

Oksana OSTAPA

Postgraduate student Department of Management and Marketing
Economics Faculty Vasyl Stefanyk Precarpathian National University
Ivano-Frankivsk (Ukraine)
e-mail: blagun@email.ua

The Major Tendencies in Ukraine's Labour Market

ABSTRACT

The article highlights the labour force and market in Ukraine in 2003-2013. The author gives a comprehensive analysis of the current tendencies in Ukraine's labour market and develops practical recommendations as to overcoming major disproportions and raising the demand for labour force.

Key words: labour market, labour force, unemployment, economic activity.

Issue statement. Labour market is part of a country's economic system and performs the most significant functions in the reproduction of labour force and its division among economy branches and sectors; it regulates demand and supply and determines the effectiveness of economic measures.

Ukraine's labour market is facing numerous challenges resulting from the financial and economic crisis of 2008 and the current complicated political situation, which has negatively affected the demand for labour force, pay rates, the number of dismissals, unemployment rates, and so forth.

Therefore, researching the problems of Ukraine's labour market and developing solutions are important for the country's transition to a new investment economy model which will accelerate the country's integration into the European economic space.

Analysis of the latest research and publications. The most substantial research on the current problems of the domestic labour market and its development prospects has been done by L. M. Abalkin, M. D. Boiko, D. P. Bohynia, Ye. M. Libanova, H. Ya. Lukianenko, V. V. Onikienko, V. H. Fedorenko, L. O. Yanevych, and others.

However, a number of complex many-faceted issues of the labour market need to be addressed more profoundly from theoretical and methodological perspectives. This process is becoming increasingly topical in times of economic and social reforms and transformations.

Research objective. The research is aimed at providing a comprehensive analysis of the current tendencies in Ukraine's labour market and developing practical recommendations as to overcoming major disproportions and raising the demand for labour force.

It should be stressed that at present Ukraine is becoming a full fledged member of the European and global space, which is why its external economic orientation is highly significant. Such a process needs to be constructive and take into account national priorities and integration requirements (Prudnikova, 2010, p. 34). Similarly to many European countries, Ukraine faces a number of urgent problems such as low economic activity, quantitative and qualitative imbalance between labour force demand and supply, low qualification of unemployed and employed population, youth unemployment, illegal international labour migration, internal labour migration and underground labour market.

Research material presentation. Labour market is a social and economic type of labour circulation. As an economic category, labour market is a system of industrial relations among employees, employers and the state aimed at the following: firstly, exchanging individual working ability for means of reproducing labour force; secondly, providing employees with a system of social distribution of labour in accordance with the laws of production and turnover (Gorilij, 1999, p. 22).

In practice, labour market is regarded as a mechanism of identifying and balancing labour force demand and supply; in other words, it is similar to the other constituents of the market such as demand, supply and price. However, labour market is different from other markets in that a worker makes a living by selling their labour. That is why selling labour force cannot be postponed for a long time till there is a more favourable correlation between demand and supply (Mashika, 2012, p. 185).

The main indicators of labour market condition are the rate of economic activity, employment vs. unemployment rates. The rate of economic activity is measured as a percentage of employed or unemployed population aged 15-70 out of the total number of individuals in the age category; employment rate shows the percentage of individuals who are employed in comparison with the job places available.

For instance, over 2003-2013 the economic activity rate in Ukraine has risen by approximately 2 per cent. In 2009 it was the lowest since 2003, resulting from the financial crisis of 2008 (Fig. 1). The highest rates of economic activity can be observed in Volyn Region, Vinnytsia Region, and Kyiv; the lowest, in Ternopil, Chernivtsi and Ivano-Frankivsk Regions.

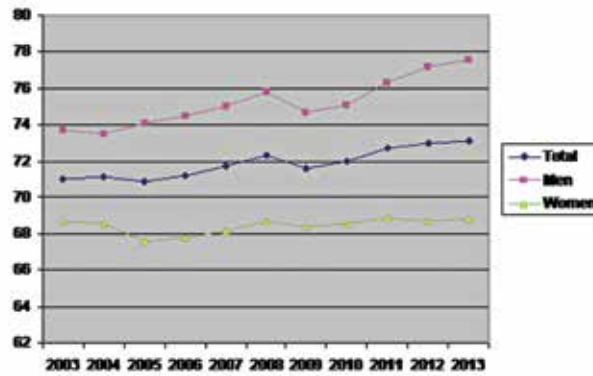


Figure 1. Ukraine's economic activity rate in 2003-2013
Source: [4]

As regards employment rate, it also fell in 2009 (Fig. 2). During this period, the decrease in the employment of the working-age population was higher than that of the population aged 60-70, with percentage figures being 4.6 against 3.7. This resulted from the rise in the employment of workers between the ages 60 and 70 whereas all the other age groups experienced a fall in employment. This is explained by the fact that because of the economic crisis of 2008 the majority of Ukraine's working-age population lost their jobs; on the contrary, senior citizens left retirement, returned to workforce accepting any working conditions. Over the next few years there was a rise in the employment rate.

