TRANSFORMATIONAL CHANGES AND CHALLENGES FOR HUMAN CAPITAL DEVELOPMENT IN THE CONTEXT OF UKRAINIAN LABOUR MIGRATION

ABSTRACT. This article explores migratory movements with particular attention being paid to the transformational changes and challenges for human capital development in Ukraine. The changes that took place in Ukraine after gaining its independence in 1991 had tremendous impact, both direct and indirect, on many spheres of life, including international migration and human development. The paper addresses the potential substantial problems, transformational changes, threats and risks in human capital development under the condition of developing problem situation further. We conclude that it is necessary to activate work of state governing bodies in eliminating asymmetry: regulation of labour migration, bilateral agreements, and also coordination of national strategic program documents on human capital development with international agreements on regulation of migration processes.

JEL Classification: F22, E24, P2

Keywords: human capital, migration, migration policy, international exchange of human capital, Ukraine.

Introduction

“...The question is no longer weather to have migration, but rather how to manage it effectively so as to enhance its positive and reduce its negative impacts”.

Brunson McKinley, Director of International Organization for Migration.

The beginning of the new century has been marked by a new wave of migration activity of population. This process has negative and positive consequences for Ukraine that for a long time already has been in the state of permanent social-economic transformations and within two last decades has turned into a donor of labour force for foreign labour markets.

Analysis of the main problems of Ukrainian labour migration confirms existing of a real threat of Ukraine’s loosing big share of the human capital. Structural changes happening spontaneously without state’s intrusion demonstrate the tendencies opposite to those necessary for building competitive economy based on knowledge. Changing the tendencies and providing structural changes require many affords from the state in forming adequate
policy. The need for taking special decisions in the sphere of regulation of migration processes is becoming more and more evident. However, there is a great number of theoretical-methodological and application problems on the way of elaboration of weighted migration policy.

A lack of studying in migration effects field from the human development perspective results is the main challenge in migration policy in Ukraine. Traditionally, migration policy in the Soviet Union was shaped in accordance with State interest and monitored from the State perspective. While migration was confined within the borders of the former Soviet Union, it has become a major challenge for Ukraine after gaining its independence in 1991. The effects of migration processes for economic development of the country and its regions, the social problems of migration and the challenges of illegal immigration for national security - these issues are well studied in contrast to analysis of internal and international migration effects on human capabilities – skills, health, education, etc.

The main purpose of this study is to (1) estimate the challenges for human capital development in the context of Ukrainian labour migration and (2) formulate recommendations on reducing the negative and enhancing its positive impacts.

**Literature review**

During the last decade a number of scientists have focused on the issues of labour migration in Ukraine. Thus, Pyrozhkov (1997) has examined the factors and consequences of external migration (External migration in Ukraine: causes, consequences, strategies). Similar study has been undertaken by Libanova (2009) who has conducted The National Survey of Households regards to migration issues (External labour migration in Ukraine, Centre of Social Reforms). Much attention in recent studies has been paid to the causes and preconditions of Ukrainian migration (Prybytkova, 2008; Poznyak, 2008). Sadova (2008) analyzed the role in the harmonization of the territorial social systems development. Malynovska (2009) stressed the formation of the transnational social spaces, “diversity capital”, new role of diaspora’s, transformation of ethno-class. Markov (2006) has analyzed the results of the survey of Ukrainian migrants in Italy carried out by Western Ukrainian Centre “Women’s Perspectives” while Popok has assessed the number of temporary Ukrainian labour migrants in foreign countries (Popok, 2006). Romaniuk (2007) focuses on migration determinants of the national security of Ukraine. He examined the aspects, which are connected with the management of intensive migration processes and its negative consequences, which can influence on the national safety of the country, offered the main ways and methods of regulation of internal migration of population.

