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Social and labor challenges to the Ukrainian society and some necessary steps to restore the labor market

Economy and forecasting

Provided in Cooperation with:

ZBW OAS

Reference: (2022). Social and labor challenges to the Ukrainian society and some necessary steps to restore the labor market. In: Economy and forecasting (2), S. 133 - 141.

<http://econ-forecast.org.ua/?>

[page_id=189&lang=uk&year=2022&issueno=2&begin_page=133&mode=get_art&flang=en](http://econ-forecast.org.ua/?page_id=189&lang=uk&year=2022&issueno=2&begin_page=133&mode=get_art&flang=en).

This Version is available at:

<http://hdl.handle.net/11159/15885>

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SOCIAL AND LABOR CHALLENGES TO THE UKRAINIAN SOCIETY AND SOME NECESSARY STEPS TO RESTORE THE LABOR MARKET

The researchers of the Department of Socio-Economic Problems of Labor of the SO "Institute for Economics and Forecasting of the National Academy of Sciences of Ukraine" have systematized the current challenges to the Ukrainian labor market brought by the full-scale war launched by the Russian Federation against Ukraine, and identified certain steps for their partial solution

1. **Loss of human capital due to forced migration abroad.** About 11.5 million people left their homes, 7 million of them became internally displaced persons (which makes about 16% of Ukraine's total population), and 4.5 million became refugees in other countries¹. The continuation of the war creates the prerequisites that their number will further increase and Ukrainians will adapt in the recipient countries, which threatens with irreversible emigration and loss of Ukraine's human capital.

2. **The outflow of labor, including highly qualified, active and talented workers** will have a negative impact on the qualitative characteristics of Ukraine's labor supply on the market, and on the opportunities for social and economic development.

3. **The humanitarian problems of internally displaced persons and the creation of proper conditions for their integration into the recipient communities** remain relevant, which requires the creation of a favorable institutional environment simultaneously with the strengthening of inclusive mechanisms.

4. Due to Russia's military aggression, it becomes **difficult to ensure gender equality in Ukraine's labor market**. It is worth noting that the constant displacement of people significantly reduces the employment opportunities of women in general and by profession in particular, negatively affecting the realization of their educational and career expectations.

5. **Stagnation of the labor market and the crisis of Ukraine's social and labor sphere** during the ongoing war are manifested by narrow scope

¹ Where Ukrainians go because of the war: how many of our people have left, where and what they were offered. Retrieved from <https://tsn.ua/exclusive/kudi-ukrayinci-yidut-vid-viyini-skilki-nashih-viyihalo-kudi-ta-scho-proponuyut-2030758.html>; How many people fled Ukraine and where are they going *BBC News Ukraine*. Retrieved from <https://www.bbc.com/ukrainian/features-60649603>



for labor application, aggravated sectoral and professional imbalances and increased burden on social funds. According to ILO estimates, in the current situation of the active phase of the conflict, as compared to the pre-conflict period, 4.8 million jobs have been lost, which makes 30% of total jobs in Ukraine before the conflict. In the event of immediate cessation of hostilities, the situation could rapidly improve and 3.4 million jobs would be restored, reducing the employment losses to 8.9%. However, in case of further continuation of hostilities, employment losses could increase further to reach 7 million jobs, or 43.5%².

6. **The business, optimizing their costs, is using strategies aimed either to reduce the number of employees or to save wages.** Thus, according to Advanter Group surveys³, in mid-April, 1,203,000 people were dismissed at small and medium-sized enterprises during the war, while 42% of their personnel worked on reduced wages. In particular, micro-business owners dismissed 42% of their employees, small businesses - 24%, and medium-sized businesses - 18%.

7. **The labor market is turning into employers' market.** Since the beginning of war⁴, most companies (78%), unfortunately, have applied unpopular measures to their employees (25% did not pay wages; 16.5% resorted to layoffs; and 10% sent their employees to unpaid leaves). Among the most affected activities are the service sector; science and education, lawyers, automotive business, domestic personnel, security professionals, as well as service professionals.

8. Another social challenge is **the increased number of persons in working age with disabilities**, which raises the responsibility to Ukrainian society for the institutional support in the realization of the rights of people with disabilities and their rehabilitation. There is more need to create proper conditions for the social, educational, cultural and labor involvement of people with disabilities.

9. One of the main negative consequences of the war is **the loss of quantitative and qualitative components of Ukraine's human potential**. The quality components will primarily depend on the availability of and access to educational services, providing opportunities for adult learning.

