

# Business of poverty: How Ukrainian refugees are being exploited throughout the EU

Friday 9 August 2024, by [KRANCEVIČIŪTĖ Miglė](#), [MERKUSHEVA Mariya](#), [SAMNICK Olivia](#), [STRACHOV Kristina](#) (Date first published: 29 July 2024).

**Two years after the full-scale Russian invasion, many Ukrainians find themselves scattered throughout the EU, attempting to survive. But many of those who managed to escape the war fell into a different kind of trap: labor exploitation by temporary employment agencies.**

After 24 February 2022, Dmytro, Irina, and Yulian, along with hundreds of thousands of others like them, all had one goal: escape the war in Ukraine. Like a Slavic fairytale, they have since been scattered across an unknown land: Irina went to Lithuania, Dmytro to the Czech Republic and Yulian to Germany.

They are part of approximately 6.5 million people who have sought refuge all across Europe. Germany is the top destination, housing over a million war refugees; it is closely followed by Poland, where over 950,000 now live.

Immediately upon arrival in their new countries, Irina, Dmytro and Yulian received residence permits, access to the labor market, housing, and social systems of their host countries. This was made possible by the EU activating the Temporary Protection Directive (TPD), a tool that has never been used before.

Nevertheless, it did not protect Ukrainians from unscrupulous businesses eager to profit from their desperate situation. A team of four investigative reporters from across Europe got together to tell a story that goes beyond the fate of Irina, Dmytro and Yulian. They uncovered the exploitation faced by millions of war refugees, preyed upon by those who loudly proclaim their willingness to help Ukrainians.

## “Wage mafia”

The struggles Ukrainians face in European labor markets range from missing wages and illegally low pay to unlivable housing conditions, psychological violence and a complete disregard for the wellbeing of workers and standards set by employment law.

Eva Malá from the NGO *People in Need* [summarizes the situation](#) like this: “The war stirred up the business of poverty. Companies can make money at the expense of Ukrainians in three ways: charging rent, receiving subsidies for refugees and exploiting them through agency work.”

NGOs engaged in helping affected workers have been reporting rising numbers of Ukrainians seeking help in dealing with abusive labor practices. For example, *Faire Integration* in Germany, a consultant network that advises foreigners, reportedly received over 1,400 cases of Ukrainians seeking advice in 2023, with work related questions being the overwhelming focus. Similarly, the Czech NGO *Foreigner is not a slave* registers hundreds of requests for help per year.

The Czech Labor Inspectorate reports that common labor law violations against Ukrainian workers include unpaid or underpaid wages, illegal work, missing time records and incomplete agreements. On social media, *Foreigner's* founder Jaroslav Čepa described these practices as the “wage mafia.”

## **“Nobody loves them more than we do”**

Since the second week of the war, Nermeka managers from Lithuania have been going to Poland's border with Ukraine and offering refugees work and housing opportunities. The company's official name is [Nermeka](#), but it operates under the brand name *Hirelabas*, and provides both recruitment services for job seekers and a workforce for companies looking for employees. Refugees were promised wages of 1000€ per month and free accommodation with only 60€ per month for utilities. Irina (name is changed) was one of many who used that offer of help.

What seemed too good to be true was just that: after arriving in Marijampolė with her daughter, Irina quickly found out that housing her child would cost her an extra 150€ per month for utilities, and that the pay was way below what she expected. “The rate is 3,5 EUR per hour, both day and night”, said Irina in an interview with the Lithuanian investigative journalism center Siena.

Even more shocking to Irina were the hours she was expected to work. She was supposed to work 3 days in a row, 12 hours each day and then, after one day off, work two night shifts. The calculated working hours per week significantly exceeded [the Lithuanian Labor Code regulations](#). “After the first two shifts, we were dead inside,” said Irina.

According to labor law expert Vilius Mačiulaitis, it is a clear violation of the Lithuanian Labor Code, with Irina's working hours of up to 77 hours per week clearly exceeding the legal limit of maximum 60 hours per week.

When confronted about his wrongdoings, the CEO of Hirelabas, Mečislovas Bušas, denied the accusations and presented himself as a savior of Ukrainians: “The bottom line is that we give housing to Ukrainians, free of charge ... We are trying really hard for the Ukrainians — nobody loves them more than we do.”

Yulian Sheremeta endured a similar experience of injustice. The 43-year-old father of five came to a city in Germany with his whole family. Back in his home town Cherkasy, he had a master's degree in philosophy and theology. Here, he laid flooring. “If you don't know the language yet, then you have to work with your body ... Any job can be a good one if you are treated well,” he said.

Now he is owed nearly €1000 in wages from a flooring contractor, according to [Der Freitag](#). He reports being forced to use unwanted vacation days and work irregular hours, including overtime and short-notice weekend shifts. After finally confronting his boss via an email translated by Google, he was, he claims, pressured into resigning the next day.

