

THE LABOR MARKET OF UKRAINE: YESTERDAY, TODAY AND TOMORROW

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Yuryk Ya. I., Kononov Yu. I. The Labor Market of Ukraine: Yesterday, Today and Tomorrow

The purpose of the article is to study the trends and patterns of labor market development in Ukraine, as well as the conceptualization of directions of overcoming the major imbalances in employment, motivating and stimulating economic activity of the population. The study actualized assessment of the labor market of Ukraine; identified and systematized problems and contradictions inherent in the Ukrainian labor market; based on identified trends and patterns, as well as the establishment of cause and effect relations in employment a forward-looking assessment of possible changes in this area was carried out; the main directions of improving the effective motivation and stimulation of economic activity of the population, taking into account labor market imperatives and challenges of time. The prospect of further research in this direction is to regulate structural proportions in the labor market, including between the sphere of employment and education sector, and what is expedient to direct further research.

Key words: the labor market, the structure of employment, unemployment, underemployment, labor productivity.

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Юрик Я. І., Коновалов Ю. І. Ринок праці України: вчора, сьогодні, завтра

Мета статті полягає в дослідженні тенденцій та закономірностей розвитку ринку праці в Україні, а також концептуалізації напрямів подолання основних диспропорцій зайнятості, підвищення мотивації та стимулювання економічної активності населення. У результаті дослідження було актуалізовано оцінку стану ринку праці України; виявлено та систематизовано проблеми та протиріччя, притаманні українському ринку праці; на основі виявлених тенденцій та закономірностей, а також встановлення причино-наслідкових зв'язків у сфері зайнятості здійснено перспективну оцінку можливих змін у цій сфері; сформульовано основні напрями підвищення ефективної мотивації та стимулювання економічної активності населення з урахуванням імперативів ринку праці та викликів часу. Перспективою подальших досліджень у даному напрямі є регулювання структурних пропорцій на ринку праці, у тому числі між сферою зайнятості та сферою освіти, на що й доцільно спрямувати подальший науковий пошук.

Ключові слова: ринок праці, структура зайнятих, рівень безробіття, неповна зайнятість, продуктивність праці.

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Юрик Я. И., Коновалов Ю. И. Рынок труда Украины: вчера, сегодня, завтра

Цель статьи заключается в исследовании тенденций и закономерностей развития рынка труда в Украине, а также концептуализации направлений преодоления основных диспропорций занятости, повышения мотивации и стимулирования экономической активности населения. В результате исследования актуализирована оценка состояния рынка труда Украины; выявлены и систематизированы проблемы и противоречия, присущие украинскому рынку труда; на основании выявленных тенденций и закономерностей, а также установления причинно-следственных связей в сфере занятости осуществлена перспективная оценка возможных изменений в этой сфере; сформулированы основные направления повышения эффективной мотивации и стимулирования экономической активности населения с учетом императивов рынка труда и вызовов времени. Перспективой дальнейших исследований в данном направлении является регулирование структурных пропорций на рынке труда, в том числе между сферой занятости и сферой образования, на что и целесообразно направить дальнейший научный поиск.

Ключевые слова: рынок труда, структура занятых, уровень безработицы, неполная занятость, производительность труда.

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Under present-day conditions the Ukrainian labor market development is guided by necessary adaptation to the economic circumstances. First of all they are characterized by on-going setback in production, considerable financial imbalance of the country's economy, insufficient dynamics of economy reformation. Modern Ukrainian labor market has serious problems and contradictions:

- ✦ *macro proportion distortion of economy development* which became apparent as ratio distortion of labor productivity growth rate and remuneration of labor growth rate;
- ✦ *imbalance between educational and labor markets.* It leads to worsening of the labor market quantitative and qualitative structure and to incompatibility of skill level;

- ✦ *informalization of labor relations*. That is the evidence of considerable shadow employment rate. Excessive expansion of informal employment and its intertwining with formal one makes a great number of labor relation processes uncontrolled and irregular;
- ✦ dynamics of innovation processes provokes changes at labor market and permanently calls for *new forms of employment organization* and labor conditions. Nonstandard work arrangement spreads over, investments into the new kinds of activity grow, labor mobility rises etc;
- ✦ *atypical flexibility of Ukrainian labor market* (labor market adapts to market movements not changing number of employed but by means of wage flexibility and backpay).

