27. www.data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS

28. www.indexmundi.com
### ANNEX 1: NON-RESPONSE RATE FOR THE MOST SENSITIVE QUESTIONS

#### Migrant survey

<table>
<thead>
<tr>
<th>Question ID</th>
<th>Selected most sensitive questions</th>
<th>Per cent of DK/NA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q22</td>
<td>What was [HH member] main source of income in the past 12 months?</td>
<td>6.0%</td>
</tr>
<tr>
<td>Q23</td>
<td>What was your average “net” monthly income (not of your household) abroad over the past 12 months? (i.e. cash in hand)</td>
<td>0.8%</td>
</tr>
<tr>
<td>Q24</td>
<td>What is the average net monthly income of members of your household abroad? (i.e. cash in hand, of all incomes persons, per month?)</td>
<td>1.1%</td>
</tr>
<tr>
<td>Q25</td>
<td>How much does your household spend abroad per month? (not including remittances, and not money spent in Ukraine)</td>
<td>1.1%</td>
</tr>
<tr>
<td>Q41</td>
<td>Did you or a member of your household abroad transfer money (incl. hand-carry) to Ukraine over the preceding 12 months?</td>
<td>0.0%</td>
</tr>
<tr>
<td>Q43</td>
<td>Can you estimate the total value of these transfers, including carried/sent in cash over the preceding 12 months?</td>
<td>1.1%</td>
</tr>
<tr>
<td>Q44</td>
<td>Of the amount transferred over the preceding 12 months, what amount was (amount from Q43)</td>
<td></td>
</tr>
<tr>
<td>Q55</td>
<td>Where does your HH regularly save money?</td>
<td>13.7%</td>
</tr>
<tr>
<td>Q56</td>
<td>In [country of destination], you keep your household savings in ...</td>
<td>0.4%</td>
</tr>
<tr>
<td>Q57</td>
<td>In Ukraine, you keep your household savings in ...</td>
<td>0.9%</td>
</tr>
<tr>
<td>Q60</td>
<td>Can you estimate the total amount of money needed to meet the above savings objectives?</td>
<td>20.0%</td>
</tr>
<tr>
<td>Q61</td>
<td>How much of this have you been able to save to date?</td>
<td>23.0%</td>
</tr>
</tbody>
</table>
### Household survey

<table>
<thead>
<tr>
<th>Question ID</th>
<th>Selected most sensitive questions</th>
<th>Per cent of DK/NA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q39</td>
<td>Can you estimate how your <strong>monthly</strong> HH income was allocated on average in the past 12 months?</td>
<td>1.2%</td>
</tr>
<tr>
<td>Q40</td>
<td>Can you estimate your household’s average <strong>monthly</strong> income from all sources mentioned below in the past 12 months?</td>
<td>1.4%</td>
</tr>
<tr>
<td>Q41</td>
<td>Did you receive money from migrant workers abroad in the past 12 months?</td>
<td>0.0%</td>
</tr>
<tr>
<td>Q42</td>
<td>How did your household receive this money from abroad?</td>
<td>5.0%</td>
</tr>
<tr>
<td>Q45</td>
<td>What was the <strong>total value of all money (including hand-carry)</strong> you received from abroad in the past 12 months?</td>
<td>4.5%</td>
</tr>
<tr>
<td>Q46</td>
<td>Were any of the financial transfers sent to your HH from abroad in the past 12 months sent with the specific purpose of being <strong>saved / invested</strong>?</td>
<td>0.0%</td>
</tr>
<tr>
<td>Q47</td>
<td>Can you estimate the value of above financial transfers to your HH in the past 12 months?</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>to be saved</strong></td>
<td>7.2%</td>
</tr>
<tr>
<td></td>
<td><strong>to be invested</strong></td>
<td>5.3%</td>
</tr>
<tr>
<td>Q48</td>
<td>Has your HH received in-kind remittances which migrant worker sent/brought back in last 12 months?</td>
<td>0.0%</td>
</tr>
<tr>
<td>Q50</td>
<td>Can you estimate ...</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>... how often your household received in-kind remittances from abroad in the past 12 months?</strong></td>
<td>5.6%</td>
</tr>
<tr>
<td></td>
<td><strong>... the total value of in-kind remittances received from migrant worker over last 12 months?</strong></td>
<td>59.4%</td>
</tr>
<tr>
<td>Q53</td>
<td>Does your HH save money out of the money your HH receives from all sources (including from abroad)?</td>
<td>25.1%</td>
</tr>
<tr>
<td>Q55</td>
<td>Can you estimate the total amount of money needed to meet the above savings objectives?</td>
<td>76.6%</td>
</tr>
<tr>
<td>Q60</td>
<td>Where are the savings in Ukraine kept?</td>
<td>0.8%</td>
</tr>
<tr>
<td>Q62</td>
<td>Does your HH have a bank account in Ukraine?</td>
<td>16.7%</td>
</tr>
</tbody>
</table>
ANNEX 2: CHARACTERISTICS OF UKRAINIAN-CANADIAN LABOUR MIGRATION

