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## **Economic issues of internally displaced people in Ukraine**

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# Economic issues of internally displaced people in Ukraine

## Executive Summary

Since the annexation of Crimea and the beginning of the armed conflict in the Eastern parts of the country in 2014, hundreds of thousands of people have been forced to flee their homes. This massive influx of so-called internally displaced people (IDPs) from Crimea and from the Eastern conflict zones, which amounted to 1.538 million registered IDPs in mid-October 2015, presents a major challenge for the Ukrainian authorities.

It is not an easy task to evaluate economic issues that are related to the recent surge of IDPs, as significant data problems exist. This starts with the registration process, which is very time-consuming, as e.g. the application for financial and social assistance is separate from the simple registration as IDP. Moreover, no dedicated institution exists which coordinates the registration process and also the provision of different aid programmes and cash assistance. This extends to IDP data collection and data access, where simplification, coordination and communication are indispensable. Moreover, more detailed information about IDPs has to be collected. This is a major factor in terms of understanding the individual needs and forms the basis for designing and implementing adequate policies towards IDPs.

Despite these shortcomings in the empirical data, one can make some observations based on the available information. Concerning the skill distribution of IDPs, it seems that those who are registered as IDPs are well educated, actually above the average skill distribution of all registered unemployed. In terms of the regional allocation of IDPs, eastern oblasts which are located close to the non-government controlled areas, as well as the armed-conflict affected oblasts themselves, report nearly 80% of all IDPs. Other oblasts, mainly those in the western part of Ukraine, experience only a small influx of IDPs. At the same time, a correlation analysis and a simple gravity model reveals that IDPs tend to move to regions with higher wage levels, lower unemployment rates, and more vacancies. This finding is in line with the literature on migrants' choice of destination country; it is also encouraging as IDPs apparently tend to move to those government-controlled areas where they are most likely to find employment.

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## 1 Introduction

Since the annexation of Crimea by the Russian Federation, and the beginning of the armed conflict in the Eastern parts of the country, hundreds of thousands of people have been forced to flee their homes. Some of these people left Ukraine altogether (external migration), but the majority located to other parts of the country (internal migration). The massive influx of so-called internally displaced people (IDPs) from Crimea and from the Eastern conflict zones presents a major challenges for the Ukrainian authorities now and in the future, especially as this happens against the background of a massive recession. Ukraine's real GDP dropped by almost 7% in 2014 and declined a further 15.8% yoy in the first half of 2015.

IDPs are a specific group of migrants. Since they migrate or move within their home country, they possess considerable advantages compared to international migrants. They face no language or cultural barriers, no institutional differences, and no loss of human capital due to the imperfect transferability of skills accumulated in the origin country. Predictions about the economic effects of an influx of IDPs that are derived from the general migration literature need to consider this.

This report focusses on a deeper understanding of the situation of IDPs within Ukraine, including their role in regional labour markets. The paper is structured as follows: In Chapter 2, we evaluate key facts about internal migration such as registration issues, overall dynamics, regional allocation and the skill distribution of IDPs. In Chapter 3, we first give an overview over the general economic situation and then describe government expenditures such as welfare payments and unemployment benefits for IDPs, along with special active labour market programs. In this context, we also discuss the possible selectivity of registered IDPs and other theoretical concerns. Chapter 4 summarizes our findings and provides some ideas for further work.

## 2 Key facts about IDPs in Ukraine 2014/2015

With the annexation of Crimea and the ongoing conflict in parts of the Donbas, a mass migration flow within Ukraine developed and many people were forced to leave their homes, jobs, and relatives. Counting and identifying the real number and the location of IDPs is rather difficult since no mandatory or uniform registration system exists and support for IDPs from the government (and hence the incentive to register) is limited. Here we review the institutional setting, the evolution of IDP numbers, their regional allocation and skill distribution.

### 2.1 Registration issues

Currently in Ukraine there is no defined central executive entity responsible for the formulation of policies related to IDPs or for addressing their concerns. Instead, IDPs have to refer to different entities depending on their needs. Therefore, the motivation to register varies widely across different groups of IDPs. When social assistance payments in the conflict regions were suspended in October 2014, specific subgroups of people were essentially forced to register with Ukrainian authorities to continue receiving their social benefits or pensions. Therefore, it is not surprising that nearly 60% of all registered IDPs are pensioners. At the same time, there is evidence that far from all pensioners registered on the territory controlled by Ukraine actually live there. Often, they return to their homes in the occupied territory, but still receive their pensions<sup>1</sup>.

On the other hand, for adult men the incentive to register is rather limited because registration could lead to conscription. Other incentives not to register are the fear of harassment of relatives who still live in occupied areas, as well as the relatively low support from the state. These different incentives

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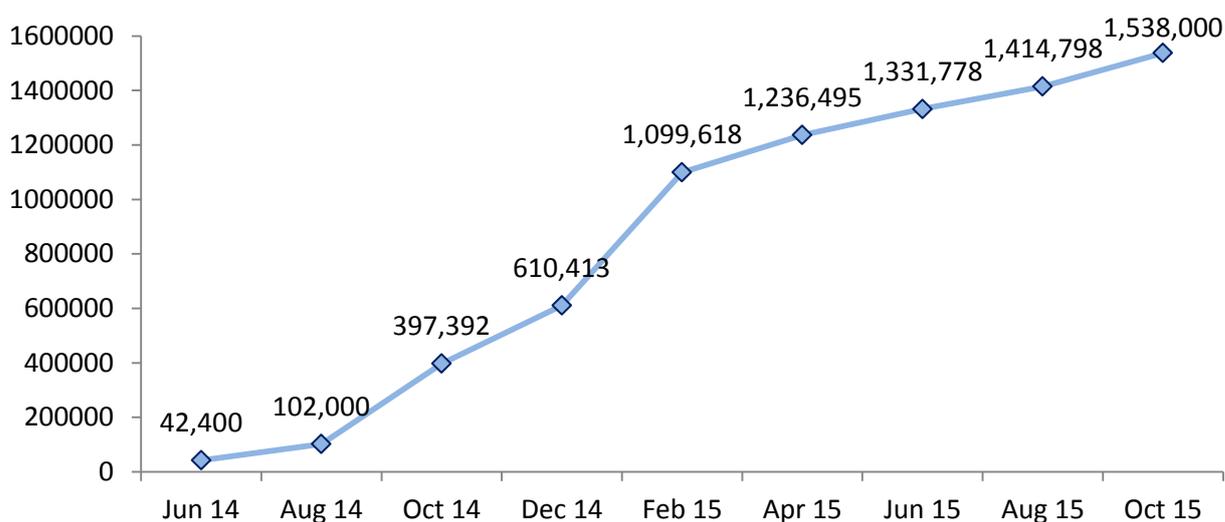
<sup>1</sup> The question of how many of the registered IDPs actually live in the territory under government control is crucial for many reasons, but difficult to answer. Some observers estimate that more than half of the total number of registered IDPs actually still lives in the occupied territory.

