

Decent Work Country Report - Ukraine*

by

Ella Libanova
Ukrainian Centre for Youth Reforms

March 2008

International Labour Office
Regional Office for Europe and Central Asia

* This report has not been edited.

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: pubdroit@ilo.org.

The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations may make copies in accordance with the licences issued to them for this purpose. Visit www.ifro.org to find the reproduction rights organization in your country.

978-92-2-122031-2 (web pdf)

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: pubvente@ilo.org

Visit our website: www.ilo.org/publns

DECENT WORK IN UKRAINE

THE ECONOMICAL AND SOCIAL CONTEXT

Macroeconomic situation

The Ukrainian per capita GDP is smaller than every European country except Albania and Moldova. Even after rather rapid economic growth since 2000, per capita GDP only reached USD 2.3 thousand in 2006 (table 1), while the average European value was more than USD 30 thousand. According to different estimations, prevalence of the shadow economy is between 20 and 50%, so the actual per capita GDP is probably at the level of USD 2.9 to 4.6 thousand (table 1).

A large proportion of intermediate consumption is an important negative attribute of the Ukrainian economy, being practically invariable starting from the crisis overcoming (60-61% of the total production). Largely, this structure is inherited from the Soviet times, but, there were no structural reforms, contributing to increase of proportion of the value added in GDP.

The proportion of wages is still small within GDP (up to 50%) mostly due to an inefficient economy, over concentrated on raw materials use.

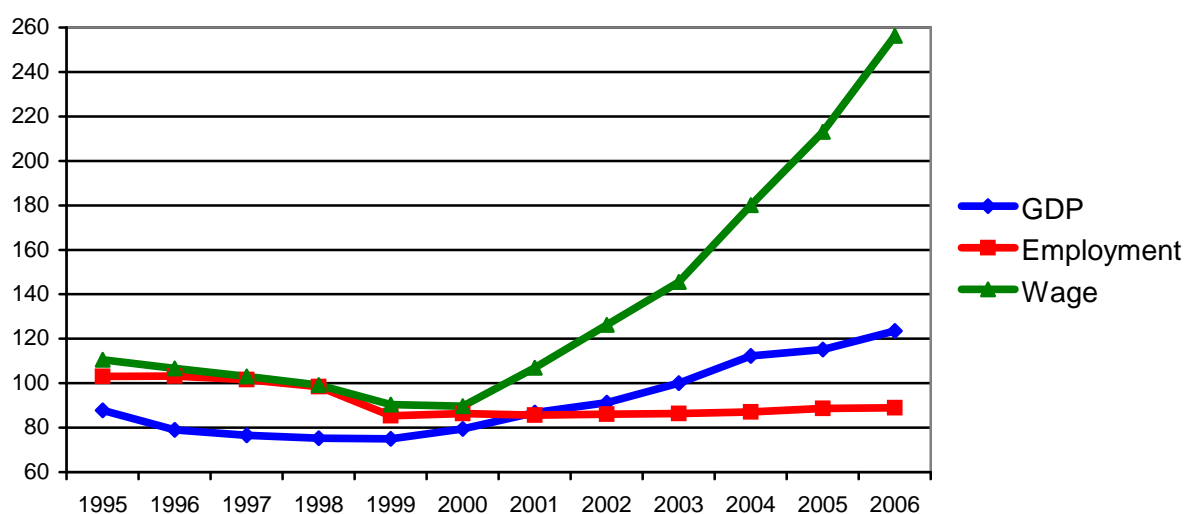
Nominal GDP (in USD equivalent) has grown 2.9 times since the 1995, i.e. its average yearly growth rate was 11.3%. This growth was mostly provided by increases of labour productivity of 3.4 times (yearly growth rate – 13.0%). But, the achieved results should not be overestimated. A steady growth of the exchange rate (UAH/USD) has also contributed: while the average official exchange rate (UAH/USD) was 1.47 in 1995, 5.44 in 2000, this rate was 5.05 in 2006 (table 1).

Prices increased by 5.8 times during 1995-2006, but the highest inflation rate was seen in 1996 (80.3%) and in 2000 (28.2%). The monetary component of inflation was minimal, while changes in prices realized fiscal functions: real revenues of the public administration sector were directly and indirectly funded by the inflation tax; nominal increases in budget revenues from taxation was provided; the public debt depreciated (but so were savings by other branches of the economy); a rapid growth of prices under stable exchange rates reduced a burden of foreign debt in convertible currencies.

The real GDP dynamics (in constant prices in UAH) is less impressive, though it was also positive: the growth of 1995 to 2006 was 40.6%, i.e. average year growth was 3.5%¹.

¹ The growth of 1999 – peak of crisis – to 2006 was 64.5%, i.e. average year growth was 8.7%

Fig. 1. Macroeconomic dynamics, growth rate, %



Source: State Statistics Committee of Ukraine

GDP redistribution through the budget has been increasing recently: a proportion of the budget revenues in the GDP was within 26.5 to 28.9% in 2000-2004, while it exceeded 30% in 2005-2006. This value is rather high; it proves rather strict regulation of the economy by the state and contradicts requirements of the free market. But, on the other hand, it provides possibilities to fund social transfers, education and public health.

The yearly sum of foreign direct investment into the Ukrainian economy has grown almost 10 times; as on 01.01.2007 it was USD 21,186 million. But, this figure is still small. Investment into the Ukrainian economy in 2006 hardly reached 4% of GDP; the per capita value was only USD 92.2. Such a low rate of foreign investment reflects the poor appeal of the Ukrainian economy for foreign investors.

A small correlation between employment and changes of macroeconomic parameters is a prominent attribute of the labour market dynamics in Ukraine: while the rates of employment decreasing have been much higher than the rates of the GDP decreasing during economic crisis (in particular, the GDP has dropped by 14.5% in 1995-1999, while employment - by 17.1%), the situation has changed with the start of economic growth (2000-2006). While the GDP has grown by 64.1% during this period, the number of employed has grown only by 4.0%. In total, the number of employed population has dropped by 11.1% in 1995-2006 (almost by 3.5 mln. persons), while the real GDP growth made 23.1% (table 2, fig.1).

Shadow economy

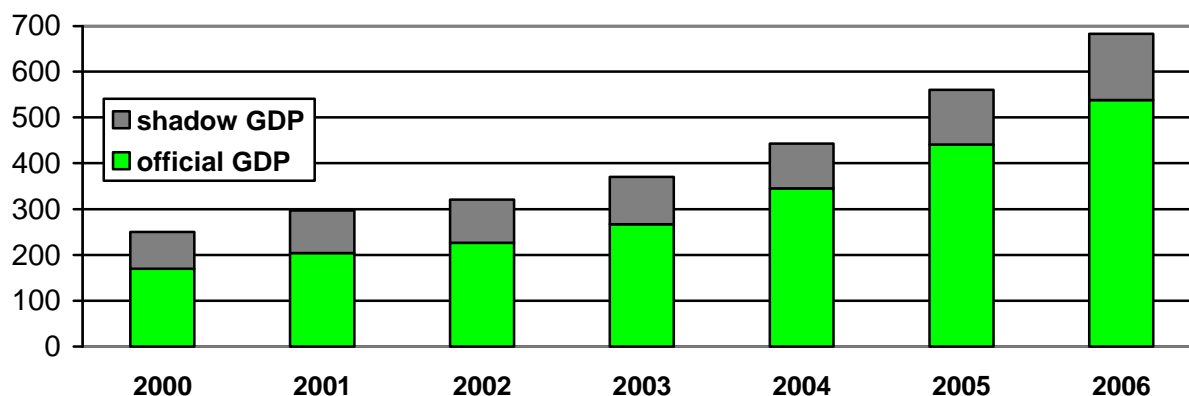
The size of the shadow economy in Ukraine is estimated based only on indirect methods, and micro studies and fiscal audit have not been used.

Hopes that economic reforms and positive macroeconomic trends will automatically shrink the shadow economy have proved optimistic, though there are some positive shifts.

The shadow economy is still large in Ukraine - from 20 to 50% by different estimations, while shadow GDP is growing (Fig.2). But, according to expert estimations, shadow incomes of the population are much larger than shadow production, as some share of illegal incomes is "considered" to be legal production within intermediate consumption;

thus, it is included in costs of production. In 2004, 22-29% of the economically active population aged 15-70 worked in the shadow economy, while this proportion was 16-20% in 2005 (Ministry of Economy of Ukraine 2006)². According to data of the LFS and HHS, the total number of employed in the shadow economy was about 5.5 mln. persons in 2006.³

Fig 2. GDP, bn. HUA



Source: Ministry of economy of Ukraine

In fact, the shadow economy has become an organic component of the general economic system and has some systematic functions. In particular, it partially solves some present problems, which cannot be solved by the legal authorities, creation of a stratum of businessmen, creation of conditions for self-employment and additional sources of incomes for the population, leading to increased customer demand. As a result, powerful and numerous social groups were formed in the country; in fact, these groups are interested in preservation of economic deformation, contributing to the resilience of the shadow economy.

Presently, many employers avoid legal employment through different schemes; they do not sign labour contracts, suggested by the legislation, with their employees, they hide their real profits and wages of employees from tax inspectors and auditors (wages paid “under the table”), do not contribute to social insurance (“double-entry book-keeping”), etc.

The results of an audit by state labour inspectors revealed more than 30% of illegal workplaces at small enterprises. Prevalence of payment “under the table” wages in small firms is also shown by a fact that the average wage in this sector is 1.7-1.9 times higher than the average official Ukrainian wage.

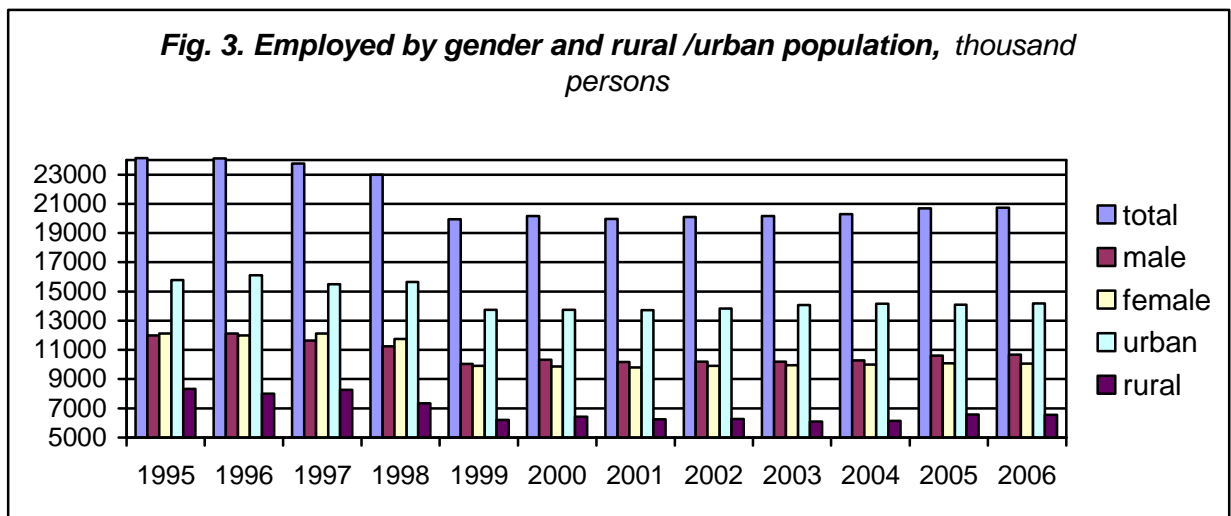
High taxes are considered to be the main reasons for the size of the shadow economy: income tax (15%) should be added by contributions paid to different funds of the mandatory social insurance (up to 40% of wages). Thus, 35.2-38.2% of wages are paid to the Pension Fund (including 33.2% by employer, while the rest – by employee), 2.5% - to the Temporary Disability Fund (including 1.5% by employers), 1.8% - to the Unemployment Fund (including 1.3% by employers), while a rate of contribution to the Fund on Professional Accidents and Disease is differentiated by economic sectors (0.7-13.7%). Thus, total contributions reach 54.2 to 68.2% of wages.

² Employment in the shadow economy is mostly supplementary; at least there are no proofs that it presents the main type of employment for rather numerous group of the population.

³ Employed in the informal economy are not considered - about 0.5 mln. persons.

EMPLOYMENT

The total number of employed has changed in Ukraine during the last decade. It has stabilized after a large reduction of the 1990's, while a small, but steady increasing has been observed since 2002⁴ (fig.3).



Source: LFS; State Statistics Committee of Ukraine

The trends are very similar for males and females, as well as for rural and urban population. However, we have to pay attention to a change of gender structure of employed: while there were more employed females in 1995-1998, males prevailed among employed since 1999. This change resulted from decreasing of the labour force participation rate (and respectively of employment rate) among females, in particular those aged 25-29. A sharp increase of the employed rural population in 2005 resulted from a change of methods of audit of employed in the subsidiary farming.