INTRODUCTION

The study revealed four categories of Ukrainian migrant workers in Canada:

• Short-term migrant workers, which represent about 3 per cent of the total short-term Ukrainian labour migration stock (about 264,000 individuals) by the time of survey
• Long-term migrant workers, which represent less than 1 per cent of the total long-term labour migration stock (about 424,000 individuals)
• Returned migrant workers for permanent residence in Ukraine, which represent less than 1 per cent of the total number of permanently returned long-term migrant workers (about 144,000 individuals), and
• Migrant workers who left to Canada for education purpose, which represent about 3 per cent of the total number of individuals within this category (about 25,000)

Looking in the nearest future, the study reveals that Canada might become more attractive for Ukrainian migration flow, both short and long-term (in particular):

• About 3 per cent of total number of potential short-term migrant workers (193,000 individuals) expressed intention to work in Canada
• About 9 per cent of total number of potential long-term migrant workers (117,000 individuals) had interest to work in Canada in the next 12 months from the time of survey. In this respect, Canada seems to be in the top three most preferred countries of destination for potential long-term migrant workers, along with the Russian Federation and Poland.

Aggregated data seems to forecast an additional outflow of about 16,000 short-term and long-term Ukrainian migrant workers toward Canada in 2015.

The next sections focus on an in-depth analysis of Ukrainian long-term migrant workers in Canada, as a distinct target group of the study.

SOCIO-DEMOGRAPHIC CHARACTERISTICS

Nine out of ten long-term migrant workers in Canada originate from urban areas in Ukraine, and mainly from northern (38%) and western regions (23%).

Most migrant workers are males (six out of ten), which is similar to the average profile of Ukrainian long-term migrant workers.

In terms of marital status, long-term migrant workers in Canada show the same profile as average long-term migrant worker: almost every second is married (56%), one out of four never married and one out of ten is divorced.

The average age of Ukrainian long-term migrant workers in Canada, by the time of survey, was about 38 years. Every second migrant worker is within age group of 30-44 years old and every fourth is 18-29 years old.

Most long-term migrant workers in Canada are highly educated people – about 70 percent have a university degree, as compared to only 43 per cent of the average long-term migrant worker.

61 The research and supporting survey include only long and short-term migrant workers. No effort was made to include emigrants.
The average number of years abroad for long-term migrant workers in Canada is seven years. Almost every third migrant worker moved to Canada after 2010, while 44 per cent within period of 2001 to 2010. 18 per cent of migrant workers moved to Canada between 1993 and 2000. The highest period of migration flow to Canada seems to be in 2013 – about 14 per cent of all migrant workers.

68 per cent of migrant worker household members in Canada are employed in the formal sector and only 2 per cent are employed without contract. One out of five household members is a student. The level of unemployment among Ukrainian long-term migrant workers in Canada is very low, only about 2 per cent.