and motivations for and against registration will definitely lead to a massive bias (in terms of age, gender, etc.) in the registered data. Furthermore, the actual number of IDPs is also quite unclear because some people do not register at all. Nonetheless, official statistics provide a useful starting point for our analysis and we review them in the following section.

## 2.2 Overall dynamics

**Figure 1**

Total IDPs since June 2014



Source: World Bank: Global Program on Forced Displacement; UNHCR

Internal displacement increased in June 2014 due to a massive wave of IDPs mainly from the eastern part of Ukraine (Figure 1)<sup>2</sup>. Due to the escalation of the conflict in August 2014 the number of IDPs dramatically increased. Shutdowns of government offices in non-government-controlled areas, limited access to cash and banking services and the suspension of social assistance payments including pensions reinforced the situation. By February 2015, there were already more than 1 million IDPs. Even though the growth rate of IDPs slowed down by April 2015, it still increases. According to the UNHCR, 1.538 million IDPs in total were registered as of October 16, 2015.<sup>3</sup> On top of this internal displacement, many people have emigrated to neighbouring countries. Around 390 thousand Ukrainians are seeking asylum. Overall, more than 720 thousand have relocated to Russia, Moldova, Romania, Hungary, Slovakia, Poland, and Belarus.

## 2.3 Regional distribution

Three out of four IDPs have relocated close to their home areas and over half of the IDP population are still within Donetsk and Luhansk oblasts, but in the territories under government control (Figure 2). Very few IDPs have moved to distant areas in western Ukraine. Kyiv city is an exception with a share of 7.3 percent of the total IDP population. Its exceptional position as the capital of

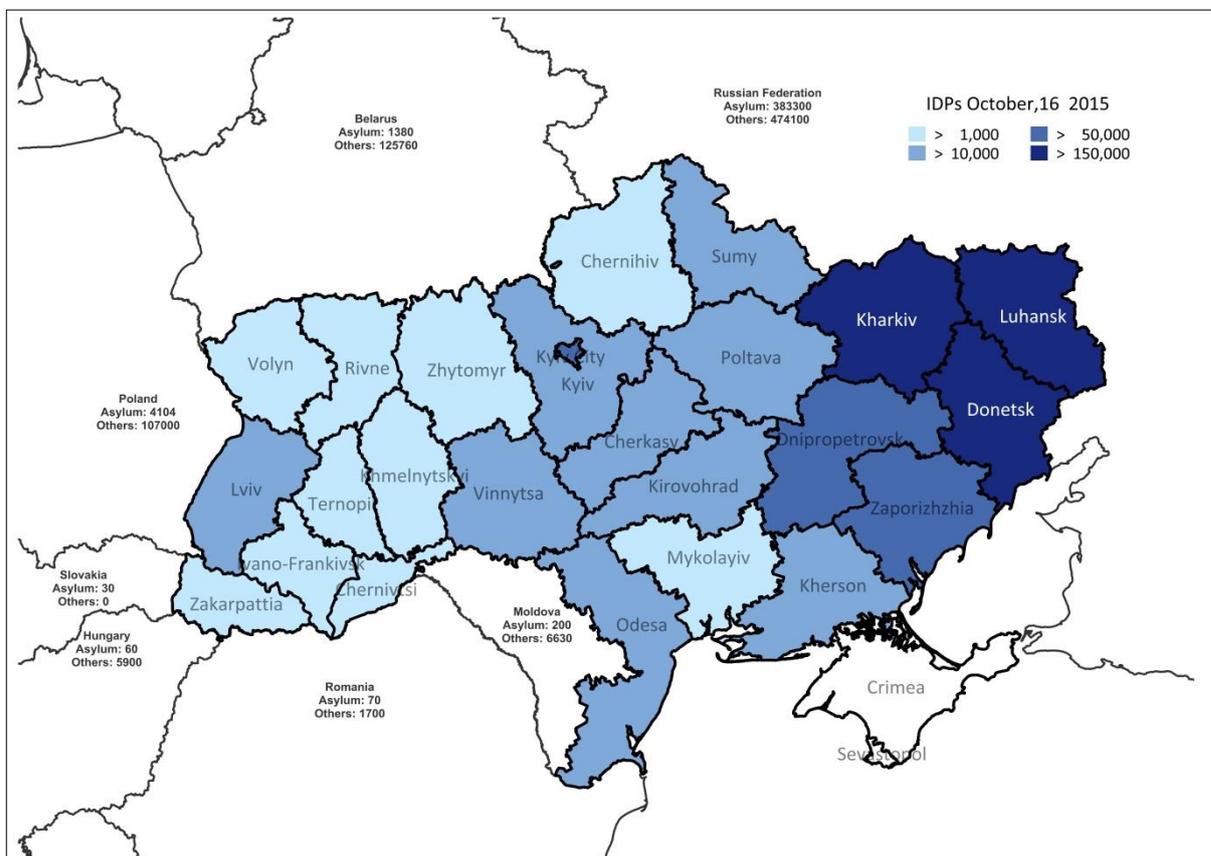
<sup>2</sup> An earlier wave of IDPs occurred in March 2014 when people began to flee from Crimea. According to UNHCR, around 18,000 individuals were displaced from Crimea until August 2015. Thus the vast majority of IDPs are from Donetsk and Luhansk.