His employer, confronted by reporters, stated that their questions implied an “incorrect factual situation” but declined to comment further.

## **Attractive prey**

Targeting refugees like Irina still in their home country works well because many fear leaving without securing accommodation. The Czech NGO Diakonie Západ reports that informal labor brokers, linked to employment agencies but not officially mentioned in contracts, exploit this fear. They intercept Ukrainian refugees arriving or planning to leave and provide a rare thing: a possibility to secure housing amid a widespread cost of living crisis in European cities.

A striking example is the hostel business in the Czech town of Pilsen. It is an industrial town that is mostly known for its beer and the vast number of employment agencies it houses: A total of 570 agencies in this region employ 20,000 foreigners, per the report by Diakonie Západ. These agencies attract refugees by offering jobs, accommodation and help with paperwork, all while requiring no language skills. For companies, it's an ideal setup: cheap labor without dealing with permits, visas or payroll issues, providing cost-efficiency and flexibility.

However, the connection between work and housing creates problems for workers, as explored in a report by [investigace.cz](#). Changing jobs often means losing accommodation, as some hostels only house people employed by specific agencies. Since these arrangements aren't specified in work contracts, it's often difficult to seek justice.

A reporter from [investigace.cz](#) talked to an administrator of a hostel owned by an employment agency, Dmytro Druzhinin. Dmytro, a Ukrainian refugee himself, is a rocket motor engineer. His hostel was accommodating Ukrainians who were working for the employment agency. During the time Druzhinin served as administrator, from the spring of 2022 to the spring of 2023, he said, about 1,000 people checked-in to the hostel, so he hardly left the building.

"I was like a dog on a chain. Someone was always moving in or out of the hostel. I was also in charge of registering departures and arrivals, so I had to wait for someone all the time," he says.

He could leave the hostel only with the written permission from the company's director. After he decided to quit working as a manager, he also had to move out immediately — because only those who work for the agency can live in the hostel.

Druzhinin later received notice from Pokrov International stating that he owed the agency CZK 78,000 (apr. 3,198 EUR) for accommodation, which he maintains he paid during his year-long stay. Druzhinin's regular rent and other possible fees were deducted directly from his salary, which he received in cash like all agency employees. Consequently, he didn't have any proof of payment.

Among the common practices of hostels cited by experts from the NGO People in Need and the Monitoring Center for Hostels in Pilsen are inflated prices for beds, deductions for individual services, and various fines that are automatically deducted from the wages of agency workers without their consent. In thirteen of the seventy mapped hostels in Pilsen, field workers from the Monitoring Center for Hostels in Pilsen discovered mice, cockroaches, rats and bed bugs.

A similar scheme has been reported by a German consultant for exploited workers, Sergey Sabelnikov, to *Der Freitag*: "At the beginning of the war, some Ukrainian women were picked up directly at the border with Poland and then exploited as cheap labor in hotels. There was great dependence because the women were housed directly by the employer in accommodations. Those who resigned also lost their roof over their heads."

He adds that despite the problems, these cases have become less frequent. "Now the cases are different: this is probably also because many Ukrainians have become more independent and speak better German. They find other jobs or can defend themselves better," Sabelnikov says.

## Silent regulators

In most EU countries, temp agency work is only legal with a permit from state authorities. To avoid the hassle and oversight of authorities, many temp agencies simply don't acquire these permits and masquerade as construction or cleaning service providers, while in reality providing workers, not services.

This practice is known as covert labor brokering and allows companies to avoid complying with the laws around the leasing of workers, notably those that demand comparable wages or similar working conditions between regular and leased workers. Our investigators from the Czech Republic and Lithuania have found two striking examples of such scams.

According to the findings of the Czech Labour Inspectorate, Almax Work-Holding illegally assigned employees to the Czech CNC-machine manufacturer “Weiler Holoubkov” in 2017. At the time, Almax claimed that it had sent its employees on a “work trip” to the Weiler factory, with the workers’ stay “on the road” supposedly lasting several months in total. Incidentally, data on the company’s website and job postings on social media indicate that Weiler continues to work with Almax’s successor agency, Pokrov. Weiler Holoubkov didn’t comment on their collaboration.

Similarly, the Lithuanian company Nermeka, which operates under the brand name Hirelabas, has been offering temporary work opportunities since 2015 to both businesses and workers. Alas, on paper, Nermeka was not a temporary worker-leasing agency, meaning it did not operate according to the standards set for temporary leasing agencies.

The company may still be hiding temporary employment under service and contract agreements, but the Lithuanian Work Inspectorate never investigated Nermeka as a temporary work agency, even after journalists from Siena presented clear evidence of possible scams.

