



Transcript of IMF podcast:

Giovanni Peri on Economic Impact of Ukrainian Migration

Giovanni Peri:

One of the remarkable things of this crisis, has been the very decisive and very coordinated response of the European Union, to what to do, with these refugees.

Bruce Edwards:

So what happens when millions of people, overnight need to grab whatever they can carry and leave their home, their jobs, their country? In this episode, how Europe is handling one of the biggest refugee crises of modern times.

Giovanni Peri:

Many economists actually argue that these refugees are an opportunity for many European countries.

Giovanni Peri:

I am Giovanni Peri, I am Professor of Economics at UC Davis, and I am the Director of the Global Migration Center, which is a center that studies migration from a multidisciplinary point of view.

Bruce Edwards:

So the numbers, coming out of Ukraine, people leaving or fleeing the war in Ukraine are staggering at this point, more than four million or four and a half million people. Can these neighboring countries, in your opinion, countries like Poland, Hungary, Romania, all that have been under COVID for a couple of years now spending a lot of money like the rest of the world. Can they afford to host all these people?

Giovanni Peri:

Yes. This is a good question. So let me start by saying that this is a crisis which is quite new for Europe, it's rare that you have a war right at the heart of Europe. I would say that the previous most comparable situation was the war in ex Yugoslavia in the mid-nineties.

Giovanni Peri:

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And the ability of countries of Europe to deal with this type of emergency will certainly be tested. We certainly may not be fully prepared, however, there are a couple of observations from an economic point of view. Certainly the European countries around Ukraine and the rest of Europe are among the very advanced economies in the world.

Giovanni Peri:

And so the refugees that will move there will certainly have better perspective than say, recently the Syrian refugees which have escaped to nearby country in the Middle East, or Afghan refugees who are also escaping their country for, moving in other country which are much less developed.

Giovanni Peri:

European countries have admitted and allowed significant number of refugees. And in the recent past I would say, Germany has been the country which has been a little bit of the symbol, and the example of allowing refugees in the Syrian crisis.

Giovanni Peri:

Overall, they admitted about a million refugees, so that was also a very important response. Certainly for Poland, Romania, Moldova, Hungary, which are the closest countries and now they're receiving- out of the 4.5 million, at least three million are going into this country, could be strained. And in the short run, there would be potentially significant costs. And so it will be very important for other countries also to step in and to distribute the burden of these refugees.

Bruce Edwards:

And so, as you mentioned there, Europe has seen in the past a lot of migration flows for various reasons, but most of this has been, at least some of this has been what are referred to as economic migrants- people choosing to move rather than having to move. So how does that compare to refugees like these Ukrainians fleeing the war? How is that different from the economic migrant?

Giovanni Peri:

So this is a very important distinction. Europe has experienced significantly growing a number of immigrants in the last two decades, I would say. And as you say, the overwhelming majority of those were migrants who chose to come to Europe, many from Africa, Middle East, Latin America, but also there has been a significant east to west migration in Europe.

Giovanni Peri:

The difference with refugees are several. These are two very different phenomena. First, the refugee leaves in a situation of emergency, relatively suddenly with much less planning. At the beginning, they

will need accommodations that they have not planned for, and they will have basic needs that economic migrants normally plan ahead and have covered.

Giovanni Peri:

Second important difference is that they come from trauma, from an extreme experience, which could affect their physical, their mental health, in the short run. And as a consequence can make, it hard for them in the shorter run also, to work, to deal with their issue.

Giovanni Peri:

A third important thing that will be there in the short run is a very large amount of uncertainty for refugees. Again, migrants who plan have a clear path. The uncertainty of refugee comes, at this stage from the fact they don't know how long the war will last. They don't know what their final destination is.

Giovanni Peri:

And finally, the other difference is that normally refugees- sort of coming all in a sudden, in relatively large groups. All these things clearly in the shorter run generate challenges, that the more slower planned and regular migration of economic migrant does not generate.

Bruce Edwards:

And so a lot of your work, for the past several years has been looking at the economic drivers of migration. Again, not people fleeing war persecution, but economic migrants for the most part anyway. And a big factor is wages. Especially when people are moving from a less developed country to a richer country. Was that happening in Ukraine to any great extent before the war? I mean, were there any significant numbers of economic migrants from Ukraine into Europe, before the war?