<sup>3</sup> UNHCR

Ukraine might be one main reason, as it is also as the economic center of Ukraine. Lviv also shows a relatively high absolute number of IDPs compared to other western oblasts. One reason might be the economic strength of this region: it is the most developed oblast in the West. Nevertheless, the remaining areas, mainly western oblasts, account for only 16 percent of IDPs in total.

**Figure 2**

Regional distribution of registered IDPs (October, 16 2015)



Source: UNHCR

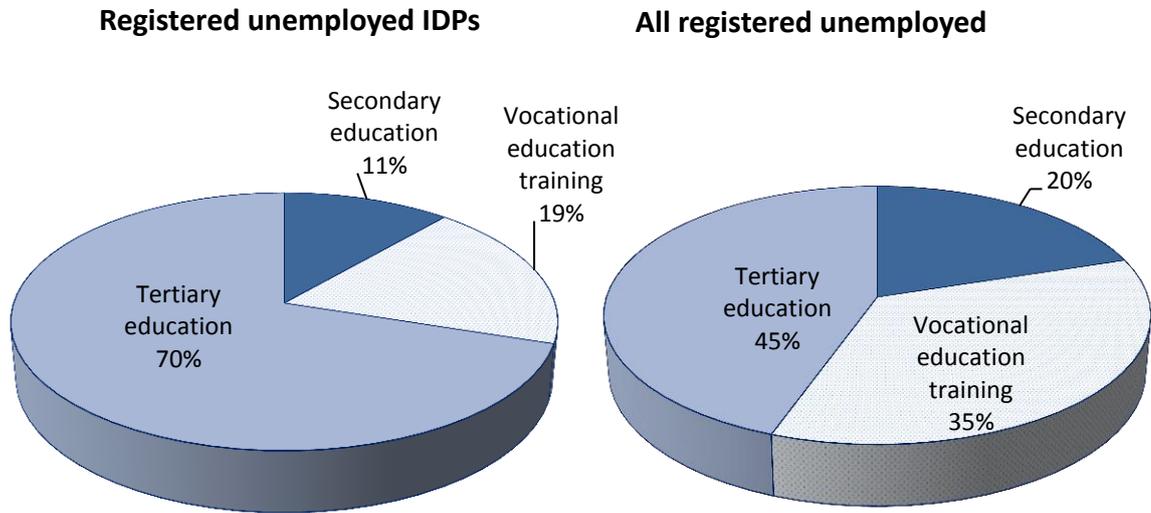
## 2.4 Skill distribution

Little information exists concerning the skill distribution of IDPs. According to the data collected by the State Employment Service (SES) about the registered unemployed IDPs, 70% report tertiary education, 19% vocational education training and 11% secondary education (Figure 3). In contrast, less than half of all registered unemployed report tertiary education, more than a third vocational education training and 20% secondary education. Overall it seems that IDPs (or at least, registered unemployed IDPs) are well educated, especially in Kyiv where over 90% of all registered unemployed IDPs report a tertiary education<sup>4</sup>. At first sight, it seems that due to their high qualification, IDPs should not find it difficult to find jobs (although there could still be skill mismatch).

<sup>4</sup> A detailed regional distribution of IDPs by education level may be found in appendix Table A.1.

**Figure 3**

Educational distribution



Source: SES

### 3 Economic impact

In this Chapter, we use the limited available data to analyse more formally the impact of IDPs on public finances and regional labour markets. To set the scene, we begin by reviewing macroeconomic developments in Ukraine in 2014 and 2015.

#### 3.1 General economic background

The inflow of IDPs into government-controlled areas in Ukraine occurred at a time of worsening macroeconomic crisis. Prior to the political change caused by the Maidan in early 2014, economic imbalances (e.g. the twin deficits in the current account and the fiscal balance) had grown to unsustainable levels, partly as a result of misguided policies like fixing the exchange rate versus the US dollar.

As a first step, the authorities agreed on an IMF-supported adjustment programme to stabilize the situation and thereby lay the foundations for the return of sustainable economic growth. At that time, a severe but short recession was expected in 2014 (with a 5% decline in real GDP), followed by a gradual recovery (with 2% GDP growth as early as 2015).

Due to the annexation of Crimea in 2014, 3.8% of Ukraine's GDP was lost directly<sup>5</sup>; if the destruction of cross-border value-chains is included, some observers estimate that around 5% of GDP was effectively lost. However, the situation escalated with the military conflict in the Donbass, especially from the second half of 2014 onwards. As a result, real GDP in Ukraine<sup>6</sup>, including the rebel-held area (RHA), fell by 6.8% in 2014 overall and by 15.8% (year-on-year) in the first half of 2015 (Table 1).

<sup>5</sup> Based on the share of GRP of the Autonomous Republic of Crimea and Sevastopol in 2013 GDP.

<sup>6</sup> Since 2014, Ukrainian statistics exclude Crimea.

While the reported economic activity declined six fold in the RHA<sup>7</sup> in H1 2015 (-85.3% yoy), there was also a severe decline in government-controlled areas (-9.8% yoy), in particular in the Donbas.

**Table 1**

Regional decomposition of GDP and industrial production, H1 2015

	Change, yoy
<b>GDP Ukraine</b>	<b>-15.8%</b>
Rebel-held area (RHA)	-85.3%
Ukraine excl. RHA	-9.8%
<b>Industrial production Ukraine</b>	<b>-20.5%</b>
Rebel-held area (RHA)	-81.5%
Ukraine excl. RHA	-8.8%

Source: German Advisory Group Ukraine, own calculations

The seriousness of the crisis also shows up in the depreciation of the exchange rate versus the US dollar by about 60% since early 2014, despite the presence of a number of administrative FX control measures. While some adjustment was to be expected and welcome due to the imbalances discussed above, the magnitude of this depreciation was not expected, and is related to the loss of export revenues as well as to the loss of confidence due to the military conflict. Due to the high pass-through of the exchange rate into prices and the massive increase in gas prices for households, consumer inflation peaked at 61% (year-on-year) in April 2015. Also, many banks experienced liquidity (deposit flight) as well as solvency issues. As a result, the number of banks was reduced from about 180 to 123 currently, a process which is still underway.

