

LABOUR MARKET IN UKRAINE UNDER THE INFLUENCE OF A YEAR OF FULL-SCALE WAR

Olha Cheromukhina¹

Abstract. The main *purpose* of this research article is a comprehensive study of the transformational impact of a full-scale war on the labour market, with a special focus on the challenges posed by labour force dynamics in the context of the Ukrainian economy. Through rigorous analysis and empirical research, the paper aims to identify and highlight the multifaceted changes that occur in the labour market during conflict, shedding light on the complex relationship between war-induced factors and the composition of the labour force. By examining these dynamics, the paper aims to make a valuable contribution to policy and strategic decision-making aimed at mitigating the negative effects of war on the labour market, which will ultimately contribute to sustainable economic recovery and development after the conflict ends. *Methodology.* This research article uses secondary analysis of data from the State Employment Service, as well as the results of surveys conducted by sociological groups and consulting companies. The *practical implementation* of the conclusions outlined in this article involves the formulation of targeted recommendations aimed at improving the effectiveness of state policy on the labour market in Ukraine, in particular, with a focus on the restoration of human resources in the post-conflict period. Drawing on the findings of a comprehensive analysis of war-induced labour market changes, these practical recommendations aim to offer actionable strategies for policy makers and stakeholders. Emphasising the need for rapid and adaptive interventions, the authors call for evidence-based decision-making to address the identified challenges. The practical implementation of these recommendations aims to guide the development and implementation of policies that will not only mitigate the immediate impact of the war on the labour market, but also contribute to the long-term sustainability and stability of the Ukrainian labour force. *Value/Originality.* Current trends in the labour market are analysed. The main threats to the labour market of Ukraine and the impact on the supply and demand of labour under martial law are identified. The author proposes to regulate the professional and qualification imbalance in the labour market through the system of advanced training or retraining of employees seeking employment in a profession in demand in the economy; spreading new forms of employment and supporting self-employment; investing in the creation of new jobs with decent conditions and remuneration.

Keywords: labour market, the Russian-Ukrainian war, unemployment, challenges, threats and dangers of wartime.

JEL Classification: E24, J21, J23, J24

1. Introduction

The problems arising from the outbreak of the full-scale Russian-Ukrainian war have posed a major challenge to the Ukrainian economy. The destabilising factors triggered by this conflict are multifaceted and include the forced migration of the able-bodied population, colloquially known as the "brain drain", the proliferation of remote informal employment, continued socio-economic instability, aggravated imbalances in the labour market and the substantial integration of forced migrants into the labour force. It is clear that the availability of adequate human

resources in the labour market, capable of meeting the evolving demands of the modern economy, is essential for Ukraine's post-war recovery.

In today's world, businesses need comprehensive and accessible information to formulate effective labour market policies in the midst of wartime challenges. A thorough analysis of the state of the domestic labour market is therefore essential to identify existing obstacles and anticipate potential future problems. The aim is to develop strategies that not only address the immediate consequences of war, but also lay the foundations for sustainable economic rehabilitation.

¹ School of Law and Government, Dublin City University, Ireland; Kyiv International Institute of Sociology, Ukraine (*corresponding author*)
E-mail: olha.cheromukhina@kiis.com.ua
ORCID: <https://orcid.org/0000-0002-4264-3114>



The central role of the labour market in the social and economic development of a nation motivates scholars to delve deeper into its intricacies, particularly in the context of war. The important social and economic role of the labour market in the development of the economy and society stimulates scholars to study the peculiarities of the labour market in greater depth, focusing on various aspects that they consider relevant. Such domestic scientists and analysts as I. Petrova and L. Lisohor were engaged in researching the problems of the development of the labour market of Ukraine, reducing the unemployment rate and increasing employment. After the full-scale invasion, scientific works on the consequences of military aggression began to appear, as well as work on ways of solving the problem of personnel supply in the imbalance of the wartime labour market. Scientists such as N. Seryogina, V. Bliznyuk, O. Pyschulina, L. Vaganova, Y. Chaliuk and O. Cheromukhina were interested in this problem. Their work delves into the complexities of maintaining a functional labour market in armed conflict, offering insights into the challenges faced and innovative solutions to sustain labour market dynamics in times of upheaval. Their research is a guiding light in understanding the complex relationship between war, labour market dynamics and the need for a resilient and adaptable workforce in the face of unprecedented challenges as one navigates these uncharted territories.