The total employment rate has dropped during 1999-2006 in Ukraine, mostly due to decline in employment of the most productive age groups. This process started in 2004 and was accelerated in 2005-2006 (fig. 3). At the same time, employment of the population aged over 60 has notably increased, exceeding 20% in spite of their status of pensioners (fig. 4).

⁴ Employed persons – persons aged 15-70, who have been employed or self-employed at least an hour during a week, and those, who have been temporary absent at work, due to some reasons. Employment rate is estimated based on formula: $E_r = \frac{E_i}{P_i} * 100$

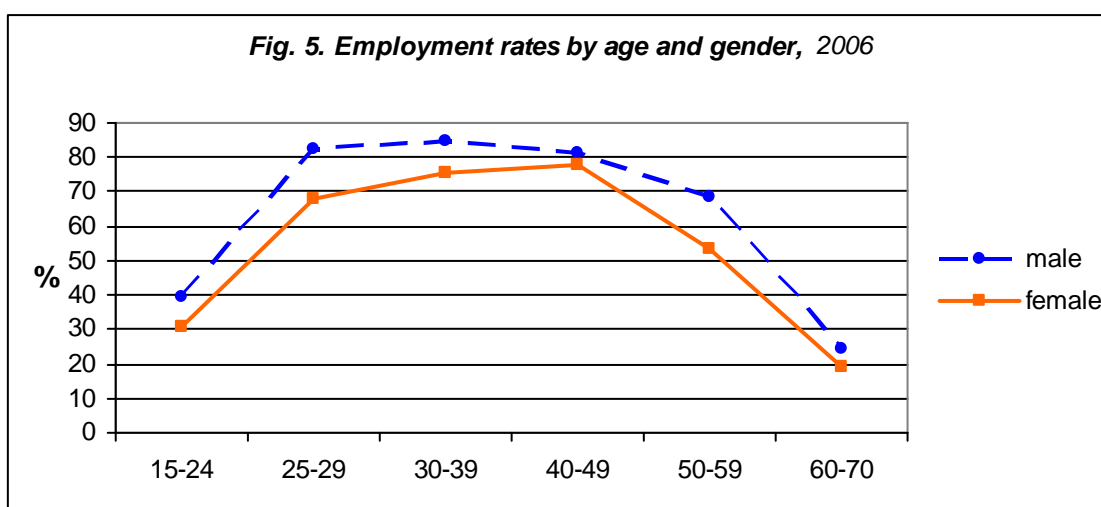


Source: LFS; State Statistics Committee of Ukraine

Employment has dropped as in cities, as in rural area. An exception is made only by the youngest and eldest economically active persons, in particular persons under 24 and over 60 (in rural area - over 50). In general, important variation of age-specific employment rates are observed between urban and rural residents, resulting from different rates of economic transformations, larger orientation of urban dwellers on employment and extremely low wages in agriculture, not motivating rural residents to participate in the labour force.

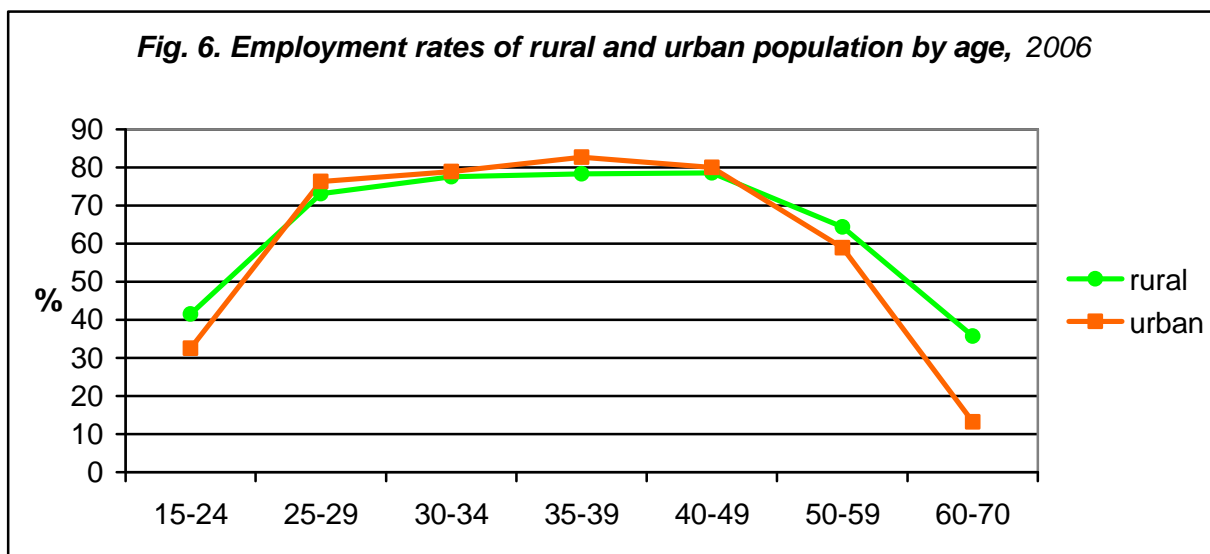
The shifts of age-specific employment rates and structures, which took place during the economic recovery of 2000-2006, prove some flexibility of the labour market, as it provides opportunities of employment for elder population. Also, these shifts reflect an increasing demand on the rather low-skilled labour force, including workers, which would agree to take non-prestigious jobs without prospects of career promotion.

Employment rate of females is insignificantly lower than employment of males in Ukraine, while gender-specific rates are practically equal in the age of 40-49 and 60-70 (fig. 5). However, it has to be mentioned that females, caring of children under 3 (in some cases – under 6), are usually not fired and are regarded as employed. Thus, the real employment rate of females aged 20-29 are much lower. Moreover, voluntary part time employment is not widespread (in particular, among females).



Source: LFS; State Statistics Committee of Ukraine

The employment rates of urban population are higher than rural in 25-49 years age. Before 25 years most of all urban population are students. In pension age (55 years for women and 60 years for men) employments rate of urban population are smaller than rural, due to more wide spreading informal employment in rural area (fig. 6).



Source: LFS; State Statistics Committee of Ukraine

At the same time, the number of workers as a hired hand is decreasing on a background of the practically stable number of employed (fig.7, table 4).

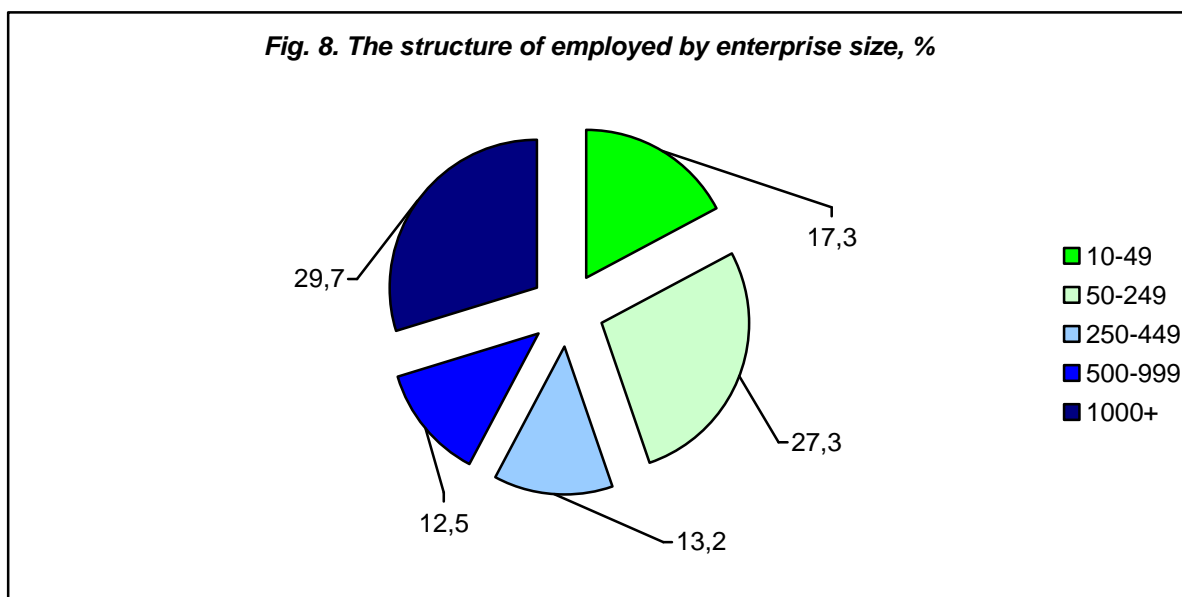


Source: State Statistics Committee of Ukraine

On a background of some increasing of the number of employed at small and medium enterprises, a decreasing of the total number of employed at large enterprises took place.

This decreasing was particularly important for the regular workers (by 11% only in 2001-2006). A dramatic decreasing of the number of regular workers took place in agriculture (by 56.6%); their number largely dropped in processing industries (by 13.8%) and mining (by 11.8%). AT the same time, the number of regular workers increased in education, while the number of youth and children has dropped. The largest increase was observed among regular workers in trade (by 29.6%).

Despite of redistribution of workers, a large part of employed population work at large enterprises with more than 1,000 regular workers as on average. There are only 17.6% of total employed, working at small enterprises with 10-50 employees. Such structure of employment proves presence of large reserves of the accelerated development of small and medium business in Ukraine.



Source: State Statistics Committee of Ukraine

The so-called “jobless growth” has become a prominent feature of the Ukrainian economy recently, i.e. the economic growth has not been practically accompanied by increase of employment. At first sight, this phenomenon should be positively appreciated. Labour productivity, estimated by GDP per worker, is increasing. But, very negative structural shifts are taking place in employment, while the total number of employed is stagnant (a growth has made only 682.2 thousand persons during 1999-2006); in particular, a gradual, but steady increase of the low-skilled workers’ proportion.

Since the start of economic growth in 2000, the number of taken jobs for professionals, clerks, plant and machine operators and assemblers, skilled agrarian workers and other categories of innovators has decreased. At the same time, a steady growth of employed in the unskilled occupations is taking place.

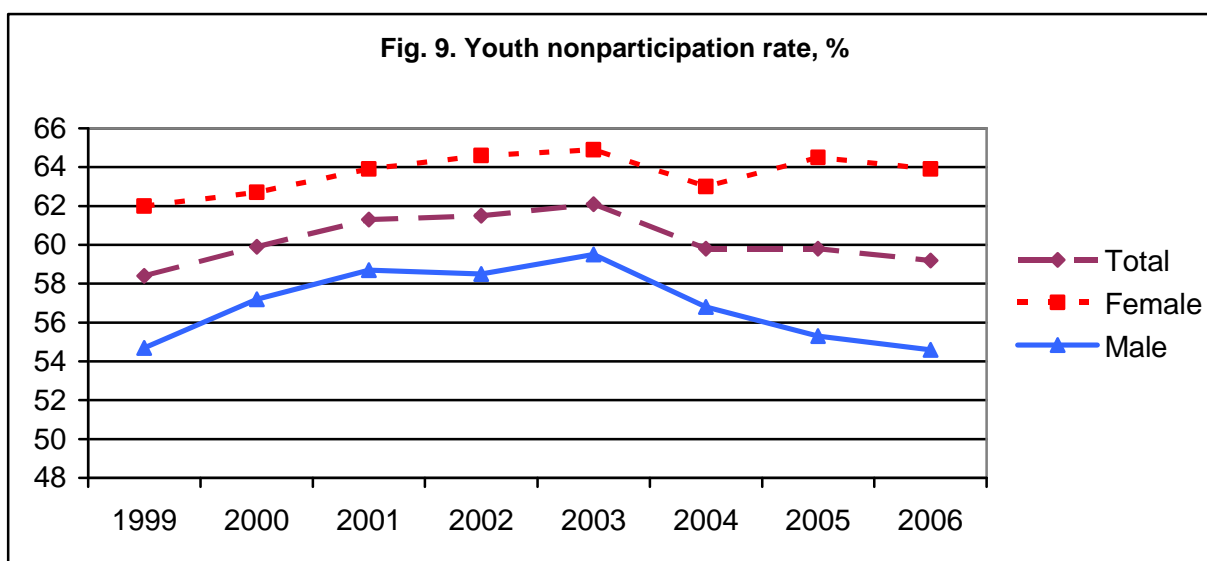
The enterprises do not make particular efforts in creation of new jobs, requiring skilled and well-educated staff; as such jobs will require larger wages. In other words, employers prefer to hire low-paid unskilled workers and provide a stable demand on the unskilled labour force. The number of persons, placed by the state employment service in jobs, not requiring professional skills, has grown more than twice during 2000-2005. A particularly large demand on the unskilled labour force is observed in such types of economic activity as agriculture, industries, wholesale and retail trade.

Youth and children

According to the official information 2006 there are 1582 employed under 18 years old, including 133 persons under 15 years, 187 persons – 15-16 years, 1249 – 16-18 years. Only 364 teenagers (23.0%) graduate vocational training. 32 persons (2%) are working in hard and injurious condition. 204 teenagers (12.9%) work more than normative working time, 137 (8.7%) bring in work in the nights, overtime, holidays etc.

