Policies to Address the Refugee Crisis in Europe Related to Russia’s Invasion of Ukraine

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Refugees from Ukraine face multiple vulnerabilities, with many requiring humanitarian assistance to meet basic needs. In response to Russia’s invasion of Ukraine, host countries in Europe and beyond have adopted measures to support refugees. Drawing on previous IMF work on the economic challenges of refugees, this note provides an overview of policy responses needed to provide effective support to refugees.

Facts and Figures

7 million individuals fleeing Ukraine have been recorded in Europe since the start of the war on February 24. The movement of international refugees has been pendular, with about 12 million refugee movements out of Ukraine and 5.3 million movements back into the country since the start of the war (UNHCR 2022b). The countries with the most recorded refugees include Russia (2.41 million), Poland (1.35 million), and Germany (0.97 million) (Figure 1). Relative to country populations, the Czech Republic (4.0 percent), Estonia (3.9 percent), Poland (3.6 percent), and Moldova (3.5 percent) are the countries with the highest level of refugee inflows. Meanwhile, the overall number of internally displaced persons (IDPs) remains high, at almost 7 million, though 6 million of displaced persons had returned to their homes as of late August 2022 (IOM 2022).

More than 3.9 million refugees from Ukraine are registered for Temporary Protection (TP) or similar national protection schemes in Europe. The available information on TP residence permits issued has increased as refugees have settled into host countries. As of late August 2022, Poland had issued 1.35 million national ID numbers to Ukrainian nationals; the Czech Republic has issued 423,202 emergency TP visas; and Italy and Spain have issued 153,968 and 139,022 TP permits, respectively. A
A survey by the REACH Initiative at the Polish border found that the three main factors affecting the choice of preferred country destinations were (i) family or friends in the place of arrival (39 percent); (ii) proximity to Ukraine (31 percent); and (iii) advice received at reception centers (17 percent). In addition, prevailing macroeconomic and labor market conditions are likely to play an important role in refugee choices of destination countries.

About 90 percent of Ukrainian refugees are women and children. Men between ages 18-60 years are not allowed to leave Ukraine. A survey in Moldova by UN Women and CARE International found that women accounted for 81 percent of all refugees surveyed and that 83 percent of refugee women were travelling with at least one child. The Ukrainian female population is characterized by high levels of education, with 65 percent of women between 30 and 34 having completed tertiary education, compared with 46 percent in the EU (Eurostat 2022b). The latest labor force participation rate for adult women in Ukraine was 61 percent against the EU average of 68 percent.

Social and political support for measures aimed at helping Ukrainian refugees has been widespread, including from the diaspora and private citizens. Governments that had been reluctant to welcome migrants have been more receptive of people fleeing the war in Ukraine. Solidarity has been widespread with refugees being welcomed in the EU and beyond, including in Canada, Georgia, Israel, and Türkiye. The Ukrainian diaspora played an important role in providing shelter and care to refugees and migrants. Ukrainian nationals represented 1.35 million residents in EU countries in 2020, the third-largest group of third-country nationals in the EU after those from Morocco and Türkiye (OECD 2022). Many private households have provided short-term housing to migrants and refugees from Ukraine.

Policies to Support and Integrate Refugees

Consideration for Policy Design

Policy responses in host countries should reflect differences in the current refugee inflows from previous refugee movements to Europe. There are several differences. First, while previous asylum seekers arriving to Europe have been predominantly male and of working age (Eurostat n.d.), refugees from Ukraine are mainly highly educated women and children. Second, cultural proximities and weaker language barriers, especially in neighboring countries, will likely hasten integration processes for Ukrainian refugees. Third, with the Temporary Protection Directive (TPD), the EU has already adopted a

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1 The survey also found that 48 percent of migrants and refugees from Ukraine indicated their intention to stay in Poland for the duration of the war. Others sought to reach Germany (17 percent), Spain (5 percent), Denmark (3 percent), Italy (3 percent), France (3 percent), and the Czech Republic (2 percent).

2 REACH is a joint humanitarian initiative of IMPACT Initiatives, ACTED and the United Nations Operational Satellite Applications Program (UNOSAT) providing granular data, timely information and in-depth analysis from contexts of crisis, disaster and displacement.

3 Although accurate information on the age, gender, and educational profiles and composition of Ukrainian refugees is difficult to obtain, surveys of migrant populations and general socio-economic statistics provide valuable insights.