Highlighting previously unresolved aspects of the overall problem, this article examines the dynamic changes in labour market trends in Ukraine, which require careful study and scientific analysis. The changes taking place, especially after the full-scale Russian-Ukrainian war, have created unprecedented challenges that require detailed research. The purpose of the article is to summarise the changes in the labour market during the war, to identify the challenges affecting staffing, and to develop recommendations for regulating this state of the labour market.

2. Negative Highlights of the Labour Market Caused by the War

The effective development of a country's economy depends on the successful functioning of the labour market. In 2021, the Ukrainian Institute for the Future published a report stating that (UIFuture, 2021):

- The burden on the working population will increase by 10%;
- labour shortage will be observed in 2023;
- the loss of 5.5% of the working-age population will result in a 4.5% or 172 billion UAH reduction in GDP by 2030.

Today, when the national economy has been operating in wartime conditions for more than a year,

and the consequences of the war cannot be assessed unequivocally, one thing is clear: the above-mentioned indicators will become even more pessimistic.

According to the State Employment Service, the unemployment rate on the eve of full-scale war was almost 10%. By comparison, this indicator averaged around 7% in European countries. Most Ukrainians were employed in agriculture, trade, industry, health and education (Visitukraine.today, 2023).

According to the findings of the Ptoukha Institute for Demography and Social Studies of the National Academy of Sciences of Ukraine, the labour market demonstrated destructive trends and significant asymmetries of development even before the full-scale invasion began (Tsymbal, 2021):

- Decrease in productivity and remuneration;
- demographic asymmetry;
- lower quality of job offers;
- reduced motivation for labour mobility;
- the inability of regional labour markets to support human development.

The researchers identified the following types of asymmetry:

Asymmetry A. Asymmetry in access to information on labour market supply and demand.

Asymmetry B. Imperfection of the factors of interaction, receipt and access to information.

Asymmetry C. Distortion and concealment of information, increased information uncertainty.

In their scientific work, researchers Blyzniuk V. and Yatsenko L. highlight the identification of key threats to social security in the Ukrainian labour market caused by the military aggression (Blyzniuk, Yatsenko, 2023):

- The spread of long-term unemployment;
- low adaptability of labour market players to new requirements;
- low level of information in the field of labour;
- increased tension in the labour market due to military operations;
- changes in the age structure of the workforce;
- insufficient labour mobility and low efficiency;
- narrowing of the scope of labour, reduction of quality jobs, deepening of educational and professional imbalances in the labour market due to the breakdown of production chains;
- loss of a significant part of the potential in basic industries and the agricultural sector.

The deterioration of cooperation with certain trading partners also had a negative impact on the labour market, Ukraine's withdrawal from certain foreign markets, and the deterioration of the country's investment attractiveness, which led to such negative trends as a decrease in domestic demand due to a decline in the purchasing power of the population and a deterioration in production processes.

3. Wartime Unemployment in Ukraine

According to a study by the sociological group Rating, an average of 53% of the country's working-age population became unemployed as a result of the armed conflict, rising to 74% in the eastern part of the country (Ratinggroup, 2022).

According to the National Bank of Ukraine, the unemployment rate in the country reached 35% as a result of the full-scale war. In the first few months of the war, Ukraine lost more than a third of its jobs. However, by the end of 2022, the situation had improved significantly: the ILO estimated that the unemployment rate in Ukraine would be 15.5% by the end of 2022.

In 2022, according to employment centres, there were 396,000 vacancies in Ukraine. The structure of vacancies by type of economic activity was as follows:

As of January 1, 2023, the number of vacancies decreased by 48% compared to the same date in 2022, amounting to 21,000 vacancies for 2023, according to the State Employment Service.

In 2022, almost 868,000 registered unemployed people used the services of the State Employment Service, which is 27% less than in the same period of the previous year. An analysis of the dynamics of the unemployment rate from 2018 to 2023 showed that in 2022 there was no significant increase in this indicator due to the war. The highest unemployment rate in the analysed period was in 2020, primarily due to the impact of the coronavirus pandemic on the labour market and employment. Instead, in 2022, the lowest unemployment rate was recorded over the five-year period under review. This situation is not an indication of the efficiency of the labour market in wartime or an indicator of an effective state employment policy. The situation is influenced by the negative consequences of the full-scale invasion, including the mobilisation of part of the population

(mostly men), the migration of another part of the population abroad (mostly women), and the unwillingness or inability of citizens to seek help from employment centres.