² The impact of the crisis in Ukraine on the labor sphere: preliminary assessments. Analytical note by the ILO (11.05.2022). Retrieved from https://ukraine.un.org/sites/default/files/2022-05/UKR_Brief%20note_11May-2022.pdf

³ A research by Advanter Group. Retrieved from <https://advanter.ua/>

⁴ Are there jobs in Ukraine during the war? Retrieved from <https://kiev.grc.ua/article/30090?hhtmFrom=main>



Presently, Ukraine's educational system has suffered a significant destruction as to its infrastructure. As of June 4, 2022, as a result of shelling and bombing, 1,939 educational institutions were damaged, and 184 of them completely destroyed. 1,170 educational institutions are located on the temporarily occupied territory⁵.

Simultaneously with the destruction of educational infrastructure, the education system also lost users of educational services. There are currently no reliable statistics on the loss of the number of users of educational services, there are different data from several sources regarding certain categories of users, which range from about 0.7 to 3 million people (for example, according to the Ministry of Education and Culture, as of 05/20/2022, more than 670,000 students left the country⁶; while according to UNICEF data as of March the number exceeds 1.5 million⁷; according to other data – almost half of the more than 6 million people⁸ who left are school-age children⁹). Thus, to ensure the educational process in places where its users remain and institutions are not destroyed or damaged, it is necessary to restore the infrastructure or provide alternative forms of training or organize the physical displacement of education seekers.

However, despite the negative development in the labor sector, the first signs of a gradual recovery are observed since April¹⁰, and the number of Ukrainians returning to work is increasing. Currently, among those who had a job before the war, 59% continued to work in April-May (46% in March). In particular, the share of those working in the usual mode increased from 23 to 32%; from 21 to 24% - those working part-time or remotely; and 3% have started working at a new job. Most of those who

⁵ The war destroyed many plans, including educational ones. Last year, the Ministry of Education, Science and Technology determined the priority tasks for 2022. What changes did martial law bring? What innovations are already in effect and what can educators expect in the new academic year? Retrieved from: <https://osvitoria.media/experience/shhono-novogo-chekaye-na-shkoly-u-2022-rotsi-3/>

⁶ The impact of the war on secondary education in Ukraine: challenges and prospects. Summary of the event (24.05.2022). *Cedos*. Retrieved from <https://cedos.org.ua/events/vplyv-vijny-na-osvitu-v-ukrayini-vyklyky-ta-perspektyvy/>

⁷ Kasiyan, V. (19.03.2022). Over 1.5 million children have left Ukraine since the beginning of the war - UNICEF. *LB.ua*. Retrieved from https://lb.ua/society/2022/03/19/510260_ponad_15 mln_ditey_viihali_z_ukraini.html

⁸ Izvoschikova, A. (12.05.2022). Since the beginning of the war, more than 6 million people have left Ukraine - UN. *Public broadcasting of Ukraine*. Retrieved from <https://suspilne.media/238803-z-pocatku-vijni-z-ukraini-viihalo-ponad-6-miljoniv-ludej-oon/>

⁹ Koshova, O. (03.05.2022). How Ukrainian students study abroad. *Vechirniy Kyiv*. Retrieved from <https://vechirniy.kyiv.ua/news/65841>

¹⁰ Sociological group "Rating". Retrieved from <https://ratinggroup.ua/capability/>



currently work are residents of the Western and Central regions (about 60%). In particular, in the Western region, 30% work in the usual mode, 26% work remotely or partially; while in the central region the figures are 4%; and 33% respectively.

Under the conditions when a large part of the country suffers losses from hostilities actions, the state authorities should shape a clear vision of the ways to restore economy. The development of the IT sector is one of the opportunities for the recovery and restructuring in Ukraine's post-war economy. According to the data by the National Bank of Ukraine, the IT industry's exports provided a record 2 billion USD revenues during the 1st quarter of 2022, despite martial law, mobilization, and forced reallocation of business and teams. A similar indicator for 2021 was 1.44 billion USD¹¹, which means a 28% increase in IT exports.

In the realities of war, the IT industry managed to consolidate and quickly reformat their work thanks to anti-crisis business plans. Most of the sector's companies retained their clients and the scope of contracts. Due to this, the industry remains financially stable and provides regular foreign currency inflows to Ukraine's economy. In total, 52% of IT companies retained 100% of their contracts, and 32% retained 90-99%. Only 16% of the sector's companies lost 10% or more of their contracts¹².