4 The policy recommendations presented in this note focus on policy responses in host countries. However, support to IDPs in Ukraine remains essential. IDPs face significant health and security threats and can potentially add to outward migrant flows should internal conditions—including housing, health, education, and employment—remain unsatisfactory or deteriorate. Key response areas identified by the United Nations High Commissioner for Refugees (UNHCR) include: (i) integrated protection information, counselling, and services; (ii) large-scale multi-purpose cash assistance; (iii) essential items such as bedding, hygiene kits, food, and shelter materials; and (iv) expanding the capacity of reception and collective shelter centers (UNHCR 2022a). A review of policies for IDPs could be an interesting separate work stream.
more coordinated and supportive approach than previously (see Box 1). Fourth, despite uncertainty surrounding the length and intensity of the conflict, policy responses in host countries should reflect the ultimate return of refugees to Ukraine. Even if the war were to end soon, many refugees would not be able to return immediately, as the reconstruction effort will take time and therefore policies should address both short- and medium-term needs, such as for education and health services and greater labor market integration of refugees. However, it is likely that many refugees would be inclined to return as soon as such opportunities emerge, and policies will be needed to support returns to Ukraine, including through reconstruction efforts (see Becker and others 2022).

Back-of-the-envelope calculations suggest that the short-term fiscal impact of the refugee crisis on EU countries range between €30 billion and €37 billion. A 2017 Organisation for Economic Co-operation and Development (OECD) study found that the average cost for processing and accommodating asylum seekers in the main European destination countries was about €10,000 per application during the first year (excluding integration support, transportation, and other services), or €11,577 as of May 2022. Based on estimates of refugees recorded across EU countries (4.1 million), and an extended estimate (5 million), the cost to receiving governments could be €30 billion to €37 billion or 0.19 percent to 0.23 percent of the EU’s GDP. The long-term fiscal impacts could be positive, as the Ukrainian refugees are likely to efficiently integrate into the EU labor market (IMF 2016; see Box 2).

Box 1. Overview of Temporary Protection and Financing Measures for People Fleeing the War in Ukraine

**Temporary Protection:** Many countries have adopted unprecedented measures to provide temporary residence to people fleeing the war in Ukraine. With the Temporary Protection Directive (TPD), the EU has adopted a more coordinated approach than it has for other recent increases in migration. Although the TPD allows for policy discretion across member countries, it sets a minimum framework on residency rights (that is, a permit that can last from one to three years); guaranteed access to the asylum procedure; access to labor markets and housing; social welfare assistance; medical care and assistance; access to education for minors; access to banking services; free movement to other EU countries before the issuance of a residence permit; and free movement for 90 days within a 180-day period after a residence permit in the host EU country is issued.

**Financing Measures:** On April 4, 2022, the European Council adopted legislative measures to mobilize up to €17 billion for country responses by redirecting resources from cohesion policy funds and the Fund for European Aid for the Most Deprived. By April 29, 2022, the European Commission had paid €3.5 billion to member states to help them manage the arrival of people fleeing the war in Ukraine. Top recipients included Poland (€562 million), Italy (€452 million), and Romania (€450 million).

5 This is a ballpark figure. Calculation: €11,577* 4.1 (current estimate/lower bound) to 5 (upper) million refugees. **Causes for potential underestimation:** (i) Underestimating total (net) number of international refugees; (ii) higher costs beyond €11,577 when adding social protection, education, integration, and additional services; (iii) greater expenditure on education (children), health (elderly), and care compared to previous refugees. **Causes for potential overestimation:** (i) limited duration of the conflict (for example, less than 1 year); (ii) lower number of international refugees; (iii) lower public expenses for accommodation due to support from family networks and private citizens; (iv) greater nongovernmental organization (NGO) and private support networks for health, services, and so on; (v) quicker integration of Ukrainian refugees into labor markets and greater financial independence in the short run.

6 In the case of Ukrainian refugees, the cost per refugee to governments might be lower due to fewer administrative procedures in place for processing refugees, as well as lower costs to immediate housing because of private support. However, the cost could be higher depending on the availability of services for integration, including transportation, health, and education. Until better estimates are available, the study team relied on estimates provided by OECD (2017).