For over 80 per cent of long-term migrant worker household members in Canada the main source of income is employment in the formal sector, while for 6 per cent – study allowances.

Ukrainian migrant workers in Canada are employed mainly in the manufacturing sector (25%), health industry (15%), hospitality (11%) and construction (10%).

Over 40 per cent of Ukrainian long-term migrant workers in Canada are involved in highly skilled jobs and professions, which is twice as much as the average employment level of Ukrainian long-term migrant worker. This finding is consistent with the education level mentioned above.

CIRCULAR MIGRATION AND LEGAL STATUS

95 per cent of interviewed long-term migrant workers have a regularized status of residence and employment in Canada. Almost 90 per cent of them managed to regularize their status mostly immediately or within a year after arrival.

Ukrainian migrant workers leaving to Canada seem to migrate with no return intention. It is reflected in 79 per cent of respondents stating they have no current plans to return to Ukraine. Only 8 per cent consider permanent return, as compared to overall average of 60 per cent of long-term migrant workers residing in the EU, CIS and other countries.

Even so, those with a clear return intention would consider this option only when they meet their saving objectives (39%) or are confident in securing gainful employment in Ukraine (39%). Like in other regions studied, Ukrainian long-term migrant workers in Canada with return intentions confirm overall strong linkage to the place of origin: 67 per cent stated intention to return to their community of origin.

This low return intention correlates with a high level of family reunification rates: almost every second long-term migrant worker HH in Canada is fully reunified and another 8 per cent are partially reunified.

Those migrant workers with return intention consider it would take seven more years to work abroad before considering permanent return.

A proxy indicator of integration behaviour in the country of destination is attendance of various formal and informal trainings to increase level of competence and better integrate in the social and professional community. In this respect, 78 per cent of migrant workers in Canada report receiving on-the-job training at their place of employment (as compared to 49% of the average migrant worker), 65 per cent accessed formal language trainings (twice as much as an average migrant worker). This behaviour is reflected in a higher level of employment for Ukrainian migrant workers in Canada.

Besides, basic professional and language trainings, one out of five migrant workers reported use of academic studies, vocational and business trainings, which is three to four times higher than an average long-term migrant worker.
A proxy indicator, allowing for forecasting of circular migration pattern is the attitude and behaviour towards existing and future properties. Overall, the data shows a logical and consistent trend with the overall return intention and family reunification pattern of Ukrainian migrant workers in Canada:

- property ownership in Ukraine among migrant workers in Canada is very low (35% as compared to 60% for the average migrant workers)
- very high interest to purchase property in country of destination – 64 per cent as opposed to 17 per cent for the average migrant workers
- 8 per cent of migrant worker HHs in Canada sold some real estate in Ukraine in the last three years and another 7 per cent plan to sell some in the next three years.

**COMMUNICATION NETWORKS**

In line with overall trend of circular migration patterns, Ukrainian long-term migrant workers in Canada maintain fewer links to their home communities, compared to the average long-term migrant worker in other regions. Most of them (57%) visit their transnational HH members in Ukraine fewer than once a year. Only 1/3 reported regular 1-2 visits per year.

Personal communication with family (74%), friends and fellow migrant workers (62%) is consistent among the most trusted source of information for Ukrainian migrant workers in Canada. However, when compared to an average long-term migrant worker, those in Canada express significantly higher trust in Internet-based sources (87% versus 63%).

Ukrainian migrant workers in Canada are poor, as well as an average migrant worker, in structural social capital (organizations and formal networks that facilitate joint actions). When looking at membership rates of diaspora organizations in Canada, the data shows that their role and importance to the migrant worker community and their families seem to be extremely limited. Only 12 per cent of migrant workers in Canada interact in any way with diaspora associations. Of these 12 per cent, 18 per cent reported membership in such organizations (compared to 46% of average migrant workers). No migrant worker confirmed financial support for diaspora associations in Canada. Most of them either attend periodical meetings or just receive information by email/regualr mail.