Contrary to widespread opinion only 148 teenagers (9.4%) work without legal contracts, but 427 (27%) work with law violations.

Employment of youth aged 15-24 is rather small – only 35.1%. However, it largely results from the low labour force participation rates (40.8% in 2006). Thus, 4,452.5 thousand persons of 7,521.1 thousand persons of this age stay outside the labour market. The overwhelming majority of them are studying (82.8%), while 8.9% of them are employed in households 2.1% are dependents, 1.6% are pensioners on disability. Obviously, gender disparities are rather large in this age group. Firstly, economic inactivity rates are different: 63.9% for females and 54.6% for males. Secondly, the structures of males and females, who stay outside the labour market, are different. Thus, schoolchildren and students make 78.4% of economically inactive females and 87.7% of economically inactive males. In contrast, more females are employed in households – respectively 14.8 and 2.2%. Gender disparities in other components are not so large.



Source: LFS; State Statistics Committee of Ukraine

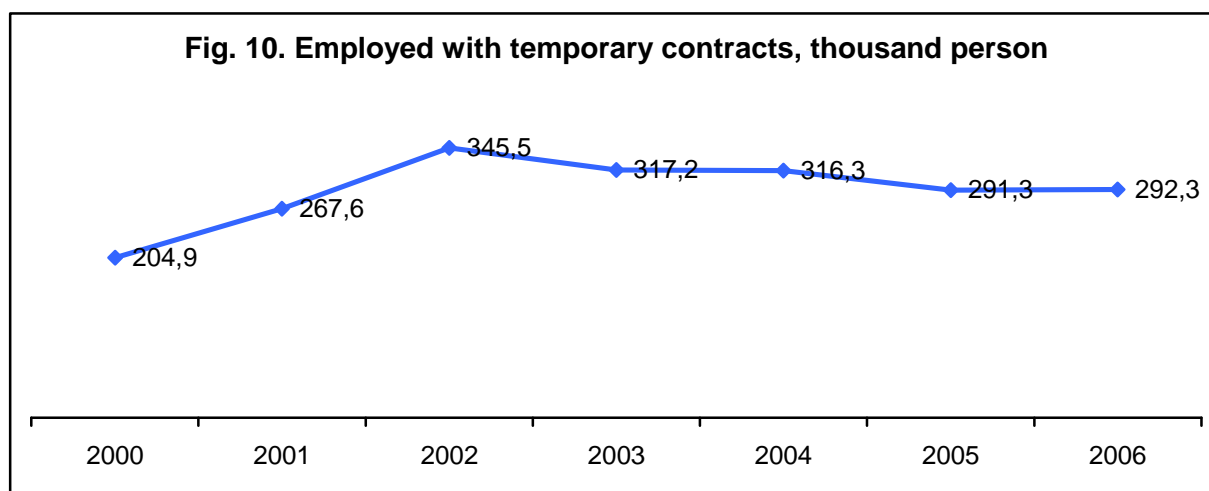
Employment organization

Termless labour agreement is the main form of employment organization in Ukraine. Usually, only pensioners are employed with temporary labour agreements (with possible extension of the term for 1-2 years).

Temporary labour agreements are also used with different terms, depending on a character of works. Though there was a short-term period⁵ of prevalence of temporary contracts, a gradual decreasing of this phenomenon is taking place. Probably, this trend results from economic situation and opportunities of employment with termless contracts. According to data of 2006, the total number of temporary employed was only 292.3 thous. persons; they were mostly employed in temporary works, which were not the main types of activities of enterprises. But proportion temporary contracts among all labour contracts after increasing in 2002 is constant – about 2.2%: 2000 -1.3%, 2001 – 1.8%, 2002 – 2.3%, 2003 – 2.2%, 2004 – 2.3%, 2005 – 2.1%, 2006 –

⁵ 1-2 month or perion of concrete work fulfilment

2.1%.



Source: State Statistics Committee of Ukraine

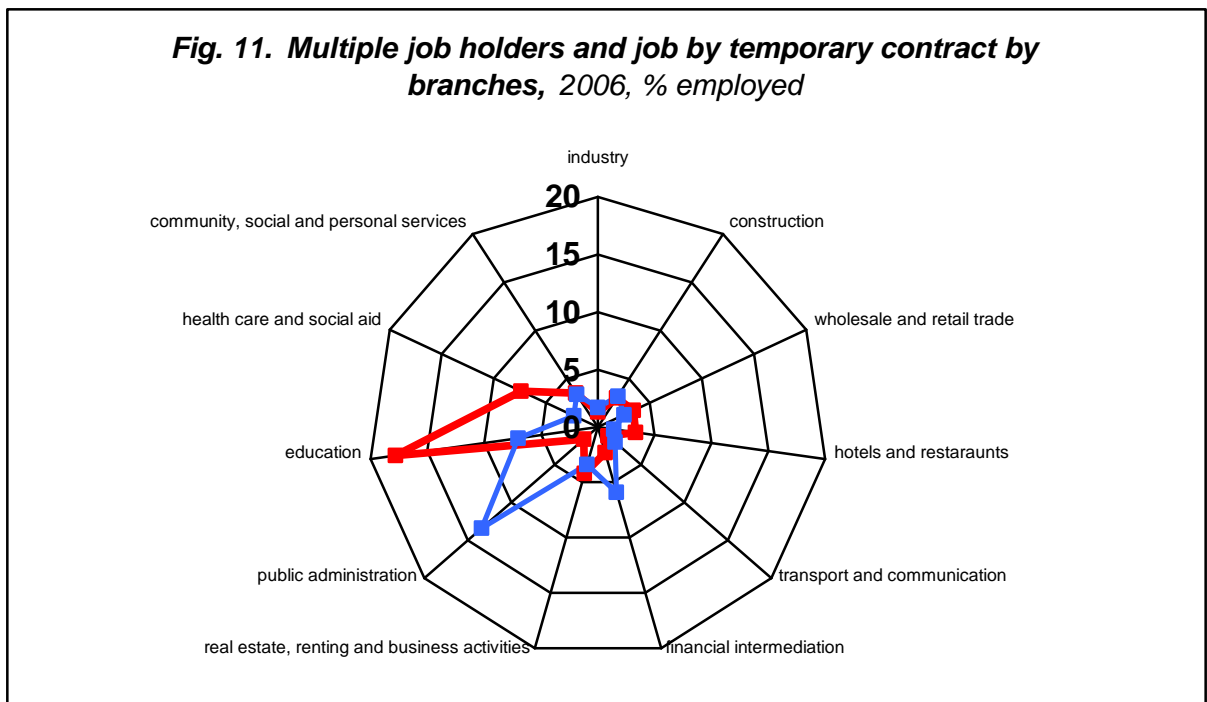
Decreasing of the number of employed with temporary labour agreements took place mostly at the expense of agriculture (from 104.3 thous. persons in 2002 to 39.7 thous. persons in 2006) and public administration (from 31.9 to 17.2 thous. persons respectively). In contrast, there has been some increasing in trade (from 15.3 to 19.1 thous. persons) and in financial intermediation (from 10.4 to 18.1 thous. persons).

Multiple-job is also used as a form of employment organization. It is mostly related to the supplementary (secondary) employment. In total, 312.7 thous. persons (2.3% of employed) hold more than one job in Ukraine. This form of employment organization is mostly used in education (17.8% of the total employed), health care and social aid (7.4%), real estate, rental and engineering services and services to businessmen (4.2%). The smallest proportion of combine job-holders is common for those economic branches, which suggest employment with fixed-time – industry (1.3%), transport and communications (1.2%). Stabilization of the mentioned category in the economy as a whole is accompanied with large shifts in some sectors; these changes are very similar to those, common for employed with temporary labour agreements. In particular, the number of combine job-holders has dropped in agriculture (from 17.3 thous. persons in 2002 to 13.1 thous persons in 2006) and public administration (from 18.5 to 4.3 thous. persons respectively); it has increased in trade (from 24.2 to 31.0 thous. persons), in financial intermediation (from 5.4 to 9.4 thous. persons) and in operations with real estate (from 20.8 to 25.4 thous. persons).

Thus, some economic sectors have been extending flexible forms of employment recently, while some of them reduce their prevalence. These disparities can hardly be explained by economic processes of peculiarities of wage setting policy.

Combine job and employment with temporary contract are not related to any restrictions of age or qualification. They are equally common for the well-skilled experts, in particular for professors and lecturers of high educational institutions or doctors – on the one hand, and for the low-skilled workers, employed in one-shot administrative and economic works – on the other hand.

Both forms suggest complete payment of contributions on social insurance, however, payment of the insurance money is done only at the main job and does not consider the contributions, paid at other jobs. Such practice hardly can be recognized as fair, in particular regarding prevalence of the mentioned forms of employment organization mostly in the public sector. In fact, the budget costs pass to the Funds of the mandatory social insurance without confirmation of the corresponding duties.



Source: State Statistics Committee of Ukraine

Employment by status

Some shifts have been observed also in the structure of employment by status. In particular, a decline in the number of employed persons (from 19 983.3 thousand in 1997 to 16 791.6 thousand in 2006) was of determinative importance in decrease of the total employment. The rates of employment decline have been practically the same since the start of economic growth: about 98% a year. Increase of self-employment reflects the general problems at the Ukrainian labour market, as well as problems with placing in a job (at least, regarding jobs with decent wages) and income taxation (including social contributions).



Source: LFS; State Statistics Committee of Ukraine

The number of employers is practically invariable, resulting from insufficient development of private property in Ukraine, in particular of small and medium business. Although 47.2% of workers were employed in private firms in 2004 (5,341.2 thousand

persons), it is obviously insufficient. The highest rates of employment at private enterprises are common for industry and construction; the corresponding rates make 73.2 and 78.1% (2,494.9 and 344.3 thousand persons).

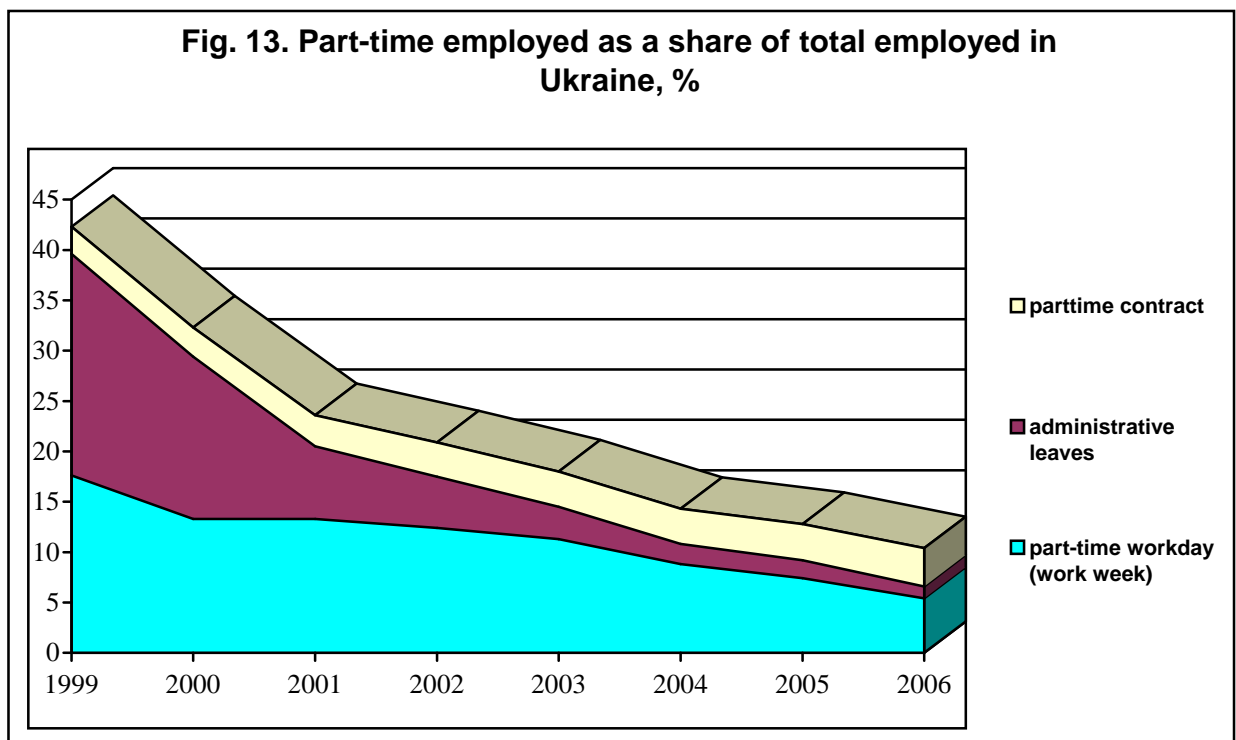
Part time employment

Part-time employment in Ukraine (as well as in many other transition countries) has some peculiarities.

