

Refugees from Ukraine: Status, location and potential labor market impact²⁷

Die Invasion Russlands in die Ukraine löste eine der größten Flüchtlingswellen Europas seit dem Zweiten Weltkrieg aus. Innerhalb von drei Monaten haben rund 7,3 Millionen Menschen die Ukraine in Richtung eines ihrer Nachbarländer verlassen (nicht-konsolidierte Zahlen). Die EU-Staaten haben sich Anfang März 2022 auf die Aktivierung der sogenannten Richtlinie für Temporären Schutz („Massenzustromsrichtlinie“) geeinigt, welche den Geflüchteten unter anderem Zugang zum Arbeitsmarkt ermöglicht. Kürzlich vom UNHCR veröffentlichte Zahlen zeigen, dass bislang 4,8 Millionen Flüchtende in europäischen Ländern registriert wurden und 3,2 Millionen temporären Schutz (oder ein ähnliches Regime) in Anspruch nehmen. Rund 41% haben sich für temporären Schutz in einem Euroraum-Land registriert, das entspricht bislang etwa 1,3 Millionen Menschen. Auf den Arbeitsmärkten wird der Effekt der Immigration erst allmählich spürbar werden. Einerseits war die Partizipationsquote der geflohenen Population bereits vor der Flucht vergleichsweise gering, da der Anteil an Kindern und betreuungspflichtigen Frauen sehr hoch ist. Andererseits benötigt eine erfolgreiche Arbeitsmarktintegration Sprachkenntnisse, deren Erwerb sehr stark durch die erwartete Länge des Aufenthaltes bestimmt wird. Gerade die prospektive Aufenthaltsdauer ist aber weiterhin mit hoher Unsicherheit besetzt. Gegebene Engpässe im Arbeitsangebot vieler EU-Länder fördern die Beschäftigungschancen.

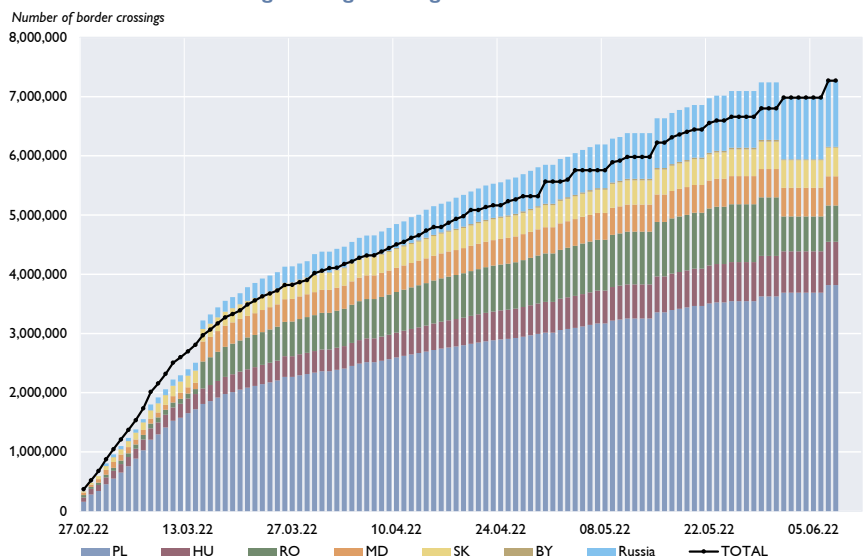
Invasion in Ukraine triggered largest movement of people in Europe since WWII

Since the internationally condemned Russian invasion of Ukraine on 24 February 2022, **7.3 million refugee movements out of Ukraine** have been recorded. This is the largest movement of people in Europe since the end of the Second World War and the largest displacement of people in the world today.

As of 10 June, 3.8 million people crossed borders into Poland, 730.000 into Hungary, 610.000 into Romania, and closes to 500.000 into Moldova and Slovakia. Additionally,

UNHCR estimates that **7 million people have been displaced by the war within Ukraine**. At the same time, also over 2 million border crossings into Ukraine have been registered. As all these numbers reflect cross-border movements and such crossings could be pendular, this number does not reliably estimate sustainable return movements.

