

The Ukrainian Exodus Calls for Better Coordination in the European Asylum Policy

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on the “*Coordination of the resettlement of refugees from Ukraine*”

Within a few weeks after its start on the 24th of February 2022, the Russian invasion of Ukraine has generated the largest refugee flows witnessed in the European continent since the Second World War. By March 29, 4,019,287 asylum seekers had arrived to Ukraine's bordering countries. This figure already exceeds the 4 million predicted by UNHCR at the onset of the war (UNHCR 2022) and some estimations suggest that the number of forced migrants could reach 9.9 million, if the war continues and spreads to the western part of Ukraine (Düvell and Lapshyna, 2022).

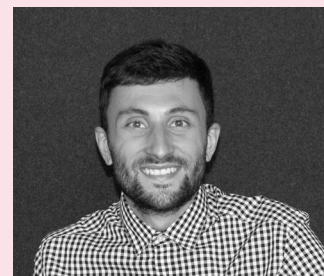
Europe's response to the refugee inflows contrasts with the one adopted in 2015, when more than one million refugees arrived in Europe – mainly from Syria. On March 4, the Council of the European Union activated for the first time the *Temporary Protection Directive*, granting temporary protection to Ukrainian nationals residing in Ukraine and displaced following the country's invasion. This protection also extends, under certain conditions, to stateless persons or nationals of third countries other than Ukraine, who have been displaced from Ukraine. This policy aims to help EU countries manage massive inflows of displaced persons, as the immediate protection granted mechanically facilitates and speeds up asylum procedures.

The magnitude of the recent Ukrainian flows is likely to raise concerns about

their impact in destination countries. We briefly review the existing literature that essentially mitigates fears related to negative effects of large refugee inflows. However, we argue that sharing responsibilities across European countries will be crucial to best deal with the current situation. This, in turn, leads us to provide preliminary estimates of the number of refugees who could be distributed across EU27 destinations depending on their absorption capacities.

The consequences of refugee inflows in destination countries

The economic literature has shown that (large) migration flows do not have negative effects on public finances or the labor market, at least in the medium term (Edo et al., 2020). Immigrants are often complementary to a large part of the population, by taking up jobs characterized by a shortage of supply, by generating employment for the host population, or simply by consuming or investing at destination. Similarly, migrants do not constitute a cost in terms of public finances. Beyond the numbers, a large proportion of migrants have complementary skills and knowledge allowing them to generate ties with their country of origin, ultimately fostering the development of economic activities, trade, and innovation (Mayda et al., 2021).



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However, such effects do not materialize immediately in the receiving economy and short-term challenges can be important. This is particularly the case with refugees who have undergone traumatic experiences. In addition, refugees are often less prepared than economic migrants, with limited or no knowledge of the language spoken at their destination or lacking specific skills needed to integrate its labor market. The hurdles faced by refugees may also force them to accept jobs for which they are over-qualified. This can increase competition for a segment of the host country's labor force, often the less-educated, including the migrants already present.

Refugee flows from Ukraine are expected to have minor effects on host countries in the medium run

In addition, a high national or local concentration of migrants in some countries may slow down the integration of foreigners. Despite high levels of solidarity, the concentration of refugees in Greece has led to tensions, potentially explaining a rise in the political support for the far right (Hangartner et al., 2019). Such phenomena have also been observed in Germany, Austria or Denmark (Dustmann et al., 2022). Far from providing a conclusive answer, the literature illustrates the complex role of the location of migrants for their integration. On the one hand, the presence of networks generally improves the labor market integration of refugees, but an excessive concentration of newcomers may attenuate this beneficial effect. The network composition also matters (Dagnelie et al., 2019). On the other hand, the benefits of networks may be

short-lived for newcomers as individuals with large networks may have lower incentives to acquire human capital specific to their environment (Battisti et al., 2022).

Minimizing short-run costs and maximizing medium-term gains requires a successful reception and integration of Ukrainian refugees. European citizens have shown huge solidarity with Ukrainian asylum seekers, yet maintaining this solidarity in the long run is likely to be a major challenge. In the current situation of emergency, countries must implement adequate accommodation structures, guarantee access to basic services and medical care. Special attention must be paid to the welfare of children, a group that is particularly vulnerable. The temporary protection scheme that Ukrainians benefit from provides them with a direct access to the labor market. This has been shown to favor refugees' economic integration (Fasani et al., 2021). The feasibility and success of these measures might however be constrained by the distribution of refugees within and across space, which depends on the absorption capacities of destination countries and regions. This highlights the importance of European countries' shared responsibility and the need for a more structured and sustained coordination between them.