According to the "IT Ukraine" Association, during the war, 77% of IT companies attracted new customers, 56% of them expect 5–30% growth in 2022, and 41% predict a 50–100% preservation of current output. Only 3% of Ukraine's IT companies expect output decline by 50% or more¹³. Further strengthening of the national IT sector depends on the growth of the number of IT specialists on labor market.

To support and raise the mobility of labor force and the flexibility of labor market, it is expedient to focus on flexible forms of employment, including ICT-based remote, and mobile employment, work on the Internet, employment on digital platforms, etc. First of all, it is necessary to concentrate on relocating most workers who can be employed remotely to safe regions, and on finding for them proper office space, and housing.

The global trend of modernity is digitization, which creates new requirements, among which the most important are the creation of mobile

¹¹ Dynamics of the balance of payments of Ukraine (according to KPB6). Retrieved from https://bank.gov.ua/files/ES/BOP_m.pdf

¹² Ukrainian IT industry: reboot in wartime. Retrieved from <https://itukraine.org.ua/ukrainian-it-industry-reboot-in-wartime.html>

¹³ Ibid.

workforce and a flexible labor market in the digital space, which should reflect the own vision of strategic priorities for economic development, restructuring, and recovery.

In the post-war period, Ukraine will face an unprecedented challenge: in the shortest possible time, relying on the consolidation of society and the powerful support of the international community, to restore its ability to provide a decent quality of life based on economic progress and effective realization of human potential. For successful post-war reconstruction, this country has to solve an important task to modernize and increase the effectiveness of national legal provisions in the field of labor, education, and migration policy, which would prevent and mitigate socio-economic risks and negative consequences associated with losses in the current hostilities.

Solving the issue of revival in the labor sphere depends not only on ensuring security, but various socio-economic aspects such as:

- development of the national economy to promote the demand for labor;
- compliance with the principles of decent work
- institutionalization of an inclusive employment policy that would consider the conditions of martial law.

Taking into account the current trends in the socio-economic sphere, it is possible to outline the challenges in Ukraine's labor market and in this country's social and labor sphere during the ongoing hostilities and during the post-war recovery, which require an active response:

1. A narrow scope for employment, reduced labor supply and increased the burden on social funds.

Response measures:

- urgent provision of employment and income under conditions of security and socio-humanitarian stability for groups of persons who lost their jobs during the war via the adaptation of available workforce to local labor markets, and the promotion of their professional development and reorientation;
- filling the temporarily vacancies that emerge due to the outflow of able-bodied population from the labor market, including to the Armed Forces of Ukraine, and to territorial defense forces, and as a result of forced resettlement;
- ensuring favorable conditions for medium-sized, small and micro-enterprises via flexible regulation of labor relations and reducing the administrative burden;



- encouraging business startups and creating new jobs;
- supporting self-employment, creating proper conditions for the recovery and reintegration of local economy.

2. Aggravation of the problems with availability of high quality jobs, narrow employment opportunities.

Response measures:

- Encouraging the demand for labor associated with economic recovery, supporting intersectoral labor flow; increasing labor mobility and adaptability, taking into account the "flexibility of professions", i.e. the ability of a person with a certain profession to work in another with minimal costs on additional training.

3. Deepening segmentation of the labor market, the imbalance between demand and supply in certain professions and activities.

Response measures:

- defining the boundaries of relevant segments on the labor market; developing appropriate measures in each segment:

a) the segment of highly skilled labor as a basis for economic modernization. Revival of activities on a new basis with a focus on digitization. For this purpose, it is necessary to create a data bank of specialists who have changed their place of residence;

b) business sector and the self-employed segment: easing the tax burden and providing credit and logistical support; increasing the role of municipal authorities, whose rights should be expanded, in particular in identifying regional priorities and in developing local types of business;

c) the segment of working professions, urgently needed in the sphere construction. People from other professions who can perform many types of related work should be involved in this segment as well;

d) every support of all activities using ICT technologies: Internet trade, Internet analytics, intermediary operations, etc.;

e) unemployed and underemployed population. It is necessary to revive public works, for which to establish cooperation between employment agencies and municipal bodies.

- during war, the tax pressure on businesses should be eased so they should retain interest for doing business;

- it is necessary to review migration standards and promote both internal and external mobility. To develop rules for temporary regulation of men's trips abroad for a certain short period if it is related to work or business;



– to expand measures of passive protection, with measures of active policy being a priority.