Number of border crossings to neighbouring countries



Source: Collected announcements by UNHCR spokespersons until 02.03.22, then UNHCR data portal.

Note: The sum over the countries exceed the overall total as until June, movements from MD to RO show up in both countries.

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EU countries swiftly agreed on the activation of the Temporary Protection Directive

While Ukrainian nationals can enter the EU for up to 90 days without visa requirement, the visa-free regime did not entitle the refugees with any rights. Importantly, this does neither include insurance or medical care, nor grant access to the labor market, the education system or public services. This, however, has been changed by the **adoption of the temporary protection directive** on 3 March 2022 by the Justice and Home Affairs Council ([Council Directive 2001/55/EC of 20 July 2001](#)²⁸). This directive provides for the possibility to grant temporary protection in case of a “mass influx of displaced persons” to the EU to avoid an overburdening of asylum systems in the receiving countries due to reduced formalities. The displaced persons enjoy **harmonized rights across the EU** and these rights include a (temporary) residence permit, **access to the labor market** and the education system, and health care. Beneficiaries must also be provided with accommodation and access to social assistance. The initial duration is one year, but an extension of up to a total of three years is possible. Ukrainian nationals and third country nationals that had been benefitting from refugee status or equivalent protection before 24 February 2022 in Ukraine are also covered by temporary protection. Persons covered by the directive are free to choose the country in which they seek temporary protection.

4.8 million refugees from Ukraine recorded across Europe

While initially most of the refugees remained in neighboring countries, often under the visa-free regime, Ukrainians started to move onwards to other countries. Only recently, UNHCR released a collection of data that allows a first overview of Ukrainian individuals recorded in European countries (as opposed to counts of border crossings that can include double-counts in case of pendular movements) and the number of Ukrainian refugees that registered for temporary protection (or similar national schemes) so far.²⁹

Overall, over **4.8 million Ukrainian refugees have been recorded in European countries**³⁰ as of 10 June 2022. Approximately **a third** of them – or 1.6 million people – were recorded in **euro area countries**. In absolute numbers, Germany received the largest number of these refugees (780,000), followed by Italy (126,000) and Spain (118,000). In Austria, 70,000 Ukrainians were recorded. Relative to the destination countries’ population, the Baltic countries, Cyprus, and Slovakia received the highest shares amongst euro area countries (more than 1% of their population compared to less than 0.5% in the euro area average).

More than **another third** of the refugees (1.8 million) were recorded in other, **non-euro area, EU countries**, with Poland and the Czech Republic being on top of the list both in absolute as well as in relative terms. In Poland, close to 1.2 million people were recorded. The remaining third were recorded in other European countries, with the largest numbers in Russia (over 1.1 million), Moldova (86.000) and Turkey (85.000).

²⁸ [Council Directive 2001/55/EC of 20 July 2001](#) on minimum standards for giving temporary protection in the event of a mass influx of displaced persons and on measures promoting a balance of efforts between Member States in receiving such persons and bearing the consequences thereof.

²⁹ The UNHCR data portal on Ukrainian refugees can be found here: [Situation Ukraine Refugee Situation \(unhcr.org\)](#)

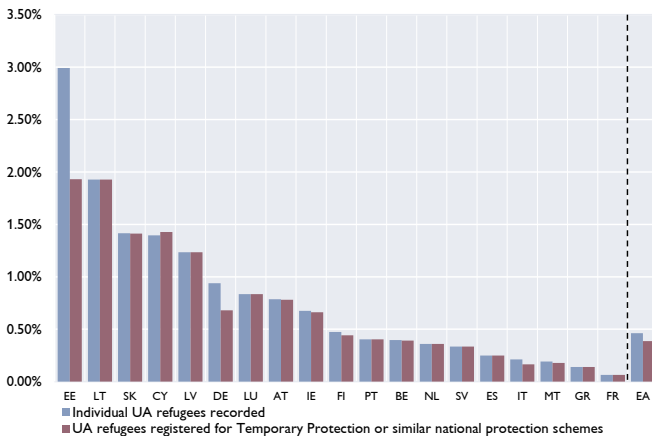
³⁰ UNHCR data on the record of individual refugees and the registration for temporary protection per country covers 27 EU countries and the following non-EU countries: MD, MN, RU, CH, GE, LI, NO, IS, RS+K, TR, BY, UK, MK, AZ, AL, BA, and AM.