All this necessitates the monitoring and analysis of key indicators of the labor market in Ukraine, as well as defining the priorities towards its improvement.

Today the research on the labor market is quite actively conducted, as well as finding ways to increase motivation and stimulate employment. This issue is dedicated to the particular work of economists V. Blyzniuk, O. Grishnova, A. Kolot, E. Libanova, L. Lisogor, V. Onikiyenko, I. Petrova et al. [1, p. 6]. While acknowledging the value of past scientific achievements of researchers we believe that today above all there is an urgent need to update the assessment of the labor market in Ukraine, as well as identify future possible changes in employment and to outline the main directions of improving efficiency of motivation and stimulation of employment based on the imperatives of the labor market and challenges.

The *purpose* of the study is a comprehensive analysis of current trends in the labor market in Ukraine and providing practical recommendations for overcoming the root imbalances and increasing the effective motivation and stimulation of employment.

Indicators of labor supply on the labor market are defined by the number of economically active population. Economically active (15 – 70 years-old) population made up 22.01 million at the end of 2012. That is 16% less than it was in 2000 but relative ratio such as population economic activity level has increased by 1.4 percent. The highest level of economic activity has been observed traditionally for 35 – 49 age group (for men and women as well). Rise in economic activity level of the group is provided with rise in level of employment.

Levels of employment in Ukraine are higher than average ones in European Union countries. In 2012 level of employment in Ukraine reached 59.7% of economically active (15 – 70 years old) population [7, p. 51]. In 27 EU countries it averaged 51.7% of population aged 15 and over. Levels of employment in Ukraine have been constantly growing from 55.8% for economically active population in 2000 to 59.7% in 2012. Youth employment becomes a problem of great importance. Youth reaches the highest level of employment at age of 30 – 34 when problem of the first job has already been solved and person has already reached defined professional level. Level of employment for people aged 25-29 is essentially less. For the youngest (aged 15 – 19) level of employment is minimal that can be considered as a positive phenomenon, since at this age it is more important to study and learn a trade. In the future it will raise a competitive ability of young people. Comparing the levels of employment in different types of population centers, we can see that village youth enters the labor market earlier than the urban one but later on it prefers passive behavior strategy on

the market or migration to towns, where there are more possibilities for getting a job.

Over a period of time previous to economic and financial crisis of 2008 – 2009 there was some economic recovery accompanied by Ukrainian labor market stabilization and structural changes. But outstanding feature of that stage of development was low quality of employment. Employability (as a chance to get a job) was reducing constantly while economic activity was increasing. Interaction of these trends caused some negative self-strengthening economic processes on the labor market, in the economy and society. Growth of unemployment in Ukraine took place not only at the expense of noncompetitive individuals but also at the expense of high educated and qualified professionals. So national labor market before the world economic and financial crisis was characterized by following features: low unemployment rate that was accounted for by inelasticity of employment with respect to GDP change, presence of structural disparities between labor supply and demand, excess of wage increase rates over labor productivity growth rates.

Crisis aggravated the existing problems and demonstrated unsystematic character of employment policy in Ukraine. So far, as amount of officially registered unemployed is directly correlated to the financial position of the state, some administrative measures were used during the last crisis to avoid massive layoffs and applications for unemployment status. Employment policy was primarily protective one and supported social stability, assisting in job placement for uncompetitive workers and fixing job quotas for them. That assists in unemployment level reduction.

Beginning of crisis did not lead to countrywide mass unemployment, and being chronic jobless was avoided (Fig. 1). Relative employment stability and reasonable level of registered unemployment were the main achievements of state authority, when it was opposed to consequences of a crisis for Ukrainian labor market.

