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Ukraine's Alarming Demographics

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Executive Summary

The task of reconstruction and recovery of Ukraine so far is seeing most attention devoted to the economics of repairing physical capital assets. However, the losses of human capital through emigration on top of war casualties are arguably on an even larger scale, and without recovery also on this account the reconstruction of physical assets will be in vain. New data has become available on the scale and structure of emigration caused by the war, with alarmingly around 30 to 40% of children and of prime age women having left. Over 4 million of them have been welcomed in the EU under the first activation of the Temporary Protection Directive, providing exceptionally positive conditions compared to standard asylum procedures.[1] Post-war refugee return will be an obvious priority, but how this should be managed and dove-tailed with the end to temporary protection is highly uncertain.

The default scenario for EU law and policy, following an end to the temporary protection, is for the migrant families either to return or to apply for asylum. However, the asylum systems of member states are incapable of handling the very large numbers involved, and so this scenario would get close to a chaotic regime mixing virtually enforced return and illegal overstays, and should be ruled out. An alternative recommendable scenario would be for the current three-year temporary protection period to be extended for another three years in order to dove-tail with a recast long-term residence directive, coupled however to other measures to facilitate voluntary return.

1 For a comprehensive review see Sergio Carrera, Meltem Ineli Ciger, (eds.), 'EU responses to the large-scale refugee displacement from Ukraine : an analysis on the temporary protection directive and its implications for the future EU asylum policy', Firenze : European University Institute, 2023 [Migration Policy Centre] - https://hdl.handle.net/1814/75377

Physical and Human Capital in Ukraine's Reconstruction and Recovery

Much research is currently underway on how to design and fund Ukraine's reconstruction and development. The World Bank now puts the cost of damage to Ukraine's physical capital at $400 billion.[2] Many articles and even whole books are being published on how best to re-construct.[3] The task of assessing losses of human capital, and how to recover this, receives less attention so far, although there is now a valuable analysis of the extent so far of losses of people through emigration, to which we turn below.

2 World Bank, *'Updated Ukraine Recovery and Reconstruction Needs Assessment'*, Press Release 23 March 2023. https://www.worldbank.org/en/news/press-release/2023/03/23/updated-ukraine-recovery-and-reconstruction-needs-assessment

3 Anders Aslund and Andrius Kubilius, "*The Reconstruction, Reform, and Accession of Ukraine",* Frivärld – Stockholm Free World Forum, 2023. https://united4ukraine.network/book-the-reconstruction-reform-and-accession-of-ukraine-co-authored-by-dr-anders-aslund-and-andrius-kubilius/

There is an initial point of perspective to be recognized. The quantification of the monetary value of human capital is a difficult matter theoretically and empirically, such that estimates are not so readily available. However, some estimates do exist, suggesting that in fact two aggregates – for physical and human capital – may effectively be of equal proportions 50:50.[4]

This immediately prompts the question how far the war has been destroying or displacing physical and human capital respectively. Could it be for example that the losses of human capital are much greater than for physical capital? In which case the need to restore the balance between the two will be a paramount concern.

In fact, this seems to be the case. The $400 billion of physical damages is an impressive amount, but what percentage of the capital stock is being destroyed by the Russian bombardment? The main cities of Ukraine may be terrorized by sirens announcing incoming missiles, but visibly the destruction amounts to only a sprinkling of damaged buildings. Mainly it has been frontline towns and villages suffering wholesale destruction, as in Bucha and Bakhmut. Of cities only Mariupol has been almost completely destroyed, while Kharkiv suffered very extensive destruction, on top of Donetsk which was badly hit in the 2014 war.

Painful as these losses have been, the point here is to compare the scale of losses of physical and human capital respectively. As this paper shows in detail below, the proportions of human capital losses through emigration of women and children, even if they may still be temporary and reversible, is on a hugely bigger scale. Their large-scale return and recovery for Ukraine has thus to be an absolute priority, without which the physical reconstruction will be in vain.

The Demographics of Refugees

The exodus of millions of Ukrainian women and children is already a terrible drama for families torn apart as husbands and fathers are required to stay at home to be available for the armed forces. But looking further ahead to post-war Ukraine there are ominous questions to be asked what the longer-term consequences are going to be for the country's society, starting with its demographic structure. On this a first detailed study has been made available in a report from the EU's Joint Research Centre (the JRC study),[5] whose findings are largely used in what follows.

