

Socio-economic aspects of labor migration of the Ukraine's population

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Abstract

The article highlights the problem of labour migration, which has such a great impact on the economy and society of Ukraine that becomes one of the issues of national security. It was determined that the scale of migration is not just large, but have such a significant impact on demography, economy, society and public consciousness. The most important problems in Ukraine that lead to labour migration are analysed, including corruption in public authorities, unemployment, low pensions, the impact of the coronavirus pandemic, political instability, inflation, crime and so on. It is determined that the problem of youth employment is an acute issue among Ukrainians. The list of identified problems provokes Ukrainians to go abroad in search of job placement. The cost of funds on the reproduction of human resources spent by the state is analysed as a result of investments in education, treatment, social support per person. It is concluded that in Ukraine it is necessary to create such conditions under which young people with talent, skill and unbridled desire to develop, had the priority to live and work in the homeland.

Key words: human resources, emigration, labor migration, demography, national security, unemployment, employment, wages, employment, economic growth.

Introduction. The problem of migration has a great impact on the economy and society of Ukraine and becoming one of the issues of national security. The scale of migration is not only large, but has a significant impact on the demographics, economy, society and public consciousness. Particularly large-scale and relevant today is the temporary or complete emigration of the Ukrainian population from the country. Estimates of its quantitative indicators differ significantly due to the variations in calculation methods and the difficulty of registration of the phenomenon of migration, the various forms of which are difficult to account for by traditional statistical methods.

The purpose of the study is to identify factors and trends in labor migration of the population of Ukraine and the consequences of such processes for the country.

Analysis of recent research and publications. In foreign and domestic economic literature, considerable attention is given to theoretical and methodological aspects of labor migration study. This is evidenced by a significant increase in the number of monographs, articles and dissertations over the last decade. Among domestic scientists, whose works attract special attention, we can highlight the publications of G.S. Vechkanov, G.S. Vitkovskaya, A.R. Vyatkin, M.B. Denisenko, Zh. A. Zayonchkovskaya, T.I. Zaslavskaya, V. V. Elizarov, V.A. Iontsev, A.N. Kamyansky and others.

In particular, Pityulych M.I. (2014) notes that "labor migration is one of the determining factors that characterizes the development of social and labor relations, shapes the situation in regional labor markets, employment, welfare, consumption and savings, reproduction regimes".

Volosko Y.O. (2021) notes that "for modern Ukraine the issue of the impact of labor migration on the development of the economy remains quite relevant, because the administrative and legal regulation of labor migration, which have their own characteristics in the period of economic transformation, is an important component of social policy".

Modern processes of economic transformation, accompanied by a difficult financial situation caused by many factors, require an assessment of the role of labor migration in the formation of the state economy, its impact on social development.

Research methods: The methodological basis of scientific research is a systematic approach to studying the socio-economic consequences of labor migration of the population of Ukraine. To solve certain tasks in the research process, general scientific and special methods were used, namely: abstract-logical (for theoretical generalization of conclusions and analysis of research results); analysis and synthesis (for the analysis of some positive and negative factors that affect the socio-economic consequences of labor migration).

Presentation of research results

Labor migration is the main type of world migration in the XXI century. International labor migration is a complex and ambiguous phenomenon and is a process of territorial interstate movement (mobility) as in the book by Petroe O.M., Vasiliev V.T. (2015).

Human resource relocation across borders in search of better payed job is an inevitable reality of globalization. According to Ukhova A. (2018) this large-scale and dynamic transnational phenomenon has become an integral part of the modern international economy.

The reasons for such labor migration are often correlated with the social problems in the country. It is supported by the results of a survey provided by the sociological group "Rating" commissioned by the Center for Analysis and Sociological Research MRI from 30 to 31 July 2020. Data were collected using a computer-based method of telephone interviews performed on a randomly selected sample of mobile phone numbers. The survey was conducted on a random sample, which included 2472 citizens of Ukraine aged 16 and older. The sample is representative by region, age and sex. The statistical error does not exceed 2 percent with a 95 percent confidence level, and the achievement rate was 12 percent.

The most important problems of Ukrainians that lead to labor migration, which were identified as a result of a survey, are presented in fig.1, in percentage of respondents confirming it to be essential.

The majority of Ukrainians (51%) consider their income level insufficient for a normal life, while less than half of the population (44%) are satisfied with their current job. This is also supported by the results of the annual Barometer of Happiness in Ukraine survey conducted by the European Business Association. It is noted that this year the integrated barometer was 2.61 points out of 5 possible on the Likert scale (0.14 points worse if compared to last year).