The number of citizens who lost their work and became the job seekers reached peak in January-February 2009 but in second half-year signs of labor market stabilization were outlined. Unemployment level came down and at a later date it became lower than the indicator of the EU countries, where unemployment sluggish growth still occurred. This might have been a limiting factor for the labor migration from Ukraine. The main problem in Ukraine is not an unemployment level itself but growth of the part of people who have sought for a job for 12 months and more (Fig. 2). That means stagnancy intensification.

The number of job vacancies rose up in 2009 primarily at the expense of dismissal of blue-collar workers. Then a gap between number of redundant blue and white collar workers gradually narrowed. Crisis did not cause liquidation of jobs for unskilled employees. Dismissal level for jobs which did not require special training remained stable.

Labor demand traditionally was formed at the expense of manual workers but during crisis a demand for office employees increased (Fig. 3).

The employment structure formed in Ukrainian economy during transformation period is not optimal. In Ukraine (typical for developing countries) a significant share of employed in material production remains at 46%. However, we note a gradual growth of population involved in work in non-productive sphere. First of all such sector of growth is trade (Table 1). In terms of the market economy it is a useful process, but it cannot compensate the lack of employment in areas related to qualitative advance of production.

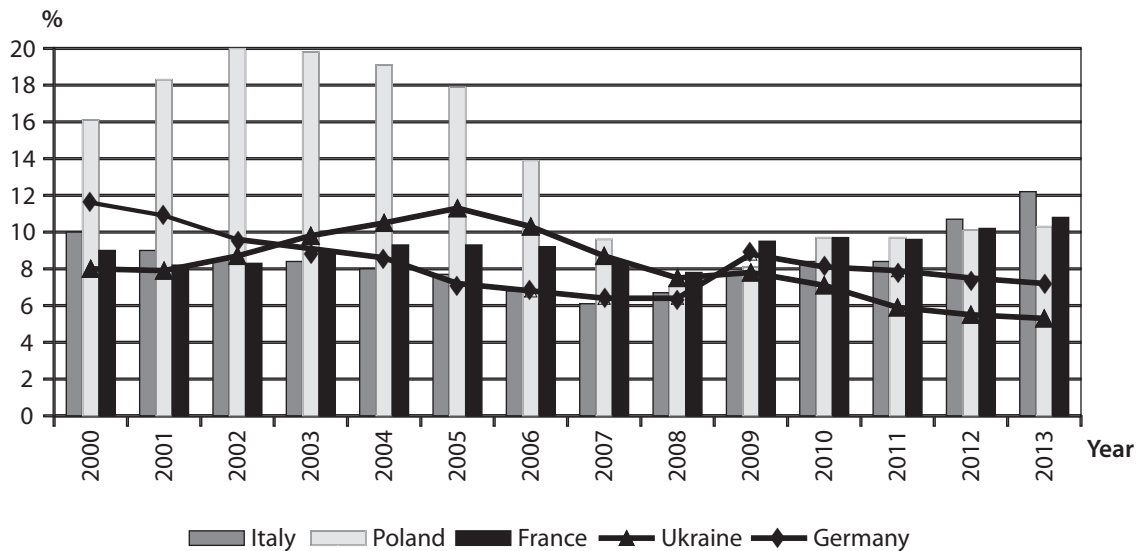


Fig. 1. Unemployment rate in Ukraine and some EU countries in 2000 – 2013, %

Source: compiled by the authors according to <http://w3.unece.org/pxweb/Dialog/varval.asp?ma>