A likely unbalanced distribution of Ukrainian refugees

The distribution of refugees across host countries remains uncertain at this stage. In the short term, a majority of them are likely to opt for an accessible destination, favoring neighboring countries, with the exception of Russia and Belarus. Other countries, not bordering Ukraine, are expected to gradually receive more refugees. As of March 29, more than 1,000,000



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temporary protection applications have been registered in these non-bordering countries (i.e., more than 23% of the outflows registered at Ukraine's borders). In a second phase, countries with large diasporas of Ukrainian migrants such as the United States, Kazakhstan, Canada, and Israel could also become relevant destinations.

Below, we present different possible distributions of Ukrainian refugees in the EU27 countries. We compute distribution keys based on five different criteria, which represent the share of total refugees that each country could host under five different scenarios. The first two take into account the networks in 2020 and the recent attractiveness of each destination for Ukrainian immigrants over the period 2015 to 2020. Ukrainian refugees are free to choose where to seek temporary protection, which strengthens the role of their networks abroad. In addition, the potential absorption capacities of each country, as proxied by the size of their population and their GDP, should also affect the location choice of Ukrainian refugees and serve as criteria for the remaining keys.

Our approach, focusing on simple criteria, implies leaving out other important features that may influence the number of Ukrainian refugees in each destination. For instance, we abstract from constraints on accommodation capacities. Moreover, we focus on refugee flows from Ukraine, without considering the effects that these might have on other flows, or the effects of war on displacements from other countries (such as Russia). Overall, we aim to propose a plausible order of magnitude for Ukrainian flows, rather than to venture precise (and technically perilous) predictions about the distribution of refugees.

The comparison between the distributions obtained with the total

stock (in col. 1) and recent inflows of Ukrainian immigrant (in col. 2) in Table 1 contrasts the historical and more recent attractiveness of a destination. For Luxembourg, the United Nations estimate that 1,471 individuals from Ukraine resided in the country in 2020, representing 0.1% of the total Ukrainian population in the EU27. By contrast, the country registered 1,296 arrivals between 2015 and 2020, i.e., 0.4% of the total flows to the EU27 over the same period. The higher share of Luxembourg in recent flows, compared to the historical stock, indicates an increase in the attractiveness of this destination in recent years. Other historically important destinations, such as Poland or Germany, have also seen their attractiveness for Ukrainian migrants increase over the last five years. Conversely, other countries, such as Italy, Portugal or France, have recently lost some of their appeal.

We quantify potential allocation keys based on different criteria accounting for immigrant networks and countries' hosting capacities

The application of a population-based distribution key (in col. 3 of Table 1) would imply a homogenous "number of refugees per capita" across European countries. Luxembourg represents a slightly higher share among the EU27 population (0.14%) than among Ukrainian immigrants in 2020 (0.10%). Some countries are over-represented in the location choices of Ukrainian immigrants compared to the distribution that would be observed if based on the population of each destination. This is particularly the case for countries

bordering Ukraine such as Poland and Hungary, as well as Germany, Czechia, Italy and Portugal. On the contrary, some destinations have a smaller Ukrainian diaspora than suggested by their population size. This is the case for France, which accounts for 15.1% of the EU27 population, but hosts only 1.3% of the EU27's Ukrainian migrants in 2020. Another example is Belgium, whose population corresponds to 2.6% of the EU27 total, while only 0.2% of Ukrainians reside there in 2020.

An alternative distribution takes into account the economic capacities of the different destinations. For this purpose, we use the share of GDP of each country in the total EU27 GDP. This would further reduce the share of the four EU countries (Hungary, Poland, Romania, and Slovakia) bordering Ukraine. Col. 4 of Table 1 confirms that Western European countries would become more attractive for individuals from Ukraine. For example, the share of Germany would be 22.7%, which exceeds its share obtained using the size of the Ukrainian diaspora in 2020. Similarly, France's share would be 15.7%. The shares for Belgium and Luxembourg would be 3% and 0.4%, respectively.

Finally, more elaborate keys can combine several dimensions. For example, a distribution key inspired by the German model (i.e., a weight of one third for population and two thirds for GDP) gives a little more importance to Eastern European countries, compared to a key derived only with GDP, and somewhat reduces the prominence of Western European countries. Col. 5 of Table 1 shows that Luxembourg would accommodate 0.3% of Ukrainian refugees under such a scenario.