3.1 million registered for temporary protection in the EU

Among the 4.8 million refugees that were recorded in Europe, **3.2 million registered for temporary protection** or a similar national scheme so far. While a small share did so in non-EU countries, for example in Switzerland, Norway or the United Kingdom, 55% choose non-euro area EU countries, notably Poland, the Czech Republic, and Bulgaria, for their temporary protection registration. Over 40% – in absolute numbers, 1.3 million Ukrainians – registered for temporary protection in the euro area, many of them in Germany, Spain and Italy.

Registrations of Ukrainians in Euro Area countries

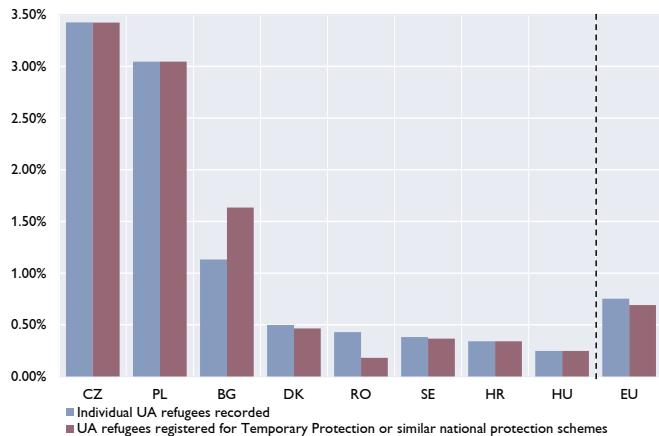
in % of destination country population



Source: UNHCR, Eurostat, World Bank.

Registrations of Ukrainians in non-EA EU countries

in % of destination country population



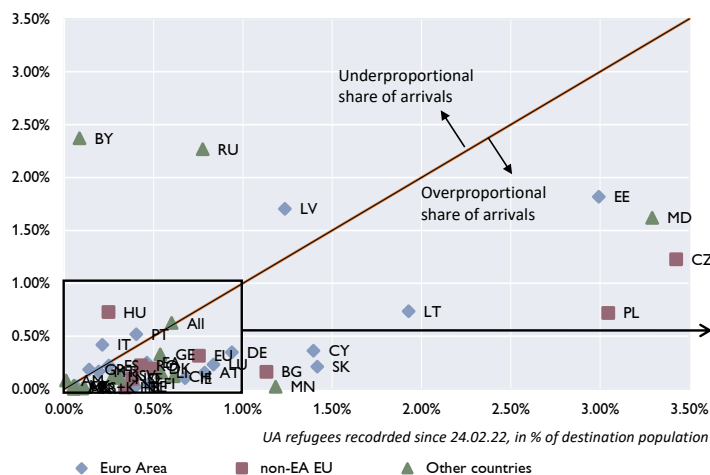
Source: UNHCR, Eurostat, World Bank.

How does this relate to the location of previous immigrants from Ukraine?

It has repeatedly been shown that due to network effects, immigrants allocate in countries where the stock of previous immigrants from their countries is high. When relating the location of current refugees from Ukraine to UN data on the stocks of Ukrainian immigrants as of 2020 (see charts below, where both variables are measured as percent of the destination country population), several observations are worth noting. First, taking all European countries in the chart together, the **number of currently registered refugees (4.8 million) is similar to the number of previous immigrants from Ukraine** to these countries according to the UN