An important characteristic of the national labour market in Ukraine in wartime is the persistent imbalance between labour supply and demand, which is quantified by the ratio of the number of unemployed to available jobs. The dynamics of this indicator is shown in Figure 3, which shows that since February 2022, Ukraine has seen a rapid increase in the number of job seekers per vacancy, which is associated with a decrease in the level of labour force activity. The highest figure for the period 2020–2022 was recorded in June 2022, when 13 people applied for one vacancy. By the end of the year, this indicator decreased to 11 people per vacancy. As of January 1, 2023, the average number of unemployed people applying for one job was 9, and by May 1, 2023, this figure decreased to 3 unemployed people per vacancy across Ukraine.

One of the most common methods for businesses to adapt to wartime conditions has been to reduce or freeze wages and unpaid leave. All these factors contribute to the emergence of hidden unemployment in the country. Significant inflation in Ukraine, with sharp increases in food, fuel and service prices (some of which rose by 50%), combined with a decline in household incomes due to job losses, has led to an increase in poverty. As of 2022, 24.2% of Ukrainians were below the poverty line.

According to the National Bank of Ukraine, as of June 27, 2022, the decline in wages in the private sector was on average 25% to 50% compared to the pre-war period. The most significant declines were observed in the following economic activities: extraction of raw materials (down 58%), services and installation (down 50%), and consulting (down

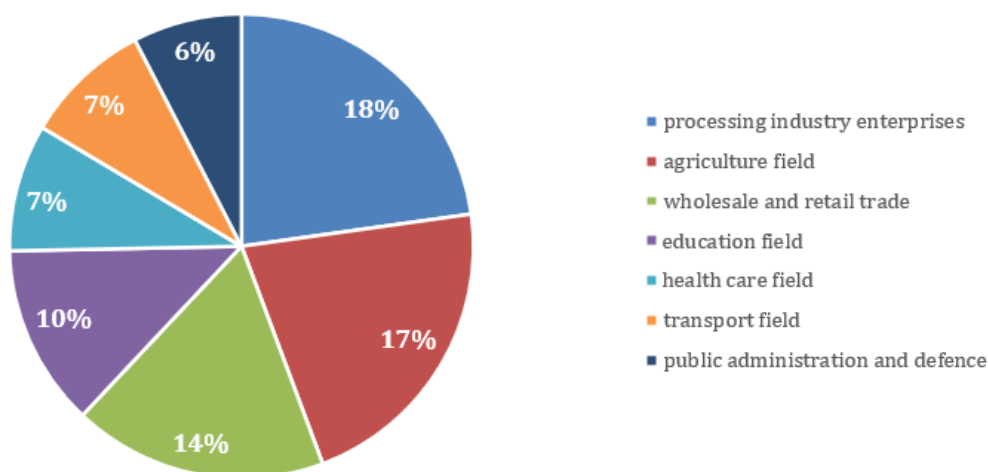


Figure 1. Structure of vacancies by type of economic activity, as of 2022

Source: (State Employment Service, 2022)