Ukraine's population had been growing since the second world war until independence in 1991, peaking a little later in 1994 at 51.7 million. Since then there was a sustained and substantial decline down to 43.3 million just before the war started in February 2022, due to low fertility, high mortality and emigration. This had followed a similar pattern to most other states of central and eastern Europe undergoing the socially painful transition from communist regimes to market economies. Ukraine's population losses between 1991 and

4 UN Commission for Europe, *'Guide on Measuring Human Capital'*, UN, 2016. This study cites research done in Canada where monetary estimates of the stock of physical and human capital were found to be of virtually equal magnitude.

5 Ueffing P., Adhikari S., Goujon A., KC S., Poznyak O. and Natale F. (2023) *Ukraine's population future after the Russian Invasion – The role of migration for demographic change*, Publications Office of the European Union, Luxembourg 2023, doi:10.2760/607962, JRC132458. (JRC study). https://publications.jrc.ec.europa.eu/repository/handle/JRC132458

2022 were substantial at 16%, but far from the greatest, with Latvia, Lithuania, Moldova and Georgia suffering twice as great losses of around 30%. Several newly acceding EU member states saw large-scale surges in emigration at the time restrictions were lifted, with Lithuania seeing the largest share of its population (3.3%) leaving for the EU between May 2004 and December 2005[6].

The war has had a massive impact, with 7.8 million Ukrainians fleeing to the rest of Europe, including 2.8 million going to Russia[7] and 4.8 million registering under the Temporary Protection Directive of the EU and similar schemes of Norway, Switzerland and the UK.[8] This first activation of the Temporary Protection Directive was itself an impressive act of solidarity of member states, with standard basic conditions for residence up to 3 years with provision of housing and access to public services including health and education, and the right to work, although the details can vary greatly as between different member states. The only criticisms have been over comparisons with the much harsher conditions experienced by Syrians and others in the great migration crisis of 2015, which however saw only 1.3 million refugees reaching the EU.

The Ukrainian refugees reaching the EU have on average been young (29.4 years), and mainly women for the adults, since men between the ages of 18 and 60 are not allowed to leave the Ukrainian territory. Children have been an even mix of boys and girls. This is in huge contrast to other migratory flows, including the ongoing stream of boat people from Africa, consisting primarily of young males.

Beyond the overall data, the detail on the sex and age structure of the refugees highlights issues of dramatic importance for the future of Ukrainian society, as illustrated in the remarkable Figure 1, which the authors of the JRC study have been able to assemble.

Around 30 to 40% of all children, both boys and girls have left Ukraine. Similar numbers apply for prime age women up to the age of 44, whereas for men of the same age groups the share of emigrants is only around 5%. Post-war family reunion will be the first objective for most of these families, but the open question is how far the men will join their women and children abroad as soon as they are free to move, versus how far the mothers and children will move back home. The answer to this crucial question for the future of Ukrainian society is today unknown, but the longer the war lasts the balance will be tipped increasingly in favour of the men moving abroad. Their children will have learned the local language at school and made new friends. Already the one year passed is long enough for most children to begin to integrate well.

Persistence of anything like the distorted demographic structure portrayed in Figure 1 would be truly disastrous for the post-war recovery of Ukraine's economy and above all its society.