	(1) Key = Stock	(2) Key = Flow	(3) Key = Pop.	(4) Key = GDP	(5) Key = Mix	(6) Obs. Ref.
Luxembourg and bordering countries						
Luxembourg	0.1	0.4	0.1	0.4	0.3	0.1
Belgium	0.2	0.4	2.6	3.0	2.9	0.7
France	1.3	0.5	15.1	15.7	15.5	0.8
Germany	20.5	22.2	18.7	22.7	21.4	7.7
Bordering countries of Ukraine						
Hungary	5.0	9.5	2.2	1.6	1.8	7.2
Poland	19.3	20.6	8.5	6.5	7.2	46.1
Romania	3.1	9.5	4.3	3.1	3.5	12.0
Slovakia	0.8	0.4	1.2	0.9	1.0	5.5
Other destinations						
Austria	1.0	1.1	2.0	2.5	2.3	1.1
Bulgaria	0.8	1.5	1.6	0.9	1.1	1.6
Croatia	0.1	0.0	0.9	0.6	0.7	0.4
Cyprus	0.2	0.0	0.2	0.2	0.2	0.3
Czechia	9.3	9.2	2.4	2.2	2.3	8.5
Denmark	0.8	1.2	1.3	1.8	1.6	0.7
Estonia	1.7	0.7	0.3	0.3	0.3	0.3
Finland	0.2	0.4	1.2	1.4	1.3	0.4
Greece	1.4	0.1	2.3	1.5	1.8	0.4
Ireland	0.4	0.2	1.1	2.3	1.9	0.4
Italy	17.6	7.9	13.5	12.6	12.9	2.2
Latvia	2.3	0.0	0.4	0.3	0.3	0.2
Lithuania	1.5	2.5	0.6	0.5	0.6	1.0
Malta	0.1	0.1	0.1	0.1	0.1	0.0
Netherlands	0.2	0.5	3.8	5.1	4.7	0.5
Portugal	3.8	2.1	2.3	1.7	1.9	0.7
Slovenia	0.2	0.3	0.5	0.4	0.4	0.2
Spain	7.5	7.4	10.5	8.9	9.5	0.7
Sweden	0.7	1.1	2.3	2.8	2.6	0.4

Table 1:
Estimates of the distribution (shares in %) of Ukrainian refugees in the EU27

Note: Table 1 shows the percentage of Ukrainian refugees that would be hosted in EU27 countries based on 5 different criteria and the observed distribution as of March, 29 (column 6). "Key = Stock", "Key = Flow", "Key = Pop", "Key = GDP", "Key = Mix", "Obs. Ref." refer to distribution keys based on (1) Ukrainian migrant stocks in 2020, (2) Ukrainian flows over the last five years, (3) population share, (4) GDP share, (5) a mix of population and GDP, and (6) the distribution of Ukrainian refugee flows observed as of March 29, respectively.

These five distribution keys contrast sharply with the distribution of refugees currently observed (in col. 6 of Table 1). According to our estimates, more than 2.9 million (73%) of refugees are currently in neighboring countries, with Poland alone hosting more than 1.6 million of them. In contrast, more than 1 million temporary applications have been lodged in non-border countries (as of March 29, 2022).