Giovanni Peri:

Yes. So definitely there had been a significant migration of Ukrainians to the rest of Europe and to the rest of the world. There is a significant diaspora, as it is called, so Ukrainians abroad... In Europe, the largest numbers are in Poland, which is the neighbor country and then in Germany, Italy, France. In Poland, we're talking more than a million Ukrainians who migrated. Germany, Italy, France were in the hundreds of thousands, two, three hundreds of thousands. There is actually a significant diaspora of Ukrainians in Canada and in the US. Over a million.

Giovanni Peri:

And if I have to characterize what type ,or how- what are the characteristics of Ukrainians that moved... In many European countries, in particular, Italy and France in part of Germany, there is a very significant women migration. The percentage of Ukrainians migrant of women Ukrainian migrants is large,

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sometimes 70% of the total. And this is linked to the type of jobs that Ukrainian have been doing. They have been employed in large part into the hospitality sector, the assistance sector of elderly, of disabled, the personal service sectors.

Giovanni Peri:

These are sectors that employ a large part of women, while a lot of the diaspora in US and Canada of Ukrainian are migrants with relatively high levels of education, skilled migrants in more human capital-intensive type of sectors. So before the war, this is a little bit the picture of Ukrainian migration to Europe and to the rest of the world.

Bruce Edwards:

Okay. So now Europe is looking at this large influx of people. What is the strategy here? I mean, do these countries, the host countries, simply provide them shelter while the war plays itself out? Or do they help them integrate and become productive in their new home country?

Giovanni Peri:

So I would say that, one of the remarkable things of this crisis has been the very decisive and very coordinated response of the European Union, to what to do with these refugees.

Giovanni Peri:

So the first point I want to emphasize is that certainly in the shorter run, shelter and primary assistance are needed, that some of these countries will have to deal with and this adds a cost in the short run. But immediately actually, and this is very unusual for refugees, the Ukrainian refugees have been allowed to move freely in the European Union to access jobs. So they have been allowed to work, their children are allowed in schools.

Giovanni Peri:

And as a consequence, the approach to this is certainly dealing with the emergency in the short run, but also learning a little bit from the past and seeing that very important element of integration of refugees from an economic point of view, which then turn refugees from a cost to an investment, to an asset for the country. It is letting them access labor market, allowing their kids in school. And this is happening, this is an important factor.

Giovanni Peri:

Now, one thing right now is that a lot of Ukrainian refugees are extremely uncertain. You have to think that many have a family, which is split, some people have left Ukraine, other are there. And as a consequence, many of them are still not very willing to go too far. That's why the neighboring countries

have a lot of refugees. And so this has little bit concentrated the emergency on those. But countries as Germany, France, Italy, Switzerland are starting to encourage refugees actually to come to travel to these countries with the possibility also of a job, of school for their kids. So I think this is a very encouraging, very positive, and as we think- as economists think, in the long run, potentially very valuable type of approach to integrating refugees.

Bruce Edwards:

And so what are the fiscal implications to supporting refugees at that level? I mean, there's also a political aspect to this where public perception is such that immigrants pose a burden on public finances sometimes.

Giovanni Peri:

So I think that here, there is a clear difference between the short run and the medium to long run. In the short run, there will be some costs, I would say, it's not super easy to quantify them, but the estimates are that for the European Union, sometimes asylum seeker refugees may have a cost of eight to \$10,000 per person in the first year that they are, in terms of a housing and support. And that's not trivial.

Giovanni Peri:

However, all the studies also see that in the second, third, fourth year, especially if the refugees access labor markets, especially if in the first year, also they have been supported and assisted with some policies to find a job, to learn the language, they can turn really, and be productive assets. And normally they can be employed and the income that they generate is much larger, than the cost in the short run. But yes, a crisis like this will imply that there is a cost upfront, but then there is the opportunity of investing in the human capital of refugees.

Giovanni Peri:

Many economists actually argue, that these refugee are an opportunity for many European countries, because they come at a point in which, in many of the jobs that they could and they would take, there are significant shortages of workers.

Giovanni Peri:

For example, in personal assistance, in hospitality and food industries, this is a situation in which with the right policies, one could match some of these refugee to these jobs in turn the cost, to the short term cost into a return for the receiving economy very soon, in fact.