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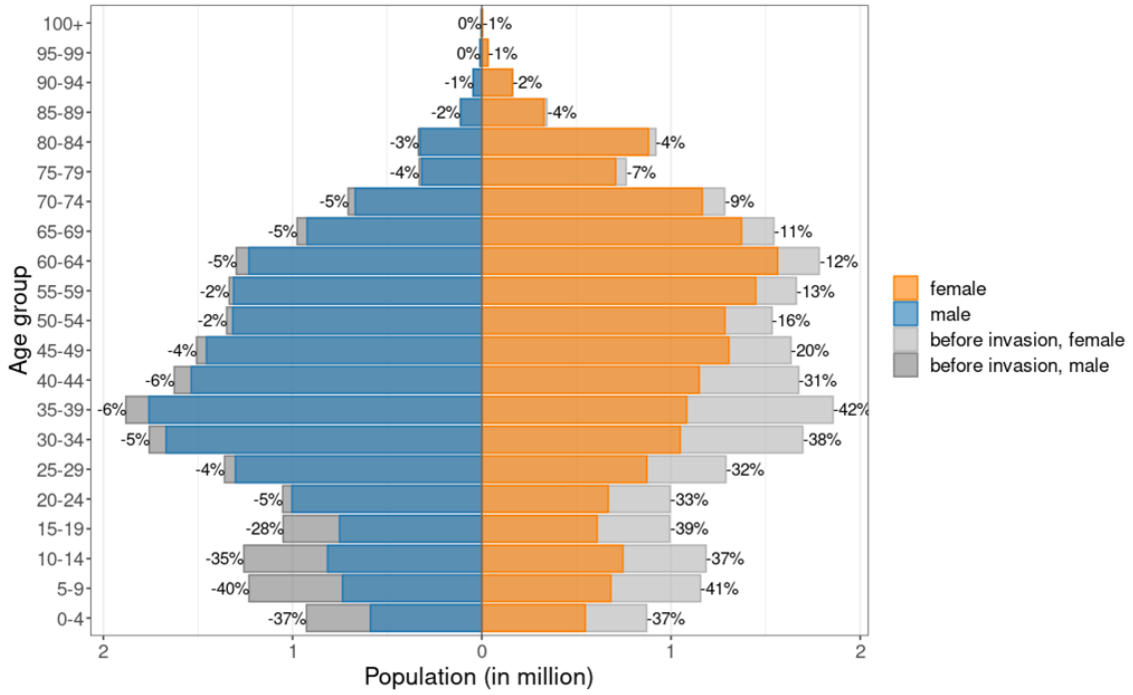
6 European Commission, *'European Economy, Economic Papers 363'*, March 2009. The next largest numbers were for Latvia 2.4%, Poland and Slovakia 1%. https://hdl.handle.net/1814/75377

7 The data on numbers fleeing to Russia are subject to major uncertainties, including the final destination of the refugees, and such matters as the forcible transfer of children.

8 Ueffing et al., op. cit. p. 12-13. Using UNHCR data.

Figure 1: Impact of the war on Ukraine's population structure (grey shading shows losses of population by emigration, with percentages of losses)



Source: Ueffing et al., op. cit. Authors' estimates based on data from ISTAT, Eurostat and UNHCR

The authors of the JRC study construct four scenarios as basis for projections of how far Ukraine's long-term demographic structure may evolve, with a range of results which depend crucially on how long the war lasts. From the 2022 starting population of 43.4 million, by 2052 the total is expected to decline by between 21 and 31%. The assumed refugee return rates take into account the Balkan experience following the post-Yugoslav wars, where there was an overall 75% return rate. For Ukraine the study assumes a range between 50 to 80% return rates.

Policy Issues

Everyone can easily agree on the desirability of a scenario under which after the war ends there will be a massive voluntary return home of the women and children. But how likely is this?

The JRC study's scenarios suggest relatively high return rates, taking into account the Balkan experience. But these past experiences do not share two hugely important and unique features of the current Ukrainian case, first the demographic structure of women and children of the emigrants to the exclusion of husbands and fathers, and second the exceptionally favourable conditions of the three years of temporary protection extended to the refugees by the EU. If at the end of the war freedom of movement is restored for prime age Ukrainian men there could also be a huge immediate surge of up to a million men rejoining their families in the EU, and then for sure each family will debate what to do next. The desire to return home will be very real, but also the awareness of the material advantages of staying in the

EU, as well as important immaterial advantages of avoiding another traumatic change for the children who will have settled into their new environment. A scenario of much lower return rates seems conceivable, and would thus pose important questions of policy.

There are some survey data emerging on the intentions or wishes of the refugees to return or not. But the results vary so widely that it seems impossible to form a real view of what is likely. Some Ukrainian surveys suggest around 75 to 85% wanting return at some stage, whereas one European survey suggest one third.[9] But this data might surely be subject to emotional influences. It would be natural to express a patriotic wish to return some time, while practical intentions at any point of time may be another matter.