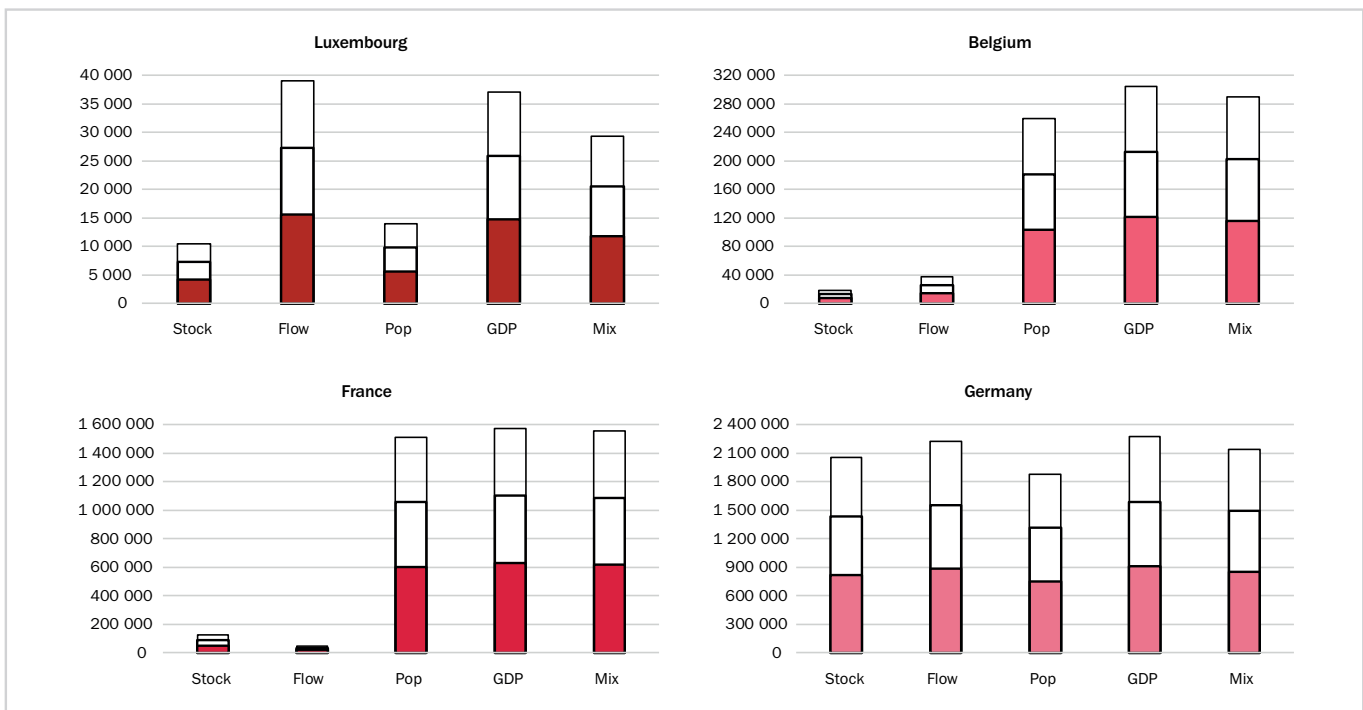
These distribution keys can also be used to quantify the number of Ukrainian refugees in the different destination countries under different scenarios. To do so, a distribution key has to be multiplied by the total expected volume of refugees in the EU27. In Figure 1, we elaborate the calculations for Luxembourg and its neighboring countries using a lower bound scenario of 4 million refugees, a medium projection of 7 million refugees and a scenario, currently considered as an upper bound, of 10 million Ukrainian refugees in the EU27.

Without coordination in Europe, refugees are likely to concentrate in a few neighbouring countries, triggering differential impacts on host economies

Figure 1: Distribution of Ukrainian refugees under different scenarios and distribution keys

Note: Scenarios = 4 million refugees (colored), 7 million (thick frame), or 10 million (thin frame)
 Note: See Table 1 for more information

A population-based distribution would result in a number of refugees between 5,600 and 14,000 in Luxembourg depending on the scenario. Belgium would host between 103,000 and 260,000, France between 603,000 and 1.5 million and Germany between 749,000 and 1.9 million Ukrainian refugees. A key inspired by the German model would slightly revise upward these estimates in all countries. The lower figures predicted on the basis of existing networks are close to the ones



already observed in Luxembourg and Belgium. This pattern highlights that these countries have been relatively attractive destinations in the early phase of the war. Germany was an important destination for the Ukrainian diaspora before the war. Its allocation based on networks even exceeds the one that would be observed under a population-based distribution. In contrast, despite its relative important size, France only hosted a relatively small Ukrainian diaspora. Its allocation keys based on population and GDP therefore substantially exceed the one based on networks.

A call for promoting further coordination and shared responsibility

Despite the activation of the *Temporary Protection Directive*, Ukraine's bordering countries (Poland, Romania, Hungary, and Slovakia) are bearing most of the costs and logistic challenges arising with the refugee influx coming from Ukraine. A coordination between European countries would allow for a more balanced distribution of forcibly displaced individuals according to the absorption capacity of each destination. More elaborated systems could better take into account the preferences of immigrants and the constraints of each host economy, through the creation of a tradable quota mechanism (Fernández-Huertas Moraga and Rapoport, 2014; de la Croix and Docquier, 2015). These proposals have the merit to promote further coordination of migration policies within the EU, which is reinforced in emergency situations such as the one currently witnessed. The past failure in implementing a coordination scheme within the EU is all the more regrettable as European citizens seem to be calling for a system of distribution of asylum seekers that is consistent with the reception capacities of each country (Bansak et al., 2017).