Previous immigrants and current refugee destination

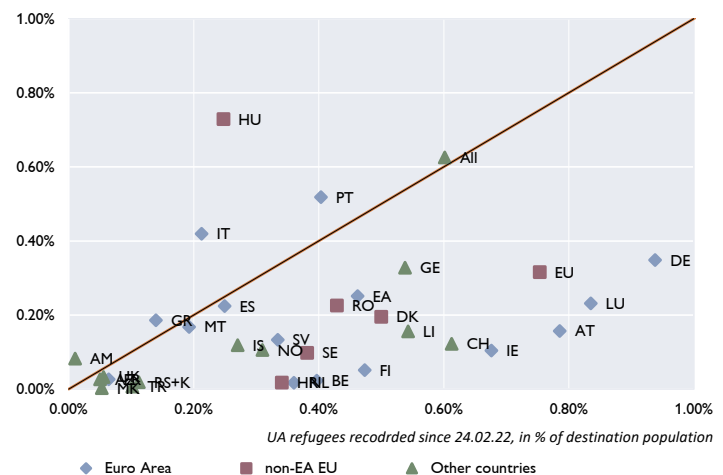
UA immigrants in 2020, in % of destination population



Source: UNHCR, Eurostat, UN, World Bank.

Zooming into the left chart

UA immigrants in 2020, in % of destination population

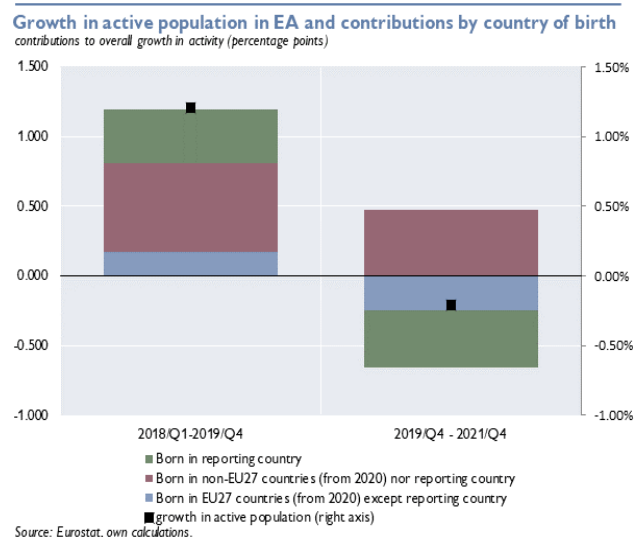


Source: UNHCR, Eurostat, UN, World Bank.

(5 million)³¹. Both represent approximately 0.6% of the respective population. Looking at euro area or EU aggregates specifically, the shares of recent refugee records exceed the shares of previous immigrants. Second, most countries are allocated below the 45-degree line, indicating that the pattern at the aggregate is not driven only by large countries. Hungary, Italy, Portugal and Latvia are noteworthy exceptions in the EU: in these countries the share of previous immigrants from Ukraine is still higher than the registrations of Ukrainians since February 2022. Whether this can be read as an indication for disproportionately increasing future registrations in these countries, or whether, in case of Italy and Portugal, it merely reflects that many Ukrainians have a preference for staying within close proximity to their home country remains to be seen. Third, several euro area countries are allocated particularly far below the 45-degree line, such as Germany, Austria, Ireland, Finland, or Belgium. To summarize, Ukrainian refugees do certainly no longer solely concentrate in countries bordering Ukraine alone and can possibly contribute to labor supply throughout Europe, particularly where this is lacking anyway.

Potential labor market implications

European labor markets had been experiencing first signs of labor shortages at the eve of the invasion. When looking at the demographics over the course of the pandemic one aspect is striking: The baby boomer generation is in the process of leaving the labor market. Looking at the **period from Q4 2019 to Q4 2021** it is notable, that the **active population has declined**. This has been driven by a decline in the domestic labor force as well as by a **decline in immigration from EU-27 countries**, arguably linked to aggravations in the free movement of labor.