4. Growth of economic inactivity; increased number of unemployed; increased probability of social exclusion on labor market.

Response measures:

– measures to reduce the risk of stagnant unemployment, applying the status of "officially registered unemployed person" for those who quit voluntarily, and for those dismissed due to production restructuring/downsizing and by agreement of the parties, which requires corresponding amendment in the Law of Ukraine "On General compulsory social insurance in case of unemployment" (Article 23 part 4);

– increasing the level of labor mobility by:

a) improving the system of education and professional training via harmonization of all legislative acts in the field of education and professional training, bringing the labor market closer to realities of the modern war, acquiring flexibility, innovation and approaching the labor market to European standards, which requires the development of comprehensive measures to adapt and modify the education and professional training to meet European requirements;

b) improving the system package of legislative and socio-economic means for the formation of social elevators in order to intensify the participation of young people in the national public life, developing their scientific and labor potential and self-realization, ensuring employment;

c) developing regional programs for professional (vocational and technological) education/training for the period of post-war recovery, taking into account changes in the needs of local labor markets (regional executive bodies, local government bodies);

d) improving legislation as to the regulation of social and labor relations towards strengthening the social dialogue between labor market participants.

– the provision of services by the State Employment Service not only to officially unemployed, but also to persons who are not part of the labor force and not payers of social fees, but in wartime can be involved in infrastructural, public and socially significant works; change the formulation of the category "suitable work" to "work needed by the economy due to hostilities"; to expand the range of voucher recipients within the system of active employment policy in Ukraine in order to shape the labor supply in accordance with the needs of the military economy.



5. Falling incomes and impoverishment.

Response measures:

- wage subsidy programs, preparation of the Resolution of the Cabinet of Ministers of Ukraine on wage subsidies during the war in Ukraine, targeted assistance to individuals and families who lost their homes and jobs;

- measures to create favorable conditions for productive employment.

6. Low level of enforcement in the labor sphere, which leads to increased informal and shadow employment; loss of motivation for productive employment; problems related to labor safety and decent working conditions.

Response measures:

- development of labor legislation and bringing it into compliance with European standards;

- a stricter policy on strengthening the responsibility of employers and employees for compliance with legal norms as to the registration of labor relations, compliance with labor safety rules, payment of taxes and fees to social funds, which together will help reduce risks in the field of employment;

- motivational and stimulating measures for productive employment;

- increasing the effectiveness of state employment services and further development of flexible employment.

7. Destructive processes of the full-scale war lead to the acceleration of change in the age structure of Ukraine's labor towards their aging, in turn causing increased burden on social funds; deterioration of the quality characteristics of the workforce, decrease in the level of labor productivity.

Response measures:

- within the national employment policy, measures to attract young people into the labor sphere via financial mechanisms encouraging and stimulating their entrepreneurial initiative, creating preferential conditions for obtaining licenses for certain activities (primarily associated with the latest technologies), and mechanisms for encouraging employers to promote the employment of young specialists (for example, quotas for the number of young professionals at companies and financial support for employers at the stage of approbation and adaptation of young personnel), etc.;

- further development and spread of the latest forms of employment;

- orientation of the national youth policy to the creation and improvement of legal, socio-economic, research, and organizational



conditions for the successful socialization and self-realization of Ukrainian youth, and the use of their creative potential for the development of society.

8. Increased number of working-age people with disabilities, which strengthens the state's responsibility to Ukrainian society for institutional support of the rights of people with disabilities and their rehabilitation.

Response measures:

– creating proper conditions for social, educational, cultural and labor involvement of people with disabilities.

– considering the provisions of the UN Convention on the Rights of Persons with Disabilities, the Action Plan of the Council of Europe, international experience in the implementation of the rights of people with disabilities and the state of the Ukraine's regulatory and legal field, there is a need to regulate the following aspects:

a) defining the technology for rehabilitation of people with disabilities from medical to educational and labor rehabilitation stages with the provision of necessary social services (experience of developed European countries, development of occupational therapy);

b) simplification of the procedure for processing documents related to professional training and employment towards reducing bureaucracy due to the cooperation of social partners in the field of rehabilitation of people with disabilities;

c) development of social responsibility of business in the system of social involvement of people with disabilities via preferential taxation and fines;

d) improving the mechanism of educational and labor rehabilitation of people with disabilities based on the creation of a classifier of professions for such persons;

e) further development of inclusive education;

f) building public awareness of the needs of people with disabilities regarding their social inclusion.