Now Nermeka is undergoing bankruptcy procedures, but even that does not mean that Hirelabas brand will disappear: the owners of one of its branches have moved their businesses to other companies.

## **What’s the unfair businessman’s favorite bird? “Phoenix”**

Even while undergoing bankruptcy, Nermeka’s owners did not stop their business. How did they manage to keep working? They simply shifted all of the workers from Nermeka’s sinking ship to other companies under the owners names.

Rolandas Puncevičius, an expert from the Tax Authority of Lithuania, called this practice “Phoenix syndrome.”

“This is a certain process whereby economic entities, avoiding certain obligations, i.e. the fulfillment of their obligations or the payment of taxes, (...) create, in most cases, a new economic entity, transfer their valuable activities, and leave all unpaid taxes and debts in that legal entity, which in the future does not carry out any activities, but remains in default of all its creditor’s obligations,” said Puncevičius.

Nermeka, a Lithuanian temp agency fined for exploiting workers, declared bankruptcy in September 2023 with debts exceeding €424,000, including €360,000 owed to the Lithuanian Tax Inspectorate. This collapse coincided with the rise of two other companies linked to CEO Mečislovas Bušas: Mezitora and Zimeda. Neither company is licensed for leasing of workers, as confirmed by their absence from the Labour Inspectorate’s official list. Yet both of them showed clear signs of leasing temporary workers like employing a high number of workers, offering low pay rate and the presence of active temporary work offers online (on their websites and Facebook page), among others.

This scheme is also seen in the example of the Czech based company, Pokrov International. The company was established in 2013 under the name [Almax Work-Group](#) by Oksana Poleshchuk and her husband, Daniil Poleshchuk. In 2017, the Czech Labor Inspectorate fined the company [190,000 crowns \(over 7,000 Euros\)](#) for covert leasing of workers. At that time, there was already a new

agency under the name of [Almax Work-Holding](#), which did have an agency permit to lease workers.

Almax Work-Holding has been subject to eight inspections since 2020 and was subsequently fined three times for a total amount of almost 2.5 million crowns (approx. 98.000€) for enabling illegal work. In September 2022, the company lost its agency permit. And once again, the scheme repeated: since 2018, the same people have had a company called [Pokrov International, a. s.](#), that still has an agency license. If this company were to lose its permit, the Poleshchuks would still have another company, [Pokrov Czechinvest s.r.o.](#), which was established in the fall of 2022 and received an agency permit last spring.

## **“Phoenix startups”**

The popularity of the Phoenix scheme can largely be attributed to how easy it is to set up new agencies, even if the prospective owner has been fined for providing illegal employment services.

A reporter from [investigace.cz](#) identified a number of Czech companies that offer ready-made employment agencies for sale. A reporter from [investigace.cz](#) contacted one of the companies that sells ready-made companies, including employment agencies and presented herself as interested in buying such an agency.

This fictional company has been operating on the Czech market for over twenty years and its director, with whom the reporter spoke, is also a member of the Czech Association of Employment Agencies. When asked whether there would be a problem with the fact that the future owner of the company had just lost his license to provide employment because of allowing illegal employment of foreigners, he replied that there was not.

“It is enough if he is not a statutory body, for example, a managing director or representative, the ministry usually does not deal with partners or beneficial owners,” he said.

A ready-made employment agency, which is the option the director recommended in this case, would cost the applicant CZK 350,000, around 14000 €.

All the aforementioned companies were asked to provide a statement, but chose not to comment.

## **Good laws, poor implementation**

Cases from different European countries show a pattern that Vilius Mačiulaitis, a labor law expert from Lithuania, describes as loopholes in implementation rather than issues with the laws themselves.

A similar sentiment was prevalent at a conference about labor law enforcement in Berlin in February 2024. The discussions revealed that labor inspections are understaffed and lack digital infrastructure and cooperation between the individual departments — and thus fail to carry out inspections effectively.

While attending this event, Prof. Dr. Gerhard Bosch from the University of Duisburg criticized the low frequency of controls: “It’s more likely to win the lottery than to be inspected by a labor inspector in Germany.”

Yet Mačiulaitis also criticizes the lack of sufficient punishment: “In my practice, I have not yet seen a company fined for engaging in illegal commercial activity ... Although there is a practice that such companies [operating without a permit] are fined for violating temporary employment requirements

and the fine can be up to 200 euros the first time, and up to 800 euros the second time. So what difference does it make if I don't register but operate as a temporary employment company? Well, in the Lithuanian market - nothing."

Suzanne Hoff from the anti-trafficking NGO La Strada International confirms that this issue is widespread across the EU: "You need binding regulations. You need implementations. If there's not much to lose, companies will continue."

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