Can Ukrainian refugees compensate for this shortfall? Even more than three months into the war this remains highly uncertain. Due to the general mobilization in Ukraine that has recently been extended until 23 August 2022, men between 18 to 60 years have been prohibited from leaving the country. Refugees in European countries are thus **predominantly women and children**, and very few men of working age have left Ukraine. Conclusive data on the socio-demographic characteristics of the arriving refugees do not exist yet, let alone the labor market activities. In its recent Economic Outlook (June 2022), the OECD collected evidence on the ratio of children and women among the refugees: In Poland, for example, 48% of arriving Ukrainians were below the age of 18, and among the adults, 92% were women. Lithuania reported similar figures, while other countries, less close to the Ukrainian border, reported shares of minors between 32 and 40%. This roughly corresponds to a first ILO-assessment that estimates that 52% of all refugees were of working age of which 44% had been employed (of which 87% full-time) before the aggression ([ILO 2022](#)). Data released by the Polish ministry of family and social policy shows that already 185,000 Ukrainian citizens have been employed as part of the

³¹ It needs to be emphasized that the UN data for Poland is not recent and does not take into account the influx of Ukrainian immigrants between 2014 and the onset of the war in February 2022. The number of Ukrainians that have been living in the EU before 2022, particularly in Poland, is thus underestimated. In general, the data is subject to considerable uncertainty and might require revisions in the future.

simplified procedures of which 135,000 are women ([Polish ministry of family and social policy 2022](#)). Based on these first data, the information that Ukrainian refugees tend to be well-educated³². Relying on estimates of participation rates and employment rates of previous immigrants and refugees in Europe, the OECD estimates the possible labor market impact: **Between 850,000 and 1.1 million Ukrainian women aged 20 to 64 could enter EU labor markets** by the end of 2022, with **between 602,000 and 917,000 being employed**.

Whether these estimates are realistic depends on a number of uncertain factors. First, still, many refugees remain close to the Ukrainian border and that might reflect their **widespread hope to quickly return to Ukraine**. However, language acquisition is crucially linked to the expected length of stay ([Ipshording 2015](#)) and proficiency of the language in turn boosts labor market integration ([OECD 2017](#)). If the hope to return quickly should be disappointed, refugees might relocate to other destinations and likely will only start to acquire language skills thereafter. Second, given the demographic decomposition of the refugees, **sufficient childcare facilities** and a swift integration of children in the education system are crucial to enable women access to the labor market. To the degree that childcare places are not expanded in accordance with the additional demand, participation and employment rate estimates based on previous immigrants and refugees might be overestimated. Third, for refugees that have been working in the EU before, fleeing Ukraine will not have any positive impact on the labor supply (while nonetheless obviously altering the country of residence of these persons). It remains to be seen whether and to what extent the **loss in seasonal workers from Ukraine**, induced by the war and the general mobilization, can be counterbalanced by the refugees that have not been engaged in the European labor market before. Fourth, not only movements back to Ukraine but also a further, unexpected outflow of people from Ukraine can quickly alter the magnitude of refugees and their spread across destination countries. Fifth, in any case, if refugees will stay longer the demographics of the refugee population will likely be substantially altered again due to **family reunifications**.

Conclusion

Europe has witnessed the largest movement of people since World War II. The situation is still in flux. The fact that a significant proportion of **refugees is relocating and some already returning** aggravates the assessment substantially. Nonetheless, the preference of refugees to stay in countries bordering Ukraine indicates that there remains a **high willingness to return**. According to a Polish study approximately half of the refugees still intend to return home with only roughly a fifth having already decided to install themselves permanently in Poland.

When assessing the movements, it is striking that the **distribution across countries is quite heterogeneous**. Some countries still have clearly received an over-proportional inflow of refugees – likely due to particularly friendly politics – as in Poland while in others the relative increase has been smaller, as in Hungary. The cases of individual countries shows that **labor market integration is slowly gathering pace**. It should be noted however, that expectations should not be exaggerated. First, the **dependency ratio** of the respective migrant population is **over-proportionally high**, as it was already before they left the country. Second, labor market integration will receive a substantial boost if integration is considered to be of a (more) permanent nature. In this case however, the demographic profile of refugees as well as their regional distribution will likely alter again. **Labor market integration thus is a longer run topic;**

³² The ILO estimates that two thirds of Ukrainian refugees of working age are highly educated with roughly half indeed working in high-skilled occupation before leaving Ukraine.

in economic terms it is more about the effect on potential output than on the business cycle. Given its demographic structure, however, the EU-labor market appears to be very receptive for a positive shock to labor supply.