



Globalization and Regionalization

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**NEGATIVE CONSEQUENCES
OF THE INTERNATIONAL MIGRATION
OF LABOR FORCES UNDER CONDITION
OF THE FREE TRADE ZONE FORMATION
IN UKRAINE**

Abstract

In the given article all possible risks and negative consequences of the Ukrainian economy development beginning with the free trade zone formation are examined in the context of international labor migration. The tendencies of international migration of labor force in Ukraine and abroad are analyzed. The importance of migration laws improvement is grounded. Ways to regulate labor migration are suggested.

Key words:

International migration of labor resources, free trade zone, migration flows, labor force, employment, unemployment, labor market, remuneration of labor, migration laws.

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Risks related with the international labor migration that Ukrainian economy may come across after the free trade zone formation, namely the increase of migration flows and social tension, should be minimized in the process of preparation of agreement on the «deeper» free trade zone with the EU as well as by means of the Ukrainian legislation improvement.

In order to decrease the flows of international migration of labor resources on the national level it is necessary to increase legal and social protection of Ukrainian workers abroad, to liberalize the flow of labor resources, and to secure the increase of competitiveness of labor force through reformation of the professional education and staff training systems. Additionally, heed should be paid at solving the problems of human capital development and at pursue of a purposeful social policy.

The following steps will facilitate stable development of the Ukrainian economy as well as reduction of risks arising from the increase of the international migration of labor resources under conditions of the free trade zone formation: improvement of the migration policy; implementation of the governmental control over employment of Ukrainians; liquidation of the existing rigid restrictions for employing part-time or temporary workers in Ukraine; approval of the national strategy for the educational system reformation, and adoption of the complex of governmental program of graduates' employment in order to increase the labor force competitiveness.

The conducted analysis [1] shows that the volume of international migration of the labor force is high:

1. Ukraine still remains the labor force donor for the European Union (data taken from several sources shows that around two million Ukrainians work in the European countries). Number of Ukrainian labor migrants who are working abroad (according to different sources) is in average [4] from 3 to 7 million of people [4].

2. As the result of the undesirable immigration of the labor force the threat to the national security of Ukraine has increases. Though Ukraine takes the fourth place among the other countries in number of immigrants, the structure of labor force immigration turns out to be irrational as well. Most immigrants coming to Ukraine are from the high-risk migration countries (Turkey, China, and Iran).

3. When the internal labor market is immature and deformed and in certain industries and regions there is mass unemployment, the external labor migration still remains one of the natural reaction of people. Decrease of the demand for qualified specialists leads to increase in the need for unskilled labor, and to shortage of manpower in certain industries, namely in construction, agriculture, services offered by certain blue-collar workers. If similar tendencies proceed in the future, the segment of unskilled labor at the Ukrainian labor market

will be occupied by illegal labor migrants from Asian and African countries, as well as from the neighbouring Moldova and other CIS countries.

4. Our country has, practically, no long-term strategy and efficient mechanisms to affect the labor migrants' motivation. The existing laws in the sphere of regulation of the labor force migration have rather a declarative character («European Convention of Migrant Workers Protection», «On Abuse in the Sphere of Migration and on Guaranteeing Equal Rights to Migrant Workers», and other bilateral agreements quite often are only declarations and they do not take actual problems of migrant workers into account).

5. Illegal labor migration may increase (in Russia, Greece, Spain, Italy, Portugal, Germany, and other countries of the Central and Eastern Europe) because the «shadow» sectors of economy of the host countries are different.

6. The number of external migrants increases among farm people, youth, as well as among the residents of small towns. This phenomenon spreads in all regions. The nature of migration changes from «shuttle» to «gastarbeiter», new host countries appear, time spent abroad increases, and the number of women among labor migrants rises.

7. Since youth and women emigrate the moral and psychological environment in the society aggravates. The rate of illegal migrants among women is 7–10%. The age structure analysis shows that most migrants are in the age-range of 28–40 years.

If labor migration increases because of the problems mentioned above that are expected to be further aggravated after the agreement on free trade is concluded, protection of the Ukrainian migrants abroad should be increased by means of legal regulation. Since, nowadays Ukraine is a party in eleven bilateral agreements in the area of employment (with Azerbaijan, Byelorussia, Armenia, Vietnam, Latvia, Libya, Moldova, Poland, Portugal, and Russia), it is reasonable to improve the migration policy and make it guarantee the high level of protection of the migrants.

In this context, in order to improve the legal and social support of the Ukrainian citizens abroad it is necessary to fit the Law of Ukraine «On Ratification of the European Convention on Legal Status of Migrant Workers» with the legislation of the host country to make the rights and freedoms of the Ukrainian citizens legally respected abroad.