**INCOMES, EXPENDITURES AND SAVINGS**

Average personal income of a long-term migrant worker in Canada is about 3,220 USD, which is twice as much as the income of an average long-term migrant worker. This is consistent with the higher education and employment levels mentioned above.

When looking in-depth at factors influencing the level of income, the following picture emerges:

Income increase with the age of migrant workers, from 2,400 USD for age group of 18-29 years to about 4,100 USD for the age group of 45-65 years.

Migrant workers with high level of education are much better remunerated (almost 3,460 USD), as compared to those with secondary level of education (2,250 USD).

Industries with highest incomes in Canada are health sector (4,560 USD), transportation and communication (3,570 USD) and construction (3,440 USD); while the lowest paid sector is domestic help with only about 2,000 USD.

Male migrant workers earn, on average, 5 per cent more than female migrant workers. The salary discrepancy between men and women is highest in the following sectors of employment: construction (70% differ-
ence), health care services (44%) and trade (33%) in favour of men. Even within the same level of education, men still get higher salaries, but the discrepancy decreases with an increase in the level of education: from 47 per cent difference between the remuneration of men and women within the secondary category of education to 18 per cent within the category of high/university level of education.

The average number of income earners per HH in Canada is 1.64 individuals, as compared to 1.26 individuals for an average long-term migrant worker HH (i.e. 30% more). This is another indicator of higher family reunification levels for Ukrainian long-term migrant worker HHs in Canada.

In the above context, the average HH income abroad is close to 4,900 USD. This is 2.5 times higher than the HH income of an average long-term migrant worker HH (almost 2,000 USD).

Total estimated annual HH income of Ukrainian migrant worker in Canada is about 58,000 USD. On average, out of this annual amount 51 per cent is spent for households needs abroad. In other words, the gross household savings rate for an average Ukrainian long-term migrant worker HH in Canada is 49 per cent (or about 28,800 USD), not including mandatory pensions etc.

REMITTANCES

Despite the very low level of return intention among Ukrainian long-term migrant workers in Canada, 58 per cent remitted money to Ukraine over the preceding 12 month from the date of survey, as compared to 66 per cent of the average long-term migrant worker.

The transfer pattern is a regular and quite frequent, since the average number of transfers reported during the 12 months period was 5.4 times, i.e. almost once in two months.

As for the actual value of annual remittances, an average long-term migrant worker HH in Canada reported the amount of almost 2,770 USD, which is almost 1/3 less than the value of an average Ukrainian long-term migrant worker HH abroad (4,350 USD). This difference is consistent with the findings about the purposes for remittance: most migrant workers in Canada send money to support their parents (88%, compared to only 38% of average long-term migrant workers) or relatives (27% over 12%). Only one out of three remittance sending migrant worker HHs in Canada remit to support their family members (spouse and children in Ukraine) and 29 per cent remit to improve their property in Ukraine.

Consistent with the studies carried out in SEE countries there is no correlation between migrant worker HH incomes abroad and remittance values. As noted above, remittance levels are more determined by direct migration-related factors, such as family reunification rates and return intentions, and the level of poverty in the country of origin.

80 per cent of the total value of remittances in 2014 from Ukrainian migrant workers in Canada was sent through formal channels, as compared to only 47 per cent of the total value of remittances sent by an average long-term migrant worker.

In line with remittance sending purposes, 2/3 of remittance value was designed for consumption (mainly for daily needs, utilities etc.). In terms of share of remittances, migrant workers in Canada remit two times less than an average migrant worker for savings in Ukraine (20% over 42%) and investment in property (10% over 17%).

Due to long distance, migrant workers in Canada are less likely to send in-kind remittances to Ukraine: 14 per cent as compared to 44 per cent of the average migrant workers and the frequency of transfers is 1.4 times over 3.3 times. But, when they do, they most often send food supplies or gifts/presents (46% each).
SAVINGS

96 per cent of interviewed long-term migrant workers in Canada reported HH savings. The average estimated savings objective is close to 390,000 USD, which is two times as much as the average amount estimated by the average Ukrainian long-term migrant worker.