There is, however, a silver lining on the horizon. Increasing signs of macroeconomic stabilization have been observed in the third quarter of 2015, which indicates that the economy is finally bottoming out and the adjustment process is actually working. This picture emerges from indicators of real economic activity (e.g. industrial production, retail sales), the relative stability of the exchange rate, some stability in the bank deposit base, growing FX reserves, and a gradual decrease in inflation. However, there are currently no signs that would indicate a strong recovery in 2016. Most estimates put real GDP growth in 2016 at 1-2%, which is meagre, given the large drop in activity during 2014-2015.

### 3.2 Public finances

The question of compensation and government support always arises along with forced migration. Since most IDPs have fled from the war, many have probably lost their homes and apartments due to destruction or simply because they felt compelled to relocate. Besides the loss of immovable assets, IDPs are also very likely to become unemployed. Therefore, in addition to the provision of emergency

<sup>7</sup> Many producers were destroyed, relocated or stopped reporting to Ukrstat. However, some companies continue to produce in the RHA and report to Ukrstat. Totals for Ukraine in 2014 and 2015 and the resulting drop in GDP are based on all reported activity without adjustment. The estimated decline in reported economic activity is based on the reported decline of output in Donetsk and Luhansk oblasts as a whole and changes in the share of RHA in construction, agriculture and industry as well as reported number of employees.

housing and subsistence, there may be a need for targeted programs to promote the labour market integration of IDPs in their regions of destination. All this entails substantial government expenditures that add to the total cost of the conflict.

### 3.2.1 Social welfare payments for IDPs

As of November 2015, no major assistance program for IDPs has been established by the government<sup>8</sup>, nor has any financing been foreseen for relocation<sup>9</sup>, housing, food, or compensation for damages suffered. Nevertheless, limited welfare payments for at least a restricted period were introduced in October 2014. According to CMU Resolution No.505, working unable individuals who fled from occupied territories are paid UAH 884 per month (currently around 38 USD). Half this amount is paid to individuals that are able to work. Payment to disabled persons is defined at the level of subsistence minimum set for working unable individuals (UAH 949 before September 2015 and UAH 1074 in September-December 2015). The maximum welfare payment per household is calculated as the sum of benefits for each household member, up to a maximum of UAH 2,400 per month (in November 2015 around 104 USD)<sup>10</sup>. This financial support is meant to cover subsistence, rent for an apartment, and utility services. However, IDPs do not automatically receive this financial support by registering as IDP, but have to submit an additional, separate application.

This support is initially paid for six months, after which a new application must be filed. If able-bodied individuals do not work within two months after receiving the welfare payment, their payment is reduced by 50 percent for the following two months and then stopped altogether, in order to limit free-riding behaviour.

As of 16 October 2015, 1.538 million IDPs belonging to 1.229 million households were registered by regional departments of social welfare. 542,078 households had applied for social welfare payment, and 511,411 households received it. This could be due to different reasons, one might be the lag between application for assistance and its actual provision. According to the Ministry of Social Policy, UAH 510 million were allocated for this purpose in 2014, of which 70-80 percent was spent. In 2015 the corresponding budget allocation increased to UAH 2.85 bn, of which UAH 2.5 bn (0.5% of consolidated fiscal revenues) was spent during the first nine months of the year.

As mentioned above, pensioners make up more than half the registered IDPs. According to the Ministry of Social Policy, 922 thousands pensioners from occupied territories received pensions in Ukraine as they registered in territories controlled by the central government (although in practice, many probably continue to live in rebel-held areas).

### 3.2.2 Unemployment benefits and labour market programmes

IDPs may register as unemployed with their respective territorial division of the State Employment Service (SES). To receive unemployment benefits in the full amount an IDP should provide the labour book where it is stated that a person quit the previous job. Otherwise, the person can still be registered as unemployed but will receive minimum size of unemployment benefits which is UAH 554 per month. According to the SES, this is a big issue for IDPs because some of them are unable to bring

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<sup>8</sup> Different programmes financed by international donors and NGOs exists, but will not be stressed in this paper. The corresponding policy briefing PB/16/2015 briefly addresses this topic.

<sup>9</sup> Only compensation of transportation costs to registered unemployed IDPs who obtained an employment in another region upon the referral of the SES exists.

<sup>10</sup> The Government is currently discussing the idea to increase a maximum amount of welfare payments to IDPs to UAH 3,400 per household.

their Labour Book with them. However, no information about how many IDPs are receiving lower unemployment benefits exist. Between March 2014 and September 2015, 58,264 IDPs were registered as unemployed and received services from the SES; of these, 34,458 received unemployment benefits. Most IDPs who received services also received occupational orientation.

IDPs are not only eligible to receive unemployment benefits, but may also participate in labour market policy measures conducted by the SES, including lump-sum payments for entrepreneurship (a one-time payment in the amount of the total unemployment benefits that the person would be eligible to receive during 12 months of unemployment). Specifically for IDPs, SES has recently started additional labour market programmes.<sup>11</sup> Two programmes are directed at the IDPs themselves and the other two seek to stimulate employers to hire IDPs. The first programme envisages compensation of transportation costs to IDPs (registered as unemployed) if he/she obtains an employment in another region upon the referral of the SES and must, therefore, move. Second, the costs of health checks (and drug tests) are compensated if required by employers. These two types of compensation are made in cash by the SES branches to IDPs directly.

The two programmes for employers are wage compensation and additional training compensation. The first one implies wage compensation of IDP (who was registered as unemployed) for half of the fixed contract period for a maximum of six months and up to the average wage in the respective region. For vulnerable IDPs like women who care for children or elderly people, compensation may be extended to 12 months. The second program implies the compensation of training costs of hired IDPs (who was registered as unemployed) which are needed or required to do the job correctly. The size of this compensation is capped at 10 times the subsistence minimum for working able individuals (currently UAH 13,780).