Ukraine remains the major transit country for illegal migrants from Asia, Africa, and Arabian countries; the flow of these migrants is constantly growing. To solve this problem more effectively the State Frontier Service of Ukraine (SFSU) with assistance of the EU has to implement the reforms to make the SFSU a law enforcement agency that meets the EU standards. The initiative to create a unified frontier service is supported by Italy, Germany, and Great Britain. In June 2007 the Cabinet of Ministries of Ukraine has adopted the Resolution «On Approval of the State Purposeful Law Enforcement Programme «On State Border Development and Reconstruction for the Period till 2015». Creation

of favorable environment for the development of the trans-frontier cooperation and use of the Ukrainian transit potential are among the priorities.

There is no mechanism of granting asylum to refugees in Ukraine. The year 2007 was characterized by certain decline that led to significant delay in consideration of the requests for the asylum. The Law of Ukraine „On refugees» also has some drawbacks, as, for example, the application of the accelerated consideration procedure that is presupposed by the given Law. It is important for this Law to include the statement about non-discrimination of refugees on the basis of their race, religion, or country of origin (this issue is important for ethnic Chechen people from Russian Federation, who are usually not recognized as such).

The programme of integration of Ukraine into the EU, section 4.1., that presupposes non-discrimination of foreigners that are legally staying in Ukraine needs improvement. Since illegal migration is the only possible means to secure the «fourth freedom» of the EU, i.e. free movement of labor force with all the negative consequences for the competitiveness of the Ukrainian human capital arising from it, it is necessary to apply the instruments of regulation of legal migration from Ukraine to the EU, such as general and special quotas, tests on the labor market needs, visa regime, discrimination regime for Ukrainian companies established in the EU concerning the employment of workers from foreign countries. Taking into account the interests of the state, all these measures should be regulated by the immigration legislation to make entry, stay, and exit of migrants and usual foreigners legal.

In case there are no sufficiently effective instruments to form the mechanism of international migration of the labor resources under condition of the free trade zone establishment in Ukraine, the following negative consequences seem to be veritable:

1. Unemployment growth as the result from closure of enterprises that cannot withstand the competitive struggle. When competitive foreign countries will enter the domestic market it will lead to closure of inefficient domestic enterprises, and, as a result, will create temporary unemployment causing dismissal and re-qualification of personnel. Today a significant number of enterprises in L'viv region are loss-making, and in case of the free trade zone extension this index will grow. The ratio of unprofitable small enterprises accounted for 32,5% of their total number (in 2006 – 34,2%). The similar situation was observed in most of the countries that were candidates to join the EU (today EU NMS). That led to negative tendencies in development of the labor market, in particular, the growth of unemployment rate. The situation is expected to aggravate when Ukraine will join the free trade zone, especially in its western regions because of a large number of enterprises working in the sphere of business that is the most vulnerable to changes of the environment.

2. Increase in the ratio of international labor migration is caused by that fact that the governments of the EU countries encourage the «inflow» of relatively «cheap» qualified labor migrants from Ukraine, in particular because of the

low employment rate on their domestic markets. During the last two years around 30 thousand of Ukrainians moved to the EU member-states, among them 78% moved to Poland, and the rest – to Hungary, some insignificant minority – to Slovakia, Lithuania, and Latvia. Taking different intensiveness of migration into account, as well as the fact that Ukrainians go abroad more than 15 million times annually, we may conclude that the citizens of Ukraine go abroad around 1,4 million times annually to work there and around 3 million times because of commercial purposes. The Ministry of Labor and Social Policy states that 2,5–3 millions of Ukrainians work abroad. The threat is that the labor migrants (and their family members that even aggravates the problem) are potential migrants already and Ukraine loses the representatives of the next generation. In the regions with high emigration rate the phenomenon of «social orphanhood» can be observed. In countries that have partial access to the EU labor markets the deficit of labor resources in certain sectors is observed. Thus, Polish labor market is characterized by lack of teachers, medical workers, specialists with secondary technical education; the spheres of construction and agriculture are also characterized by the deficit of employees.

3. Increase in the number of illegal migrants because of continuing application of short-term quotas. Thus, in Poland if there is no quota set, the general employment permission is granted for one year only (with possibility of prolonging it for 1.5 of a year); in construction and services, in accordance with the agreements between companies, it is granted for two years (with possibility of prolonging it for 2.5 years). In Slovakia long-term permissions are granted for one year (with possibility of prolonging it for 1.5 of a year), permissions for seasonal works – up to 6 months (up to 1 year), permissions for workers fulfilling obligations set by commercial agreements – up to two years (with possibility of prolonging it for three years for employees and for four years for directors) with application of quotas. Similar quotas are applied in Czech Republic as regards long-term and seasonal permissions with annual setting of quotas depending on the labor market situation, in Lithuania, and in Latvia (in what concerns annual quota setting). Such short-term quotas provoke the increase in the number of illegal migrants, who want to continue working abroad. Thus, for the EU27 illegal migration of labor resources, the scope of which is caused by even smaller influence of language barrier, is very important.

