

Central and Eastern European Economies after the Ukrainian War

Between a Rock and Hard Place

(L. Matyas – Editor)

Book Project – Preliminary Chapter Outlines

Foreword

Preface

Chapter 1

Sanctions: Are there any Counterfactuals?

Júlia Király and Dóra Györffy

1. Introduction (2-3 pages)

- Main research questions and hypotheses

2. Historical background (8-12 pages)

- Stocktaking of sanctions in the past 300 years (Felbermayr et al. 2022) - lessons from the history, including the reasons behind the introduction of sanctions (philosophical and moral background)?
- Recent sanctions and their effects (e.g., Iran, Russia)

3. Timeline of sanctions since the start of the war in Ukraine (8-10 pages)

- Financial sanctions
- Sanctions on private individuals
- Energy sanctions
- Trade sanctions

4. Economic impact of sanctions (10-15 pages)

- Measuring the short-term impact of sanctions on energy sources, supply chains, trade (Langot et al. 2022) – theoretical background
- Is there a counterfactual? Can the effects of the war and those of sanctions be separated?
- Simple models to measure economic impact
- Potential medium-term impact of sanctions, including in terms of alternative energy sources and climate transition (Arezki and Nysveen 2022), and the international monetary system (Brunnermeier et al. 2022)
- The chapter will also build on the findings of related chapters, including Chapter 2 in terms of energy shortage, Chapters 3 and 8 in terms of developments in growth and trade, as well as Chapter 6 on the role of policies facilitating the adjustment.

5. Lessons learned and policy recommendations (5 pages)

- Debate about the use of sanctions

References

Arezki, R., and P.M. Nysveen, 2022, Ukraine invasion: From oil sanctions to accelerating the energy transition, Chapter 13 in Garicano, L., D. Rohner, and B.W. di Mauro (ed.), 2022, Global Economic Consequences of the War in Ukraine: Sanctions, Supply Chains and Sustainability, CEPR Press 2022.

Brunnermeier, M.K., H. James, and J-P. Landau, 2022, Sanctions and the international monetary system, Chapter 30 in Garicano, L., D. Rohner, and B.W. di Mauro (ed.), 2022, Global Economic Consequences of the War in Ukraine: Sanctions, Supply Chains and Sustainability, CEPR Press 2022.

Felbermayr, G., A. Kirilakha, C. Syropoulos, E. Yalcin, and Y. Yotov, 2022, The 'Global Sanctions Data Base': Mapping international sanction policies from 1950-2019, Chapter 5 in Garicano, L., D. Rohner, and B.W. di Mauro (ed.), 2022, Global Economic Consequences of the War in Ukraine: Sanctions, Supply Chains and Sustainability, CEPR Press 2022.

Langot, F., F. Malherbet, R. Norbiato, and F. Tripier, 2022, Strength in unity: The economic cost of trade restrictions on Russia, Chapter 9 in Garicano, L., D. Rohner, and B.W. di Mauro (ed.), 2022, Global Economic Consequences of the War in Ukraine: Sanctions, Supply Chains and Sustainability, CEPR Press 2022.

Chapter 2

Energy Shortage, Security and Transition

Łukasz Mamica, Michał Król, Anna Gomola, and Monika Mazur-Bubak

Despite attempts to diversify its energy supply sources, Central and Eastern Europe was heavily dependent on imports from Russia until Russia's attack on Ukraine. The drastic increase in the price of energy carriers and especially natural gas in 2022 not only caused a sharp rise in inflation, but also worsened the condition of many, especially energy-intensive sectors of the economy. The chapter will present an analysis of the impact of energy price rises on the competitiveness of individual economic sectors. The analysis will be carried out by economic sectors at EU level, as well as by individual countries. This will make it possible not only to diagnose industries in the EU threatened by rising energy prices, but also the impact of these changes on the economic condition of individual countries (by analysing the share of individual industries in the GDP of individual countries). The chapter will therefore include an econometric analysis made at the level of data characterising the situation in all EU countries, as well as an analysis of measures taken by the European Commission to improve the competitiveness of industries.

The chapter will include analysis of energy policy issues in Central and Eastern European countries, with a focus on Poland. In the case of the latter country, the transformation process also touches upon the issue of coal mining and the

transformation of highly industrialised regions based on mining. The high share of hard coal and lignite in the Polish energy mix, which is the highest in the EU, will provide an interesting case study for the energy transition of a country where contracts for the construction of nuclear power plants have recently been signed.