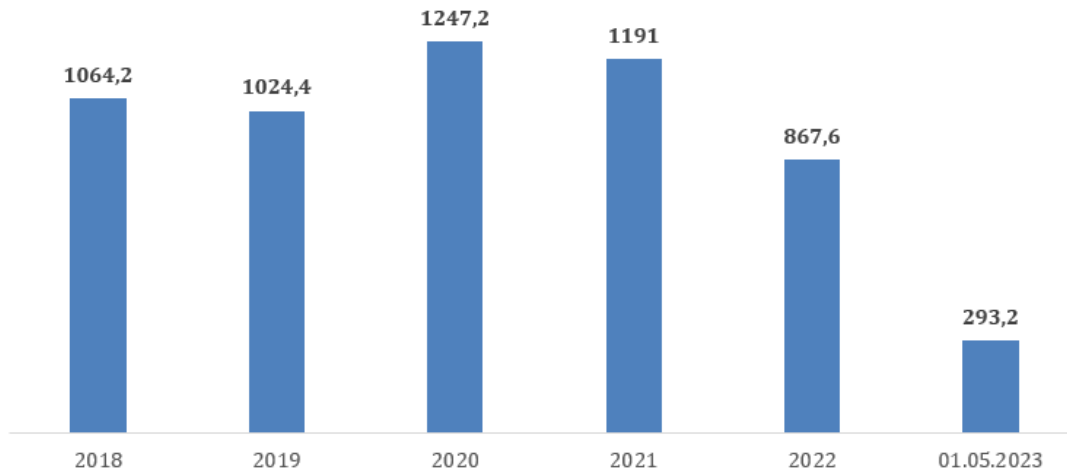


Figure 2. Dynamics of the number of unemployed registered with the State Employment Service of Ukraine in 2018–2023, thousand people

Source: (State Employment Service, 2022)

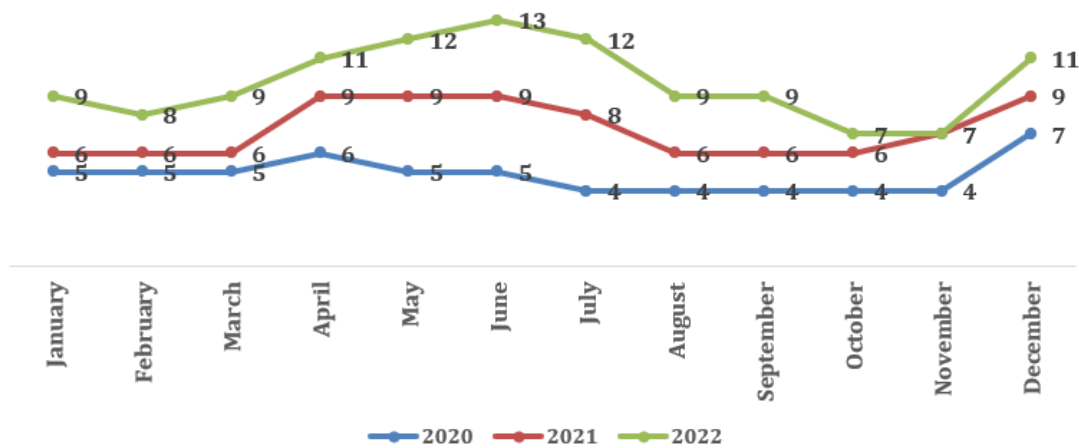


Figure 3. Dynamics of the number of applicants per 1 vacancy, as of the end of the month in the Ukrainian labour market in 2020–2022, persons

Source: (State Employment Service, 2022)

46%). As the economy recovers and labour demand improves, nominal wages are expected to grow and exceed pre-war levels by 2023. However, due to high inflation, real wages will still be below pre-war levels.

4. Practical Approach to Solving the Labour Market Problem

In addressing the complex challenges posed by more than a year of war that has disrupted the labour market, a practical perspective highlights

Table 1

Labor market trends during the war

Demand side	Supply side
<ul style="list-style-type: none"> – Changes in employment conditions, including salary cuts and salary delays – the spread of unpaid leave; – demand for new skills; – increased demand in certain sectors of the economy; – changes in the structure of vacancies and their geography; – reduction in overall demand for labour. 	<ul style="list-style-type: none"> – Decrease in the workforce – growing demand for remote work; – changes in the quantitative and qualitative characteristics of the workforce; – increase the share of IDPs in the structure of labour supply.

Source: (State Employment Service, 2022; Horodnichenka, 2022)

the urgent need for adaptive and responsive policy measures. Recognising that a nation's human capital is one of its most valuable assets, policy responses should aim to protect the workforce and facilitate a rapid recovery. One practical solution is to rapidly implement targeted retraining and upskilling programmes to equip the workforce with the skills that meet new needs. By identifying sectors that are critical to post-war reconstruction and economic recovery, policymakers can direct resources to training programmes that will enable people to make meaningful contributions to these reconstruction efforts.

In addition, it is crucial to develop cooperation between government agencies, private businesses and educational institutions. Public-private partnerships can facilitate the development of tailored initiatives to address specific labour market needs during and after conflict. Such a collaborative approach can streamline communication, resource allocation and skills development efforts, ensuring a more cohesive and effective response to the changing demands of the post-conflict labour market.