At the time of survey, long-term migrant workers in Canada managed to save 19 per cent of their target, as compared to only 13 per cent in case of the average long-term migrant worker. This difference might be explained by a series of factors: higher wages, higher number of income earners abroad and lower remittance values.

In this content, it is worth noting that migrant workers in Canada are much more confident (81%) in reaching their financial savings target, as compared to the overall level of confidence on an average long-term migrant worker (52%). Moreover, they consider reaching the balance in about two years, as compared to seven years mentioned by the average long-term migrant workers.

As compared to the average long-term migrant worker, those working in Canada are more oriented, in terms of savings objectives, towards purchase of property in Ukraine for their family members (68% over 44%), securing a pension (39% over 27%), starting a business (35% over 25%) and financing the education of children (32% over 27%). Migrant workers in Canada also share the overall geostrategic disturbances concerns in Ukraine – 48 per cent of those remitting do so for emergency and risk management purpose.

INVESTMENT

Overall, Ukrainian long-term migrant workers in Canada seems to have more entrepreneurial ambitions, as compared to an average long-term migrant worker. One out of four migrant workers in Canada expressed an intention to start a business in the nearest future, opposed to one out of five average long-term migrant worker. The bad news for Ukraine is that vast majority of this category of migrant workers plan to initiate a business in Canada and only 19 per cent consider Ukraine (compared to 57% of average long-term migrant workers).

Top three most popular sectors of investment for Ukrainian migrant workers in Canada are related to constructions (29%), agriculture (24%) and retail trade (18%).

Consistent with the above-mentioned place of investment intention, is the finding of very low interest in investing in local infrastructure projects together with local public authorities or private sector enterprises in Ukraine. Only 9 per cent of migrant workers in Canada showed certain interest for such initiatives.

FINANCIAL INTERMEDIATION IN UKRAINE

Nine out of ten long-term migrant workers in Canada reported use of banking products in Canada, but the banking level in Ukraine is significantly lower – only 29 per cent. It is much lower even when compared with average long-term migrant workers – 53 per cent with banking status in Ukraine.

As mentioned above, almost all migrant workers in Canada save money regularly and at a high rate. But, only 5 per cent of them reported keeping all savings in Ukraine and another 22 per cent said they keep savings both in Ukraine and Canada.

In terms of actual value, 83 per cent of all savings to date are kept in Canada, which is consistent with low return intention and high family reunification pattern.

When keeping savings in Ukraine, over 80 percent of migrant workers in Canada use current accounts and only 30 per cent use long-term deposits, which is significantly lower than the percentage of average long-
term migrant workers (54%). A lower level of trust in Ukrainian banking system might explain this. At the same time, two out of three migrant workers with savings in Ukraine keep them in cash at home.

**MARKET OPPORTUNITIES AND GAPS**

As described earlier in the report, market opportunities are much broader than the traditional financial intermediation and remittance transfer mechanisms considered by most analysts and practitioners in public and private sectors. And, when such services and products are made available most of migrant workers will make use of them. Migrant workers in Canada confirm this logic. Moreover, they expressed even higher level of interest, as compared to average migrant workers, towards a broad range of services, but especially towards medical and dental services, on-going coaching and advisory services and legal and financial planning services.

As related to financial products and services in Ukraine, data shows that migrant workers in Canada are more likely (as compared to the average long-term migrant worker) to use in present various financial services in Ukraine, but is less likely to purchase such products in the future.

Reflecting their higher level of integration/assimilation, market gaps between potential service providers and migrant workers seem to be lower in case of migrant workers in Canada: without prompting 22 per cent could provide the name of an entity that provides informational or practical support for those planning migration or currently abroad, as opposed to only 11 per cent of average migrant workers. In this context, it is important to note that most often voiced institutions providing support are either diaspora associations (45%) or the International Organization for Migration (IOM) (32%).