The analysis will also include selected case studies of solutions applied in the field of broadly understood energy policy in Poland and Hungary. In the case of Poland, this will be the issue of abolishing the so-called 10 h. rule, according to which windmills can be located at a distance of ten times their height from buildings and forest complexes. The introduction of this rule has brought wind energy investments in Poland to an almost complete halt. Its abolition is a condition for receiving EU funding from the National Recovery Plan. Another example analysed will concern the issue of fuel price regulation for Hungarian residents.

The chapter will analyse how to ensure energy security taking into account the European Union policy in this area. The energy transition towards renewable energy sources is slowly becoming an undisputed paradigm of global politics and the goal of more and more countries. The chapter will analyse barriers and drivers to the development of renewable energy use in Central and Eastern Europe. The strategies of dealing with disruptions in the field of energy security on a micro scale will be analysed. As part of the analysis of the possibilities of decreasing the demand for energy on the part of households, an analysis of the efficiency of using nudges as well as new and more and more widely available technologies will be presented. The issue of energy poverty in the countries of the region, where even before the outbreak of war in Ukraine it was estimated at 23%, will also be analysed. The chapter will propose a strategy for reducing energy poverty in Central and Eastern Europe, including an analysis of the investment needed to improve the insulation levels of buildings. A payback period will be considered, depending on the heating source used. The analysis will also consider the environmental benefits of doing so, mainly at the level of reducing greenhouse gas emissions.

Chapter 3

Economic Growth & Resilience and the Structure of the Economy

Péter Benczur, István Kónya, and TBA/TBC

1. Vulnerability and exposure to Russia and Ukraine

Just having emerged from the health, economic and social shock of COVID-19, central and eastern European economies (CEEE) were in different socio-economic strength and health at the onset of Russia's aggression to Ukraine. They also differed in the strength of their economic links to Russia (and Belarus) and Ukraine, in terms of trade relationships (imports and exports, especially energy, raw materials, and agrifood products) and financial investments (inward and outward FDI, bank loans). Their industrial and economic structure also exhibited different dependencies on and exposure to energy products from Russia.

This section would put such facts together to understand the starting situation of each of the CEEE: their initial socio-economic situation in general, and their exposure and vulnerability to energy supply and other trade shocks from Russia and Ukraine in particular. A potential starting point is the vulnerability heatmap from the Spring forecast of the European Commission: https://economy-finance.ec.europa.eu/system/files/2022-05/ecfin_forecast_spring_2022_box-i-2-2_en.pdf

2. Resilience: preparedness and the ability to face and manage shocks

Recently, the notion of resilience has been receiving an increasing role in policy and business thinking. The narrow concept of economic resilience refers to an economy's vulnerability to shocks, its capacity to absorb them and its ability to quickly recover from them. Relative to this original concept, the current EU policy approach is broader, viewing resilience as the ability not only to withstand and cope with challenges, but also to undergo transitions, in a sustainable, fair, and democratic manner.

The next step of the chapter's analysis is thus to look at the economic resilience (the ability to cope with shocks and crises) of the CEEE based on their past crisis performance (in the 2008-12 and the Covid crises). The objective is to understand whether differences in some pre-crisis country features can be associated with the observed differences in crisis performance. The current status of such features could then inform about the status of the resilience of countries: should we expect them to cope with the new shock better or worse than previously.

Background: Alessi, L., Benczur, P., Campolongo, F., Cariboni, J., Manca, A. R., Menyhart, B. & Pagano, A. (2020). The resilience of EU member states to the financial and economic crisis. *Social Indicators Research*, 148, 569-598.

https://commission.europa.eu/strategy-and-policy/strategic-planning/strategic-foresight/2020-strategic-foresight-report/resilience-dashboards_en

3. The shock: size and dynamics

This part would offer a systematic description of the main shock dynamics: how large was the first impact of the crisis? How deep it went and when did it start to recover (if at all)? Are there already signs of recovery? Besides the normal calendar timeline, we would also include an 'event window' comparison of the three recent major shock episodes. Dating from the onset of each crisis (time 0 being 2008Q3, 2020Q1 and 2022Q1), how did the main quarterly variables evolve over time? This would enable a detailed comparison of the size and dynamics of the three episodes, understanding commonalities and differences. Depending on data availability, we may also explore regional patterns.