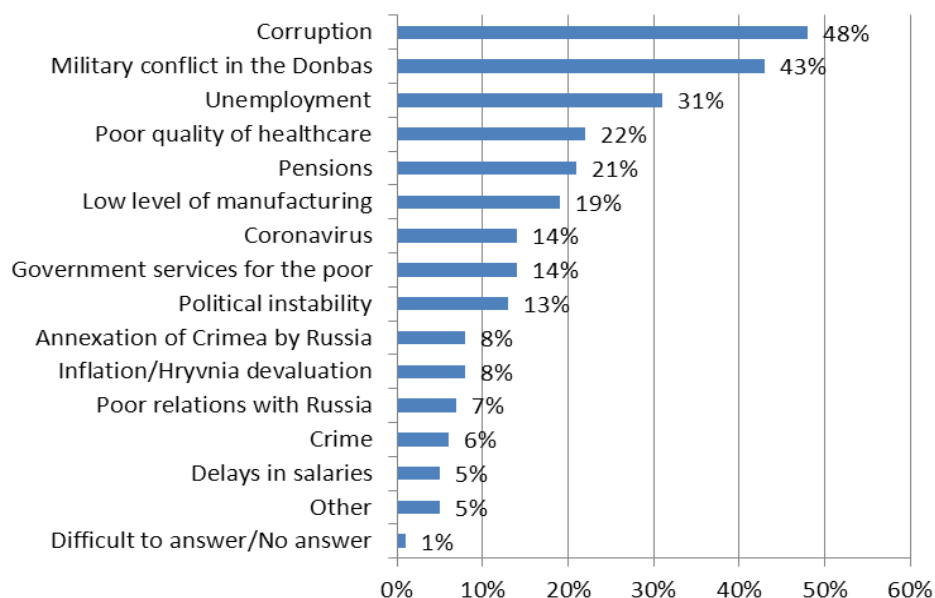


Fig 1. The most important problems of Ukrainians that lead to labor emigration, %

Source: IRI survey: Socio-political views in Ukraine.

The key factors assessed by the respondents were: income level, current work, health and education systems, social life and leisure, security, observance of rights, environment and general life experience in Ukraine.

Among the others, the opinions on the health care system divided: 58% of respondents are dissatisfied with the state of the system, while 42% assess domestic medicine satisfactorily or positively.

Almost 52% were satisfied with the education system, with 48% saying they were completely or partially dissatisfied with it. 72% of respondents are dissatisfied with the security situation in the country and feel uncertain about their own future, 62% negatively assess the legal framework and regulation in the country, in particular in the context of non-discrimination and the level of democratic freedoms [10].

Experts emphasize that these are strong signals that the country needs comprehensive structural changes and reforms. The state must ensure the basic needs of citizens to feel safe and financially protected.

It is also noted that according to the State Statistics Service, with the beginning of the war in the East in 2014, about 1.3 million Ukrainians migrated to other countries. According to Ukrainian analytical journal epravda.com.ua (2019), there is a significant problem of labor migration for the country as a whole and the lack of professionals in the corporate and industrial sectors, which is acutely felt by business [10].

In addition, the list of issues was amended by questions related to security and amenities in the country. According to Ella Libanova, director of the Institute of Demography and Social Research of the National Academy of Sciences of Ukraine, the reasons for emigration can be completely different, but there are 2 zonal factors: the first is high wages, and the second is security [9].

Another logical reason of labor emigration for Ukrainians is unemployment in the country. According to an analytical note on the situation on the labor market from the State Employment Service, the number of unemployed

(according to ILO methodologies) in 2019 decreased by 91 thousand people compared to 2018. Thus, according to Ukraine's statistical service in total in 2019 in Ukraine there were 1.5 million people.

Analysts of the employment service note that in 2019 there was a reduction in unemployment in both urban and rural areas. The unemployment rate in rural areas decreased by 23 thousand people (to 493 thousand people), in percentage - from 9.2% to 8.7% of the labor force.

The State Employment Service also notes that the unemployment rate in Ukraine is the highest among European countries. Thus, in the EU this figure decreased from 7.3% to 6.7%, and among young people (under 25) - 15.2% to 14.4%. And these figures could be even bigger by the amount of shadow unemployment as a substantial part of people without work choose not to register in State Employment Service as unemployed for various reasons which may include very basic financial support for the unemployed combined with numerous bureaucratic procedures. Compulsory military service which may possibly be applied for the male part of the unemployed also may be a reason for not applying for unemployment status especially during the military conflict within the country. That is why official drop in unemployment rate is still a debatable question.