1. Most part of part-time employment is forced in Ukraine. Though the scales of the forced part-time employment have been decreasing since 2001, while the so-called voluntary part-time employment is increasing, prevailing of the forced part-time employment is still preserved.
2. Administrative leaves are wide-spread, resulting from decline in the labour demand; they also provide an alternative to unemployment. According to the surveys' results, the majority of part-time employed is forced to accept these terms of work, as they are unable to find a full-time job. Though administrative leaves are most common for the CIS countries, they are also used in other region's countries, in particular – in Bulgaria and Croatia.
3. Administrative leaves present a form of the hidden unemployment.
4. While equipment is usually used during a normative period of work and a part-time work period is applied to the labour force in the developed economies, all productive forces are not used at full capacities in the transition countries – in particular in the CIS countries. Thus, a proportion of part-time employed is 11% of total employed in Poland, about 6% in Lithuania and 11% in Ukraine.

Expansion of part-time employment has been an important feature of the Ukrainian trends of employment during 1990's. Presently, it can be observed in two forms:

- part-time work week (workday);
- long-term administrative leaves.



Source: State Statistics Committee of Ukraine

Administrative leaves have been the basic form of part-time employment during the crisis in Ukraine. Since the start of economic growth, the structure of part-time employment has radically changed. Statutory prohibition of administrative leaves, declared by the Verkhovna Rada (the Parliament) of Ukraine in 2001, also contributed to the changes.

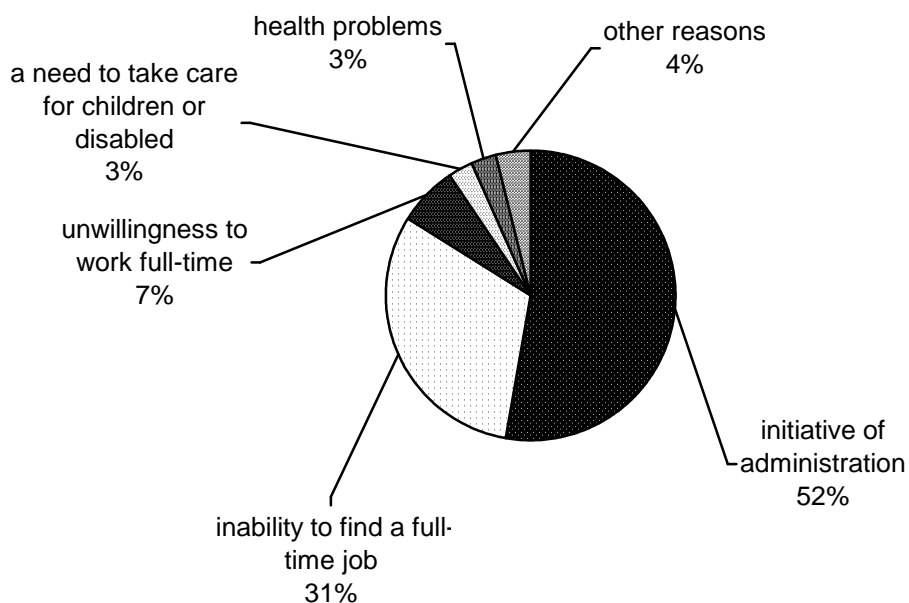
In 2005, there were the next average losses of working time, related to forced part-time employment: 177 hours per person in administrative leave, 232 hours per person, employed under part-time workday. Each person, being in administrative leave, did not work averagely 178 hours due to this reason.

Part-time employment and administrative leaves are most wide-spread in transport and communication (23.3% of employed in 2006), construction (21.9%) and industry (17.5%). There is practically no part-time employment in public administration (0.1%), education (0.4%) and financial intermediation (0.8%).

The scales of part-time employment are gradually declining in Ukraine; a particularly large decline of administrative leaves was observed in 2000, resulting from their statutory prohibition. Later, the situation has improved due to as administrative, as economic factors. Still, there were 757 thousand persons, working under conditions of forced part-time employment in 2006.

The main reasons of part-time employment have been practically invariable during last years. The basic ones are found in initiatives of administration and in inability to find a full-time job. It looks like an increase of employees, who agree to work under conditions of part-time employment, as they are unable to find another job, reflects not only the real structural shifts, but also the initiatives of administration. Administrative authorities sometimes require their employees to provide the appropriate explanations.

Fig. 14. The structure of voluntary part time employment by reasons, 2006



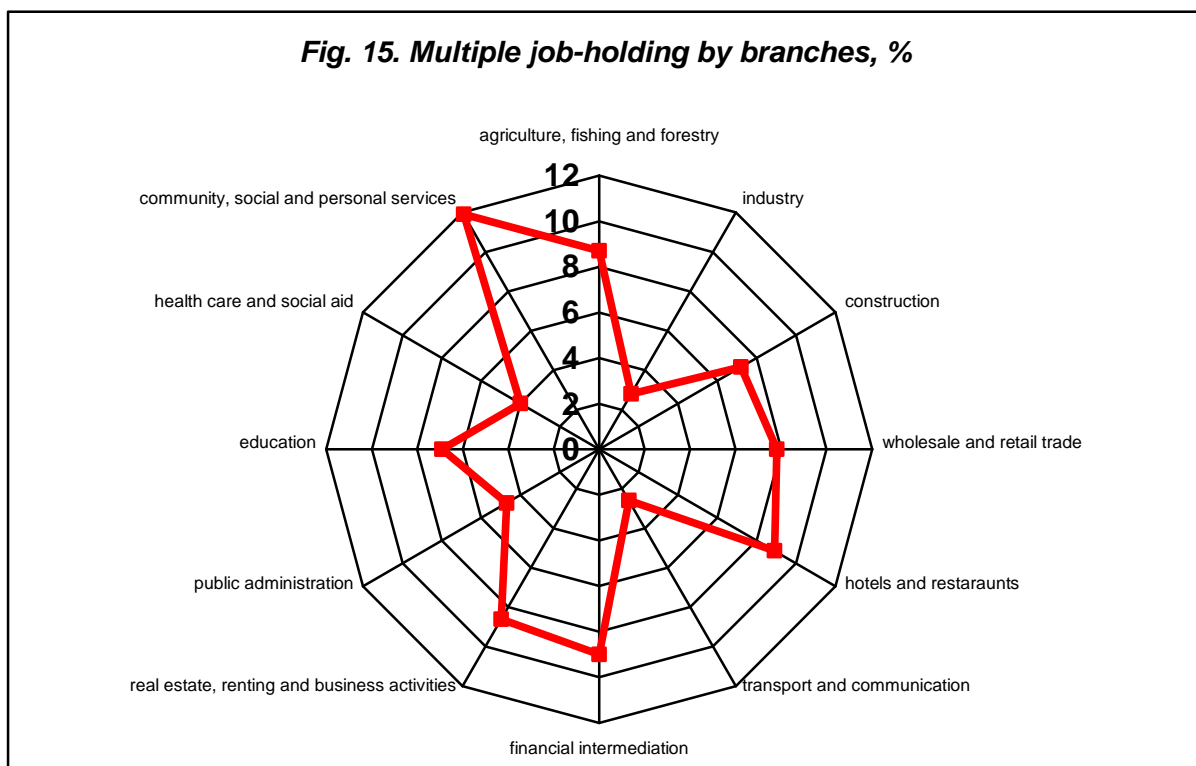
Source: LFS; State Statistics Committee of Ukraine

Rural population and residents of western regions of Ukraine are part-time employed more often. Regarding different property types of organizations, part-time employment is more common at the state enterprises.

Since 2001, transition from administrative leaves to part-time employment has been a characteristic feature of the Ukrainian employment trends. Part-time employment has no such negative consequences as long-term administrative leaves, at least in terms of social efficiency.

Multiple job holding

Multiple job can be defined as a supplementary (secondary) form of use (consumption) of the labour force of employed. Multiple job-holding mostly provides supplementary incomes. This form of economic activity provides larger incomes, increases opportunities of job holding even under cutting down of production capacities; finally, it contributes to seeking for an appropriate job without losing a status of employed⁶. Under condition of part-time employment at some job, multiple job-holding does not necessary lead to overwork.



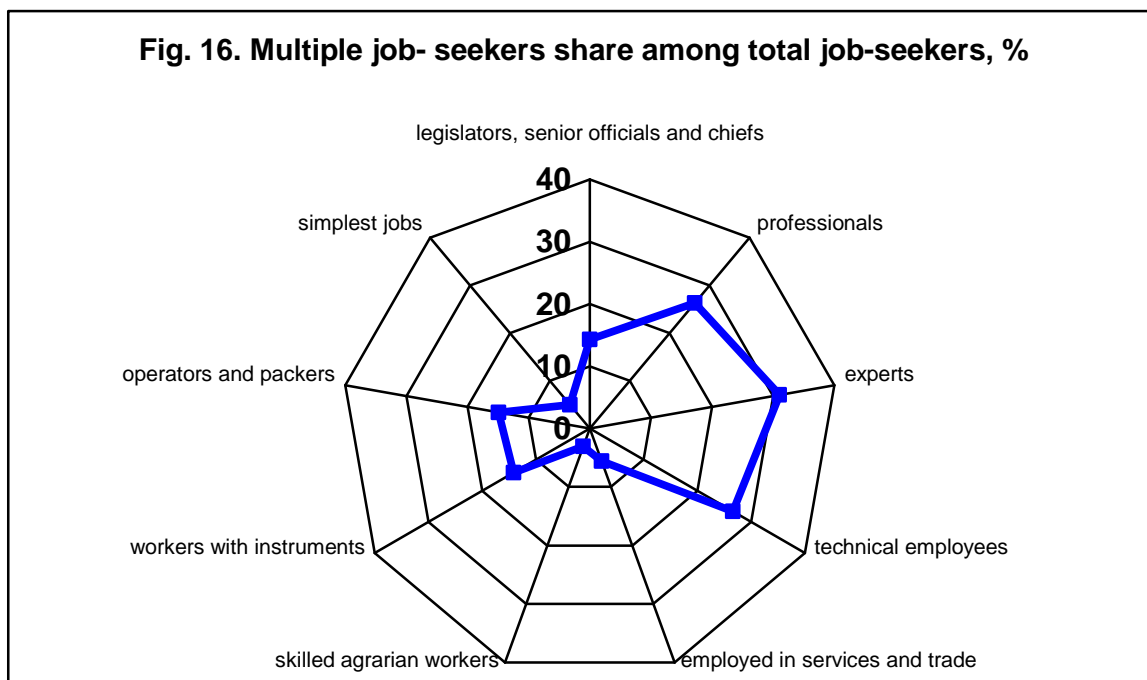
Source: LFS; State Statistics Committee of Ukraine

The prevailing part of multiple job-holding sector is non-registered in Ukraine. Respectively, its actual proportion within the national labour market (as by labour force supply, as by labour force demand) is larger than the official statistics indicates.

Multiple job-holding is most wide-spread in the field of scientific researches, as more than 12% of employees have more than 1 job.

⁶ Presently, multiple job-holding is very wide-spread in the world. It becomes more and more popular among the youth. In particular, according to the USA Labour Statistics Bureau, about a third part of the country's population held multiple jobs at the beginning of 1990's.

Only 11.2% of employees, holding a job and seeking for another one, are oriented on multiple job-holding. The rate is much higher among experts (31.0%), technical employees (26.6%) and professionals (26.3%).



Source: LFS; State Statistics Committee of Ukraine

Regarding types of economic activity, multiple job-holding is most wide-spread in public health and education (30.3%), financial intermediation (27.9%) and transport (18.6%). This is result of two main differences: demand-supply relation in the branch sectors of labour market and opportunities for flexible working time. For example, high skill university faculties are very competitive on the labour market and they can plan their work during day or week independently. Industry employed (any skill) have work in fix time and cannot work in two enterprises.

The main causes of seeking for multiple jobs are found in dissatisfaction with remuneration of labour (43.9%), with conditions of work (11.4%) at the present job and in desire to work at a full-time job (10.6%). The approaching ending of contracts can be marked out among other causes (9.1%).

Employment in the informal economy

During the crisis, the growth of employment took place mostly in the result of development of labour relations in the informal economy of Ukraine. Thus, the number of employed in this sector has grown on 0.5 million person (to 3.8 mln. in 2005) or by 18.4% of the total employed population.



Source: LFS; State Statistics Committee of Ukraine

According to the 2006 data, 48.6% employed in the informal economy are female, 71.5% - rural residents.

The majority of employed in informal economy are in workable age – 79.7% according to 2006 data, including 15-24 years – 17.4%, 40-49 years – 20.3%. Persons with tertiary education are only 7.4% total employed in informal economy, but this proportion between women is 7.5%, between urban residents – 11.3%. 53.9% of total informal employed have secondary education (58.0% of men and 55.5% of urban residents).