4. Effects on wellbeing, sustainability and inclusiveness

This part would take a first look at broader societal impacts – i.e., the shock dynamics of elements "beyond GDP": components of the quality of life and human capital (health, education), social developments like poverty, inclusion and inequality, and societal aspects like polarisation. It would also assess whether the shock helps or hurts the ongoing and necessary transitions (green and digital in particular) and how they may reshape broad (mega) trends. Relative to part 3, this section would be more tentative, as these broader impacts usually materialise more slowly than economic impacts.

5. Outlook

This part would look into future prospects and expected/projected developments in the CEEE. A first aspect is the outlook of their recovery and continued economic performance, based on institutional projections (OECD, IMF, national institutions). Here an event window approach would also be utilised, similarly to part 3. Looking beyond, we would also analyse the foreseen impact of the crisis on the transitions (green and digital in particular), on future reallocations among sectors and changes in the economic structure (the weight of energy intensive sectors, for example), and on the potential refocusing of economic partnerships (source countries for energy and raw materials, agrifood products, export partners, FDI,...). This anticipatory part also “completes” the resilience analysis of part 2, looking into the “bouncing forward” capacity of the CEEE and their ability to stay on track with their transitions.

6. Lessons and recommendations

This summary section would identify the main lessons learned and offer practical conclusions and recommendations.

Chapter 4

Economic Reconstruction of Ukraine

Michael Landesmann, Olga Pindyuk and Maryna Tverdostup

This chapter is going to take a 3-5 years horizon with regard to the main challenges that the Ukraine will face in its economic reconstruction from the impact of the war with Russia. We shall cover the following topics in the sub-sections of this chapter:

1. Demographic challenges in the wake of the migration/refugee shock

The demographic trends before the current war were already rather problematic, as population had declined from slightly above 50 mio in the early 1990s to about 43 mio by 2020, fertility rates had declined to about 1.3 and net migration outflows were substantial. The current war generated an unprecedented (strongly gender- and age-differentiated) outflow of refugees and return migration will strongly depend on duration of the war and the degree of destruction (of housing and infrastructure) and prospects for employment. We shall undertake micro-simulations to come up with projections of the impact of the war on the demographic profile of the Ukrainian population (differentiated by age and gender). As the war/occupation situation affects regions (oblasts) rather differently, we shall also point to the highly differentiated demographic prospects of different Ukrainian regions. Furthermore, we shall discuss potential role of diaspora’s involvement in Ukraine’s reconstruction, as well as the role which remittances might play.

2. Industrial and regional restructuring

Changes in the composition of industry were already evident after the occupation of the Donbas in 2014, which affected Ukraine's traditional 'industrial heartland' with its strong metallurgy and heavy industry sectors. The current war extending occupation and destruction to a wider region in the East and South, plus the dramatic reorientation of trade and production linkages away from Russia and towards the EU going back to 2014, had a significant impact on industry composition with a rapid increase in the shares of agriculture and food production on the one hand and a thriving IT sector on the other hand. We expect these trends to continue; however, the integration with the EU and inclusion in some of its industrial transformation programs (Green Deal) will also fundamentally change the prospects for different industries. All current designs regarding of economic reconstruction of Ukraine's economy speak of 'build back better'. Ukraine also has the potential to become a major energy supplier to the rest of Europe.

3. Trade, FDI, and cross-border production linkages

Linked to industrial restructuring is the role of FDI and of trade integration and trade specialisation. Here we shall look at trends (at detailed product and industry levels) in trade developments prior to the recent Russian invasion of Ukraine, in order to detect in which areas Ukraine developed comparative and competitive strengths in its exports from 2014 onwards. We shall attempt to obtain a breakdown of export activity and of FDI stocks by regions in order to evaluate to which extent the regional reorientation of Ukraine's economy in the wake of occupation and war also implies a change in export composition and export potential given the different regions' relative 'endowments' of human capital, infrastructure etc. In the Western and Central regions which have been less affected by the war (although there is of course the impact of recent wide-ranging Russian bombing) we see substantial potential for cross-border production and trade linkages with European partners.

