MODERN CHALLENGES IN GOVERNMENTAL REGULATION OF LABOUR FORCE MIGRATION IN UKRAINE

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Abstract. The work includes an analysis of the main modern challenges in the sphere of the labour force migration in Ukraine. The development of governmental regulations of labour force migration will give Ukraine a chance to improve the quality of workforce coming from abroad and to avoid the quitting of scientists by making them able to be employed in Ukraine. Also, changes in migration policy will help to decrease the unemployment rate in the country. The influence of labor force migration on the country’s economic development is also measured. The necessity of changes in governmental regulation of labor force migration in Ukraine is described in the paper. The government should make several steps to stimulate the usage of local labor force instead of cheap and unqualified foreigners by national enterprises. The first step is to provide the "quality rate" of a foreigner to be employed. The second step is the governmental support of enterprises that will act according to the mentioned rules and carefully regard the professionalism of employees. Such enterprises should receive subsidies.

Key words: labor force migration, governmental regulation, unemployment, worker’s certificate

Introduction

One of the most important features of globalization is the intensification of international labor force migration. The total number of international migrants has increased over the last 10 years from an estimated 150 million in 2000 to 214 million persons in 2010 (UNDESA, 2009). If the migrant population continues to increase at the same pace as in the last 20 years, the stock of international migrants worldwide by 2050 could be as high as 405 million (WMR, 2010).

Most countries in the world (and not just in the developing world) lack the capacity of an effective management of the international mobility of persons. Despite a temporary decrease during the last economic crisis, global migration will soon reach the pre-crisis levels. That is why the need for a good management of international migration will be still actual.

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The World Migration Report 2010 identifies six broad priority areas for intervention (labor mobility, irregular migration, migration and development, integration, environmental change, and migration governance) that are expected to undergo significant transformations in the coming years as the dimensions and dynamics of international migration change (WMR, 2010).

The participation of Ukraine in this process is getting more and more significant. The development of governmental regulations of labor force migration will give Ukraine a chance to improve the quality of workforce coming from abroad and to avoid quitting scientists and experts by making them able to be employed in Ukraine. Also, changes in migration policy will help to decrease the unemployment rate in the country. Besides, the wise international policy in the sphere of labor force migration will positively influence the international image of Ukraine and become an important step to its EU membership.

The processes of international labor force migration in Ukraine are poorly studied and need attention from researchers and government. At the same time, there are worldwide-known models of regulating international labor force migration (Abella, 2004; Martin, 2004; Zimmermann, 2005, 2007; Zaiceva, 2008; Papademetriou, 2009; Fix, 2009; Collett, 2010; Kahanec, 2010; Dustmann, 2011).

The major characteristics of labor force migration were studied and described by Ukrainian researchers (Libanova, 2002; Pirozhkov, 2003; Gaidutskiy, 2009), but there are some important aspects (evaluation of the influence of labor force flow on the main economic figures, implementation of foreign experience in the governmental regulation of these processes, solution of problems of regions influenced by labor force inflow and outflow, development of the informational and statistical support system) that must be taken into account.

1. Advantages and disadvantages of international labor force migration

International labor force migration allows gaining a number of advantages for national economy, but at the same time it creates some problems. The advantages of labor force migration are:

- remittances that are transferred into a national economy by workers from abroad;
- the raise in national companies’ production quality level by employing high-class foreign workers;
- increasing qualification of immigrants coming back after working abroad.

The main disadvantages of the international labor force migration are as follows:

- the usage of cheap labor force from abroad, which increases the unemployment rate in the country;
• vulgarization of the country’s brand image by the poor-qualified labor force;
• the “brain drain”.

It should be mentioned that studies on labor force migration processes were started in the 1960th as part of the economic growth modeling. The main idea is that the international labor force movement is one of the factors influencing the economic growth. The reason for international migration is defined as a difference in salaries and wages in different countries. Emigration causes an increase of welfare in a country that lets immigrants in, and economic development stability or increase in a country of emigration.

Later, the possibility of economic decrease in a country of emigration, especially in the case of “brain drain”, was also studied. There was an idea of “brain drain tax” implementation.