In practice, financial support mechanisms, such as subsidised employment programmes and entrepreneurial initiatives, can serve as vital tools to mitigate the economic impact of conflict. By providing employers with financial incentives to hire and retain workers, and supporting individuals to start their own businesses, these measures stimulate economic activity and contribute to the overall resilience of the labour market.

In addition, an adaptive social protection system is crucial to protect vulnerable populations affected by crises. By offering targeted assistance, including unemployment benefits, health services and psychological support, governments can mitigate the immediate impact on individuals and families, promoting social stability in times of uncertainty.

The main challenges facing Ukraine's post-war economic recovery include the following:

- The search for suitable vacancies will involve a change of residence due to the mismatch between the sectoral distribution of internally displaced persons and the relocation of companies in the regions;
- part of the working-age population will have to be mobilised again to cover the shortage of certain professions during post-war reconstruction;
- millions of workers (at least 10%) will be forced to change jobs;
- development of a programme for acceptance and integration of immigrants from other countries in Ukraine.

In order to effectively restore the labour market in Ukraine, the state must implement four strategic goals:

1. Stable protection of the most vulnerable groups (those who lost their jobs, vulnerable and elderly workers, veterans).

2. Provide compensatory education as an investment in human capital for the future for students who have lost the opportunity to study in Ukraine and retrain people who have lost their jobs.

3. Facilitate the return of ideas, and even people: attract human capital for the country's recovery that has emigrated and does not plan to return (brain drain).

4. Addressing the problem of unemployment among internally displaced persons of working age, increasing the participation of women in the workforce and, in general, better utilising the country's existing human resources.

Scholars also name the following priority areas for restoring the labour market to a new level (Shtunder, 2022):

- Creation of employment programmes for internally displaced workers;
- attraction of donor funds to create new jobs;
- creation of incentives (such as high salaries, decent working conditions, etc.) for the rapid hiring of employees;
- restoration of human capital and potential;
- development of remote forms of employment;
- forecasting professions that will be in demand in the labour market in the medium and short term;
- development of effective retraining and professional development programmes in line with the requirements of the current state of the labour market.

Implementation of programmes for the adaptation and inclusion of demobilised servicemen, IDPs and people with partial disabilities in labour relations remains a priority for the government. In addition, as the labour market is transforming very quickly, the design of jobs should focus on decent working conditions, which will improve the economy in the future and contribute to a rapid post-war recovery.

5. Conclusions and Prospects for Further Research in this Area

Negative trends in the labour market are complicating Ukraine's post-war recovery. The ability of the labour market to respond quickly and flexibly to existing challenges will contribute to the effective recovery of the national economy. This research paper has identified challenges that need to be addressed urgently and developed appropriate management solutions to further improve effective ways to counteract the negative trends caused by Russia's full-scale invasion of Ukraine.

Unemployment, caused by factors such as forced migration, economic instability and the disruption of traditional employment structures, is a serious challenge that needs to be addressed immediately. The outflow of skilled workers, known as the brain drain, is exacerbating labour market tensions, requiring targeted policies to retain and reintegrate

these valuable human resources. Strategies aimed at retraining and upskilling the labour force, as well as initiatives to stimulate job creation in key sectors, are becoming essential to address the pressing problem of rising unemployment.

In designing policy solutions, special attention should be paid to the development of comprehensive employment programmes designed to absorb the displaced labour force and facilitate its reintegration into the labour market. In addition, policies should be adaptive to the changing nature of work, recognising the growth of remote informal employment and providing a regulatory framework that protects the rights and welfare of workers engaged in such forms of employment.

Future research should delve into the nuanced dynamics of unemployment during the conflict,

examine its impact on specific sectors, and assess the effectiveness of existing social protection systems in supporting those who are unemployed. Initiatives that prioritise the mental health and well-being of the unemployed should also be explored, taking into account the additional stressors caused by the economic challenges posed by the war.

The conclusions drawn in this research paper underline the need for rapid and adaptive measures to counter negative labour market trends, especially those that exacerbate unemployment. By focusing on comprehensive policies and targeted measures, Ukraine will be able not only to recover from the immediate effects of the conflict, but also to build a resilient labour market that will prevent long-term unemployment and contribute to sustainable economic growth in the post-conflict period.

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