4. Fiscal and debt sustainability challenges

Despite strong allied support for Ukraine, the fiscal situation has become more and more precarious during the course of the war. Before the recent bombing campaign there were signs of recovery of economic activity, but this has been thrown back by the recent destruction of infrastructure and electricity generation. As a result, Ukraine has become even more heavily dependent on external support and we shall analyse various scenarios with regard to fiscal and debt sustainability. The issue of grants vs. loans will feature prominently in the discussion of external support and the question of coordination of such supports across a range of donor countries and institutions has already been subject to discussion and recommendations. We shall discuss issues regarding the structure and possible priorities in fiscal spending which has to be time-phased in the course of Ukraine's economic reconstruction and we shall also cover some issues regarding taxation (direct vs. indirect taxation, flat taxes vs. progressive taxes) which feature in the current policy discussion in the Ukraine.

5. EU accession trajectory

One of the positive outcomes of the current conflict is that an EU accession path has opened up for the Ukraine. In this sub-section we shall discuss what we have learnt from past experiences of EU candidacy and EU accession of current CEE members and of EU candidate countries (mostly those of the Western Balkans). The EU is aware that duplicating the experiences of the Western Balkan countries would be strongly problematic for Ukraine's prospects. The Ukraine has the potential to become an economically strong partner for the EU, benefiting from a re-industrialisation drive, contributing to the structural shift as envisaged by the Green Deal, and being an important partner to support energy security (also potentially in the field of 'rare earths'). The EU accession trajectory should, through strong support of infrastructure investment, of human capital development, schemes that encourage return migration (especially of professionals and skilled personnel), the strengthening of governance structures, make Ukraine an attractive place for international investors and thus move the country towards a successful path of growth and income convergence as happened with a majority of current CEE members of the EU.

Chapter 5

Inflation Shock and Monetary Policy

TBA – Indicative outline

This chapter focuses on inflation and monetary policy in the Central and Eastern European (CEE) region in the period before and in the months following the Russian-Ukrainian war. The statistics describing inflationary trends, when compared with other nominal and real economic indicators, show that the root of the process lies in the energy crisis that erupted before the war. The CEE countries that are not members of the euro zone have been subject to excess price pressures due to the depreciation of their currencies. The paradoxical effect of exchange rate depreciation is that it fuels inflation by increasing competitiveness and thus nominal incomes. In countries where the labour market is already tight, this spill-over effect can be observed.

The markets in the CEE region are somewhat more closely linked to the Russian-Ukrainian region than the Western European markets. Not only is their exposure to energy markets more significant, but also, for example, their exposure to agriculture. The mass influx of refugees fleeing the war is also putting a significant strain on some countries' budgets and labour markets.

Monetary policies from the COVID period have brought with them loose conditions in which the impact of an otherwise justified tightening is questionable. At least this is evidenced by the fact that the pass-through of interest rates to bank deposits and bank loans has been slow, in fact slower than the process of price increases. The implication is that real interest rates have in fact been falling recently, which is not cooling but rather fuelling price rises.

In addition to monetary policies, various government measures are trying to curb price increases. Almost all countries have introduced price caps or other measures in the energy market, mainly to help households. Similar measures have been introduced in some economies in the food market. However, the beneficial effect of these measures is questionable, as suppressed prices lead to stockpiling, queuing and shortages, while prices of substitutes are shown to rise more than average. Political economy considerations of governments, even in cases where the government's authority is otherwise substantial, run counter to monetary policy actions. This disrupts the consistency between monetary policy and fiscal policy at a time when it is most needed.

The implication of these observations is that, even if the war conflict does not abate, the inflationary process can be persistent. Already, the stickiness of inflationary expectations can be seen in the pricing behaviour of economic agents and in wage agreements. Although real economies have currently avoided a recession, a decline in macro supply is expected, which will fuel price increases in the short term. In the longer term, the recovery will be conditional on a resurgence or resumption of physical capital investment, for which the external financing in the current geopolitical context is uncertain.

The sections of this chapter will be outlined as follows:

We will provide a short assessment on the state of the CEE economies in the aftermath of the covid crisis in order to provide an overview of how much they managed to recover and how resilient they might be to an external shock.

In the next section we will focus on disentangling the key drivers of inflation with an emphasis on quantifying how much the rise in energy prices, the downturn of exchange rate, the war shock, changes in inflation expectations, the inflationary pressure of wage hikes and political factors contributed to the rising inflation we observe today.

