

# LABOR MIGRATION AND SOCIAL SECURITY: A ROADMAP. UKRAINE-EU



## CHALLENGES

The significance of social security coordination is constantly growing as a result of increased globalization and larger migration flows between countries. This is topical for Eastern Partnership countries taken that millions of their nationals are employed in the EU, sometimes illegally. As a current trend, for a number of reasons including economic recession in Russia as important receiving country for migrants coming from Belarus, Moldova and Ukraine, the numbers of nationals from these countries in the EU tend to grow.

Labour migration allows migrant labourers to enjoy their rights to choose the place of residence and work, however it carries certain challenges for sending countries. Effective mechanisms for the portability of social security entitlements and earned benefits is among such challenges. The portability means legal guarantees that migrants are able to take benefits accrued in their host country back to their home country. This is regulated by bilateral and multilateral social security agreements.

## THE REASONS WHY PORTABILITY OF SOCIAL SECURITY ENTITLEMENTS IS IMPORTANT ARE THE FOLLOWING:

- **Economic:** the absence of portability of social security entitlements decrease effectiveness of decisions taken by labour migrants;
- **Social:** social security entitlements are important element of life cycle planning by individuals and families, therefore if the portability is not present, this provokes considerable losses in people's wellbeing;

- **Legal:** social security rights are guaranteed by national legislations and international agreements, thus in principle they should apply in cases of resettlement to other country and changing a profession.

## UKRAINIAN CONTEXT

After Ukraine gained independence, there was a fairly large scale of migration flows from the country. As of 2010, the average level of well-being of the Ukrainian household was three times lower than that in the Czech Republic and Poland, and ten times less the Italian and Spanish figures. Economic downturn and devaluation of national currency after 2014 among others spurred migration flows. According to the most pessimistic estimates, the number of migrants from Ukraine to the EU is **about 2.5 – 2.8 million people**.

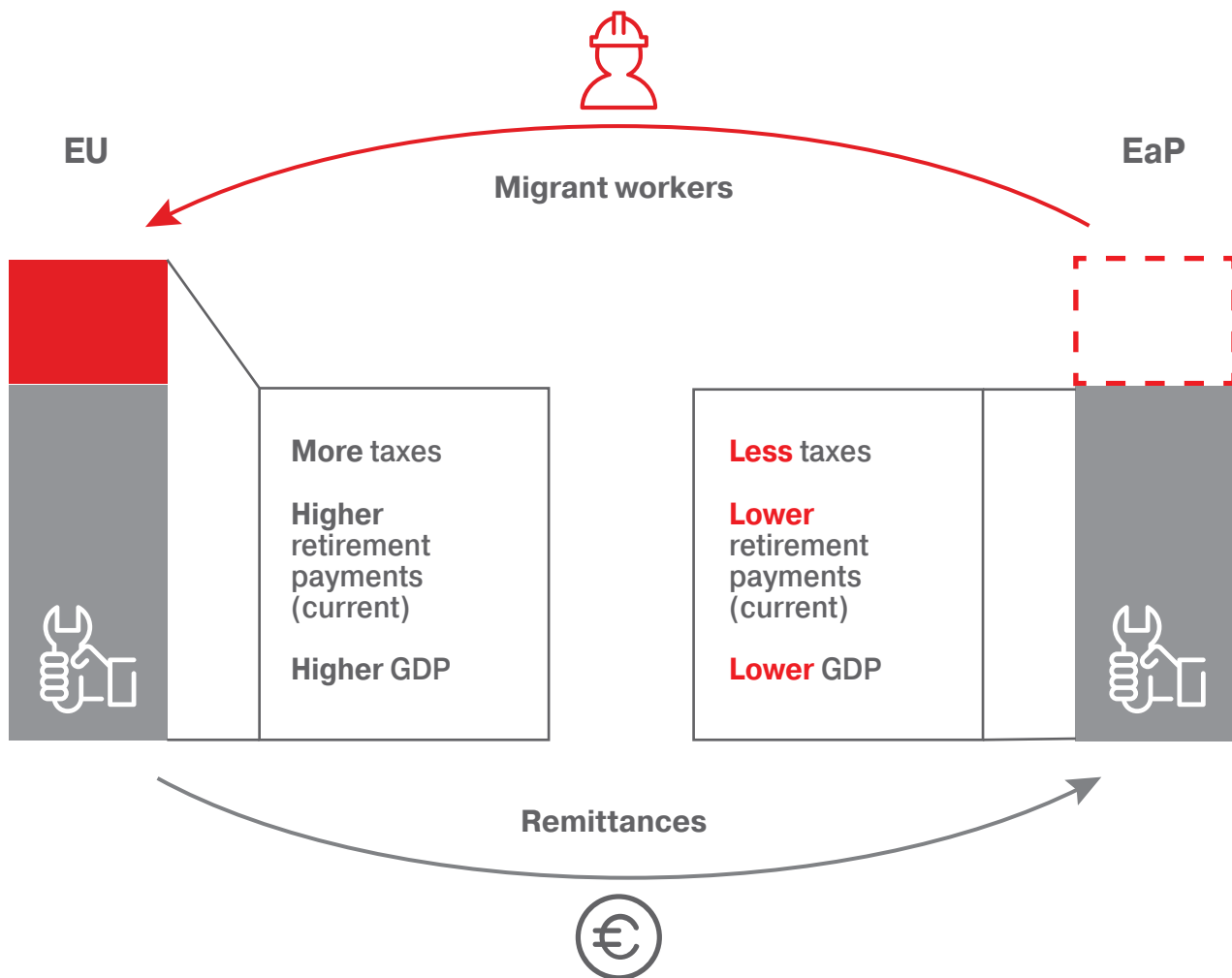
The educational profile of Ukrainian labour migrants varies depending on the country of residence. In the Czech Republic, where the predominant employment sector of Ukrainian migrants is construction, only **about 10% of them have higher education**, while the majority of Ukrainian citizens in the German economy have a higher education. In Germany, Ukrainians often work as engineers, including the IT sector. In Poland, a significant part of Ukrainian migrants are engaged in construction and agriculture. According to estimates, up to half of Ukrainian migrants working abroad do not have a work permit or residence permit, **about 17% are deprived of any official status**.