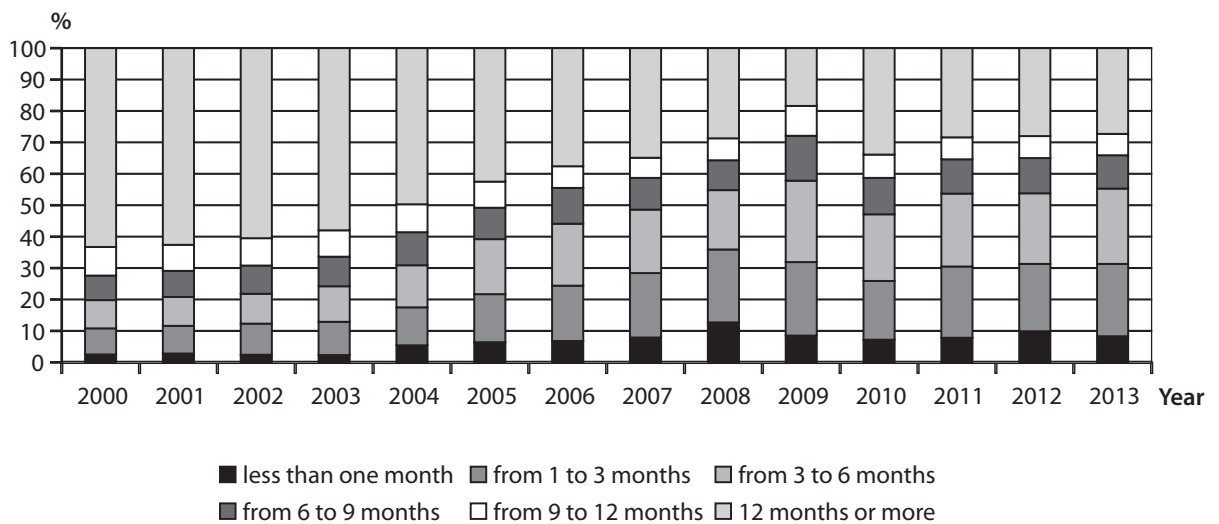


Fig. 2. Structure of unemployed population in Ukraine (ILO methodology) by duration of unemployment in 2000 – 2013, %

Source: compiled by the authors according to the official website of the State Statistics Service of Ukraine [Electronic resource] – Access: <http://www.ukrstat.gov.ua/>

Table 1

Employment dynamics of Ukrainian population by economic activities, 2000 – 2012, %*

Economic activity	2000	2007	2008	2009	2010	2011	2012
1	2	3	4	5	6	7	8
Agriculture, forestry, hunting, fishing, fish-farming	21,6	16,7	15,8	15,5	15,3	16,8	17,2
Industry	22,8	19,0	18,5	17,6	17,1	16,5	16,2
Construction	4,5	4,9	5,0	4,8	4,7	4,5	4,4
Trade, catering, hotel business	15,5	21,8	22,6	23,4	23,8	23,9	24,0
Transport and communication	6,7	6,9	7,0	6,9	6,9	6,8	6,7
Finance	0,8	1,6	1,9	1,7	1,6	1,7	1,6
Real estate, renting, engineering and corporate services	4,0	5,4	5,5	5,7	5,7	5,8	5,9
State administration	5,9	5,0	5,1	5,3	6,0	5,2	5,3
Education	8,0	8,1	8,1	8,4	8,3	8,3	8,2
Health care and social welfare	6,8	6,5	6,5	6,7	6,6	6,5	6,4

1	2	3	4	5	6	7	8
Community, social and personal services; activity in culture and sport	3,3	4,0	4,0	4,0	4,0	3,9	3,9
Total employed (thousand)	20175,0	20904,7	20972,3	20191,5	20266,0	20324,2	20354,3

*as a percentage of the total number of employed persons aged 15 – 70.

Source: compiled by the authors according to the official website of the State Statistics Service of Ukraine [Electronic resource] – Access: <http://www.ukrstat.gov.ua/>



Fig. 3. Labor demand dynamic by job categories

Source: compiled by the authors according to the official website of the State Statistics Service of Ukraine [Electronic resource] – Access: <http://www.ukrstat.gov.ua/>

A setback in production during financial-economic crisis in the nineties and in 2008-2009, as well as restrictions by law on dismissal (severance pay, agreement of union), caused an active application of part-time employment and unpaid leave of absence by employers. Such measures however became the mechanism of labor market adaptation to the decline in economic activity (Fig. 4).