4. Increase of society criminalization and decrease of the level and quality of life in Ukraine. Large scale immigration, and especially uncontrolled and illegal one, may cause serious problems in the host country, with the following negative consequences: crime growth, increase of infectious diseases, aggravation of ethnic strain and emergence of social conflicts. Experts claim that Ukraine nowadays is the biggest transit zone in the CIS, and the index describing the number of illegal migrants who stayed on the territory of the country exceeds the commonly accepted European standards in 20–25 times. International Migration

Organisation estimates that around 4–5 million people move illegally to different countries of the world, that gives the profit from 5 to 7 milliards USD.

5. Growth of labor migration of farm people and inefficient use of labor resources. Considerable migration of farm people that decreases the efficiency of labor force functioning through mechanical overstatement of employment in rural sector by means of registering the employment on personal farms is dangerous for Ukraine. During the last year the number of people employed in the sector declined by 352.5 thousand persons, and the number of wage workers declined by 122.8 thousand of persons. Since 2006 new tendency of reduction of people employed on personal farms appeared. This fact fully correlates with the cutback in production of farm products at personal farms. The problem of formation of labor potential of high quality remains essential: specialists with junior secondary and basic education account for 14.9% of the registered quantity of the staff members (in general in economics – 24.7%); the more striking is the difference as regards the specialists with complete higher education, namely 8.7 and 27.3%.

6. Decrease of competitiveness of domestic employees. Domestic labor market is already characterized by the deficit of skilled labor force. Lack of blue-collar workers and engineers is especially tangible: according to the State Employment Service at the beginning of the year 2008, 57% of all vacancies were for blue-collar workers.

The results of sociological investigation has shown that only around 29% of employees feel competitive in the conditions of market economy; 48.9% of the respondents claim that they will try to adopt to the required working system; 61.4%, however, do not want to get used to these new labor conditions and will try to change the place of their employment, or move abroad.

7. Increase in differentiation of the wages rate in the regional and sectoral profiles. The need to improve material welfare and social status are known to be the basic motives of international labor migration for Ukrainians. In this context the significant differentiation of the wages rate of employees on the basis of the type of their economic activity that exists in Ukraine is a negative phenomenon. The State Statistics Committee of Ukraine informs that among 9.2 millions of workers, employed in different industries 4.1% of employees draw wages that does not exceed the established minimum wages [2]. In spite of substantial increase of the average nominal wages, Ukraine continues to fall behind the majority of European countries. Moreover, according to the EU standards, an average wages should be higher than the minimum subsistence income in thrice. According to the data for the year 2007, in Ukraine earnings per hour is too low in comparison with the EU countries and accounts for less than 1.5 Euro, while the average expenditures for hourly wages in industries of the EU countries are from 10.60 EUR in Portugal, 14.37 EUR in Greece, 15.22 EUR in Spain and more than 30 EUR in Belgium, Denmark, and Luxembourg; the average hourly wages in EU countries accounts for 19.91 ECU- EURO.

Mechanical increase of wages during 2005 to 2007 that was not conditioned by correspondent labor performance growth demotivated employers to disclose the earnings of their employees. The highest share of wage workers, whose wages is lower than the minimum, is in fisheries, i. e. 16.9%, in agriculture – 15.6%, in the sphere of housing services and the cultural sphere – 8%.

8. Threats to national security of Ukraine. In particular, these threats concern negative consequences of illegal migration that manifest themselves in increase of illegal migrants with fake passports or illegally obtained documents. It is estimated that every migrant, on the average, pays a «fare» of 5–6 thousand USD to the «transport operators» to drive him/her through the territory of Ukraine. That is why the activities of criminal groupings that organize and control illegal migration through Ukraine is profitable, and thus these activities will continue to develop. Terrorists can take advantage of the absence of an efficient immigration control system that can be explained by the «softness» of Ukrainian visa policy, absence of control over the activities of physical and juridical persons who invite foreigners to Ukraine, existence of a large by-work basis for illegal migration on the territory of Ukraine, opportunities for long-term illegal residence, uncontrolled movement, absence of effective mechanisms of foreigners removal and deportation from Ukraine. People smuggling that may develop in Ukraine under condition the free trade zone establishment is another threat. Thus, it is reasonable to recognize it as a special kind of crime against the state and to provide a system of penalties in this context. In Poland, Slovakia, Hungary, and Bulgaria people smuggling is defined as a special kind of crime against the state and is severely penalized¹.