In the long term, the economic consequences of the asylum flows from Ukraine are likely minor, but ensuring a successful management and integration of the refugees is crucial. Granting refugee status, temporary work permit, and access to health services will undoubtedly facilitate the acquisition of necessary skills, but the integration process will take time despite the essential role of the Ukrainian networks in the host countries. To succeed, it seems crucial to structure the distribution of refugees between and within European countries, in order to avoid an excessive spatial concentration of Ukrainians. Other refugee flows should not be forgotten, as conflict and political tensions remain important in other parts of the world, and are likely to trigger future forced displacements.

Based on

Guichard, L. and J. Machado (2022). Quantifying Direct and Diversion Effects in a Structural Gravity Model: The Case of an Asylum Policy. LISER, mimeo. A slightly different version in French of this policy brief is published as: Guichard, L., Machado J., and J.-F. Maystadt (2022). Réfugiés ukrainiens: Un besoin de coordination renforcé. [Regards Économiques](#): Université Catholique de Louvain. More technical details about distributional keys can be found in the Appendix.

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TECHNICAL APPENDIX

Method for computing the distribution keys for refugees in EU27 countries

To obtain the hypothetical number, N_i , of Ukrainian refugees in a destination country i , we multiply the total volume of Ukrainian refugees, R , by a distribution key, β_i . This key defines the share of refugees choosing country i in the total volume of refugees as follows:

$$N_i = \beta_i \times R$$

We construct several distribution keys using different criteria based on socio-economic characteristics of the destination countries. Each key measures the share of country i according to a specific criterion (x) over all EU27 countries:

$$\beta_i^x = \frac{x_i}{\sum_{j \in EU27} x_j} \times 100 \quad \text{with} \quad \sum_{i \in EU27} \beta_i^x = 100$$

Our first two keys are based on the importance of migration networks. The first measures the share of Ukrainians in country i relative to the total number of Ukrainians residing in the EU27 in 2020. The second defines the recent attractiveness of each country i using the share of each destination in the (positive) Ukrainian immigrant flows between 2015 and 2020. To derive this key, the numerator is the difference in the number of Ukrainians in each country between 2020 and 2015. We retain only positive net flows, which implies that countries with a negative net flow over the period are given a zero weight.

A second set of distribution keys aims at approximating the absorption capacities of destination countries. Assuming that most populous countries can accommodate a higher absolute number of refugees, we build a distribution based on the population share of country i in the EU27. Alternatively, a measure using the share of GDP of each country in the GDP of the EU27 can account for the economic characteristics of the destination countries.

Finally, the distribution could account simultaneously for the demographic and economic conditions of the destinations, as suggested by the model applied in Germany (*Königsteiner Schlüssel*). German asylum applications are redistributed locally according to a formula that gives a weight of 2/3 to the tax revenues and 1/3 to the population of each federal state. Other countries, such as Denmark, Switzerland or Sweden also have a system for allocating asylum claims within the country. Inspired by the German system, we define:

$$\beta_i^{MIX} = \frac{2}{3} \beta_i^{PIB} + \frac{1}{3} \beta_i^{POP}$$

These five distribution keys can be contrasted with the distribution of Ukrainian refugees observed in the EU27 countries as of March 29, obtained under some assumptions. First, in the absence of air or waterborne travel means, all refugees are assumed to first cross a land border where they are registered by the United Nations. Part of these refugees carry on their travel to other destinations while a significant proportion remains in neighboring countries initially, but may leave if the war continues. The fact that the start of the invasion is rather recent implies that a significant number of refugees are likely to be in a temporary transit situation or contemplating where to settle. Applications for protection in destinations may also underestimate the actual number of refugees, partly because of administrative constraints or because refugees have not yet started a procedure. The statistics on applications for temporary protection are thus not definitive and the actual distribution is constantly evolving.

Second, there is no homogeneous and centralized data source that records applications for temporary protection in the different EU countries. To obtain the observed distribution, we use statistics collected online from the press for each destination country that are as close as possible to March 29. Third, it is difficult to determine the number of refugees likely to remain in countries bordering Ukraine. We estimate it using the difference between the number of crossings recorded by UNHCR and the total number of applications lodged in EU27 countries not bordering Ukraine. We then allocate the number of refugees assumed to be in the bordering countries in proportions equivalent to the number of entries recorded in each of these countries.