In April 2015, around UAH 21 million was allocated for these four programmes, but they were launched only on September 25, 2015. As a consequence, little can be said about the success rate and the money already spent. To increase awareness of the programs, SES conducts seminars to inform employers and unemployed IDPs about the additional financial support.

### 3.3 IDPs and regional labour market

International migration theory predicts that among other factors, economic factors such as the economic prosperity of a specific region determine the location decision of migrants. Since IDPs are not normal economic migrants, the selection in terms of location decision should not strongly be developed as it is for economic migrants, because economic factors are not the driving force for migration but networks play a big role in terms of location decision. But it is still possible that certain settlement paths might be observable. For instance, the unemployment rate within a specific region, as well as the wage level or the open vacancies could be influencing factors. If IDPs have resettled in relatively economic prosperous areas, there might be few adverse labour market consequences. Therefore, we run several correlation analyses to assess the empirical regularities in the location of IDPs and then reflect on the labour market consequences due to the increase in regional labour supplies through IDPs.

#### 3.3.1 Regional patterns

Since the eastern oblasts are likely chosen because of the geographical proximity, these are excluded from the correlation analysis. Excluded oblasts are Dnipropetrovsk, Zaporizhzhia, Kharkiv, Luhansk and Donetsk. The exclusion of the mentioned regions allows us to identify to which extend economic

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<sup>11</sup> These Programs were approved by the Law No.245-VIII from March 5, 2015. However, the special CMU resolution on their implementation (No.696) was approved only on September 8, 2015.

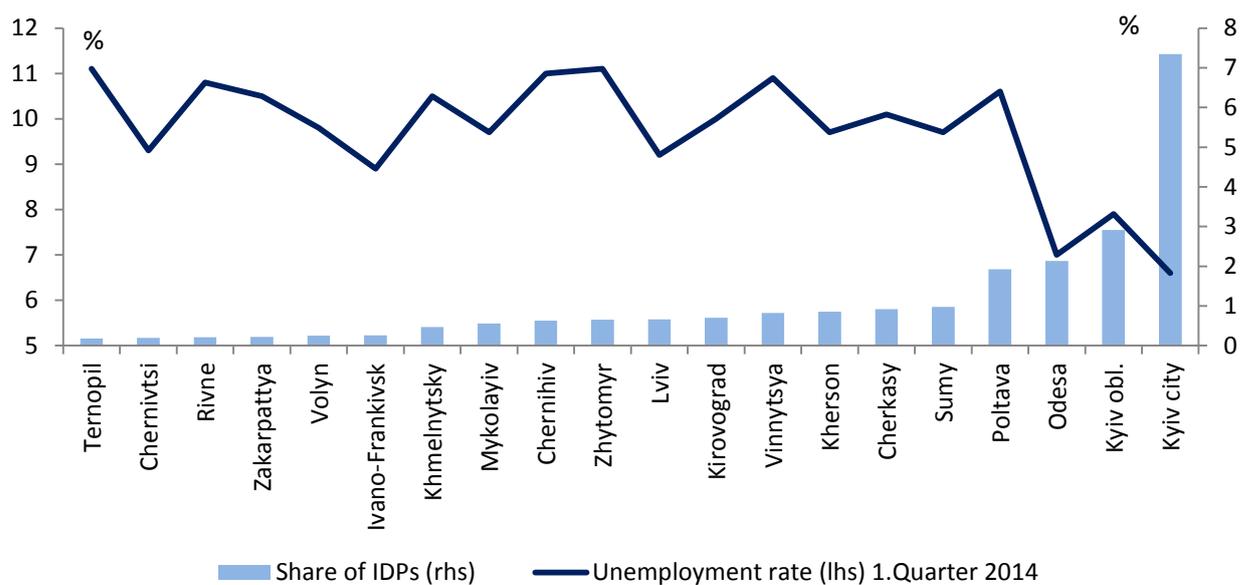
factors determined the location decision of IDPs without having a bias in the analysis because of the closeness of some regions to the conflict zone. In line with this argumentation, figures 4 – 6 illustrate only the relationship for the remaining oblasts, which account for around 23 percent of total registered IDPs.

In order to gain a clear picture of whether IDPs relocate to regions with relatively good economic conditions, it is necessary to refer to the situation before the influx of IDPs. Therefore, the benchmark is the first quarter of 2014.

In fact, a negative correlation between the unemployment rate in 2014 and the IDP population in 2015 is observable. Excluding the above mentioned oblasts, the correlation coefficient amounts to -0.72<sup>12</sup>, which is quite sizeable since IDPs are forced migrants and therefore the economic condition in the destination region was not expected to be that important because many of them typically come to live with relatives and their hope to remigrate is quite high. But, considering the geographical location of these regions, it can be quickly noticed that most of these regions are in the second line surrounding the Donbas regions and so it is still questionable in how far the economic situation or just the closeness of these regions have been the driving force. Nevertheless, concerning the impact of IDPs on the development of the economic situation within regions, these findings have given rise to hope that the influx of migrants into regions might not be as harmful as they could have been.