A national survey on labour migration conducted in 2012 revealed that two thirds of Ukrainian labour migrants are men, although the proportion of women among migrants is growing. While men are more likely to undertake migration over the age of 25, women become more active in the migration sphere after thirty. Over the age of 50, women migrate more often than men.

According to our estimates, as of the end of 2017, the number of labour migrants from Ukraine to the EU was **about 1.4 million**, i.e. number of those who went to the EU to earn money and is more likely to return to Ukraine. This expert assessment is based on a multilateral analysis that includes a comparison of estimates in literature, the share of remittances from the EU, the number of general residence permits issued in the EU, the number of unemployed people of working age and the estimated number of labour migrants to third countries.

### Main issues:

- Remittances cannot eliminate losses from migration since reduced contributions to the social security system (and public revenues as a whole) in the countries of origin.
- Lower current GDP leads to slower economic growth in the future (poverty trap).
- Countries of origin will start to receive compensation in decades, when migrants come back and start receiving retirement benefits from abroad.



Our estimates conclude that in 2017 Ukraine's GDP losses from migration to the EU amounted to approximately **\$8.08 billion (8.7%)**. And this is only part of the total losses, since we do not take into account labour migration to other countries, which is of considerable size. The estimated hypothetical losses of the Ukrainian pension fund from labour migration to the EU amounted to **\$784 million, or 7.4%**.

#### Potential losses of GDP of Ukraine due to the labour migration to the EU in 2017.

GDP, billion \$	Employed, million	GDP per employed, \$	Estimated number of labour migrants to the EU, thousand*	Estimated losses of GP, billion \$	Losses, % to GDP	Total remittances**, billion \$
93.3	16.2	5 773.0	1400	<b>8.08</b>	<b>8.7%</b>	7.9

Source: own calculations based on data of the World Bank and national statistical bureaus of Belarus, Moldova and Ukraine.

Note:

\*As of the end of 2017. In 2019 estimated quantity of labour migrants equals 2 million;

\*\*Total remittances from all countries.

## A ROADMAP TO SOCIAL SECURITY MOBILITY



### By the end of 2019

- To start negotiations on bilateral agreements on social security with Ukraine in as many EU-member countries as possible.
- To include neutralization of losses caused by labour migration in the EaP region to the list of priorities by European Commission.
- To develop policy recommendations for Ukraine on regulating labour migration, integration and immigration.
- To foster cooperation between member states and international NGOs, trade unions in rising awareness and literacy of labour migrants from Ukraine concerning social protection and security.

### By mid-2020

- To conclude first monitoring of implementation of bilateral agreements on social security to understand challenges and bottlenecks.
- To modernize mechanisms and procedures of implementation of bilateral agreements where needed.
- To develop concrete support measures to assist EaP countries in neutralizing negative effects of labour migration, such as pension fund deficit, poverty trap and Dutch disease.

### By the end of 2020

- To fund a system of data collection and monitoring of labour migrants' inflow from the EaP countries (for European Commission), and to ensure proper functioning of this system (for member states).

### By the end of 2021

- To open financing of aid programs to support effective employment and promote economic growth in Belarus, that would neutralize losses from labour outflow.

The project benefits from support through the EaP Civil Society Forum Re-granting Scheme and is funded by the European Union as part of its support to civil society in the region. Within its Re-granting Scheme, the Eastern Partnership Civil Society Forum (EaP CSF) supports projects of its members that contribute to achieving the mission and objectives of the Forum.

The overall amount for the 2018 call for proposals is 250.000 EUR. Grants are available for CSOs from the Eastern Partnership and EU countries.

Key areas of support are democracy and human rights, economic integration, environment and energy, contacts between people, social and labour policies.