In the third section, we will assess the stance of monetary policy authorities in response to the inflation shock. This will be done by providing an overview of monetary policy tools used to combat the rapidly growing prices as well as empirically assessing the deviations from Taylor rules to assess monetary policy stance. This section will also include two further analyses in which we address short- and long-term inflation expectation stability, as well as assessing how effective these economies have been at stopping the rising inflation.

These parts of our chapter will primarily rely on macroeconomic aggregates retrieved from the IMF databases, as well as data on expectations from the Consensus Forecasts. The rise in geopolitical tensions can be measured using the work of Caldara and Iacoviello (2022).

The final section will conclude our analysis, as well as provide detailed policy recommendations for each country based on our results and findings.

Chapter 6

The Fiscal Consequences of the Ukrainian War in CEE

Csaba László

1. External effects

First we identify the external factors which may affect the fiscal stance of the CEE countries. Among others:

- Migration
- Energy price increase
- Sanctions
- Inflation
- Interest rate increase
- FX rate change mostly if someone is out of the Euro zone
- Foreign trade
- Supply chain issues (Energy, agriculture, manufacturing)
- EU subsidies (Regular, RRF, etc.)

The main difficulty is to separate which of these effects are due to the war itself and which ones to the Covid shock, etc.

2. Policy reactions

Fiscal policy changes. Procyclical or anticyclical fiscal policy approach.

- Revenues. Tax policy reactions.
 - Direct taxes
 - Indirect taxes
 - Special, war dedicated temporary taxes
- Expenditures
 - Structural changes. Wages (related expenditures, goods and services, fixed capital formation, subsidies, grants, etc.
 - Functional changes.
 - Social subsidies particularly related to the refugees.
 - Prices subsidies
 - Subsidies on the business sector
 - Labor market reactions.
 - Energy security related expenditures, green measures.
 - Strengthening defense capabilities.
 - EU subsidies
 - Savings

- Deficit targets. Primary balance, interest payment balance. Structural balance.

About fiscal rules: To what extent the national rules were applied. EU rules are suspended till 2023, what does this imply...

- Debt management strategy.
 - FX - domestic currency ratios
 - Fixed – floating interest rates
 - Maturity
 - Domestic market – foreign market.
 - Central bank role. Does the central bank indirectly supports the budget financing?

3. Long term

Fiscal policy long term targets. Debt, deficit, revenues - expenditures compared to GDP. How much fiscal policy is supporting the long-term sustainable growth?

Complying with climate goals?

Demographics. (Ageing society, migration because of the war.)

Fiscal sustainability risk issues

- Government debt risk
- Financial sector stability
- Demographics (migration)

4. Conclusion and policy recommendations

Chapter 7

External Balances

Balázs Csontó, Jiaqian Chen, and Júlia Király

1. External balances before the war (7-8 pages)

- Overview of the evolution of external balances in the region before the war in Ukraine, including the asymmetric impact of the Covid-19 shock on private and public balance sheets (e.g., excess household savings vs worsening fiscal balances).
- Stocktaking of external vulnerabilities and buffers (FX reserves at the onset of the war)

2. Impact of the war (15-18 pages)

- Stylized facts on the nature of shocks arising from the war in Ukraine (IMF 2022a), including the terms of trade shock and the tightening of global financial conditions, as well as the exposure to these shocks of countries in the region (e.g., reliance on hydrocarbon imports) (Di Bella et al. 2022).

- Impact of shocks on current account balances, savings and investments across countries, including differences between private and public balances across countries.
- Impact of shocks on the size and composition of capital flows (EU capital grants, portfolio flows, foreign direct investment) across countries (IMF 2022b), including implications for external debt (e.g., sovereign Eurobonds, private external debt).
- Cross-country differences in the adjustment to the shock in terms of exchange rate flexibility (in particular, differences between euro area and non-euro area countries), as well as the role of monetary (policy rate, FX interventions, swap lines with the ECB) and fiscal policy response.
- The analysis will build on the findings of Chapter 5 and 6 on the role of monetary and fiscal policy response, respectively, in the adjustment to external shocks, as well as of Chapter 8 and 9 on the implications for external balances of trade and foreign direct investment, and remittances, respectively.

3. After the war (4-5 pages)

- Potential long-term consequences of the war in Ukraine on external balances, including the potential for trade fragmentation and a long-term increase in global interest rates, as well as the need for an increase in external buffers.
- External challenges arising from the transition to carbon neutral, and the potential mitigating role of the Next Generation EU funds.