**Figure 4**

Unemployment rate (ILO) in Q1 2014 and share of total IDPs in the particular oblast (October, 16 2015)



Source: Ukrstat, UNHCR

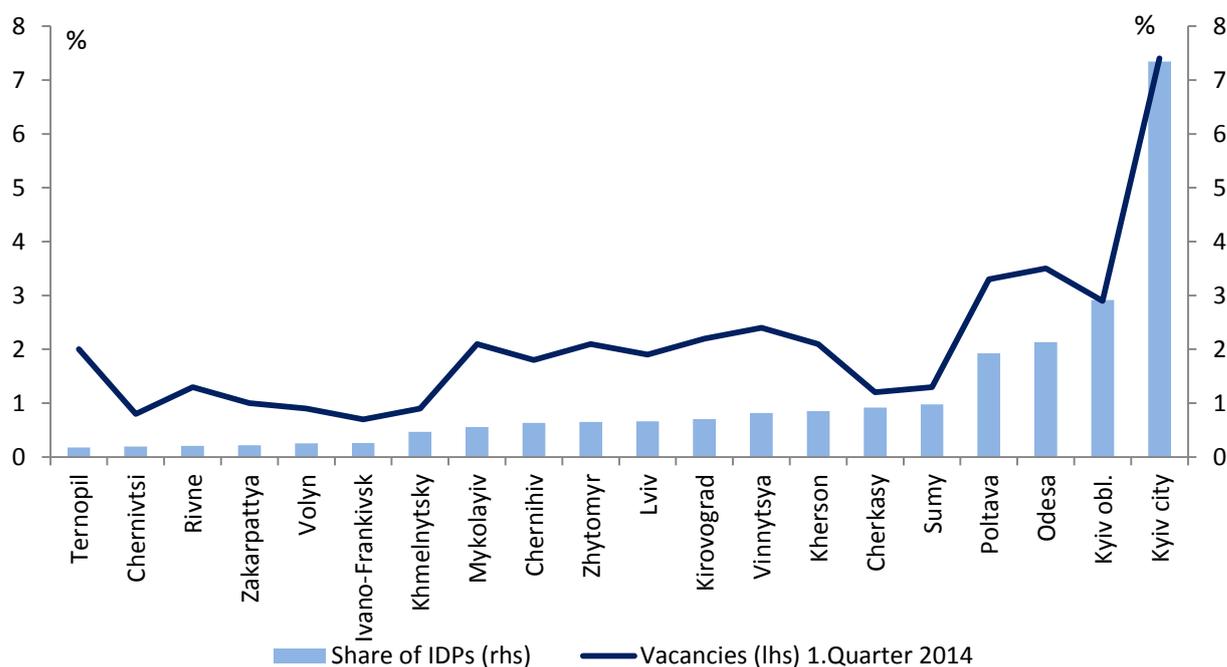
**Conclusion 1: The lower the unemployment rate within a region, the higher the share of IDPs in this region.**

<sup>12</sup> Even if we exclude Kyiv city because of its outstanding position as the capital of the country, the correlation coefficient remains very high in absolute numbers (-0.57).

Another possibility to evaluate the possible effect of a sharp increase of labour supply within specific regions is to look at vacancies. Again, only a few of the actual available jobs are reported by employers to the SES, but it can still serve as an instrument to capture an impression about the labour demand within specific regions. As already done in the previous section, the correlation of the geographical distribution of the IDP population in 2015 and the vacancies registered at the SES in 2014 is estimated. Once again, we observe a positive relationship between the economic situation within the region and the share of IDPs: the higher the reported vacancies in 2014 within one specific region, the higher the share of IDPs. The correlation between vacancies in 2014 and the distribution of IDPs in 2015 is even stronger than the one we observed for the unemployment rate. The coefficient amounts to 0.94<sup>13</sup> which implies a more or less complete positive relationship.

**Figure 5**

Structure of vacancies in Q1, 2014 and share of total IDPs in the particular oblast (October, 16 2015)



Source: SES

**Conclusion 2: The higher the number of vacancies within a region, the higher the share of IDPs in this region.**

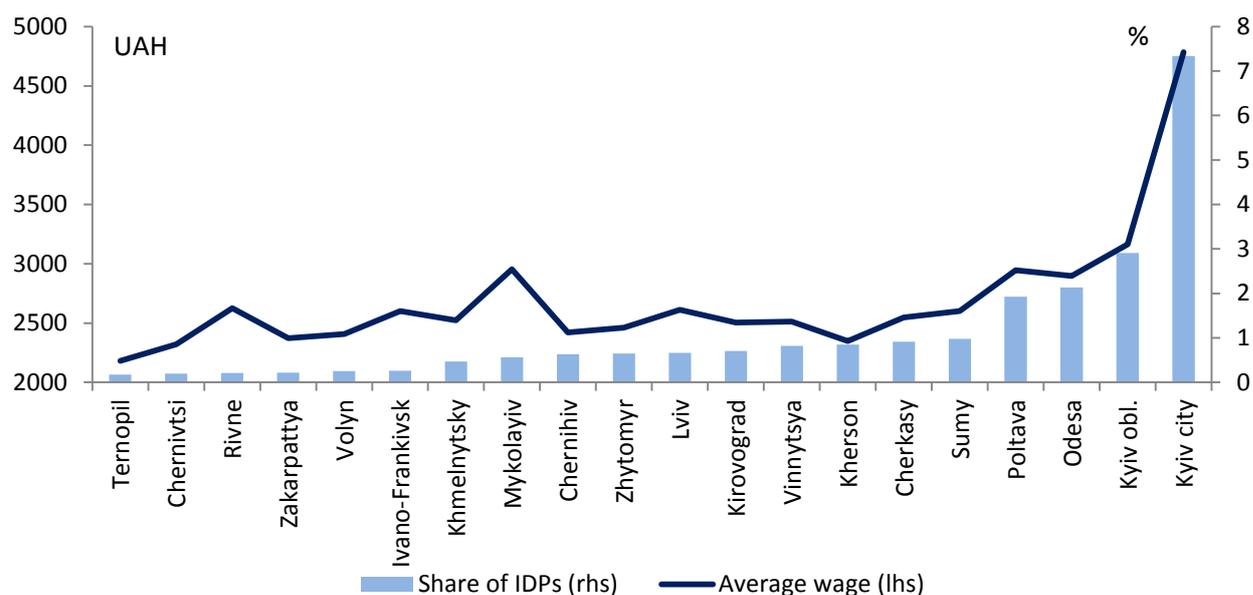
The third measurement is the average wages of the oblasts. Since there have been huge changes in real wages during the last times, we use wages from Q1 in 2014, right before the crisis started, as a benchmark. Not surprisingly, and in line with the observation for vacancies, we find a positive correlation between the average wage within the region and the share of IDPs compared to total. The correlation coefficient amounts to 0.96<sup>14</sup>. But, eastern and southern regions have been traditionally more prosperous as they are more industrialised than the western regions. Therefore, they pay, for example, higher wages than regions with a high amount of agriculture.