Taking into account all the negative consequences of international migration of labor force that are related with the entry of Ukraine into the free trade zone, it is necessary to take measures for the migration regulation. In modern conditions the governmental migration policy should include the system of legal, administrative, organizational and financial measures and information support to regulate migration, in particular migration area and migration movement from the standpoint of national priorities, qualitative and quantitative composition of migration flows, their social, demographical, and economic structures. Thus, the following priority measures should be taken:

1. Legal protection of the Ukrainian workers abroad should be guaranteed through intensification of activities performed by the Ministry of External Affairs in this area. Significant number of labor migrants abroad caused the necessity to expand the area of consular service's activities in the sphere of guaranteeing the rights and interests of migrants. Taking into account certain positive experiences of some countries (Italy, Portugal, Spain, Poland, Czech Republic) in the area of legalization of illegal migrants, it is necessary to consider the issue of implementing the governmental control over the Ukrainian citizens employment according to the quota set on the basis of interstate

¹ О. У. Хомра. Нелегальна транзитна міграція як загроза національній безпеці України.

agreements, and in case this kind of control is implemented, to consider the issue of establishing a specialized body of public administration (State Agency) that would deal with the issues concerning the employment of Ukrainian citizens in the EU member states.

2. Development of the mechanisms of legal protection and social guarantees for the labor migrants in Ukraine for the time they are abroad under condition that they will come back to their home countries. This can be achieved through establishment of special counseling centres affiliated to diplomatic missions for labor migrants, including illegal migrants; cooperation with Ukrainian Diaspora centres to provide Ukrainian migrants, who stay in the correspondent countries, with information and counseling services; governmental advocacy support of labor migrants in solving labor conflicts with foreign employers.

3. Since Ukraine is an EU neighboring country it is reasonable to develop joint operating plan on allocation of quota for Ukrainian citizens' employment by certain EU countries (Portugal, Spain, Italy, Greece, etc.). This will make the labor market flexible, and thus, it will lead to the employment increase. Labor market needs the implementation of the structural reform that can be achieved by propaganda of mobility, abolition of administrative barriers, and development of a mortgage system to increase the number of vacancies, large part of which will be for part-time and temporary jobs; whereas part-time and temporary employment should be aimed at increase of women employment. Furthermore, favorable conditions for use of money earned abroad should be created in order to develop private business. For this reason there should be provided special counseling services on business planning and enterprise organizing; the procedures of enterprise registration in the regions of mass labor emigration should be simplified.

4. Liberalization of the labor movement. Liberalization of this movement should be accompanied by integration of Ukraine and the EU in the sphere of education, social security, liberalization of the visa regime, as well as development of new branches of economy as well as new kind of firms that have the potential to invest into the European economy and be competitive at the European market. Moreover, in order to avoid negative asymmetric effects in relationships with the EU that result from the liberalization in movement of employees and in economic activities, the government of Ukraine should continue to implement reforms aimed at the improvement of business climate in Ukraine, the decrease of bribery level, and the introduction of tax policy that will be more favorable for the development of small and medium business. That is why the liberalization of the labor movement, covered by the Free Trade Agreement between Ukraine and the EU, should be accompanied by harmonisation of Ukrainian and European laws, norms, and standards.

5. The range of illegal migration should be significantly decreased. To solve this issue it is reasonable to follow the experience of the Central and the Southern-Easter European countries, that managed to provide a part of their

citizens with temporary legal employment in the EU countries due to corresponding agreements that were aimed at stimulating skilled labor migrants to work, as well as facilitated the flow of youth from abroad, assisting them in the issues concerning accommodation and family union, in particular, they secured social protection of labor migrants.

6. Counterwork against human trafficking should be based on systematic approach and support of the Ukrainian government and the public. International Migration Organization data show that the majority of illegal migrants try to enter Ukraine through Ukraine-Russia border (over 80% of detainees) and Ukraine-Belarus border (11%), and exit through Ukraine-Slovakia (almost 60%) and Ukraine-Poland (20%) borders. Prevention and counterwork against human trafficking should be performed through the following: spreading of information in order to increase the level of public awareness; assisting the law enforcing bodies, legislative and judicial powers to improve the effectiveness of prevention of human trafficking; helping these bodies directly or protecting the victims of human trafficking through the network of public organizations – IMO's partners, and helping these people to integrate better into society.

7. Increase in the competitiveness of labor force through reformation of the system of professional education and staff training. In this context the following areas of activity should be determinant: development and approval of the national strategy of the educational system reformation that is based on the implementation of new standards of learning on the competitive basis and securement of the mechanisms of quality monitoring, implementation of the life-long learning strategy, provision with more integrated and consistent professional training. Curricula that will fit with the need for development of effective mechanisms of social dialogue should be developed to guarantee that professional training meets the labor market requirements.

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