4. Conclusion

References

Di Bella, G., M. Flanagan, K. Foda, S. Maslova, A. Pienkowski, M. Stuermer, and F. Toscani, 2022, Natural Gas in Europe – The Potential Impact of Disruptions to Supply, IMF Working Paper 22/145

IMF, 2022a, External Sector Report: Pandemic, War, and Global Imbalances

IMF, 2022b, Global Financial Stability Report: Navigating the High-Inflation Environment, October 2022

Chapter 8

Trade, Deteriorating Terms of Trade and FDI

Maxim Chupilkin and Zsóka Kóczán

This chapter will examine trade and foreign direct investment in Central and Eastern European Economies after the Ukrainian War.

The first part of the chapter will provide an overview of the evolution of exports and imports during and after the war in these economies. It will examine potential short and medium-term changes relative to pre-war patterns, looking at both goods and services, shifts in trading partners and terms of trade and, data permitting, in the sectoral composition of trade using disaggregated trade flows. It will complement this

analysis by looking at foreign direct investment inflows relative to pre-war trends, providing an overview of any possible changes in terms of source and destination countries and cities, employment creation, sectoral composition and environmental impact.

The second part of the chapter will take a broader perspective and examine what happens to trade (and data permitting foreign direct investment) flows during and after wars, comparing economies at war with economies which are similar to them in terms of their pre-war characteristics but are not at war. It will rely on a synthetic control method, using a combination of other countries not at war to construct a synthetic control country, which resembles relevant economic characteristics of the country at war before the start of the conflict in terms of their pre-war GDP per capita at purchasing power parity (PPP), population and pre-war growth of the variable of interest. The subsequent economic evolution of this 'counterfactual' country without a war is then compared to the actual experience of the country at war. This analysis can also be used to examine both the external and internal margins of trade, number of trade partners and tariffs.

The first part of the chapter will rely on disaggregated bilateral trade data from UN Comtrade, project-level information foreign direct investments from the Financial Times fDi Markets database and monthly commodity terms of trade data from the IMF (Gruss and Kebnaj 2019). These data sources are updated regularly; the analysis in the chapter will rely on the latest available observations.

The second part of the chapter will draw on a novel database combining information on war episodes from the Correlates of War database with trade variables from the Bilateral Trade Database (Fouquin and Hugot 2016; updated regularly), covering almost two centuries of wars, information on net foreign direct investment inflows from the World Bank and on terms of trade from the World Bank Net Barter Terms of Trade Index. It will build on the authors' earlier work in Chupilkin (2023), Chupilkin and Kóczán (2022) and EBRD (2022).

The chapter will conclude by pulling together the two parts of the analysis, comparing how the impact of the Ukrainian war compares to historical experiences. It will also discuss what the findings of the chapter imply from the point of view of the overall macroeconomic outlook of the economies of Central and Eastern Europe.

Chapter 9

The Migration of Ukrainian Refugees and their Contribution to the Labour Force

Martin Guzi, Maciej Duszczyk, Peter Huber and Ulrike Huemer

The chapter will describe the situation of Ukrainian refugees in the labour markets in Central and Eastern European Economies. We will contrast their labour market characteristics with other migrant groups already established in the destination countries and discuss integration policies facilitating the employment of refugees.

The population of 2022 Ukrainian refugees is specific. It includes many working-age individuals with a tertiary level of education with high integration prospects in the labour market. They are more likely to learn the language and find a job quickly in their host country. Many refugees are women with children (children represent a large part of the refugee population) therefore the provision of childcare services and access to public schools helps parents to start working.

We will focus on the situation of Ukrainian refugees in four destination countries that received a significant number of refugees: Austria, Czechia, Poland and Slovakia. We will put together data on labour market outcomes of Ukrainian refugees from national sources (including administrative records) and Eurostat database.