The demand for the foreign labor force, including the work of Ukrainians, continues to grow in Western Europe. In addition, financial incentives to work abroad has increased compared to Ukrainian salaries. Such reasons for migration are external, but are quite significant.

Ukrainians continue to seek greater earnings and a better life abroad for reasons that are clear to everyone: military conflict, political instability, and deteriorating households' welfare. The introduction of a visa-free regime with the European Union has also significantly affected the outflow of Ukrainians abroad, including in search of work.

As for salaries, according to the State Employment Service, the average salary in Ukraine was 12.3 thousand hryvnias in December 2019 with a high degree of variation between the highest and the lowest values. At the same time, the lowest salaries are earned by workers in the field of agriculture, forestry and fisheries - only 7-9 thousand UAH. This fact is also quite significant, taking into consideration that most inhabitants of rural areas work specifically in agriculture and thus have the strongest incentives to leave.

At the same time, wages in geographically close European countries are much higher. Thus, according to the official data released by Eurostat, in January 2020, the lowest minimum wage among 21 European states was in Bulgaria - 312 euros or about 10 thousand UAH. In countries which are more attractive for migration the minimum wage is estimated as follows:

- Poland – 611 euro (approximately 20 thousand UAH);
- Lithuania – 607 euro (approximately 20 thousand UAH);
- Czech Republic – 575 euro (approximately 19 thousand UAH);
- Hungary – 487 euro (approximately 16 thousand UAH).

The problem of youth employment is an acute issue among Ukrainians. According to the State Employment Service, 337.4 thousand young people received the status of unemployed in 2019. This is almost a third of the total number of unemployed.

The list of the above problems encourages Ukrainians to go abroad and look for work. In Western countries, such as Poland, Italy, France and others, human resources are considered to be more valuable.

According to the GALLUP survey, 65% of Ukrainians are dissatisfied with the standard of living in the country. And the fact that the number of citizens who want to emigrate abroad is growing is alarming. According to the study, in 2014 the part of respondents who wanted to leave amounted to 14%, while in 2018 it was already 31%.

Experts say that in the coming years, migration processes may intensify also due to an increase in the number of students studying abroad.

Another factor which supports the idea of increased migration process is a growing amount of remittance incomes.

However, given all the negative aspects, labor migration is an important part of the economy. According to the National Bank of Ukraine, in 2019 the volume of private remittances regarding net wages amounted to 8.9 billion dollars. USA, which is 7.7% of the country's GDP. Below is a graph of the dynamics of private remittances to Ukraine in 2008-2019. The chart presents such indicators as private transfers and net wages. Private remittances according to the balance of payments methodology represent household income coming from other households from abroad and are related to temporary or permanent migration. Net wages are part of the earnings of family members abroad, which they transfer to the household in the territory of their economy. It equals to the difference between the wages received by worker from temporary employment abroad and his expenses in the host country. The data in 2014 declined due to exclusion of the territory of the temporarily occupied territory of the Autonomous Republic of Crimea, the city of Sevastopol and the temporarily occupied territories in Donetsk and Luhansk regions.

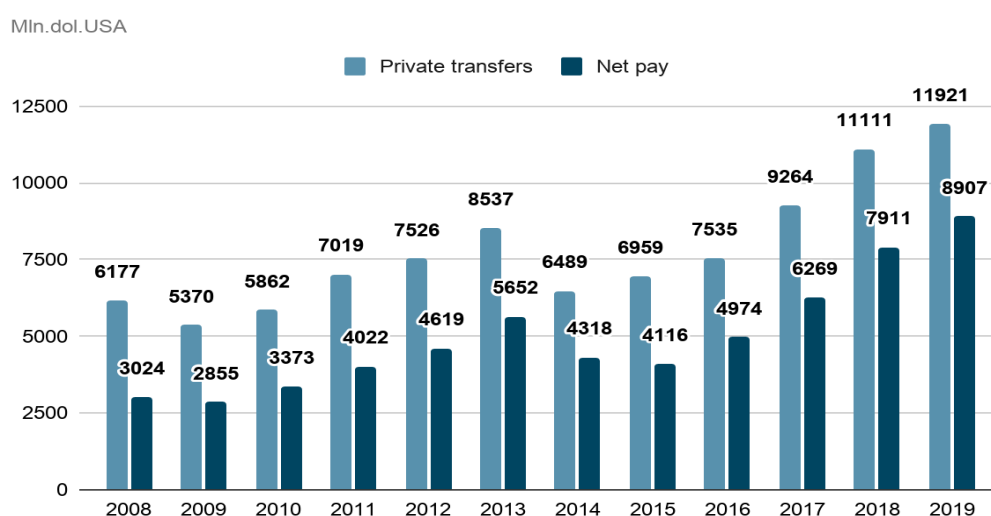


Fig 2. Dynamics of private remittances to Ukraine in 2008-2019

Source: National Bank of Ukraine. 'Statistics of the external sector of Ukraine'