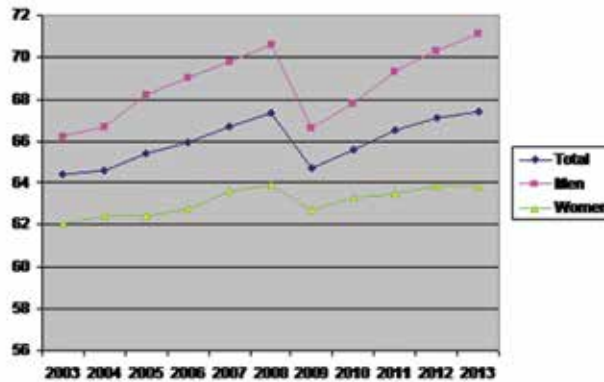


Figure 2. Ukraine's employment rate dynamics in 2003-2013
Source: [4]

Unemployment is one of the major problems facing Ukraine's labour market. Ukraine's unemployment dynamics over 2003-2013 (recorded and calculated according to the methodology developed by the International Labour Organization) reflect the negative tendencies in the economy over the period (Fig. 3). For instance, in 2005-2008 unemployment decreased, whereas in 2009 it soared to 9.9 per cent. This resulted from the world economic crisis of 2008 and a decline in economic activity. During the financial and economic recession, the country lost 2 million job places. Additionally, the end of the period was marked by a fall in unemployment. It is expected that unemployment will decrease from 7.9 per cent in 2013 to 6.3. per cent in 2017 (calculated according to the methodology developed by the International Labour Organization).

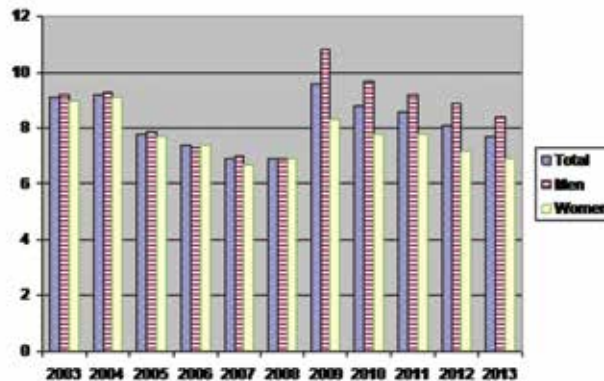


Figure 3. Unemployment rate in Ukraine in 2003-2013
Source ("State Statistics Service of Ukraine"):

However, it should be stressed that such a positive prospect is far from reality since there are numerous factors which do not allow to objectively calculate Ukraine's unemployment rate:

- it is impossible to calculate the number of people who have lost hope for employment and are not registered at employment agencies;
- statistics do not capture partial employment, that is the workers who have been forced to go on unpaid leave are regarded as employed;
- a great number of the officially unemployed work in the underground economy; thus it is hardly possible to identify those who receive unemployment benefit and work in the underground economy;
- there is lack of information about the number of labour migrants.

Limited employment opportunities and low pay are the factors that cause labour migration; this concerns many economically active citizens of Ukraine, mostly aged 20–49. The main destinations of Ukraine's labour migrants are Russia, Poland, the Czech Republic, Italy, Portugal. Over 90 per cent of the total flow of labour migrants are from Russia and Belarus, the Visegrad Group (Poland, Slovakia, Czech Republic, Hungary) and the countries of Northern Europe (Balanda, 2010).

The state of the labour market with its growing unemployment requires urgent measures. An increase in unemployment causes numerous economic and social problems: purchasing power falls; the budget loses tax-payers; enterprises lose personnel; there is a growing risk of social tension; supporting the unemployed involves additional expenses. In Ukraine, creating an effective labour market which would allow the job seeker to find relevant employment with good working conditions in terms of security, health safety, and decent pay; and which would allow the employer to find workers with necessary qualifications is possible only on condition of an effective system of job placement (Gal'kiv, 2009).

In 2009–2011 despite the fall in labour force supply, the demand for it remained low, which caused certain tension on the labour market (Table 4). For instance, at the end of 2012 the number of vacancies was 48.6 thousand, which is by 46.6 % less than at the end of 2008; at the end of 2012, the supply of labour force was 526.2 thousand, which is by 39.9% less than at the end of 2008. In other words, labour force supply decreased at a fast rate, which led to the reduction in workload by 10 vacancies: from 96 vacancies at the end of 2008 to 78 at the end of 2012.

Table 4
Demand and supply of labour force in Ukraine in 2003–2012

| Years | The number of job seekers registered in the state employment agency (in thousand people) | Need of enterprises for employees to fill vacancies (in thousand people) | Workload for 10 vacancies (in number of people) |
|-------|--|--|---|
| 2003 | 1003.7 | 138.8 | 45 |
| 2004 | 998.9 | 166.5 | 38 |
| 2005 | 903.5 | 186.5 | 27 |
| 2006 | 780.9 | 170.5 | 18 |
| 2007 | 660.3 | 169.7 | 4 |
| 2008 | 876.2 | 91.1 | 96 |
| 2009 | 542.8 | 65.8 | 82 |
| 2010 | 564.0 | 63.9 | 88 |
| 2011 | 501.4 | 59.3 | 84 |
| 2012 | 526.2 | 48.6 | 78 |

Source: [5]

Therefore, lack of economic reforms, considerable territorial disproportions, financial and economic crisis have caused problems on Ukraine's labour market. The market transformations in the country were limited to reforming production relations (privatization, demonopolization, destatization), with operations improvement and economic restructuring being disregarded.

New problems emerged on the labour market; for instance, insufficient employment opportunities, hidden unemployment (10–15% of the employed), the deficit of labour force in certain qualification areas. This is explained by lack of qualified workers, low labour mobility (which is necessary for adapting labour force to changes in production conditions), demand for unqualified labour and a great number of unofficially employed workers (Karpukhno).

Improving the situation on Ukraine's labour market requires coherent measures aimed at the following:

- providing effective employment opportunities by attracting investments and creating new job places;
- tightening control over labour legislation, which defends the interests of citizens in terms of employment security, working conditions and pay;
- increasing labour force mobility by spreading the latest information on the vacancies and professional qualifications of job seekers on regional labour markets through a state information network;
- developing and implementing projects on supporting citizens who lost their jobs abroad and returned to Ukraine;
- supporting small business (for instance, educational services, consultations, legal services, information and promotion, social services);
- raising competitiveness through better educational standards.

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