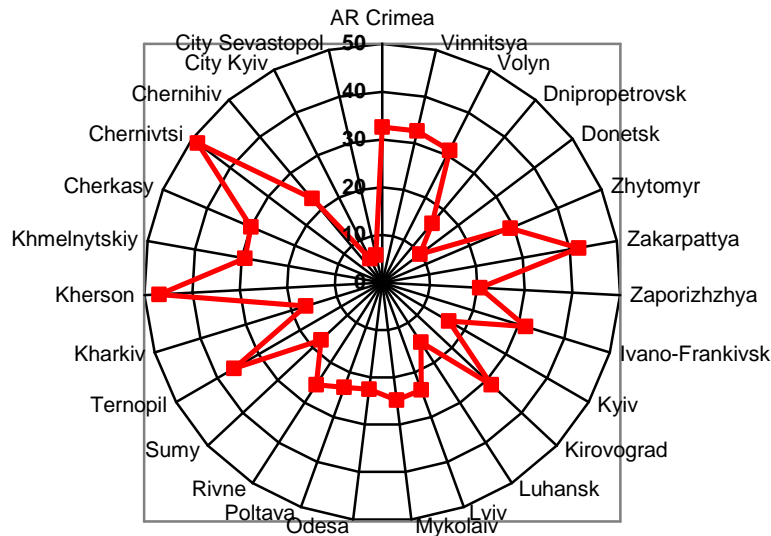
Informal employment is more widespread between employers and self-employed (96.7% total employed of this status).

The informal economy provided a second job for almost each second person of the employed rural residents. At the same time, informal employment is not so wide-spread among urban population (6.1% of their total number) due to more favorable conjuncture of the labour market and labour demand in the official sector.

As a result of prevalence of employment in the private subsidiary farming economies, agrarian production still is the main type of activity in the informal economy (71.6% of employed in 2006).

There is a large regional variation in shares of informal employment in Ukraine, as the largest proportions are observed in the west and south, which the smallest – in Donbas region, in Kyiv and Sebastopol cities.

Fig. 18. Share of informal employed by regions, 2006, %

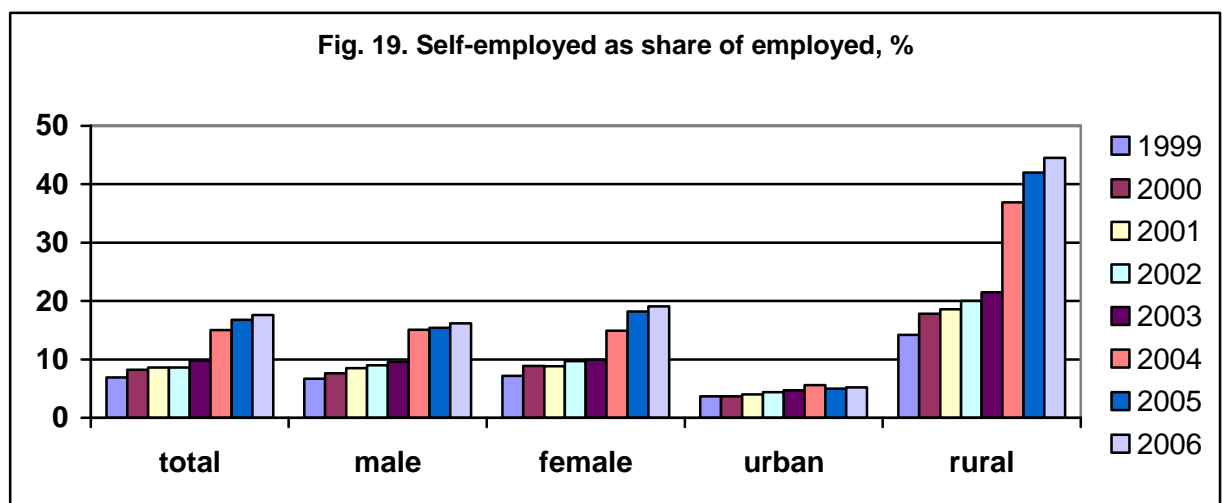


In 2005, every 13th employee worked under conditions of oral agreement with an employer, i.e. without official documentation of labour relations (in 2004 – every 15th employee).

Self-employment

The number of self-employed and their proportion in the total employed are steadily increasing. This process has started during the economic crisis. However, economic growth has not changed the trend. In contrast, the rates of the growth have been largely accelerated, in particular in rural area. It resulted from low wages and a lack of the decent jobs – on the one hand, and rather favourable terms of taxation of self-employed population – on the other hand. As a result, a share of self-employed rural dwellers made 44.5% of the total employed in 2006, while it was 19.1% among females (urban and rural).

Share of self-employed increased from 6.9% in 1999 to 17.6% in 2006. Especially high this indicator between women (19.1% in 2006) and rural population (44.5% employed in 2006) due to their less labour market competitiveness.



Self-employment is mostly prevalent among persons, who are unable to find a decent job, have rather low skills and are not competitive at the labour market. .

WAGES

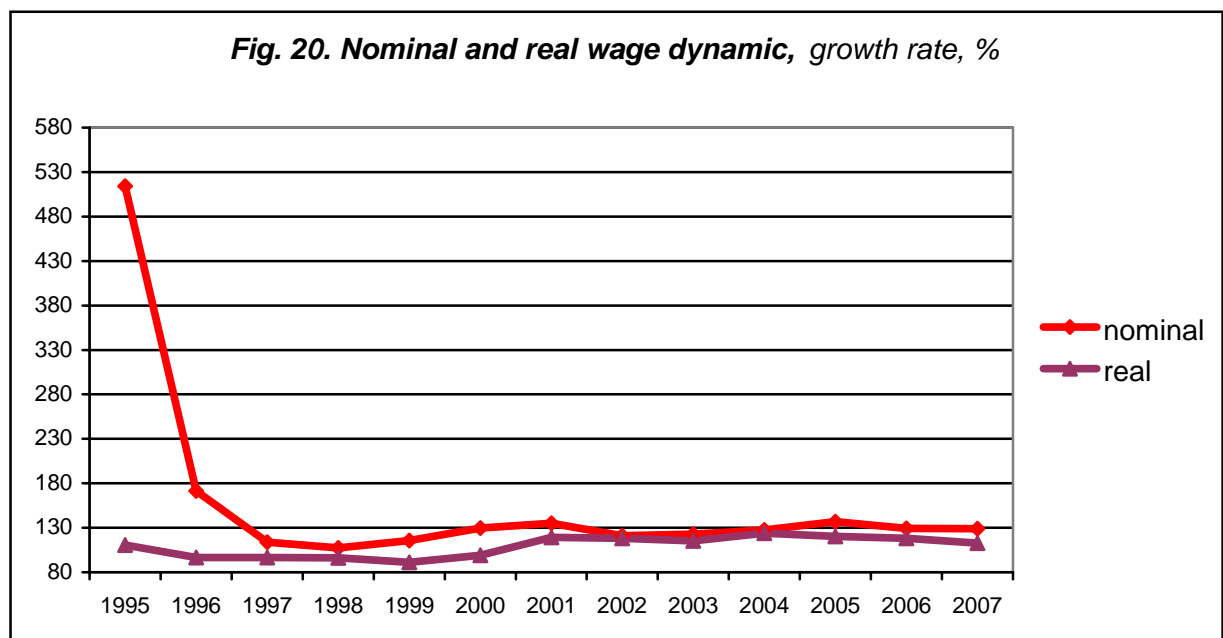
Trend in real wages - total.

The problems of wages have become so urgent in Ukraine that they exceed the bounds of the labour market. Cheap labour does not motivate employers to economize on it by introducing new technologies. Low wages result in poverty among workers (about 85% of poor households have at least one employed member) and lead to decline in economic and labour activity, obstructing full-scale implementation of social insurance.

A problem of low wages remains urgent: they are smaller than earnings in all neighbouring countries.

Low Ukrainian standards of pay are mostly inherited from the former command economic system. But artificial restrictions of wages matched general price-setting policy at that time, when prices of goods and services were restricted artificially. Thus, cheap labour was used in an environment where most goods were cheap (though another problem was their quality and availability), education and medicine; housing-and-communal services were free or practically free. Liquidation of the system of subventions to manufacturers and gradual transition to the world standards of price-setting were not accompanied by appropriate progress in raising wages. Probably, it was justified under the economic crisis. However, the crisis overcome, rather high rates of GDP growth for several years should be reflected in the appropriate strategy of economic development. However, it has not occurred yet. Present thinking does not differ from that used during the economic crisis. Such a situation is related to a widespread idea that competitiveness of the Ukrainian economy can be provided mainly by a fairly skilled but cheaply priced labour force.

The post-crisis dynamics of wages have been positive both in constant prices, and in the USD equivalent; but, it is still too early to speak about reaching appropriate wage levels.

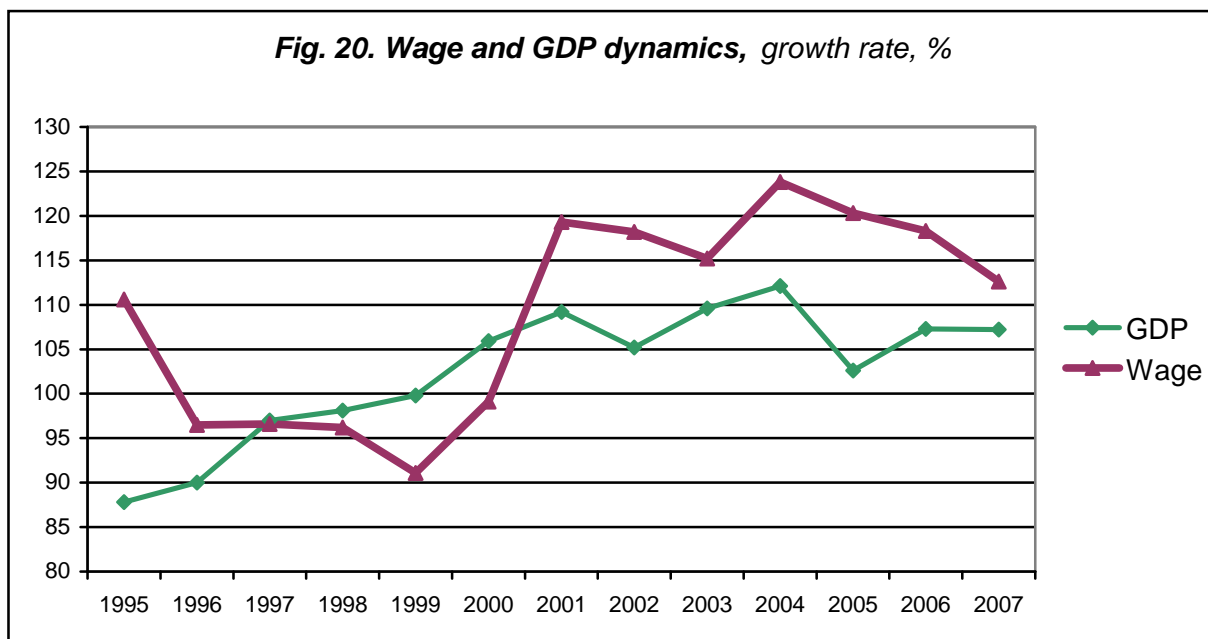


*2007 – preliminary data

Source: State Statistics Committee of Ukraine

There is a widespread belief it is impossible to increase wages without appropriate increase of labor productivity. In post-crisis Ukraine, growth in wages has been notably exceeding the GDP growth rates, and labor productivity growth rates. In total, during

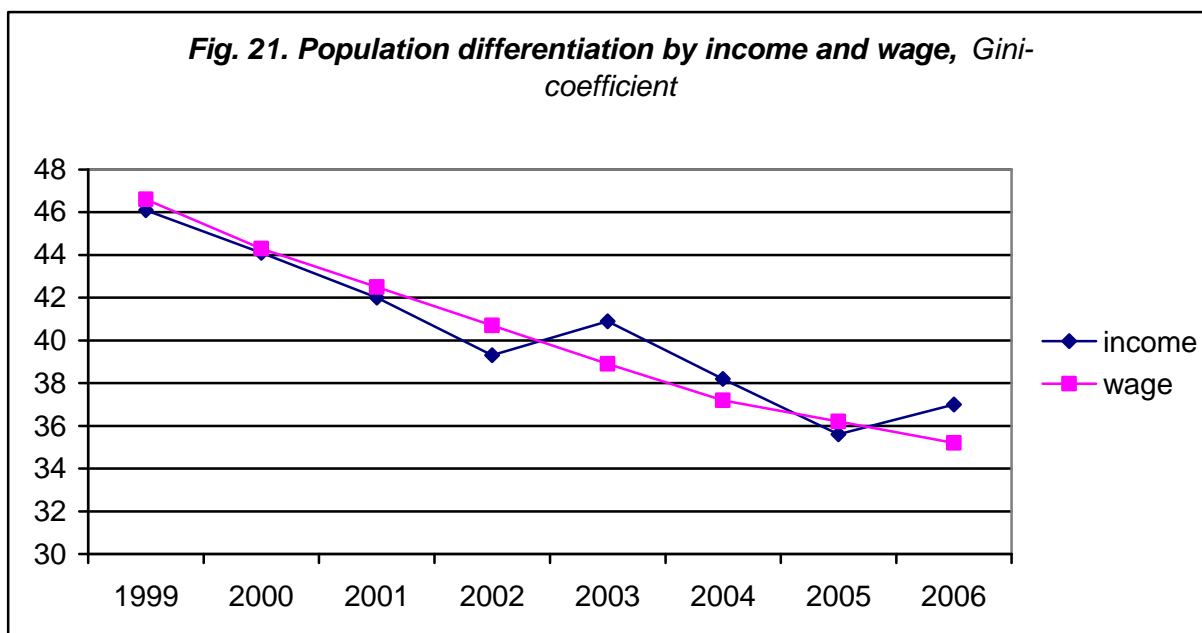
1998-2007 real GDP has grown 72.7%, labour productivity – 94.0% and real wages – 179.9%. Since 2001 wage growth rate is higher than GDP rate, but in 2006-2007 gap between these parameters is smaller.