As shown in Figure 4, during crises of the nineties the practice of sending employees on administrative leave dominated but in November 2000 the law “About introduction of changes to the law of Ukraine about leaves” was adopted. The new law excludes the regulation of unpaid leaves of absence by collective labor agreement. There is no any legal basis for unpaid leaves of absence in case of company downtime if the reasons do not depend on workers will. Employee may be granted with unpaid leave of absence only under the agreement between them and employer and for period that cannot be longer than 15 calendar days per year.

This led to a shift in emphasis for the next crisis. Employers increasingly used part-day (week) to maintain the number of employees as the adaptation mechanism. In 2008 - 2009, the number of workers employed part-time increased to 2.1 million (compared to 506 thousand in 2007) when number of workers granted with unpaid leave of absence increased to 275,9 thousand (compared to 127 thousand in 2007) [8, p. 107]. Reducing the level of underemployment in 2012 was evidence of the revival of Ukrainian economy (see fig. 4).

Another mechanism which allowed Ukrainian employers to maintain relatively stable employment is the use of flexible wages. The latter was realized in several ways. Firstly – inflationary depreciation of earnings, when during periods of declining economic activity and high inflation, nominal wage was increased to a lesser extent than the increased price (in particular, in 2009 the consumer price index for goods and services amounted to 115.9%, while the growth rate of average wages during this period was only 105.5%) [9, p. 180]. Secondly, in remuneration structure of Ukrainian workers is a fairly significant proportion of remuneration for production performance and other incentive payments. Thirdly, such scheme as delay in payment of wages is widely used. For example, the amount of wage arrears during the crisis grew by more than two-fold compared to pre-crisis indicator (Note that the labor laws of most countries, including the EU, established a special responsibility of employers for wage arrears).

Another characteristic of Ukrainian labor market is exceeding of wages growth rate (consumer one) over labor productivity in all sectors, and production one in most sectors of economic activity (Fig. 5).

On the one hand, rapid wage growth stimulates final demand and output growth; on the other hand, increase in production, which is not the result of more efficient use of resources, including labor, obviously, cannot be long.

Identifying trends and patterns, as well as establishing cause-effect relationships in the field of employment and the economy allows us to estimate the likely changes in the num-