The theoretical background of a migration decision making on the micro level was proposed by Sjaastad (1962). He suggested to “treat migration as an investment into human capital” which has its benefits and costs (monetary and mental). According to Sjaastad, an individual decides to move from place i to place j if the net present value of benefits associated with migration is greater than costs. Suggested theoretical framework became the cornerstone of vast number of empirical studies on migration decision making. Kulu and Billari defined three historical stages in investigation of migration at micro level (2008). At the first stage, in 1970s, researchers concentrated mainly on the personal characteristics such as age, education, income, marital and employment status (Bartel, 1979; Sandell, 1977; Schwartz, 1973), while at the second stage, in 1980s, they extended the theoretical framework with contextual factors, e.g. regional development, infrastructure, and access to migration networks (Desbarats, 1983; Root, Jong, 1991). At the third stage, in 1990-2000s, an increased availability of panel data with the corresponding development of binary models urged a new wave of migration studies that enriched analysis with general socio-economic conditions in
the country and multilevel interactions (De, Gordon, 2000; Finnie, 2004; Görlich, Christoph, 2008; Kulu, Billari, 2004). The Ukrainian demographers and sociologists Prybytkova (2003), Libanova (2002) followed that approach as well; however, they concentrate mainly on external migration.

Development Programme’s 2009 Human Development Report draws attention to the potential of migration to enhance human capabilities and well-being (UNDP, 2009). Scholars outside of Ukraine working on migration and human capital development in Ukraine issues are fewer. Much attention in recent studies has been paid to irregular migration in Ukraine (Düvell, 2009, 2011). From an EU perspective the concern of irregular transit migration is of particular importance (Düvell and Vollmer, 2009). Popson (2004) has examined the non-traditional migrant community in Kyiv, she considered immigrants as a factor in political, economic, and social development. In their research report Weinar, Korneev, Makaryan, Mananashvili (2012) analyzed the consequences of Schengen Visa Liberalisation for the Citizens of Ukraine and the Republic of Moldova. Nevertheless, there are no studies giving complex analysis of migration effects field from the human development perspective.

Research results

Concerning the global economic crisis of 2008-2010 it looks necessary to realize serious challenges in human capital development and take immediate measures for minimization of the negative consequences in socio-economic sphere in Ukraine. According to Human Development Report 2011: Managing Natural Resources for human development, Ukraine’s HDI rank was 76, the second highest amongst the medium human development group (UNDP, 2011). Besides, the index doesn’t include results of global economic crisis, which influences a lot on human development achievements.

In the early 1990s, Ukraine’s HDI was 45 and was categorized among the countries with high HDI (Figure 1).

Figure 1. Human Development Index of Ukraine, 1994-2011
At the same time, Ukraine’s ranking in the quality of life index decreased from 68 in 2010 to 73 in 2011 (Internationalliving, 2011), and is one of the lowest among the countries of Europe and former Soviet Union.

Nowadays, Ukraine is a country of origin, transit, and destination for migrants. The geographical position of Ukraine generates a vibrant in and out migration of people – Ukraine is situated on the European-Asian crossways; amongst east-west and west-east routes of migration. Thus, Ukraine is currently one of the top 10 sending and receiving countries of migrants worldwide (Figure 2, 3).

Figure 2. Top immigration countries, number of immigrants, millions, 2010

Figure 3. Top emigration countries, number of emigrants, millions, 2010
Source: Development Prospects Group, World Bank; UNPD 2010.

In the post-Soviet period, with dominating irregular migration patterns, analysis of migration trends and their consequences is limited by the fact that 70 to 80% of migration inflow remains unregistered (Malynovska, 2008; Poznyak, 2008; Sadova, 2007), and
therefore invisible to statistics. According to different estimates, from 2 to 7 mln Ukrainians are on labour migration abroad. The State Statistics Service of Ukraine reports that 14677 people left Ukraine and 30810 people arrived in Ukraine in 2010 (Figure 4).

As mentioned above, official data does not allow for a proper analysis of migration mechanisms as much migration is not officially recorded. Such data will thus only be treated as a starting point for further in-depth analysis.