*2007 – preliminary data

Source: State Statistics Committee of Ukraine

The arguments it is impossible to increase wages due to a risk of excessive growth of production costs look unconvincing. Analysis of structure of transaction costs of the realized production (services, works) shows that even a large (30%) increase of wages of employed workers will not significantly raise final costs. But, there is a problem of inflation risks; so a mechanism of their minimization is required.



Source: HHS; State Statistics Committee of Ukraine

There were several changes of a ratio of Gini-coefficients, estimated for incomes and expenditures, in 1999-2006. While the population differentiation by wage was larger in the first years of the economic growth, the differentiation by incomes has become much

larger during a period of the largest economic growth (2003-2004). Probably, it reflected an accelerated increasing of incomes of business activity and property.

Wages by sectors

The largest wage growth took place in recreation, entertainment, cultural and sporting activities (in 4 times), education (in 3.3 times), agriculture (in 3.2 times), forestry (in 3.1 times), health care and social aid (in 3.0 times); the smallest wage growth was observed in water transport (in 1.4 times), financial intermediation (in 2.3 times), mail and communication (in 2.4 times).

However, the inter-sectoral variation has not changed. A small decrease of a ratio of branch wage to the total wage took place in the industries (in particular mining), financial intermediation and construction, while there was an increase of this ratio in education, agriculture and forestry.

Wages by regions

The average wage growth rates are rather large in Ukraine. The average wage has grown in more than 5 times in the regions with the lowest rates of industrial development and the smallest wages in 2000-2006 (the maximum – 5.4 times – was observed in Ternopil oblast). The smallest rates of wage growth took place in Zaporizhzhya oblast - 3.8 times.

However, regional variation practically has not changed in 2000-2006. Regarding regions of Ukraine, the leaders and the outsiders remained the same; however, wages in outsiders (Ternopil, Chernivtsi, Volyn, Rivne, Khmelnytsyi oblasts) approached the average standards. As compared with average rate, higher wages are observed in Kyiv city, Donetsk, Dnipropetrovsk, Zaporizhzhya and Kyiv oblasts. Sebastopol city, Luhansk, Mykolaiv, Odesa and Kharkiv oblasts and the AR Crimea has lost their positions. The mentioned trends result as from a gradual approaching of social-economic development of the regions, as from regulation of the minimum wage.

The growth of the minimum and average wages was particularly large in the regions with low wages. The minimum wage exceeded 60% of the average wage in the majority of the western regions in 2000 (except Lviv, Zakarpattia and Ivano-Frankivsk oblasts); while the maximum – 71.9% - was observed in Ternopil oblast. The minimum wage made only a third part of the average wage in the well-developed industrial regions of the south and the east (an exception was made by Kyiv city, as the minimum wage made 24.0% of the average wage there). The situation has significantly changed until 2006; but, the shifts are observed mostly in the regions with low wages. The minimum wage makes more than a half of the average wage only in 7 regions (the maximum ratio is kept in Ternopil oblast - 55%). However, this ratio is smaller than a third part (23.1%) only in Kyiv city.

In total, the regional variation of the mentioned ratio is gradually changing. The scope of variation made 113.6% of the average country's ratio in 2000, 91.3% in 2003, and 83.0% in 2006.

Wages by property

The largest wages have been observed at the state enterprises in 1999-2006; the difference with the average wage in the economy was more than 20%. There is a paradoxical stable exceeding of wages at the state enterprises in comparison with private enterprises, which have to be more efficient. The maximum variation was observed in 2002; they started to decrease later on. However, wages at the state enterprises grew with accelerated rates in 2006, leading to a new increasing of

variation. Thus, the role of trade unions and collective agreements is less important at private enterprises.

Lower wages at communal enterprises result from prevailing concentration of services within this property form, while wages are traditionally lower there.

Wages by gender

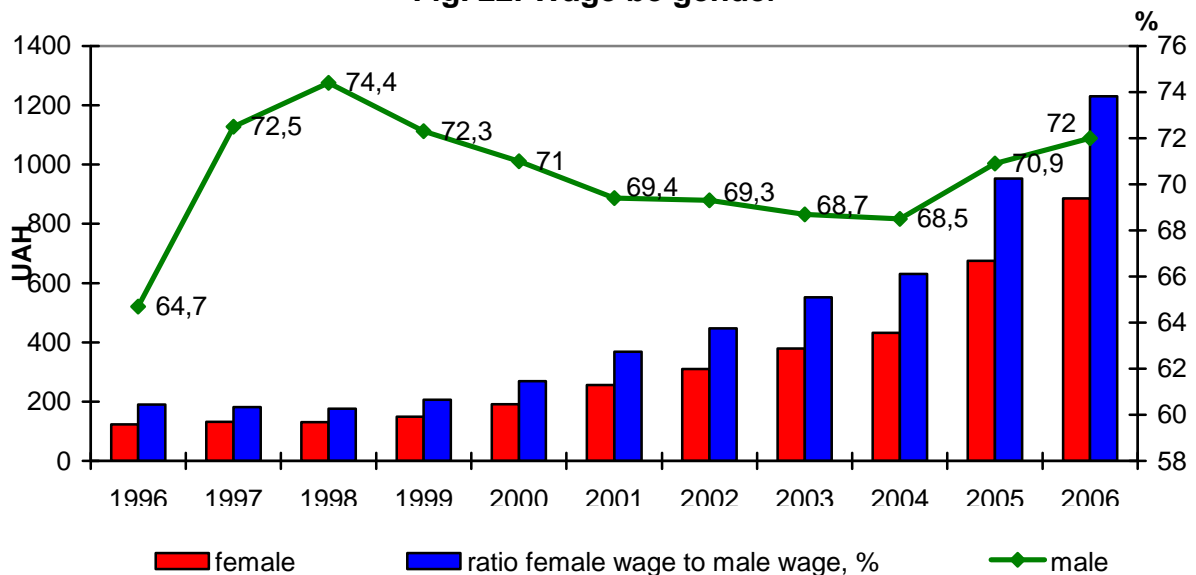
Gender differentiation of incomes, access to resources and wages are among the most important attributes of gender equality.

In general, gender imbalances in wages are rather diverse and have different nature: economic, social, psychological, legislative.

All gender problems have been solved at the legislative level in Ukraine – all types of gender discrimination are banned. However, the situation looks not so optimistic in practice. This problem is not so in direct violation of the legislation (though there are such cases as well), as in a fact that females usually do not make the same careers as males do; they are not even oriented on such career promotion. The Ukrainian gender income discrimination is related not to legislation, but to psychology, as public opinion sees the main merits of females in a family and children, though assumes gender equality. More than 60.4% of respondents believe that a woman realizes herself mostly (and only) in children, while 35.5% - that a career prevents a woman from realization of family duties⁷.

In spite of absence of any gender discrimination in wages in the legislation of Ukraine, the average female wage makes only 70% of the male wage (72.0% in 2006). The mentioned ratio responds to the European standards; it can hardly be improved in the nearest prospect.

Fig. 22. Wage be gender

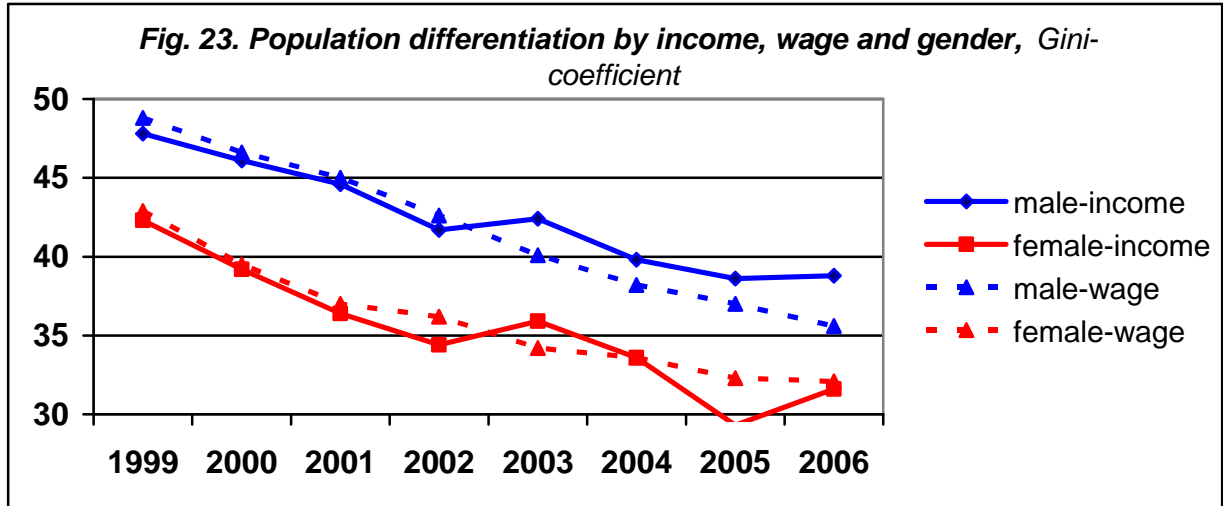


Source: State Statistics Committee of Ukraine

The smallest gender gap in wages has been observed in the second half of the 1990's, during the economic crisis. Economic revival, which was observed in some economic

⁷ According to sociological survey „Gender stereotypes and public opinion on gender problems in the Ukrainian society”, Center of social expertise of the Institute of sociology of the NAS of Ukraine, 2006

branches (metallurgy, chemistry, mining, construction) resulted in increasing of the inter-sectoral imbalances. Respectively, increasing of wages took place mostly among employees of more successful enterprises and branches, while female workers were concentrated in other economic sectors. Thus, such unequal increase of wages resulted in increasing of gender inequality in labour remuneration. The changes – hopefully long-term ones – have been observed in 2005-2006, when a large increase of the minimum wage and partial introduction of the unified wage tariff net in the public sector resulted in a significant increase of wages among females, who prevail in the low-paid public sectors – education, health care and social aid, culture (Fig.19).



Source: HHS; State Statistics Committee of Ukraine

Incomes differentiation, as well as wage differentiation, has been more significant among males during the whole period under examination, as compared with females. Moreover, the trends of ratios of incomes and wages differ by gender as well. Thus, a period of a higher wage differentiation among males stopped in 2002; while income differentiation has been higher later on. In contrast, wage differentiation has been higher during the whole period; an exception was made only in 2003.

Labour cost structure

The total cost of the labour force in Ukraine is in 10 times lower than in the EU-27, in 4 times lower than in Hungary and in 3 times lower than in Poland.