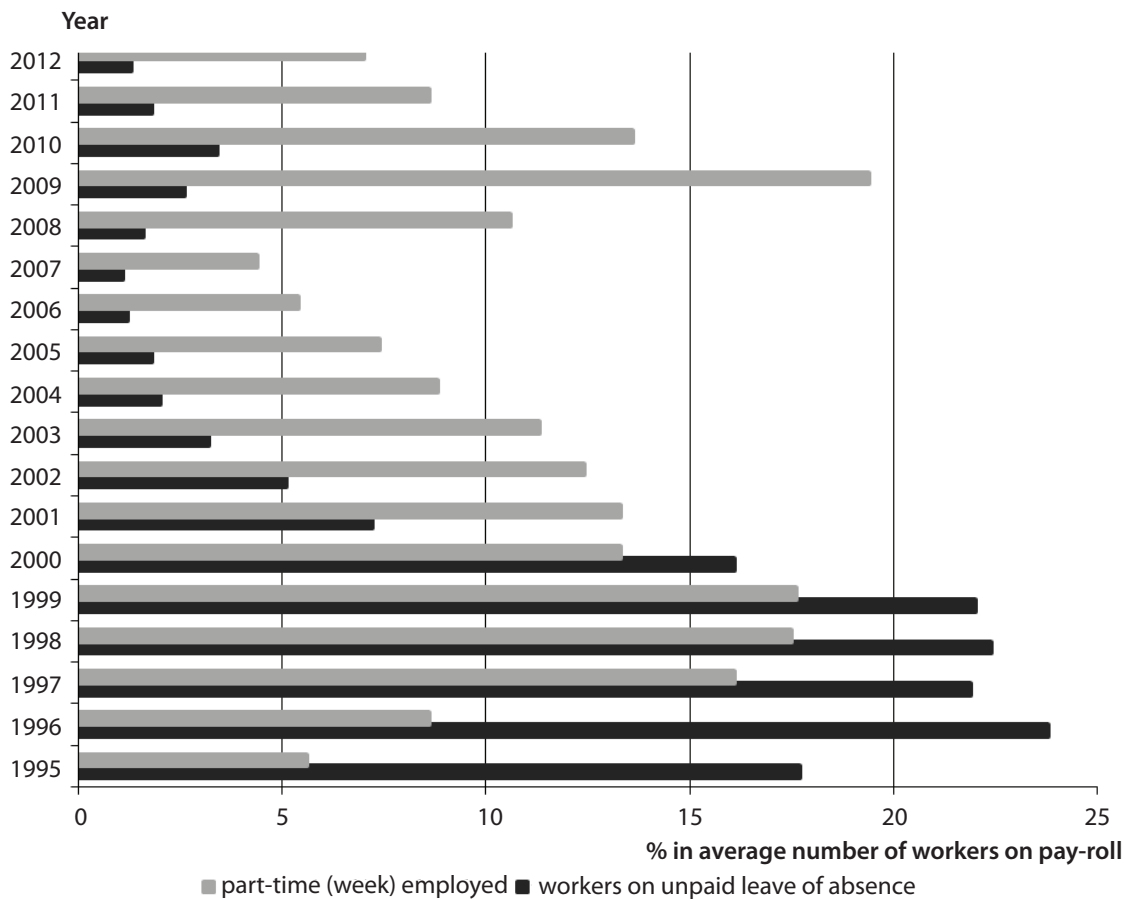


Figure 4: Dynamics of involuntary part-time employment in Ukraine in 1995-2012

Source: compiled by the authors according to the official website of the State Statistics Service of Ukraine [Electronic resource] – Access: <http://www.ukrstat.gov.ua/>