Ukraine gradually becomes an immigration country that accepts immigrants - both economic and of other categories. Most immigrants to Ukraine come from countries of the Former Soviet Union (FSU). Others come from outside the FSU countries like China, Jordan, India, Vietnam, and the Islamic Republic of Iran. Repatriation of Crimean Tatars from Central Asia (where they have been deported under the Stalinist administration) also exists. In a period 2001-2010 newcomers from various destinations increasingly arrived. In 2010, 198325 immigrants arrived in Ukraine. In the period from 2001-2010, official data provide numbers and nationalities of immigrants as illustrated below (Figure 5).

Figure 4. Net migration of Ukraine, 1990 - 2010

Notably the integration programs have only been considered and developed since 2004. In this regard, the progress was made by the adoption of the “Strategy and Action Plan for the Development of a National Policy on the Integration of Migrants in Ukraine and Reintegration of Ukrainian Migrants for 2011-2015”\(^1\).

International exchange of human capital in educational and migration spheres is an important qualitative feature of global space, which determines exchanging people between higher educational institutions and countries. Though we have to affirm that under current conditions international human capital exchange in Ukraine has asymmetric character, and that causes a number of substantial problems and threats. In migration sphere they are the following: loosing of human capital; worsening of population age structure; worsening of working age and non-working age population ratio; destroying the social institute of family; structural deformation of market mechanisms in the form of excessive increase in prices for goods and services on the inner market; inner-national immobility of Ukraine’s human capital, which is an obstacle to economic development; non-rational structure of immigration; hidden migration in the form of using human capital by international and joint-stock companies without investments into it; domination of informal institutions over formal ones (Lapshyna, 2008).

The most important motives for labour migration of Ukrainian population are:

- high level of unemployment, low income, dissatisfying working conditions or lack of career opportunities (Düvell, 2011). Among the people motivated by this reason are former workers of budget institutions (military, educational and medical) or agricultural enterprises, who now are without work or salary;

- desire to provide welfare for the following generations. Main reason for labour migration of this type – trying to earn not even for current maintenance of the family, but for providing their children with education, housing etc. Hence, it’s not an enforced migration, but conscious, based on particular economic interest;

- increasing personal social status. The academicals (scientists, representatives of creative work professions) are interested in labour migration. They consider labour migration not only as a matter of material support, but also as a factor of increasing personal social status, by widening business and partner contacts;

- “public fashion”, the consequence of what is accepting labour migration as particular style of life, peculiar new public culture. Illegal labour migration now has formed by previous waves of migration system of contacts and communications abroad, constant channels of illegal employment, that’s why it became less risky and dangerous, and also easier;
- possibility of emigration in the future. Some part of people go to work abroad to get permission for living in the country and then take the family there;
- professional development. This reason appeared recently. It’s connected with migration of young people (mostly students and graduates), who wish to deepen professional experience.

In Ukraine the influence of labour migration on social-economic situation in general and labour market in particular is strengthened by migrants’ efforts to stay in the country (especially in the EU). As there usually emigrate young, educated, active people, their not coming back causes serious damage to labour and demographic potential of Ukraine.

Under the condition of developing problem situation further there are possible transformational changes, threats and risks.

1. Increasing number and temps of depopulation with worsening of qualitative characteristics of human capital along with big migration loses in productive aged population with high professional level is expected in Ukraine. Ukraine has the highest in Europe level of depopulation – every year Ukrainian population decreases by 0.8 – 1%. Ukraine had a population of 45.6 million in October 2011 (State Statistics Service of Ukraine, 2011). This number has been decreasing for almost two decades. In 1990, the population of Ukraine was 51.8 million. Broadly-speaking the combined effects of a reduction in the birth rate, an increase in the death rate, and the state and access to the health care system in the country as well as negative net-migration has led to a substantial decrease in Ukrainian population (Heyts, 2009; Shanghina, 2002). This trend is expected to continue, implying that the overall population will decline by another 10 million until 2050 (Figure 6). By 2050, nearly half of the population will be more than 45 years old (State Statistics Service of Ukraine, 2009).

2. Irrational demographic structure, which leads to increasing a share of people of 60 and older (over 20% of population) and decreasing of a share of people younger than working age population are predicted. During 1995–2011 the changes in main age proportions caused increase in demographic loading on people of working age.