The emphasis in up-to-date researches in international labor force migration is put on the accumulation of human capital as an endogenous factor of the country’s economic growth. Taking as basic the idea that the accumulated human potential is an important background of economic development, in this group of models international labor force migration can be characterized as a reason for a difference in the pace of economic growth in different countries.

2. Modern trends of international migration in Eastern Europe and Central Asia

An estimated 72.6 million migrants in 2010 lived in Europe and Central Asia – a figure by 5.1 million higher than the migrant stock in 2005. One in three of all international migrants in the world live in Europe. Migrants represent 8.7 per cent of the total European population (UNDESA, 2009; WMR, 2010). The following stock-flow equation for migration is useful (Ratha, 2009):

\[ M_t = (1 - \delta) M_{t-1} - R_t + N_t, \]

where \( M_t \) is the new migrant stock, \( M_{t-1} \) is the existing stock of migrants, \( R_t \) is return migration, \( N_t \) is new migration, and \( \delta \) is the death rate plus assimilation rate of migrants in the host countries. In other words, the change in migrant stock equals the new migration net of return migration.

The net amount of migrants increased across Europe in the period 2005–2010 compared to the previous decade. Instead of countries from other regions and subregions, Western and Central European countries have faced an increase in net immigration. The region’s most affected countries are Cyprus, Luxemburg, Spain, Iceland and Ireland. Eastern European, Central Asian and new Member States of the EU have experienced a

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reduction in their net emigration, with the vast majority of them reporting a net migration rate between -1.5 and 0 per 1,000 population in 2000–2005. The “sending” countries also remained in this region. These are countries, such as Albania, Georgia, Moldova, Lithuania and Tajikistan (UNDP, 2009; WMR, 2010).

The most important country of origin and the most popular country of destination in Europe is the Russian Federation. There are over 12 million people born in the Russian Federation and now living abroad, and approximately the same number of foreign-born people living in the Russian Federation. As a country of destination, the Russian Federation is followed by Ukraine (5.9 million), the United Kingdom (4.2 million), Germany (4.1 million), and Kazakhstan (3.6 million) (UNDESA, 2009; WMR, 2010).

Four of ten global remittance corridors have their origins in Europe. These corridors are the Russian Federation–Ukraine, Ukraine–the Russian Federation, Turkey–Germany, and Kazakhstan–the Russian Federation (World Bank, 2008).

Facing the global crisis, most European countries have seen a sharp increase in unemployment rates, setting governments to introduce measures to protect domestic labour markets. In total, the measures have amounted to new immigration restrictions aimed at reducing the inflow of migrants and encouraging their return. A significant reduction in labor demand, reinforced measures against employers of irregular migrants, return programs, stricter enforcement of residence laws, enhanced border management and rising unemployment rates in the EU Member States have done but little to counter the increasing negative public opinion regarding migrants and migration in Europe.

Eighty per cent of international migrants in the region are hosted by three main destination countries: the Russian Federation (12.3 million), Ukraine (5.3 million) and Kazakhstan (3 million) (see Fig.1) (UNDESA, 2009; WMR, 2010).

![FIG. 1. Stock of migrants (in thousands)](source: UNDESA, 2009; WMR, 2010.)
The number of foreign migrants in Eastern Europe and Central Asia increased to 8.6 per cent with almost no change since 2005, suggesting that the decrease in the total stock of international migrants took place in the context of population decline in these countries. The tenth part of population or even more are represented by migrants in such countries as Kazakhstan (19.5%), Ukraine (11.6%), Moldova (11.4%), Belarus (11.4%), and Armenia (10.5%) (see Fig. 2) (UNDESA, 2009; WMR, 2010).

Some of the most popular migration corridors worldwide have the Eastern Europe and Central Asia location, including the route between the Russian Federation and Ukraine and the Russian Federation and Kazakhstan, with migration flows in both directions, as well as migration flows from Belarus to the Russian Federation and from Uzbekistan to the Russian Federation (Ratha, 2009).