Presumably the Ukrainian government will encourage their compatriots to return, but without real leverage beyond emotional appeals, while the present war-time restriction on freedom of movement abroad of Ukrainian men will have to be lifted when the war ends.

Today's situation is one in which the millions of Ukrainian immigrants live in a state of total uncertainty what the future holds for them when the temporary protection regime ends. The first uncertainty is even over when the temporary protection will end. In principle it is at the latest after three years. But if the war ends earlier in conditions that see Ukraine to be a safe place for return, the temporary protection can also be ended earlier by decision of the EU Council. The second uncertainty is over the preferences of the migrant families, as and when temporary protection ends, to return nor stay. As remarked above survey results on this are difficult to interpret, while one can at least say that as the length of time under temporary protection increases the preferences to stay are likely to increase.

Having introduced the temporary protection regime, the EU and its member states have the duty to provide clarity on the next options these families will face. Under present and conceivably amended policies there appears a complex cascade of possibilities, which can be laid out step by step.

- When the temporary protection regime is set to end there would be a need for the EU and government of Ukraine to consider coordination and consistency over the timing in relation to the end to the war-time restriction on the freedom of movement of prime age Ukrainian men to leave the country, with around a million no doubt wanting family reunion as their first priority.[10]

- As and when the temporary protection ends the immigrants would, under current policies, have to choose between return, or request of asylum and associated residence permits and assistance.

- The asylum route leads into the established procedures for Refugee Status Determination (RSD), which if successful assures continued residence and integration possibilities. However, there are two big problems here: 1) If the territory of Ukraine controlled by the government becomes a 'safe' post-war country, the plausibility of asylum requests

9 For two Ukrainian sources see https://ratinggroup.ua/en/research/ukraine/vosemnadcatyy_obschenacionalnyy_opros_psihologicheskie_markery_voyny_8-9_oktyabrya_2022.html; https://www.unhcr.org/news/press/2023/2/63f78c0a4/unhcr-year-russian-invasion-insecurity-clouds-return-intentions-displaced.html For a European source see https://fra.europa.eu/sites/default/files/fra_uploads/fra-2023-ukraine-survey_en.pdf

10 Ukrainians have in any case freedom from the need for a visa to visit the EU, but that allows only three months residence.

will be reduced. If there remain Russian-occupied regions only the people concerned would have a stronger case. 2) The RSD system, which involves complex procedures and criteria for evaluating requests, is designed to handle limited numbers of individual cases, and places heavy burdens on the administrative capacity of immigration authorities. The system cannot handle millions of applicants, and would break down if attempted.

- In view of this last problem a variant procedure has been devised, called Prima Facie Refugee Status Determination (PFRSD), under which the procedures would be greatly simplified and permit the processing of groups of numerous applicants. Germany has begun to apply such a system, but it has no general standing in the EU and its member states as a whole.

- An alternative approach would be to work on development of the EU's existing Long-Term Residence Directive of 2003.[11] The implementation of this directive is subject however to a complex of detailed provisions that vary between member states.[12]

- As of today, this directive explicitly excludes cover of temporary protected immigrants. The Commission has proposed an amendment to the directive to delete this exclusion, but whether this will be passed by the Council into law is uncertain.

- Even if this is done, there would remain the problem of taking care of the gap with some kind of bridge between the maximum 3 years of temporary protection and the 5 years required for long-term residence. This could involve various initiatives, including member states offering special regimes of up to two-year visas and work permits, or exceptional derogation from the five-year requirement. The simplest, clear-cut solution would be for the temporary protection regime to be extended for another three years.

  Since the foregoing is an uncertain cascade of possible provisions there is a final possibility, to consider simplified and large-scale regularization, with large-scale issue of long-term work permits and associated residence and family reunion provisions. Poland has in effect been doing this already for Ukrainians before the war. Colombia compares with action on a similar scale to Poland having received 1.7 million refugees from Venezuela, opting for large-scale regularization with 10-year work permits. By contrast Turkey, with 3.7 million Syrian refugees, sees a different picture of massive irregular overstays after the expiration of temporary protection.[13] In the case of Ukraine there is of course the fundamental parameter of it EU candidate status, since as accession processes advance the citizens of Ukraine will get closer and closer to being citizens of the EU.