7 There are signals of strong labor market integration, even in the short term. For instance, as of June 8, 2022, 185,000 refugees from Ukraine had started working in Poland through simplified labor procedures (European Commission 2022c).
Education and Child Care Services

Given the large inflow of child refugees, increasing the capacity of education systems is essential. Children account for between 28 percent and 44 percent of refugees in the EU, with higher shares in countries bordering Ukraine (for example, 44 percent in Poland [Eurostat 2022a]). Countries with high arrival rates will face significant pressures in providing educational services. As of July 2022, 559,060 Ukrainian children had registered for TP in Poland. Taking the average annual government expenditure per student in primary and secondary education in Poland as a benchmark (€3,932), the total annual estimated education expenditure for 559,060 students would amount to €2.2 billion or 0.34 percent of Poland’s GDP.

It is important to tailor education policy to the needs of Ukrainian children. Host countries have set up transition classes either in specialized education centers (for example, Portugal and Spain) or directly inside schools (France, Lithuania, and others) as students strengthen their language skills. Innovative approaches, such as facilitating employment for Ukrainian citizens as teaching assistants (Poland) or distance learning in cooperation with the Ukrainian Ministry of Education (the Czech Republic and Latvia) can offer both economic and pragmatic short-term solutions (UNESCO 2022).

Subnational governments must be adequately supported and financed to administer education and care services. While the central government is typically assigned with administering registration and immediate refugee-related tasks (including management of the asylum procedure; emergency housing; immediate first aid; civic integration; and returns), sub-central governments are usually responsible for education and childcare services, social welfare, permanent housing, and extended training (active labor market policies [ALMPs] and language). In the UK, local authorities will receive £10,500 in extra funding per refugee for support services, with more for children of school age (UNESCO 2022). Given the relative high share of children refugees, central governments will need to adequately fund local governments and reward successful integration (OECD 2017).

Affordable early childhood education and care (ECEC) will be crucial to families fleeing Ukraine. With the high prevalence of children and mothers among refugees from Ukraine, ECEC will help in facilitating parental employment, boosting family income, promoting child development and child well-being, and success later in life (OECD 2020a: 5). The absence of affordable childcare services can be a significant barrier for single parent households in finding work across OECD countries, with costs going up as high as 25 percent of median female earnings in Ireland, the Slovak Republic, and the UK (OECD 2020a: 16-17). In countries with high ECEC costs, a combination of fee reductions, tax credits, and/or cash benefits should be considered.

Health

The health care needs of refugees are likely higher than those of average citizens in recipient countries due to conflict-related violence, traumas, and complications. Areas of high health risks for Ukrainian refugees include diabetes, mental health, injury/trauma, and radio-nuclear hazards (WHO 2022). Women and girls fleeing Ukraine need to be provided with access to essential sexual and reproductive health care, most critically to victims of sexual and other forms gender-based violence (UN 2022). Host countries have overall extended health care coverage to Ukrainians fleeing violence, though

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8 Other estimates for the share of child refugees include 41 percent in Lithuania; 39 percent in Bulgaria and Estonia; between 38 and 36 percent in Austria, Belgium, Croatia, Denmark, Romania, Slovakia, Slovenia, and Spain; and between 35 percent and 28 percent in Finland, Greece, Latvia, Luxembourg, Malta, and Portugal. Estimates are based on TP data as of July 2022 (Eurostat 2022a).

9 This estimate is indicative, since the actual cost will depend on the total number of children settling in Poland over the upcoming months and the marginal cost of education for Ukrainian refugees.
to varying degrees. Most countries provide standard coverage while others, such as Bulgaria, Canada, and Estonia, provide emergency access.\textsuperscript{10} Based on current health expenditure per capita, back-of-the-envelope calculations suggest that health expenditure for refugees could amount to €1.5 billion (0.23 percent of GDP) in Poland and €0.85 billion (0.31 percent of GDP) in the Czech Republic.\textsuperscript{11}

**Social Protection and Financial Inclusion**

Social protection interventions should focus first on emergency and basic needs through social assistance, followed by the integration of refugees into social insurance schemes. Most OECD countries provide financial support to cover basic needs, though adequacy and modalities vary. Monthly allocations per adult range between €61 in Hungary and €68.8 in Slovakia, to €360 in Germany and more than €500 in Switzerland. Looking at integration over time based on existing policies, Spain has a two-phase system designed to help TP beneficiaries gain autonomy, by limiting support to only basic needs in the latter phase (OECD 2022). In addition to material support, access to basic payment accounts and financial services are important concerns for refugee populations (IMF 2016: 25-26). In EU countries, anyone residing legally has a right to open a basic bank account. To facilitate access to basic financial products and services, the European Banking Authority does not require financial institutions to obtain a passport to verify a refugee’s identity. They can, instead, rely on alternative, independent documentation as evidence that a prospective customer is a refugee fleeing Ukraine (European Banking Authority 2022).