Aging is projected to experience an increase in the percentage of Ukrainians of retirement age (aged 65 or over) from 14% to 20.5%.

Figure 6. Population decline in Ukraine 2010–2050
Average age of population during 2000-2010 increased from 38.5 to 40.2. According to international standards, population is considered old if a share of retired exceeds 12% of all population. Share of people of retired age was 24.4% in Ukraine in 2010 (Table 1).

Table 1. Share of retired people in Ukraine, 1897-2010

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<td>Share,%</td>
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<td>5.8%</td>
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<td>13.9%</td>
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This situation leads to high level of poverty of big part of population of Ukraine. According to predictions of the Institute for Demography and Social Studies, a share of people of 60 and older will increase fast, and in 2050 will reach 32%. Proportion between retired people and working age people (demographic loading on pension system) in 2050 will be 71% (Libanova, 2006). Re-division of social funds and increasing demand for social expenditures is expected. It also increase loading on health protection system, deficit of labour force.

3. Decrease in marriages and divorces number is observed (Figure 8). The negative effect of economic migration on family relationship is that it leads to emotional distancing between close relatives: on the one hand between marriage partners, on the other hand between generations, i.e. between migrants, their children and elderly parents. In turn, damaged family connections often entail dissolution of marriages and ensuing divorces, which in turn increase the risk of children’s social abandon and criminality, and the neglect and lack of safety for aged family members.
Due to migration, the health condition of migrants often deteriorates, fertility of married couples decreases and emotional ties between family members decline (Tolstokorova, 2009).

4. Birth rate is decreasing beginning from 1991. In recent years the fertility situation has slightly improved in Ukraine – a rise of birth rate started in 2002. The highest rates of birth rate in Ukraine were registered in 2008 and 2009 (Figure 9).

Death rate in Ukraine is increasing from 2008 and it is twice higher than the one in EU countries. Death rate in Ukraine in January 2010 was 16.4‰ comparing to 12.1‰ in 1990.
could be explained by demographic aging of population, insufficiently high level of health care system and quality of medical services, consequences of Chernobyl catastrophe (State Statistics Service of Ukraine, 2011).

5. High level of death among men of working age is a next threat for demographic potential of Ukraine. They are working in basic industrial spheres. Noteworthy, that 40% of 16 year old boys has no chance to live till 60 because of traumas, poisoning. As a result, at the most productive age a coefficient of men’s death in Ukraine is higher than of women’s, and difference between predicted life duration of women and men is 11 years (in some Ukrainian regions – 13 years).

6. Devaluation of human capital is a transformational change which is observed in Ukraine nowadays. It is related to general human capital (knowledge, skills, mental habits, which people get in the system of formal education), and specific human capital as well (knowledge and skills, which are got by workers in the process of their working activity at their working places). Devaluation of educational potential became one of the main factors of fast decrease in working productivity.

7. Disproportions in specialties on the Ukrainian labour market should be taken into account. Unfavourable effects from migration decrease in supply of labour force are strengthened by structural “curving” into the side of choosing economic specialties. Limited supply of engineer workers causes inadequate selection on the labour market, which obstructs technological investments. There appears a paradox when high level of unemployment is combined with a lack of workers of needed qualification. According to experts’ estimations, demand for working specialties exceeds supply by 4-6 times, at the time when the need for professionals with higher education is much lower, than educational institutions prepare. Particularly this tendency is specific for the Western region of Ukraine, which is strengthened by high level of international labour emigration.

8. The loss of highly skilled labour, scientists, talented researchers is one of the negative consequences of migration for employment. It gains dangerous effects as the share of skilled migrant workers in the overall size of the population grows out of proportion.

It is necessary to determine serious problems in the sphere of human development and form immediate measures for preventing crises in the human capital development. The analyses of consequences of the previous crises shows that poor countries usually suffer much more than their rich neighbours not only by losing working places and profits, but also by worsening indicators of health and education.

Among the positive effects of international migration are re-distribution of financial resources from the countries with high level of economic development to the developing countries and transitive ones; widening of inner market by increased purchase power and retail turnover; increase in manufacturing in some economic branches (trade, constructing, transport); improving current account balance; increasing growth of people’s deposits in commercial banks; employment in private sector of economy (Shevchuk, 2009).