Bruce Edwards:

And so with all these incentives the EU providing them legal status for, I think it's three years now allowed to work, allowed to go to school, some countries are even providing access to health services and other social programs. Do you worry... I mean, is there a potential problem there in terms of the labor market? With all these people looking for work, does it risk increasing competition for jobs and even lowering wages, perhaps?

Giovanni Peri:

So it will depend on how many of these people really look for a job and search for jobs, but also what type of jobs they will be taking. There is a way in which this contribution of refugees can really be more positive than negative, even in the labor market.

Giovanni Peri:

In principle, there is some risk of competition, especially in the short run, if they all look for similar type of jobs. There have been some very interesting policies for refugees which have been adopted, for instance in Denmark in the last five to six years and in the Northern country, in which, one of the services provided to refugees was to match them with the sectors that we are experiencing shortages as I said before, in hiring.

Giovanni Peri:

This would increase the probability for them to find a job right away, because there is somebody who's hiring, and minimize the competition because clearly these jobs don't have people available to do them. And this seems to have worked relatively well. So this is one way in which the absorption of the new workers will minimize the competition and maximize instead the stimulus, the positive effect.

Giovanni Peri:

Of course, another natural thing that I point out... a lot of my research emphasize of immigrants, is that they tend to do somewhat different type of jobs than natives and be employed in somewhat different types of occupations. And so the competition with natives is not so strong, while instead, they also have a stimulating effect at the local level allowing companies to hire, to grow, they spend and they grow the economy. So not only they are a supply of workers, but if they find job, they are also demanding services, demanding goods at the local level, which in turn will generate more employment.

Giovanni Peri:

So research says that it is not automatic that there is a displacement. In the short run, if many of them are in the labor market there could be some impact on wages. But in the longer run and especially as I said, if their distribution across occupation and jobs is sort of complementary to what natives do, so is in

these jobs that are experiencing shortages, the effect can actually be very attenuated on wages and in the longer run, more positive for the local economy.

Bruce Edwards:

So what does this all mean for Ukraine? I mean, the war will end at some point and they'll be faced with rebuilding the country on so many levels. What would it mean for Ukraine to have lost so many people to migration if they do decide to stay in these host countries?

Giovanni Peri:

Yeah, this is interesting. I actually see two scenarios possible. One scenario in which Ukraine ends the war but it maintains a level of independence, a level of economic activity that will encourage a lot of people to return. As I said before, many families are split, this means that to reunify, if Ukraine goes back to peace, many of them will go back. In this case if many of them go back, the fact that they have been abroad for a little while may not be a bad thing.

Giovanni Peri:

They may have worked for a little bit in Western Europe, created some connections. And when they go back, this can help their local economy through trade, through investment, through higher skills and entrepreneurship that they bring. This has been the story for instance, of a lot of Eastern European countries that had very big migration towards Western Europe like Poland, Romania, the Czech Republic. But then in a later stage they had returned, which was important for their economy. So a story of return could actually benefit from the fact that these people have had some experience in Western Europe.

Giovanni Peri:

On the other hand, there is also a scenario in which to the contrary, the war lasts for a long time, maybe more localized, but still people feel that Ukraine is a very uncertain country and they won't go back. And in this case, I think the drain of people out of Ukraine can become even bigger, because the split families will reunify in the country where the migrants are, so more people can leave Ukraine. And it's normally the case that people who have better opportunities... so the brains, the professionals, are the one who will continue to leave Ukraine. And this clearly can generate a situation in which in Ukraine will suffer from the brain drain and in the ability of creating economic recovery.

Giovanni Peri:

So at this stage, it will really depend, I think, on how things evolve, but I could see how this diaspora could be an asset if they go back and they are in the right situation, or it could generate even more drains if things continue to go badly in Ukraine.

Bruce Edwards:

And I assume that Russia will be also as suffering the same consequences, to a certain degree anyway, with the economy... it's essentially been turned on its head, with many innocent citizens being affected by all that, by the war... Will Russia also have lost some valuable human capital by the end of all this?