**Labor Market Integration**

ALMPs will be important in assisting refugees in finding employment. TP permits in OECD countries allow Ukrainian refugees to access employment (OECD 2022: Table 1). Most host countries are implementing ALMPs for Ukrainian refugees, which include job search support; job training and adult education; and host-country language training (OECD: 17-18). Language training can have a significant impact on refugees’ integration and long-term earnings (Nielsen Arendt and others 2021). Support for the recognition of skills and qualifications has been recognized by the European Commission as important toward achieving better and lasting integration (EC 2022d). Integrated Public Employment Services (PES) have proven effective in promoting labor market integration in the past, notably in the case of refugee populations in Sweden (IMF 2016: 20). To promote greater labor market integration for Ukrainian refugees, EU countries have coordinated to make PES available in refugee centers (EC 2022b). However, public spending on labor market activation programs ranges significantly across countries, with countries in Western, Southern, and Northern Europe spending more on ALMPs as a share of GDP compared to countries in Eastern Europe.\textsuperscript{13} Hence, greater investment in ALMPs might be needed in the latter group. In contexts where integration is slow, temporary exceptions from minimum wage laws have been effective among refugees in Denmark and Germany (IMF 2016).

\textsuperscript{10}In Estonia, refugees fleeing Ukraine can apply for health insurance coverage that is available to the local population.

\textsuperscript{11}These estimates are based on refugee arrival data as of July 26, 2022, and are likely to increase. The estimates do not account for the specific needs of refugees, which are likely higher. Moreover, health expenditure increases over age, meaning that expenditure will be significantly lower for children and higher among the elderly (OECD 2016: 5; Figures 11 and 12).

\textsuperscript{12}Nielsen Arendt and others find that Danish language training for refugees had a large impact on long-term earnings. From a language training cost of about $2,800 per refugee, the estimated net present value of the training was $40,100 per participant over 18 years, resulting in a benefit-cost ratio of 15.4.

\textsuperscript{13}According to the latest OECD data for spending on labor market policies, the Czech Republic spends 0.43 percent, Poland 0.45 percent, Hungary 0.79 percent, Germany 1.32 percent, Italy 1.57 percent, and Spain 2.21 percent of GDP on ALMPs.
Box 2. The Fiscal Impacts of Immigrants and Refugees in Advanced Economies

**Fiscal impact of immigration:** The economic literature suggests the aggregate fiscal contribution of immigrants in advanced economies is small and slightly positive, though the range of estimates is wide. Considering all types of immigrants, including economic migrants and refugees (see below), the Organisation for Economic Co-operation and Development (OECD) found that the average fiscal contribution over the period 2007–09, based on direct monetary transfers from and to households, was 0.35 percent of GDP, with most country results ranging between ±1 percent of GDP. Meanwhile, no clear link was found in OECD countries between the share of immigrants in the population and net fiscal impacts, which suggests other factors—such as host country and migrant characteristics (including the type of migration)—play an important role (OECD 2013; IMF 2016). 14

**Differences between economic migrants and refugees:** While the decision of economic migrants to relocate to another country is based on the relative opportunities afforded abroad, refugee migration is ultimately being driven by vulnerability to persecution and access to resources for migration (Brell and others 2020). As a result, the characteristics of economic migrants may differ from refugees in terms of demographics and skills—for example, the higher probability to be of working age and to have locally applicable job and language skills—and in the likelihood that they will establish long-term residence in their destination country (IMF 2016). Economic migrants are generally fiscal contributors to host countries upon arrival while refugees require high costs initially to meet immediate needs. Refugees are also more likely to face restrictions on the right to work, which impede their ability to contribute to host economies. Subsequently, refugees tend to experience very low employment rates after arrival, though employment typically increases quite rapidly over the first few years. However, there is significant heterogeneity in refugee employment rates across countries.15 Early access to labor markets is key for the long-term economic integration of refugees (Brell and others 2020: 115-117).