The World Bank’s estimation in 2009 showed the amount of USD 27.1 billion in remittances received by the region (Eastern Europe and Central Asia). This figure presents a 14 per cent decline from 2008. The top five countries in the region, in terms of remittance inflows, are the Russian Federation (USD 5.5 billion), Serbia (USD 5.4 billion) Ukraine (USD 4.5 billion), Bosnia and Herzegovina (USD 2.6 billion) and Tajikistan (USD 1.8 billion) (WMR, 2010). They received over 70 per cent of the remittances sent to Eastern Europe and Central Asia (Ratha, 2009). The depreciation of the Russian rouble (the currency of the main destination country for migrants in the region) against the US dollar was one of the main reasons for such a decrease in the remittance flow (Ratha, 2010).
Most European countries are trying to introduce new and to develop their old policies in labor force migration to cut the inflows of migrants. Some of them provide tougher conditions for admission under labor force migration programs or make some reduction in quotas (as is the case in the Czech Republic, Italy, Lithuania, Spain, the Russian Federation). Other countries make their market tests stricter (Estonia and the United Kingdom), decrease opportunities to change the status and/or to renew work permits (Italy) (OECD, 2009; IOM, 2010). In December 2008, Italy set a cap of 150,000 for entries upon receiving 700,000 applications the year before. However, the new 2010 decree on immigration flows and quotas has been registered by the Corte dei Conti (State Auditors’ Department). This year, contrary to expectations, there will be no quota for regular workers and only 80,000 for seasonal workers (for tourism and agriculture), which also include 4,000 self-employed workers.

The increase in force return measures has been taken in France, Italy and Ukraine (IOM, 2010; Award, 2009). The increasing number of returnees was several times reported by Ukraine, Moldova and Italy. On the other hand, Latvia, Serbia and the former Yugoslav Republic of Macedonia reported the declining numbers of returning migrants. Also, sometimes it is not possible to identify the type of migrants’ return (forced or voluntary) (IOM, 2010; WMR, 2010).

3. Western European experience of the governmental regulation of labour force migration

This paragraph will cover the main peculiarities of migration policies in the leading European states.

**Sweden.** All foreign workers in Sweden should have work permits; any stay in Sweden for more than three months requires to have a residence permit as well (Sweden’s Migration Board: www.migrationsverket.se ). On the other hand, Sweden is also on the way of liberalization. According to the new law, the Swedish Public Employment Service can no longer block the employment of a foreigner based on the argument that there is an alternative match in Sweden, another EU or EEA (European Economic Area) country, or Switzerland, for the position. It is also emphasized that all terms of employment comply with Swedish standards, as established by collective agreements, including salary and insurance protection. The list of foreigners that have no necessity to get a work permit was also extended. Now it will include certain high-skilled occupations, such as company representatives, visiting researchers or teachers in higher education (maximum duration of three months within a twelve-month period), performers, technicians, and other tour personnel, and specialists employed by multinational corporations who will be working in Sweden for a total of less than one year (Kahanec, 2010).

**France.** France also issues work permits to foreign workers. However, to get the permit for a foreigner, employer must prove that no worker in France or the EU is able
to do the job. There are two types of work permits in France: temporary secondments and full work permits. Temporary secondments serve foreign companies posting their employees onsite with their clients in France. To receive this type of permit, a foreign worker should earn a gross minimum of €3,835 per month. Full work permits are required for any company to employ non-EU or EEA workers in France. They have no time limits. The candidates should generally have a high-level work experience and a university degree. Also, they must earn more than an equivalent French worker, (at least €3,835 per month). To obtain a permit as a self-employed foreigner, the applicant must be able to demonstrate serious intent and the ability to generate revenue in the country (Kahanec, 2010).

**Germany.** The process of achieving the work permit for a foreign worker in Germany is hard and complicated. Work permits are usually issued only in connection with a specific job position and only in cases when no German or other EU (or EEA) national is able to fill the position (Zimmermann, 2007; Kahanec, 2010; Kim, 2010; Bergemann, 2011). Also, foreigners must obtain a consent from the Federal Employment Agency to work in Germany, unless an exemption is granted by an international treaty. At first, work and residence permits are temporary. They can be changed into unlimited ones only after a minimum stay of five years. If a migrant has a bad knowledge of language and culture, he can also be required to attend special integration courses. Of course, there were some steps toward a more liberalized access for high-skilled, non-EU labour immigrants, scientists with special professional knowledge, high-ranking teachers and researchers, and specialists or senior executives with a specific professional experience and a salary at least equal to the contribution ceiling of the public-pension insurance (€63,600 in 2009).