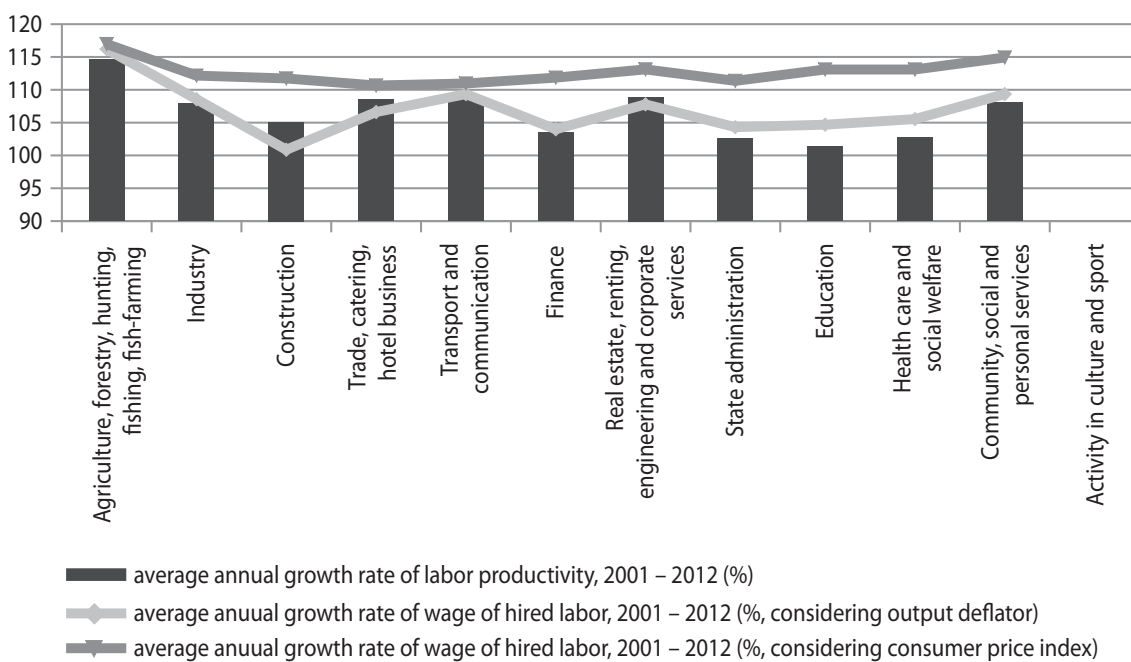


Fig. 5. Growth rates of labor productivity and wage of hired labor by economic activities during 2001 – 2012

Source: calculations of the authors.

ber and structure of employees. Thus, in this study a prognostication of relevant indicators for baseline scenario or current trends scenario is made. We take into account this scenario in order to create a framework for the development of regulatory policies in employment and studies on the effects resulting from its implementation.

Thus, as can be seen from the data (Fig. 6), by the end of the forecast period, we can expect some increase in share of employment in all sectors except agriculture and industry. In general, as expected, share of employment in material production will remain significant. In the non-production sphere the trade will remain the largest one as for number of employed. That is, the structure of employment will remain non-optimal, followed by its backlog in comparison with needs of innovative model of economic development.

For successful restructuring of the implementation of radical transformation and innovative development the flexibility of labor relations is needed. It is necessary to take appropriate actions, which are related to all its components – wages, social security forms, working hours etc. One way to perform the above mentioned tasks is to aim the concept and policy of flexicurity at optimal combination of labor market flexibility and social security resulting in a flexible security model.

The non-standard forms of employment significantly extend person opportunities when selecting a suitable job and allow more efficient use of the social and employment potential, meet own needs, including material ones. In general, the development of non-standard forms of employment is a step towards the more flexible labor market that is an objective trend

all over the world and in Ukraine in particular. Diversification of labor relations is something as inevitable as the modern technological and social and economic transformations objectives are.

The increased competition, expansion of globalization processes and the associated labor resources mobility necessitated the formation of the labor market, which would be the most mobile and adequate according to changing conditions of personnel policy. Simplification of hiring and firing procedures, rapid change in quantity and quality of personnel, optimization of the search of staff with the qualifications needed at this point are capable to help companies to remain competitive in the market under crisis conditions. In the last five – six years, all subjects of labor market admitted the need for deregulation and the introduction of fundamental changes in the normative legal framework of employment policy.

In order not to allow structural changes leading to a significant deterioration of the employees, on the one hand, and become an obstacle to the flow of investments into the economy of the country – on the other hand, the state must form an optimal level of influence on the labor market and its policy should be well-targeted and aimed at modeling of a healthy, educated and skilled workforce that can adapt to changes.

It is practically impossible to achieve balance between demand and supply of labor force in the modern job market only with market mechanisms (dynamics of the labor cost), the state implements a specific set of measures to ensure such a balance, which is an employment policy aimed at: ensuring the growth of population employment, stimulating employment of citizens who are not competitive in the labor market, self-employment of the population and job creation by small busi-