Fig. 24. Labour cost, per month per person, 2005, euro



Source: State Statistics Committee of Ukraine

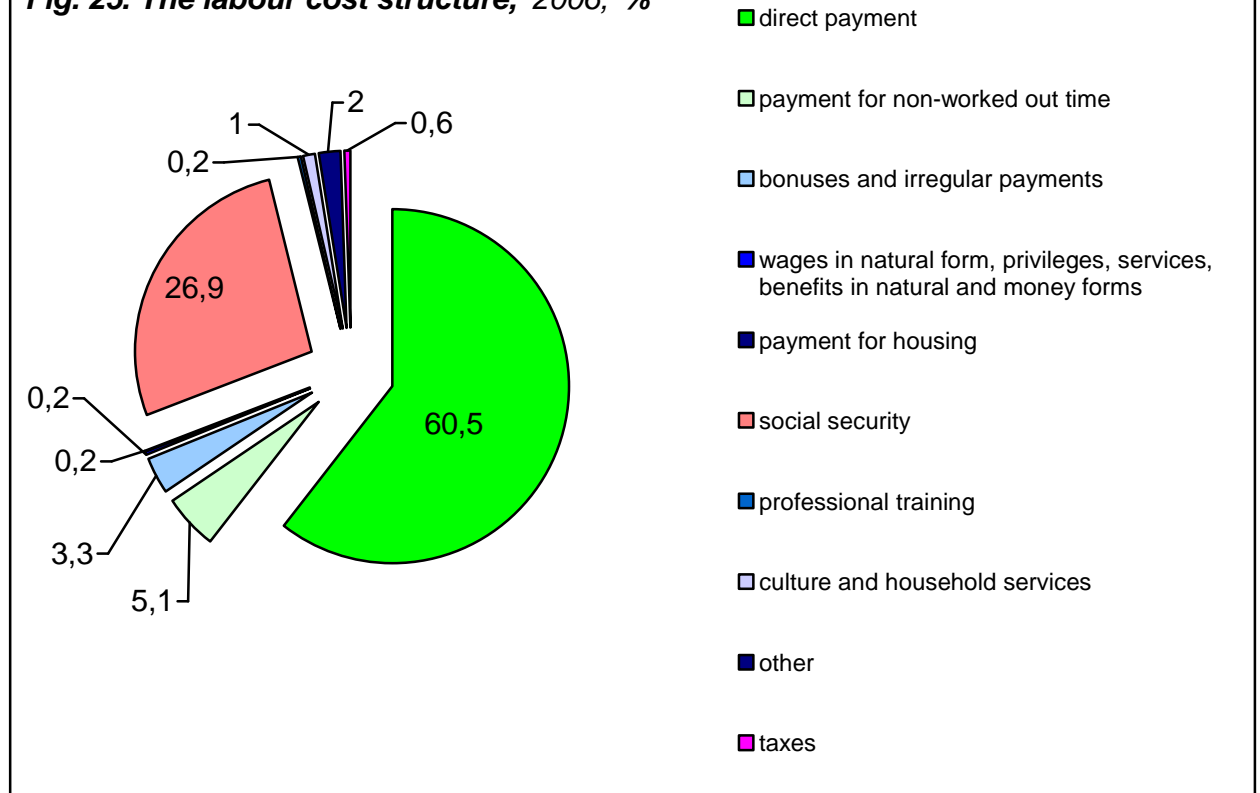
Labour cost consists of several components; some of them are mandatory and realized by all enterprises in Ukraine, the rest of them are done only by a small number of employers. The first group includes: direct payment, payment for the non-worked out time, bonuses and irregular payments, contributions on social security. Respectively, these components make a large percentage of the total labour cost.

Direct payment made the largest share of the total labour cost of employers in 2006; it consisted of wage tariffs and official salaries, extra charges and additional payments, related to conditions of work, bonuses (extra charges) for seniority, and duration of service, etc. A share of direct payments was more than a half of the total cost at all enterprises in all economic sectors. This share was more than 60% of the total labour costs at enterprises with low wages, being much larger than at enterprises with high labour cost. For instance, a share of direct payment was within 62.3-66.6% at enterprises, producing textile, clothes, fur and leather goods, as well as in hotels and restaurants, while it was within 50.4-58.4% at enterprises, producing coke and oil products, as well as in mining industries and at enterprises, working on distribution of electricity, gas and water.

Costs on social security make averagely 27.4% of the total labour cost. The prevailing proportion (96.7%) is made by contributions for the mandatory social insurance, in particular pension insurance. Prominently, a proportion of contributions on social insurance and other types of social security based on the voluntary schemes and collective agreements is rather large in the EU. While such contributions make 1.9% of the total labour cost in Ukraine, they make averagely 6.2% in the EU.

Inter-sectoral wage differentials by wage tariffs and official salaries are much smaller than wage differentials by direct payment and total labour cost. Thus, the largest rate of payments by official salaries (in financial establishments) is in 2.2 times higher than the lowest rate (in hotels and restaurants). A ratio of maximal to minimum rate of direct payment is 2.7, while of the total labour cost – 2.6. Thus, extra charges and additional payments to wage tariffs are important in forming of employers' expenditures (they made averagely 5.8% of the total cost in 2006), as well as regular (monthly, quarterly) bonuses, which depend on financial capacities of enterprises (8.1%).

Fig. 25. The labour cost structure, 2006, %



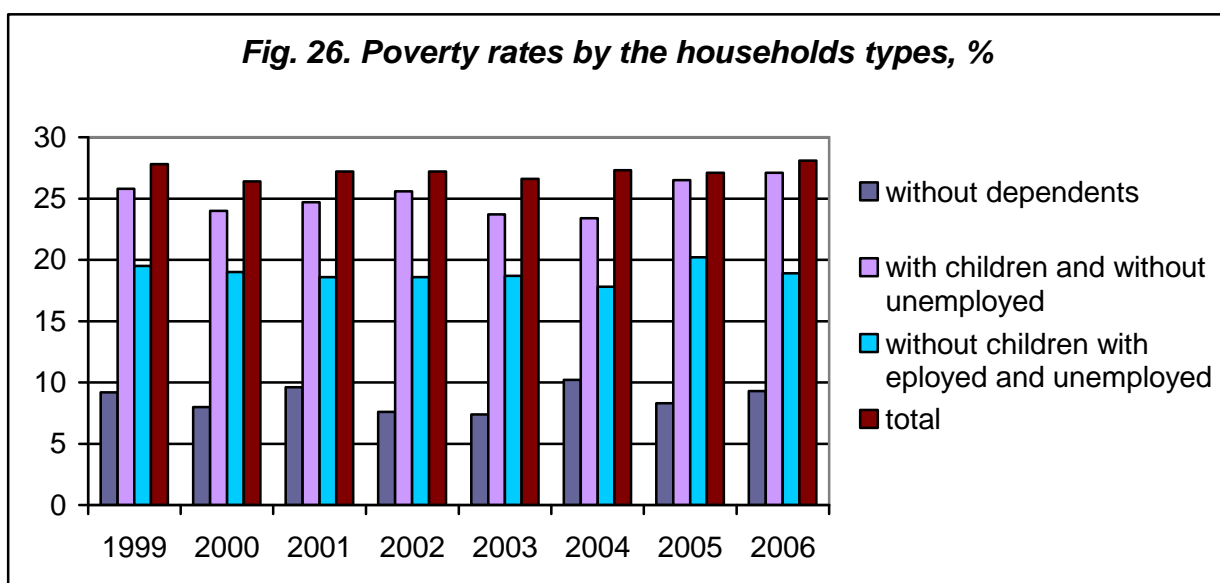
Source: State Statistics Committee of Ukraine

In contrast to the mentioned important components of labour cost (direct payments and social security), those components, which provide a small share of labour cost, are done by a small number of enterprises. Thus, only 1% of employers pay for housing of their employees, 4% of them pay wages in the natural form and pay for privileges, services and benefits, 10% - pay for cultural and households services, while 20% of employers pay for professional training of their employees. Respectively, cost of wages in the natural form, privileges, services and benefits makes 0.2% of labour cost in Ukraine, while it makes 0.8% in the EU-27; cost of professional training – 0.2% in Ukraine and 1.0% in the EU-27 (moreover, they are of much higher quality).

Labour cost of regular staff and out-of-staff employees' significantly differ. Thus, while cost of a working hour of a regular employee was HUA 10.87 in Ukraine as a whole in 2006, cost of an out-of-staff employee was HUA 6.12, i.e. only 56.3%. The largest disparities were observed in financial intermediation (cost of a working hour of an out-of-staff employee makes 27.9% of cost of a working hour of a regular employee), the smallest disparities – in trade, repair of cars, household appliances and goods of personal use (78.0%). In total, there is an inverse correlation between a ratio of cost of a paid working hour of an out-of-staff and staff employee and a ratio of the number of out-of-staff and staff employees (correlation coefficient -0.275).

Poverty of employed

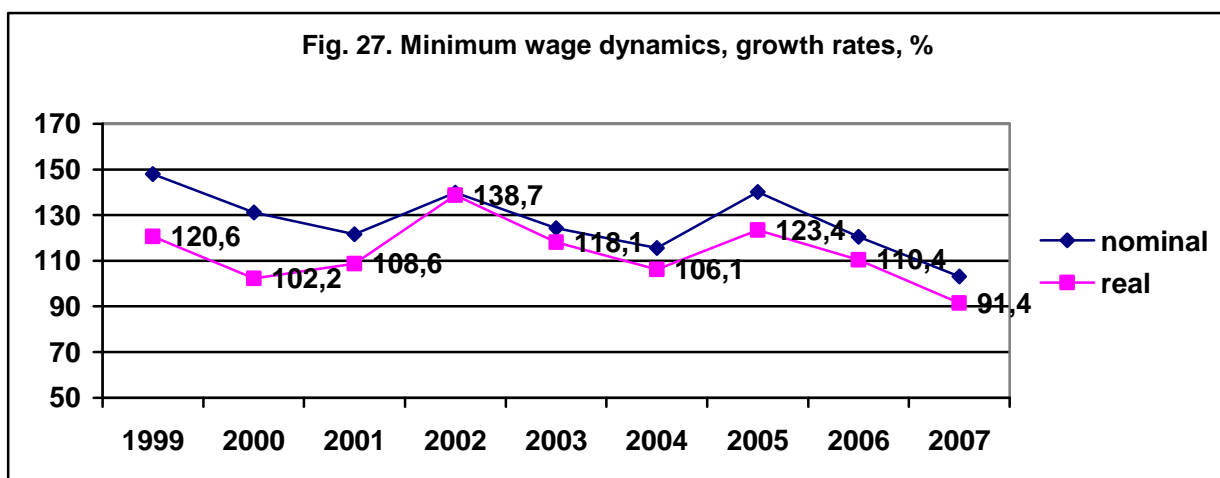
As a result of low wages and small exceeding of wages over social transfers, the poverty is rather wide-spread among employed population. Thus, the poverty rate of families with children and all employed adults is practically equal to the average [Ukrainian rate. Obviously, position of families without dependants (no children and unemployed adults) is much better; they are not poor in accordance with the Ukrainian standards.



Source: HHS; State Statistics Committee of Ukraine

Minimum wage

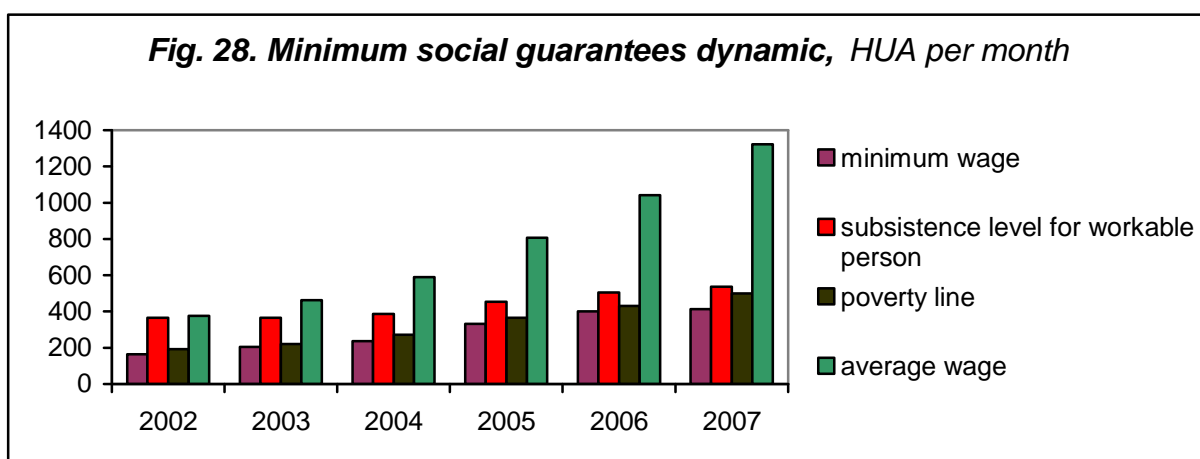
There was only one decreasing of the minimum wage in 1999-2007. It took place in 2007. There were three peaks of the growth (more than 20%) – in 1999, 2002 and 2005; the largest increase was observed in 2002 (by 38.7%), while it has grown by 18.1% in 2003.



Source: State Statistics Committee of Ukraine

Ratios of the minimum wage to the subsistence minimum for workable person and to the relative poverty line (75% of median expenditures of a conditional adult) have been steadily increasing. The minimum wage made 45.2% of the subsistence minimum and 85.9% of the poverty line in 2002; the corresponding proportions made 79.2 and 93.0% in 2006.