**The United Kingdom.** The immigration system was upgraded in 2008. The main change was the implementation of a point-based system for immigrants from outside the EU, EEA, or Switzerland (UK Border Agency, “Working in the UK”: www.ukba.homeoffice.gov.uk/workingintheuk). According to the new system, all the migrants are divided into five tiers. Tier One includes high-skilled immigrants, entrepreneurs, investors, and graduate students. Qualified workers who have job offers belong to Tier Two. Tier Three is for less-skilled workers who fill temporary shortages in the labor market. Migration of students is covered by Tier Four, And the Tier Five was developed for regulating youth mobility and temporary workers. Applicants for immigration need to score a determined number of points to demonstrate that they meet all the requirements of a particular tier. Each tier has a specific grading system (Kahanec, 2010).

The above review was done to show that national and EU-level migration policies have a trend of providing changes aimed to attract high-skilled immigrants. On the other hand, these policies also involve a number of institutional and administrative barriers for non-EU and, sometimes, for intra-EU migrants. It is also important that most of work
permits are temporary. This means that the future of immigrants in a foreign country, even when they get a temporary permit, is not clear; neither any future right to citizenship in the host country is guaranteed.

4. Labor force migration in Ukraine

In the modern scientific literature, the research of migration capital and its influence on a country’s economy gained popularity. Different authors estimate the migration capital amount differently. According to A. Gaidutskiy (Gaidutskiy, 2007) the yearly migration capital inflow in Ukraine is 20 billion USD. On the other hand, this figure counted by O. Kushnirchuk-Stavnycha (Kushnirchuk-Stavnycha, 2010) is 8,4 billion USD. A. Gaidutskiy’s calculations were done using data on the monthly payments to Ukrainian workers abroad (Fig. 3).

![Graph of monthly payments to Ukrainian workers abroad in 2005 (USD)](http://www.etf.europa.eu/pubmgmt.nsf/)

The remittances by emigrants constitute a large part of the Ukrainian GDP. Also, some financial savings inspire the development of small businesses by re-emigrants. A more exhaustive analysis of the investing activity of labor force migrants shows that the amount of remittances covers 25% of the country’s GDP and is much higher than the total amount of foreign investments in Ukraine. The yearly amount of remittances by each migrant, calculated by A. Gaidutskiy (Gaidutskiy, 2007), is approximately USD 4,320, or USD 360 per month. So, the influence of labor force migration on investing safety is shown by the investments of re-emigrants in small and middle-sized businesses.
In 2010, the amount of labor force that entered Ukraine was 30,8 thousands and in 9 months of 2011 22,978 thousands of people (Table 1). Among the top source countries there are the Russian Federation, Belarus, Kazakhstan, Uzbekistan, Moldova, Azerbaijan, Georgia, Armenia, Tajikistan, the Kyrgyz Republic. Other statistic figures which cover data on the labor force that comes to our country illegally informs that the amount of foreign workers in Ukraine in the same period increased by 44 thousands of people. The majority of these workers are employed by enterprises with low financial funds. Employment of such workers helps entrepreneurs to cut the expenses on wages and salaries.

The above figures are also mirrored in the unemployment rate statistics. The amount of unemployed in Ukraine in the last two years increased by 500 thousands and the number of foreign labor force in the same period increased by 300 thousands of people. It is easy to surmise that one of the main reasons for job loss is an increased competition on the labor force market, caused by labor force inflow.

The main aim of development of the governmental policy in the sphere of labor force migration is to eliminate the mentioned failings of international migration. The government should make several steps to stimulate the usage of local labor force instead of cheap and unqualified foreigners. The first step is to provide the “quality rate” of a foreigner to be employed. An example of such kind of measure is the worker’s certificate of a labor migrant, which should include information about his level of professional skills, work experience, professional achievements. An entrepreneur cannot employ a foreign worker the if this certificate or the information about the worker’s skills needed to occupy the position are lacking.

The second step is a governmental support of the enterprises that will act according to the mentioned rules and will carefully regard the professionalism of employees. Such enterprises should receive subsidies or, for example, competitive advantages in governmental tenders.