<sup>13</sup> Excluding Kyiv city the coefficient amounts to 0.76.

<sup>14</sup> Without Kyiv city the coefficient amounts to 0.79.

**Figure 6**

Average wage in January 2014 and share of total IDPs in the particular oblast (October, 16 2015)



Source: Ukrstat, UNHCR

**Conclusion 3: The higher the average wage within a region, the higher the share of IDPs in this region.**

As mentioned above, some of the eastern oblasts are excluded from the correlation analysis due to their geographical proximity. But since almost 80 percent of all IDPs are registered in these oblasts, a simple gravity model is estimated additionally. This model contains geographic proximity as an independent variable and therefore allows to include all oblasts in the analysis. To capture the geographic proximity, the linear distance between Luhansk city<sup>15</sup> and the particular oblast was estimated. The estimated regression confirms the results gathered from the above correlation analysis. The wage level and the number of vacancies have a positive and significant effect on the share of IDPs within a region. However, no significant relationship between the unemployment rate and the share of IDPs could be found. In line with our expectation, the geographic proximity plays a big role. Further afar a region, the lower is the share of IDPs within this region. Overall, it can be summarized, that IDPs moved to relatively prosperous regions with comparatively well-functioning labour markets and not to already less well-off oblasts with already weakened labour market situations. This might help slightly to attenuate the economic consequences of internal migration.

### 3.3.2 Reflections on the labour market impact of IDPs

Labour market consequences are usually measured by changes in wages and employment. Theoretical predictions of how immigration influences and affects native wages and (un-)employment strongly depend on the underlying model used and whether short- or long-term effects are measured. According to the basic model in a closed economy, wages will fall in the short-run if the labour supply increases and if immigrants resemble the skill mix of natives, thus implying perfect

<sup>15</sup> Unfortunately, no precise information about the origin oblast of the IDPs is given. Therefore, Luhansk was picked as the origin.

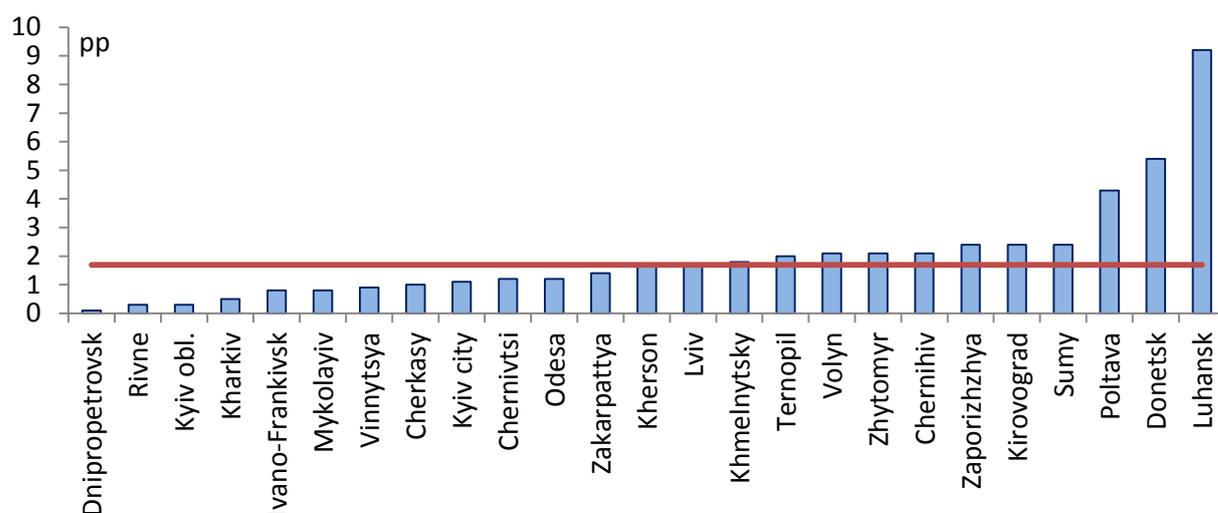
substitutability. If, for some reasons, wages are sticky, the adverse effect on wages will be reduced and instead unemployment will occur.

So, the crucial question concerning the effects of immigration on the labour market effects is whether immigration reduces wages of the resident population or rather increases the unemployment rate within the destination regions in the short-run. In the long-run, as most studies predict, neither should occur.

The impact of the massive migration flows within Ukraine strongly depends on the pre-crisis situation within the regions and the reallocation of the people triggered by the migration flows. The analyses performed above concerning the empirical patterns of the IDP allocation already provide some first hints: IDPs reallocated mainly in relatively prosperous regions which might attenuate the economic consequences of this movement and pressure on regional labour markets might therefore be more moderate than expected. The change of the unemployment rate provides a first hint, when assessing the labour market consequences of migration flows. As shown in figure 7, the overall unemployment rate increases by 1.7 percentage points from 2013 to 2015. Donetsk and Luhansk oblasts report the highest increase, which is quite obvious, since they are seriously affected by the armed conflict. Surprisingly, oblasts in the second line surrounding the Donbas regions, in which most of the IDPs are registered, experienced a quite small increase in unemployment. Dnipropetrovsk e.g. reports the lowest unemployment growth with an increase of 0.1 percentage point. Kharkiv, as well, experiences a lower increase than the average.