It is also worth mentioning that remittances support development of human capital of the region. According to the report of European Training Foundation “Development of human resources and migration policy in Ukraine” migrants affirm that their families invested the received money into education (more than 16%) business (3.3%) or property (22.8%). Most of the migrants, who came back (72.9%), got employed, 6.6% became employers themselves, and 11.1% – became self-employed.

No accurate figures of the scope of remittances are available, but for the year 2010 the World Bank puts the figure of remittances at US $5.2 bn, almost 5% of the country’s GDP (World Bank, 2010). It’s considered that not more than 33% of total amount of money remittances come to Ukraine through official channels.
Conclusions

The present study has special importance in regard to offer recommendations on reducing the negative and enhancing the positive impacts of human capital development in the context of Ukrainian labour migration.

The Ukrainian government should determine the development and implement long-term strategies to raise birth rates and reduce mortality, overcome migration urges and encourage migrant workers to return home as its priorities. Orientation for keeping and improving human capital and using positive effects of international labour migration should be the basis for this policy.

The prevention of mortality is a crucial instrument. This should include preventive measures, such as campaigns against alcohol and drug addiction and smoking. According to the World Bank, up to 94% of alcohol-provoked deaths in Ukraine could be avoided by taking such preventive measures. In fact, the measures taken by the Ukrainian authorities are basically aimed at upgrading fertility, but the focus should be made on cutting mortality of men of the working age.

The mortality of working age men is taking place now, primarily, as a result of unhealthy way of life, abuse of alcohol, smoking and non-quality food (Libanova, 2010). In order to attract people to healthy way of life, it is necessary to tear them away from their daily problems of fight for survival, and this can be carried out only through improvement of social-economic conditions of people.

Migration is another demographic challenge for Ukraine. Neighbouring Russia is essentially implementing aim oriented policy to offset the rapid loss of its native people with immigrants and the further assimilation of FSU citizens that are racially and ethnically close to Russians. Thus, it is important that Ukraine effectively manages labour migration processes. In this context, the positive step was made by the adoption of the Concept of State Migration Policy, which was approved by President of Ukraine Viktor Yanukovych, in May 2011.

Integral migration policy should be prepared and mechanisms of its realization should be organized. Under the conditions of global crisis and migration outflow of population, which can be the factors of breaking economic development, Ukraine needs migration strategy, meant for keeping and increasing human resources. State program of migration processes regulation should be developed. Migration policy should be considered as an element of long-term program of country’s development. Main tasks of the program should include decreasing emigration, stimulating migrants’ return to Ukraine, primarily those who emigrated temporarily to get employed, and also supporting people with Ukrainian origin and their descendants to come back.

The government could also implement additional mechanisms to encourage Ukrainian migrant workers to return home, such as support the establishment of businesses in Ukraine using the money they have earned abroad. Circular and long-term migrants underestimated as a potential resource, one that should be of much greater interest to key stakeholders in the government, both in the countries of origin and destination.

The importance of informing migrants on work and business possibilities in their home countries for fostering regular and circular migration should be highlighted. Information should be provided on vacancies and skills needs in a country of origin. Analysis of how skills acquired abroad can be used in the home countries is also important.

Finally, it is necessary to conduct an effective employment policy, which combines a set of tools for distribution, development, conservation and rational use of human capital of Ukraine.
In addition, one of the steps to cope with demographic ageing and population decline could be attracting skilled and talented immigrants by creating competitive admission schemes, job and housing opportunities, educational infrastructure and a welcoming cultural environment. However, this does not exclude the necessity of population policies for increasing of the number of children.

Last but not least, Ukrainian migration policy still focuses predominantly on control over immigration and foreigners residing in Ukraine. The country will have to overcome its fear of foreigners because it will likely need immigrants in the future.

Therefore it is a very timely moment in Ukraine to activate work of state governing bodies in regulation of labour resources movement, and also coordination of national strategic program documents on human capital development with international agreements on regulation of migration processes.

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