The chapter will focus on the following topics:

- Connecting to Chapter 10 on the migration of refugees, we will describe migration flows from Ukraine since the beginning of the war, the characteristics of the refugees and their potential contribution to the labour force.
- We will provide a descriptive overview of employment characteristics of Ukrainian refugees (major sectors of employment, the dominant occupations, the prevalence of down-skilling).
- We will show that established Ukrainian communities play a crucial role for the Ukrainian refugees. More than 1 million Ukrainian citizens were working in Poland before 2022. Poland received more than 1.5 million war refugees and more than 50% of them had found employment by the end of 2022. Many Ukrainian women who arrived in Poland joined their husbands or partners employed in the Polish labour market, which made it much easier for them to find employment through social networks.
- We will discuss the role of integration policies countries that helped refugees to find accommodation and search for employment. Many countries have taken measures to facilitate the entry and stay of Ukrainian refugees. These include the provision of language courses and childcare services, access to schools, and other policies to support Ukrainian refugees.
- Connecting to findings presented in Chapters 2 and we will debate how high energy prices led to a structural shock with repercussions for the labour markets.

Chapter 10

Refugees: Economic Costs and Eventual Benefits

György Bögel, Jan Brzozowski, Karolina Czerska-Shaw, László Mátyás, and Katalin Tausz

1. Introduction (4-5 pages)

- Refugees, migrants, guest workers, expats... Similarities and differences, overlaps, ambiguity, problems of measuring refugee flows, reliability of border crossing data. Refugees: definition for the book
- Mass exodus of refugees. Recent examples, lessons learned on economic costs and benefits. Examples: Vietnam, Africa, Syria, Afghanistan, Kosovo, Bosnia; Turkey, Lebanon, Jordan, WE, USA
- Model for discussing costs and benefits
- The 'refugee economy'

2. Dimensions of the Ukrainian refugee crisis (4-5 pages)

- The Ukrainian diaspora before the war (*coordination with Chapter 9*)
- Statistics on Ukrainian refugees in different phases of the war. Population pyramid of Ukraine. Fast and slow population outflux and influx: where do they come from and where do they go? Demographics and typology of refugees. Qualification of refugees
- Countries most affected (CEE 8, Moldova, Georgia...). Transit countries
- Is the Ukrainian refugee crisis different?
- Russian refugees, outflux after military mobilization

3. Economic costs in total and by country (10 pages)

- Economic context in the host countries: boom years, Covid crisis, rebound, emerging new world economy... (*coordination with some other chapters*)
- Demand for services shock
- Who bears the costs? Multinational organizations (e.g., UN, UNICEF, WHO), states, local municipalities, local families, charities, volunteers, NGOs...
- Immediate 'on the spot' help: food, shelter, administration...
- Sanctuary and logistics hubs
- Physical and mental health services
- Social and welfare benefits, support from the states
- Housing, availability, prices and rents, new houses, temporary solutions, property sales, Airbnb
- Stress on infrastructure: transport, communication services, water, electricity, heating, petrol...
- Local services, towns. Main example: Warsaw
- Services and allowances for children. Schooling. Enrollment statistics. Remote and online learning
- Economic uncertainty – consumer behavior
- Increasing defense spending

4. Economic benefits (potential or already observed) (8 pages)

- Economic growth, demographics and the labor market in host countries before and during the war (*coordination with some other chapters*)
- Labor influx and outflux (*coordination with Chapter 9*)
- Quality of work to be expected from refugees (mainly frightened mothers with children)

- Mini case study: EPAM's resettling in Poland
- Legal and illegal work
- Excess demand in the market
- Spillover effects
- Opening new businesses, entrepreneurship, opening co-working spaces for refugees
- Refugees as (potential) taxpayers

5. **Lessons learned and policy recommendations** (5 pages)

- Approaches on managing costs
- Approaches on utilizing potential benefits
- Managing the heterogeneity of refugee groups
- Winners and losers among a refugee-hosting population
- Overcoming barriers and obstacles (language, culture, information systems, bureaucracy...)
- War-life balance
- Strategy of multinational companies
- Multinational partnerships
- Main long-term issue: integration, institutions for integration

References (3 pages)

- Refugee and migration journals
- UN High Commissioner for Refugees (UN HCR)
- Polish Border Guard
- Warsaw's municipal council
- Migration Studies, Warsaw University
- WiseEurope, Warsaw
- Migration Policy Institute, Brussels
- Goldman Sachs
- Deutsche Bank
- UN Refugee Agency
- The World Bank
- Eurostat
- OECD
- WHO
- NATO
- Wittgenstein Centre for Demography and Global Human Capital
- Warsaw's Centre for Social and Economic Research
- Refugees International
- International Rescue Committee
- UN Relief and Work Agency

Information about the contributors: [please click here.](#)