Giovanni Peri:

This is very interesting. Russia actually comes into this war already having had some remarkable episodes of brain drain and flee. I mean, everybody knows, that at the end of during the collapse of the Soviet Union, a lot of scientists, engineers, left to come to the west, but then fewer people know that this brain drain has continued. When in the early 2010s when Russia invaded Crimea and became a particularly strong and continued to be an authoritarian state, a lot of Russians left. And now there's news, as you correctly say that there are hundreds of thousands of Russians who want to leave. This is very worrying for Russia because on one hand, the people who are more likely to leave are the one who have the skills that can be easily employed in the west.

Giovanni Peri:

They are engineers, the mathematicians, the scientists, people who are crucial to build an economy. And also, very likely to leave are people who are particularly adverse to the regime, who would be the critical voices, who are having a hard time accepting. And so on one hand, Russia will lose brains and will lose people who can be very productive. And also possibly will lose people who would've been the catalyst of political change, generate maybe an even strengthening, or fewer voices of dissent internally.

Giovanni Peri:

So in the longer term, I think that this war, this extreme position taken by Russia could be very damaging to their economy, and in the longer run could even make this regime more isolated internationally, but maybe more grounded locally, because a lot of the people who would have a voice dissent are instead leaving the country.

Bruce Edwards:

Wow. That's very concerning. And so what role do you see the international community play here? In terms of trying to support those lives who've been disrupted in Ukraine, in Europe, in Russia, while not compromising Ukraine's ability to come back from this terrible human and economic tragedy?

Giovanni Peri:

So I think that Europe and the European Union will play a very important role. This idea that countries are stepping up in hosting refugees and offering them opportunities, and they are coordinating with each other so that no single country will carry the whole burden but distribute... this is a key idea. In

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fact, it should be how advanced economies manage all refugees, finding a reasonable way to distribute the burden and allow them to integrate. So that's going to be an important role played by the EU, but also, as I said, United States, Canada, places where some of these refugees at some point will be coordinating a response, allowing a reasonable number of refugees in these countries will be very important.

Giovanni Peri:

Of course, one other thing that the international community can do is to help the neighbors in particular, the poorest neighbors of Ukraine, which are a little bit overwhelmed, I would say Poland is receiving the most in number and will need some support and assistance from an economic point of view. But even more probably, Moldova is the country that in per capita term, is receiving more refugees, and is the poorest of these. So supporting Moldova, helping the economy of Moldova, also to deal with this crisis will be an important role of the international community.

Giovanni Peri:

I would say that ultimately, and in not too long, also the international community should start thinking of helping the reconstruction at least of part of the economy- to get to the part which is not in the war zone, restarted. And because as we know, another effect has been that the production of Ukraine have been essentially annihilated. Ukraine is a huge exporter of grain, is a very important trade partner with Europe. And so pushing the economy, at least of the part of Ukraine which is not in war, I think is also a very important duty of the international community.

Bruce Edwards:

Giovanni Peri. Professor of Economics at the University of California, Davis. Thanks so much for this. Migration is so important for so many reasons right now, I really appreciate your expertise.

Giovanni Peri:

Thank you, Bruce. Was my pleasure being with you.

Bruce Edwards:

Giovanni Peri, heads the Global Migration Center at UC Davis. And for those of you young listeners out there, who may be just starting out, I asked Giovanni how he ended up specializing in migration, and I think it's a story worth sharing.

Giovanni Peri:

My interest in migration actually was sparked and started when I finished college. And I was in Italy, and at that time you had to do either a military service or a civic service and I chose to do civic service. And I was sent to the center for refugees.

Giovanni Peri:

Actually, these were the nineties, so Italy was receiving a lot of Albanians... so people coming from Eastern Europe. And I just found incredibly fascinating the stories of these people and their personalities. And I also always was struck by the gap, how the media in Italy already were all alarmed about this invasion of Eastern Europeans and Northern Africa and how to the contrary- interesting, valuable and what incredible assets these people were, both from a personal and from an economic point of view.

Giovanni Peri:

So that's started it then I came to the US as a migrant a little bit myself, to do my PhD, and this even strengthened my idea... I met a lot of other people like me who were coming here to study, and so this just cemented my idea that migration was such an important engine of change, of evolution and growth for the US, for sure, but the whole world... and I started doing research and I continue to this day.

Bruce Edwards:

So there you have it. Giovanni Peri, on how a spark of interest can turn into an interesting career, doing important work!

Bruce Edwards:

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Bruce Edwards:

I'm Bruce Edwards. Thanks for listening.