There seems to be no open debate yet over how this situation will be managed. With discretionary responsibility at member state level there could be greatly divergent degrees of

11 Council Directive 2003/109/EC of 25 November 2003 concerning the status of third-country nationals who are long-term residents (OJ L 16, 23.1.2004, p. 44). This directive is subject to a current proposal for re-casting.

12 International Organisation for Migration, '*Comparative Study of the Laws in the 27 EU Member States for Legal Immigration - Including an Assessment of the Conditions and Formalities Imposed by Each Member State For Newcomers',* 2009.

13 Carerra and Ineli Ciger, op. cit.

restrictiveness or openness, even if the overall outcome will be of major concern at the level of EU policy for the future of Ukraine. The strategic options for the EU and member states may be in a spectrum of possibilities, between:

A. Pushing return: upon the end of temporary protection the migrants would face the choice between returning or applying for asylum. This is the default option under current EU policy. Given the systemic insufficient incapacity of member states to handle millions of cases, this option would be getting close to enforced return.

B. Facilitating stay: large-scale regularization with access to long-term work and residence permits. A clear and in principle feasible scenario for doing this would be to extend the three years of temporary protection to be dove-tailed with a revised long-term residence directive, with deletion of its present exclusion of the temporary protected.

C. Mix and mess. Whereas A and B would have strong core EU policy basis, in a third scenario there would be primary reliance on a complex variety of individual policies of member states, with differing priorities as between return or stay, and an overall lack of clarity and transparency.

There would be various options for graduations of - and between - A and B.

There could for example be some financial incentives to return and re-settle, to repair damaged housing, or help start new businesses. If there were a significant incentive to return of the order of €10,000 per family, and take-up by half a million families, the cost would be €5 billion.

A further idea would be to render more flexible conditions as between return or stay, with the temporary protected allowed to return for up to say 6 months before losing their rights to renewed temporary protection. This would be favouring what has been called the 'pendulum' model of migration, with repeated movements to and from, and which has much to be said for.

Let this debate begin. An easy position today for European policy makers is to say that with the outcome of the war still uncertain it is too early to say anything. However, as the months pass the migrant communities will be needing information on the fundamental prospects for their futures. In the absence of an adequate EU policy framework there could be a chaotic process as the three-year 2025 deadline approaches with fragmentary and divergent information coming from the member states. The EU took a decisive and highly appreciated step in activation of the temporary protection directive, but the default option of passing all responsibility back to the member states upon its expiry would subjecting the Ukrainian migrant communities to the lottery of uncertain treatment by member states, inconsistent with any fair sense of fairness for the people of a candidate state.

Conclusions and Policy Recommendations

With much thought now being given to how best organise and fund Ukraine's post-war reconstruction and recovery, there is some bias in the ongoing policy debates as between the physical and human capital parts to the story. While the physical capital aspect is receiving so far most attention, the extent of loss of human capital though emigration on top of war casualties risks being of an even higher order of magnitude. This puts the spotlight on the need for the EU to give clearer perspectives to the 4 million Ukrainian refugees currently under the EU's temporary protection.

The least desirable scenario, to be mentioned only to be ruled out, is the default scenario for EU law and policy under which when the temporary protection ends, it would be simply left to the refugees either to return or to apply for asylum. But existing administrative asylum systems of member states are incapable of handling the very large numbers of asylum applicants that would be involved, with consequential chaos and pressures amounting to virtually enforcing return or driving illegal overstays.

A positive scenario would be for the current three-year period of temporary protection to be extended for another three years, to be dove-tailed with a recast long-term residence directive, together with measures to support return, namely:

- Financial incentives to support and encourage return, and
- Amendment of the temporary protection directive to allow for substantial periods of return without losing the possibility of renewed access to temporary protection. This would provide assurances for the migrant families and encourage the 'pendulum' or 'circular' model of migration in and out.

It is urgent that the EU and member states address these issues, given the risks of legislative impasse in 2024 with the renewal of the parliament and leadership positions, and with present temporary protection to expire in 2025. In addition, a continued total uncertainty for the Ukrainian migrants over their future prospects would contradict the positive European perspectives that have come with the country's EU candidate status.

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