The governmental regulation of labor force migration is an important part of a country’s image. An elaborated regulation of international migration and a country’s comparative inaccessibility for unqualified workers are among the main reasons for the “elite” image of such countries as the USA and Great Britain.

A poor quality of the regulation of labor force migration results in the lack of high-class managers and specialists in different branches of activities. In this case, “brain drain”

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 (9 months)</th>
</tr>
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<tr>
<td>Labor force inflow in Ukraine, thousands of people</td>
<td>46,5</td>
<td>37,2</td>
<td>32,9</td>
<td>30,8</td>
<td>22,978</td>
</tr>
</tbody>
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*Source: http://www.ukrstat.gov.ua/operativ/operativ2011/ds/mr/mr_u/mr0911_u.html*
happens. For Ukraine, it is typical that specialists go to Canada, the USA and Germany. The solution of this problem for Ukraine would be increased investments in research centres and governmental support of young scientists, grants to gifted specialists.

5. Labour force migrant certificate prototype

A precondition for getting a certification for a regular residing in Ukraine is gaining the permission of immigration. Gaining a permission of immigration is the prerogative of the central legal authority responsible for immigration and the subordinate authorities which give permission for immigration to foreigners and persons without citizenship. But this is not enough for regulating international labor force migration in the modern world. A worker’s certificate for immigrants must be provided.

The worker’s certificate should include two paragraphs. In the first paragraph, detailed data on the worker should be presented. The data must contain the worker’s age, sex, marital status, information (if any) about chronic diseases and the group of physical inability. This paragraph will give the possibility to identify a migrant’s working capacity and to decrease the risk of additional governmental social payments for this person’s working capacity loss. Also, according to the country’s current unemployment rate, defining the ideal migrant’s age is also very important. The most attractive group of workers for employers is migrants aged 24 to 40 years. These limits will give the possibility to select workers with a high-school education and far from the age of retirement. Some data should be checked by sending requests to the migrant’s country of origin and thus give to check the reliability of information about the absence of law breaking cases and criminal prosecution.

The second paragraph should include data about the migrant’s school and high school education level. According to the trends of the modern Ukrainian economy, the preference must be given to technical specialists. Also, these specialists and specialists in modern technologies provide for an increase of the Ukrainian hi-tech potential.

Specific invitation should be the main pretext for giving job permission in Ukraine. This invitation indicates that the migrant arrives for a concrete job that cannot be occupied by a local worker because of the lack of qualification. In case of the absence of invitation, a foreign worker should receive a temporary visa (e.g., for a month). If the foreigner did not find the job appropriate to his professional skills until the visa has expired, he should be deported from the country. These limits must help stopping the uncontrolled inflow of low-qualified workers from Africa and Asia to Ukraine.

It should be mentioned that the quantity of labor force with high education entering the country and its percentage in the total migrants are the indices of the country’s development level. These migrants are bearers of technological progress, and their knowledge will help improve the country’s main economic indices.
Conclusions

The country’s safety, improvement of its economic growth and increase of its population welfare should be among the main tasks of the governmental demographical policy. The government should defend the national labor force market. The development of professional skills of the labor force must also take place.

Nowadays, the list of the main aspects, influencing international labor force migration is being compiled and specified. It includes the country’s unemployment rate, international brand image, the quality of its workers and managers. The influence of the migration capital on the country’s economy should also be mentioned.

As we can see from the experience of European countries, governmental regulation of labor force migration has faced many changes and upgrades over the last several years. In almost all of these countries, the work and residence permits for foreign workers are indispensable. Also, there are many barriers for foreigners in getting a job, such as giving preferences to local and EU workers, the necessity to prove one’s qualification level for getting a work permit. It is also important that most of work permits are temporary. This means that the future of immigrants, even when they get a temporary permit, is not clear. On the other hand, most of the EU countries claim the attraction of high-skilled foreign specialists as the main goal of their immigration policy. High-skilled workers are a real power in increasing the technological and scientific level of a country.

In Ukraine, it is also necessary to make some correctives in the governmental regulation of labor force migration and to develop governmental programs inspiring national enterprises to use local workers and to stimulate the progress of national scientists and brainpower. Also, the aim of the government is minimization of bad effects of immigration. The possible way of salving this problem is the introduction of the migrant’s certificate.

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