**Figure 7**

Change of unemployment rate in percentage points from Jan.-June 2013 – Jan.-June 2015



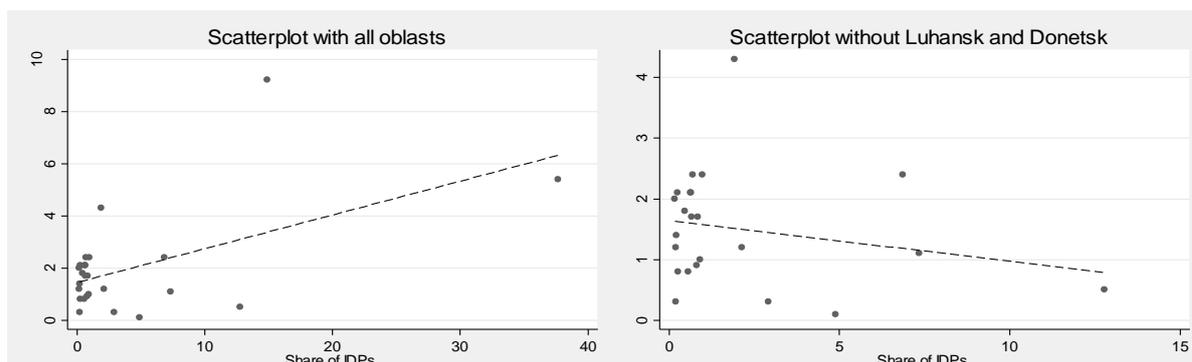
Source: LFS

To gain a more precise picture on whether the inflow of IDPs increased the unemployment rate, figure 8 reports a scatter plot of changes in unemployment rates against IDP inflow. The fitted values indicate a small positive relationship between the unemployment rate and the share of IDPs within a region. However, it is assumed that most of this positive relationship is driven by the two most affected oblasts Luhansk and Donetsk. Therefore, a second scatter plot on the right hand side of figure 8 is shown, where these two oblasts are excluded. And indeed, the positive relationship turns into a negative one.

Overall, it seems that until now no big labour market impacts of IDPs are observable. Nevertheless, this is just a first picture and since the ILO unemployment rate is based on a survey, it is quite likely that not many of IDPs are covered, if at all. Therefore, the change in the unemployment rate should be treated with caution when assessing labour market outcomes. More and especially detailed data about IDPs is needed in order to evaluate the impact of them on regional labour markets.

**Figure 8**

Scatterplot of changes in unemployment rate (2013-2015) against share of IDPs in 2015



Source: Own calculation

#### 4 Summary

The main focus of the paper was to provide a deeper understanding of the IDP movement.

In terms of regional allocation, eastern oblasts which are located next to the non-government controlled areas, as well as the armed-conflict affected oblasts themselves, report nearly 80% of all IDPs. Other oblasts, mainly those in the western part of Ukraine, experience only small influx of IDPs. Concerning the skill distribution of registered as unemployed IDPs, it seems that those who are registered as IDPs are well educated, actually above the average skill distribution of all registered unemployed. However, no comparison of skill distribution of all IDPs and the whole population is possible, due to lacking data.

Concerning empirical patterns of IDPs, traditional migration settlement paths are observable. On the basis of different correlation analyses, selection of IDPs into prosperous regions is revealed. According to the results, it seems that the economic prosperity of a specific region influences the location decision of IDPs. The lower the unemployment rate within a region, the higher is the share of IDPs within this region. The opposite is true for open vacancies and wages. The higher they are, the higher the influx of IDPs. Overall, it can be summarized that IDPs moved to relatively prosperous regions with comparatively good working labour markets and not to already less well-off oblasts with already weakened labour market situations. This a good sign, especially in terms of possible economic consequences. But to be able to obtain reasonably valid results about economic consequences of IDPs in Ukraine, there is clearly still much to be done.

Up to now, the registration is very time-consuming and IDPs have to apply for financial and social assistance additionally after registration. Moreover, no dedicated institution exist which coordinates the registration process and also the different aid programmes and cash assistance which are provided by the government and international donors. But also in terms of data collection and data access, a simplification, coordination and communication is indispensable. Moreover, more and especially more detailed information about IDPs has to be collected. This is a major factor in terms of understanding the individual needs. Adequate and valid policy implication concerning economic impacts does also crucially dependent on the available database. Based on the collected information about IDPs, targeted measures can be developed and implemented.

## Appendix

**Table A.1**

Regional educational distribution of registered unemployed (in %)

	secondary education		vocational education training		tertiary education	
	IDPs	All	IDPs	All	IDPs	All
Kherson	17.9	25.1	27.1	31.3	55.0	43.6
Zhytomyr	20.7	30.3	23.8	30.2	55.5	39.4
Sumy	8.1	7.2	35.5	48.1	56.4	44.7
Chernivtsi	15.5	32.2	27.6	26.5	56.9	41.3
Kirovohrad	17.7	25.2	24.1	36.3	58.2	38.5
Khmelnyskyi	9.4	8.0	31.1	43.5	59.5	48.5
Chernihiv	19.4	27.3	20.5	28.4	60.1	44.3
Vinnytsa	13.8	18.2	26.1	36.1	60.1	45.8
Zaporizhzhia	14.6	17.5	25.0	37.8	60.4	44.8
Ivano-Frankivsk	9.5	22.1	27.4	29.6	63.1	48.3
Cherkasy	14.9	16.5	21.3	36.1	63.8	47.4
Poltava	9.8	14.2	26.4	39.7	63.8	46.1
Volyn	12.2	22.4	21.6	33.1	66.2	44.5
Mykolayiv	9.0	23.1	24.8	39.7	66.2	37.2
Rivne	14.5	18.0	19.0	38.6	66.5	43.4
Ternopil	10.4	11.6	21.9	37.7	67.7	50.7
Odesa	16.8	29.5	12.2	22.7	71.0	47.8
Donetsk	10.5	15.5	17.9	34.4	71.6	50.0
Kharkiv	11.7	20.9	16.3	29.2	72.0	49.9
Dnipropetrovsk	10.4	15.9	16.6	28.5	73.0	55.6
Zakarpattia	14.1	46.5	12.1	20.7	73.8	32.8
Kyiv	10.2	20.4	15.2	26.1	74.6	53.6
Luhansk	8.8	16.4	15.8	40.0	75.4	43.6
Lviv	9.0	11.1	11.4	32.6	79.6	56.3
Kyiv City	5.2	8.8	4.1	7.9	90.7	83.3

Source: SES

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