**Short and long-term fiscal impacts of refugees:** For 2015–16, the European Commission estimated the cost of accommodating refugees in EU states to be between 0.1 percent and 0.6 percent of GDP (EC 2016). While initially refugees are fiscal burdens, they become net contributors after 8 to 16 years (Hennessey and Hagen-Zanker 2020: 15-16). Due to country-specific contexts, there is no clear consensus on the long-term fiscal impacts of refugees. OECD (2013; Box 3.1) found negative fiscal impacts in the long run based on data from Australia and Nordic countries. d’Albis and others (2018) found that increases in asylum seekers in Western Europe during 1985–2015 did not hurt fiscal balances as increased public spending was offset by increased tax revenues. Focusing on the EU, Kancs and Lecca (2018) estimated that the annual long-term GDP effect of refugee flows ranged between 0.2 percent and 1.4 percent, depending on integration policies. The authors found that the long-term fiscal benefits of refugee integration policies—for example, welfare benefits and language and professional training—outweighed the short-run costs of programs.

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14 Based on surveys of the literature, host country characteristics include: the labor market situation; economic growth; tax and welfare systems; migrant rights; and age profiles. Conversely, migrant characteristics comprise: age and family situation; length of stay in-country; skill levels; types of migration; and country of origin (Hennessey and Hagen-Zanker 2020).

15 Brell and others (2020) found significantly larger employment rates for refugees in Canada, the United Kingdom, and the United States (between 40 and 60 percent after 2 years) compared to Australia, Germany, and Northern Europe (under 30 percent after 2 years).
Housing

Providing affordable housing for refugees will be important during the initial phases of integration. For the immediate reception of refugees, countries rely on a combination of private housing and public reception centers. Some countries, such as the Czech Republic, Denmark, Latvia, Lithuania, Poland, the Slovak Republic, and the UK, provide financial support to private individuals housing Ukrainian refugees (OECD 2022: 14). As a result, many Ukrainian refugees have obtained housing arrangements, at least initially. While the support demonstrated by private citizens has been a critical part of country responses, this is mainly a temporary measure. Over time, host governments will have to provide affordable housing options for refugees after the initial emergency phase, which can be challenging as the inflow of refugees will put pressure on the market for affordable housing. In response, policies to encourage increased supply to the growing demand for housing can take on different forms, including tackling bottlenecks from overly restrictive land use regulations; ensuring that rent control mechanisms do not undermine incentives to build new affordable housing; introducing exemptions from energy efficiency norms in buildings for asylum seekers and refugees; increasing federal financing for social housing; or providing new incentives to build affordable housing (IMF 2016: 24).

Geographical Mobility of Migrants

Mobility can play a useful economic role in coping with asymmetric shocks and can be fostered by improving housing policies and homogenizing asylum or TP regulations (IMF 2016: 24). A poll by the International Organization for Migration and UN Women surveying Ukrainian refugees in Moldova found that the first and most cited need among refugees in transit was transportation. Through the TPD, the EU has taken an unprecedented step in allowing Ukrainian refugees to apply for residence in their desired destination after 90 days of free movement within the Schengen area. Most EU countries have made public train travel free for Ukrainians fleeing the war (EC 2022a). In the context of the Ukrainian crisis, mobility includes both movements across host countries as well as returns to Ukraine. While incentives (support) to promote voluntary return are common across advanced economies in Europe, they are mainly targeted either at migrants without permission to stay or rejected asylum seekers (OECD 2020b, Ch. 4). Therefore, new strategies could be explored to support greater mobility for Ukrainian refugees (for example, allowances) to travel between Ukraine and host countries to allow refugees to maintain close ties with their country. Policies to support and facilitate family reunification and the integration of male members into host countries will be necessary, given the current ban for Ukrainian men between the ages of 18 and 60 from leaving their country. Cooperation between host countries and Ukraine can further facilitate the return of nationals through bilateral readmission arrangements.

16 In an online survey of 1,271 Ukrainian migrants and refugees in Germany and Poland conducted between April 15th and May 1st, 2022, Pötschke and others (2022) found that 63.8 percent of arrivals to Poland and 75.6 percent of arrivals to Germany found housing with either friends, family, or other private citizens. Official refugee accommodation and emergency shelters accounted for just 5.3 percent of housing in Poland and 7.4 percent in Germany.

17 Other key elements for a successful integrated housing program include: (i) clear and appropriate protocols and resources for housing; (ii) active engagement with key stakeholders, including refugee communities, NGOs, public housing authorities, housing associations, and the private sector; (iii) catering to the differing needs of refugees (for example, larger families, singles, persons with disabilities); (iv) provide language assistance and integrated services (UNHCR 2020).
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