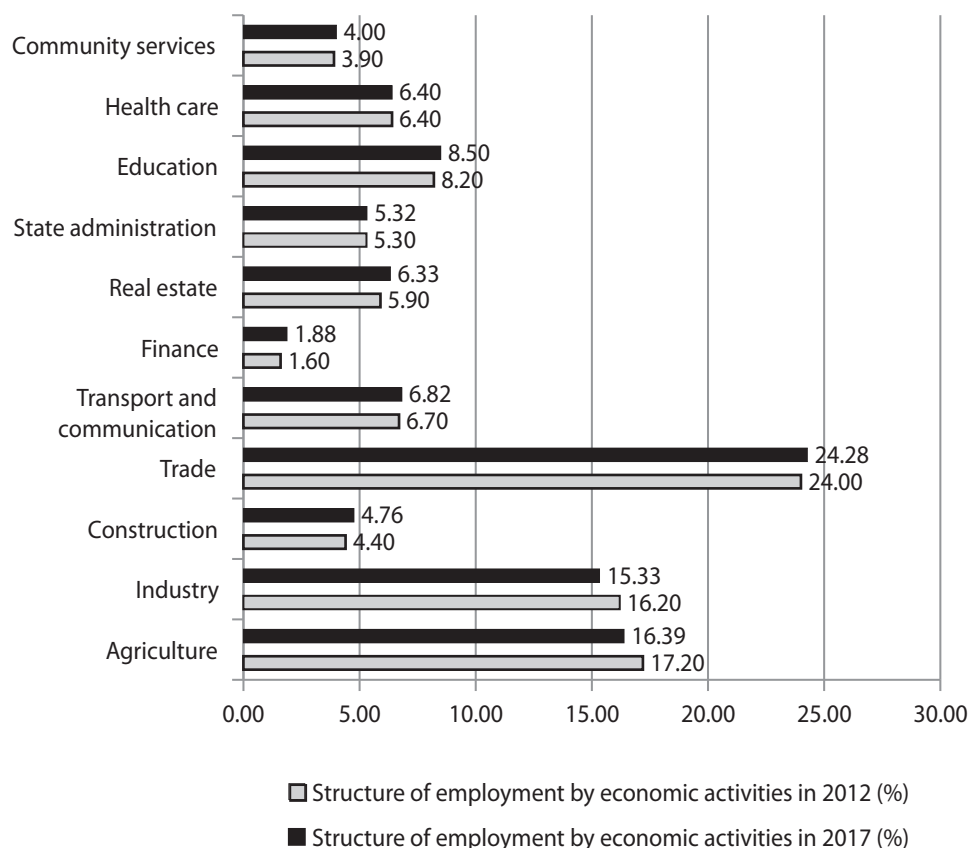


Fig. 6. Prognostication of Ukrainian population employment structure by economic activities in 2017 (% of total employed population aged 15 – 70)

Source: calculations of the authors.

nesses, strengthening social protection against unemployment and ensuring reduction in the number of unemployed; increasing state regulation of employment.

Mechanism of regulation of the labor market of Ukraine should combine financial, structural and investment, social and economic, organizational and managerial components in the overall system of economic management and be implemented in the context of policy of economic reforms. Fundamental principle of regulation of the labor market should be the real cost of labor and effective employment of population, which in our case involves the activation of the process of the release of excessive labor force, the formation of the mobile labor pool, and the legalization of concealed unemployment.

CONCLUSION

The study of current practices and involvement of the workforce suggests the main directions of improving efficient motivation and stimulation of employment:

- ✦ stimulation of efficient employment through its restructuring: facilitating labor reallocation in favor of highly efficient sectors considering priorities of economic development;
- ✦ motivation of innovative employment: encouraging the construction of new high-tech jobs in innovative sectors of the economy, which ensure the competitiveness of the economy;
- ✦ strategy of economic incentives of the work: dependency of rewards on performance, fairness and transparency of remuneration; ensuring competitive salaries;
- ✦ increase in flexibility of the motivation mechanism and stimulation of employment based on the globalization factor of the labor market;
- ✦ improvement in the quality of the labor force: encouraging employees to obtain additional knowledge, skills, and unemployed workers – to retraining, preparation to self-employment etc.;
- ✦ stimulation of labor force supply: engagement in the production of employable persons of retirement age, limitation of the practice of early retirement for people approaching retirement age, activation of finding a job by unemployed working-age population;
- ✦ stimulation of labor mobility, thus reducing structural unemployment, unemployment in regions with excessive labor, in monofunctional cities;
- ✦ stimulation of entrepreneurial initiative of citizens by improving the mechanisms of state support and creating a favorable business environment;
- ✦ stimulation of businesses to enhance their participation in solving social problems, including employment problems. ■

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