In 2019, the volume of domestic transfers through money transfer systems increased by 38.6% compared to 2018. This trend has been going on for more than a year. In general, the volume of remittances within Ukraine is growing every year: in 2017 — by 21.4%, in 2018 — by 24.3%. In 2019, the average amount of remittances within Ukraine were 314 hryvnias (in 2018 – 241 hryvnias), at the same time most funds traditionally went to Kiev.

Despite the fact that workers support the country's economy through their remittances, labor migration exacerbates the demographic situation in the country, increases staff shortages and social tensions. At the same time nowadays, Ukraine is in the TOP-3 countries in terms of population decline (along with Japan and Russia).

And the scale of labor migration concerns not only employers but also ordinary people. According to a survey conducted at the end of October this year by the sociological group "Rating" (published in 'The expert named the main reasons for labor migration from Ukraine', 2018), respondents consider the mass departure of Ukrainians abroad among the greatest threat to the country (56%). Even economic decline and impoverishment of the population are in second place (45%).

According to experts, the problem of labor migration is that countries have very low capacity to replace labor resources. That is, a weak economy, state rules for foreign workers, social insecurity - all this does not contribute to attracting so many workers to Ukraine to compensate for the number of emigrant workers.

Today, there is no industry left in Ukraine in which the personnel issue is not acute. Officials say the outflow of labor threatens the country's economic security. Due to the difficult personnel situation, companies are forced to change their production plans and strategies.

Of course, human life is priceless, but if you reject emotions, you can see that as soon as a new life crosses the conditional starting line, the state machine issues its official counter. Therefore, it is advisable to consider the cost of funds spent by the state on the reproduction of human resources as a result of investing in education, treatment, social support per Ukrainian (see Table 1).

Table 1: expenditures of the state for the reproduction of human resources due to investments in education, treatment, social support per Ukrainian

Government expenditures	Hryvnia, Ukraine	Dollars, USA	Euro
Expenditures of the state at the birth of a child (medical care, social benefits)	53000	1860	1582
Medical care until adulthood	39400	1382	1176
Preschool education from 3 to 6 years	106800	3747	3188
Secondary education	276 000	9684	8239
Higher Education	215 000	7544	6418
Total	700000	24561	20896

Source: Calculated by the author based on Ukrainian Statistics Service data

Thus, from birth to receiving a diploma of higher education, the state spends on average on education, treatment, social support of 700,000 hryvnias, which is 24,561 US dollars or 20,896 euros per one Ukrainian.

According to the UN 'World migration report 2018: chapter 2', 5.9 million people have left Ukraine, according to the International Labor Organization this figure is even bigger and amounts to 8 million people since the beginning of the 20th century. Due to the emigration of population, Ukraine has lost approximately USD 175bln of investment into labor capital. While receiving countries are supplied with the most active and productive labor without spending a penny, and Ukraine has lost and continues to lose highly productive human resources.

Ukrainian young specialists are primarily interested in a job with a high and stable income, which unfortunately cannot be guaranteed in local rural areas. In addition to the lack of full-fledged infrastructure in the villages (lack of logistics, transport, internet, etc.), young people are frightened by the lack of prospects and lack of benefits to stay. Therefore, quite often young people go to a place where life seems to be less complicated by inconveniences.

As a rule, highly qualified specialists and young people emigrate, this is detrimental to the country's economy, for the formation of its scientific and technological potential. The only effective means against those processes can be the dynamization of economic development, growth of productive activity and employment, and increase in living and social standards. In order to accelerate this process, the state must increase funding for science, choose an innovation and investment path of economic growth. This path involves the dissemination of scientific - applied and scientific - technical knowledge. In general, the diversity and complexity of modern migration processes and their growing impact

on the economic development of the state necessitate the analysis of existing scientific, theoretical and applied aspects of international migration.

Conclusion: In Ukraine, it is necessary to create such conditions under which young people with talent, flair and unbridled desire to develop, had the priority to live and work in the homeland. Under no circumstances should young people be forced to leave Ukraine. It is clear that it is impossible to prohibit the departure and study of students abroad, and of course the advantages of leading countries. That is why it is necessary to create appropriate conditions so that they have the desire and are guaranteed to return to live and work in Ukraine.

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