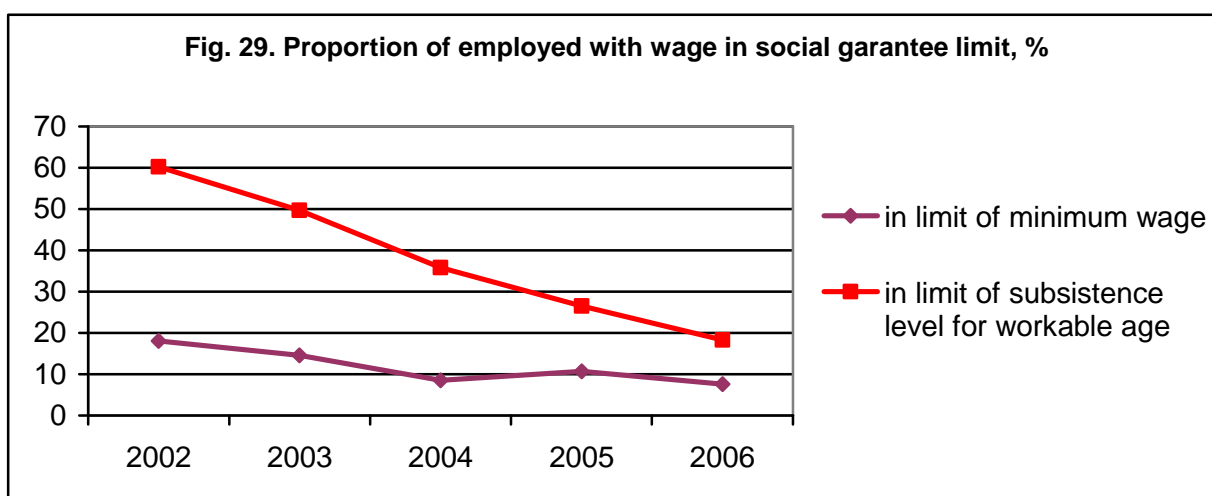
At the same time, economic growth has lead to reduction of a ratio between minimum and average wage. The maximum ratio (44.4%) was observed in 2003, while it made 31.2% based on data of 11 months of 2007. Obviously, this ratio will be even smaller with consideration of December data (a month of the largest average wage).



Source: State Statistics Committee of Ukraine

Low wage

As average wage growth rate exceeds all minimum social guarantees growth rates in Ukraine, a share of those workers, who receive wages in limit of minimum wage or subsistence minimum, is decreasing. The smallest proportions of such workers are employed in public administration (6.7% of employed received wages in limit of subsistence minimum for workable person in December of 2006, including 3.3% of them – in limit of minimum wage), financial intermediation (correspondingly 9.3 and 4.7%), industry (9.6 and 3.5%), transport and communications (10.6 and 4.8%). In contrast, almost a half of agrarian workers (48.9%) received wages in limit of subsistence level, including 30.5% of them – in limit of minimum wage.



Source: State Statistics Committee of Ukraine

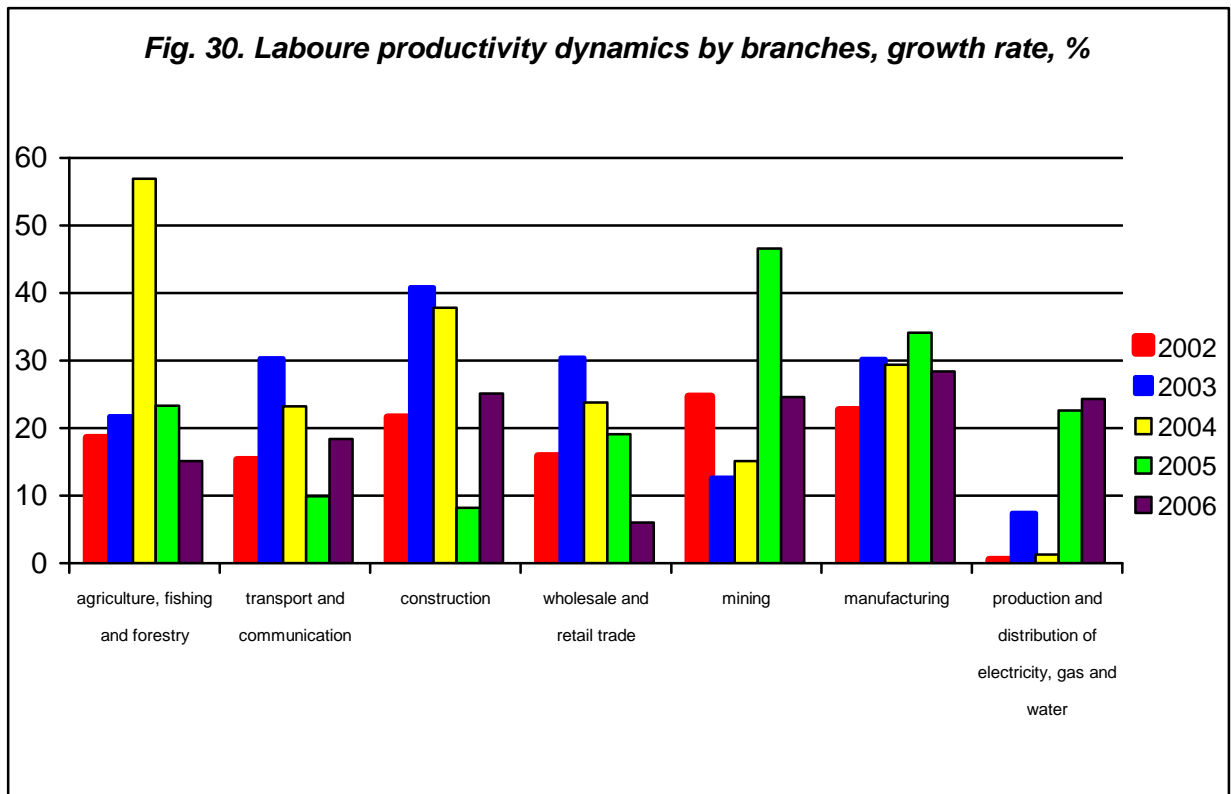
The regional variation of a share of employees with wages in limit of subsistence minimum is determined by sectoral structure of the economy and urbanization rate. Thus, it was the smallest in Kyiv city (8.9%, including 2.5% in limit of minimum wage) and in the most industrialized regions - Donetsk (11.9 and 3.6% correspondingly) and Dnipropetrovsk (14.5 and 4.2%) oblasts. In contrast, the largest shares were observed in agrarian oblasts with high shares of rural population: Chernihiv (27.4 and 14.5%), Khmelnytskyi (26.8 and 13.1%) and Ternopil (26.3 and 13.9% correspondingly).

LABOUR PRODUCTIVITY

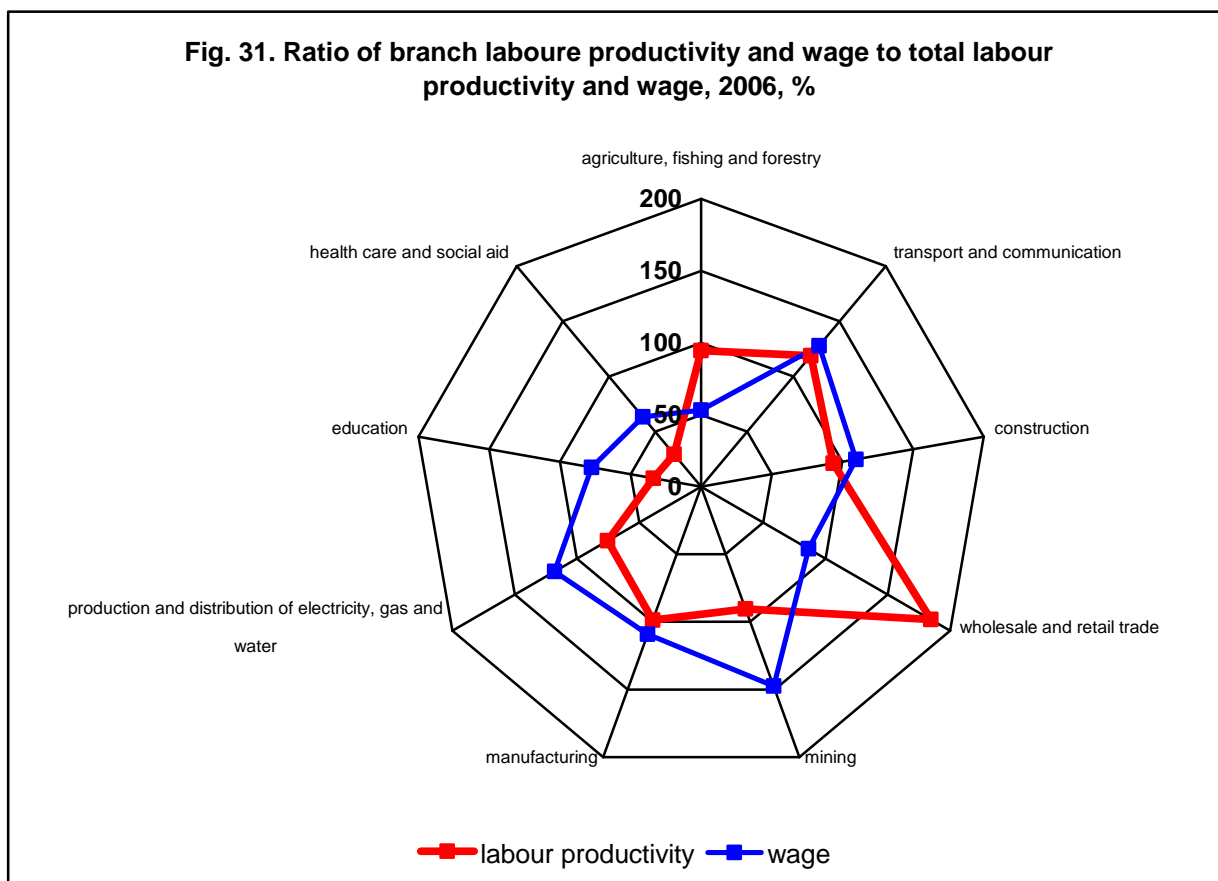
Dynamics of the GDP per staff person is rather prominent: there has been an increase in 3.0 times in the current prices and in 2.1 times in the constant prices in 2001-2006

(table 16). The largest increase of labour productivity was observed in processing industries (3.6 times), agriculture (3.2 times) and construction (3.2 times). Moreover, while this increase took place in construction and industry mostly due to increasing of production scales, it resulted from reduction of employment in agriculture.

The most successful period was different in different branches, for example the highest growth rate in the agriculture was in 2004 (56.9%), in the construction was in 2003 (40.8%), in the mining and manufacturing was in 2005 (46.6% and 34.1%), in the wholesale and retail trade was in 2002 (15.3%).



In 2006, ratios of branch labour productivity and wages to the average Ukrainian labour productivity and wage reflect a complete absence of any correlation between these parameters. A ratio of labour productivity rates is much larger than a ratio of wages in branches with low wages (agriculture, trade). In contrast, a ratio of wages is larger in branches with traditionally high wages (industry). We can speak on some relevance between labour productivity and wages only in construction and processing industries, as it is proved by small disparities in ratios of these branch rates to the average labour productivity and wage. The maximum ratios are observed in production and distribution of electricity, gas and water and in mining.



Source: State Statistics Committee of Ukraine

ACCESS TO TRAINING

Unfortunately, economic transformations have not led to increasing of the scales of training and re-training, though structural shifts in the economy require the adequate changes in the labour force structure. As compared with a period of economic crisis, the number of employed, trained in new occupations, has grown by 8%, while the number of those, who have improved their skills by themselves – by 20%. At first sight, these rates look rather high. However, only 2.5% of employed are trained in new occupations yearly, while 8.5% of them improve their skills by themselves. Secondly, a drop in the scales of training in new occupations has been observed during the last 3 years (Table17).

The overwhelming part of employed (almost 80%) are trained in new occupations at their enterprises, while almost two thirds of them are trained in new occupations, already having professional skills (Table18). Obviously, it proves a rapid change of occupational structure of the labour demand. However, a need in training or retraining results from failings in the system of occupational training, in particular its disparity to the needs of the economy.

Most of employed (about 80%) are trained in new occupations in establishments of vocational training. It reflects unsatisfied demand on the skills workers, not on experts with high education (Table19).

Respectively, improvement of the skills is expanded mostly on workers, who make more than 40% of the total trained persons. Increasingly more workers, who have improved their skills, receive higher grades (Table 20).

Males are more often trained at their enterprises, as compared with females – it concerns as training in new occupations, as improvement of the skills. Moreover, gender gap is increasing (Table 21).

The Ukrainian employment policy suggests a large attention to occupational training/re-training of job seekers. The number of job seekers, who have been trained (retrained), has been steadily increasing in 1995-2006 (the only exception was in 1997); as a result, it has grown 3.8 times. The largest increase took place in improvement of the skills: the total number of such persons has grown in 75 times, while their proportion in the total number of the trained persons has grown from 3.0% in 1995 to 60.4% in 2006.

The number of job seekers, who had a job and have been re-trained via mediation of the state employment service, has grown from 25.6 to 44.2 thous. persons (by 72.7%); however, their proportion in the total number of the trained persons has dropped from 60.6 to 27.3% (Table 22).

The smallest group is formed by persons, who have been trained for the first time (12.4% in 2006), though it has grown as well. A share of persons, taking the jobs, which do not require special training, made 13.9% of the total trained persons and 8.8% of persons, who have no job.

The number of graduates from educational establishments, who were trained (re-trained) via mediation of the employment center, has dropped recently. Decreasing of the number of graduates from vocational training schools is particularly important. It proves a better correspondence of training in the schools to the labour market needs.

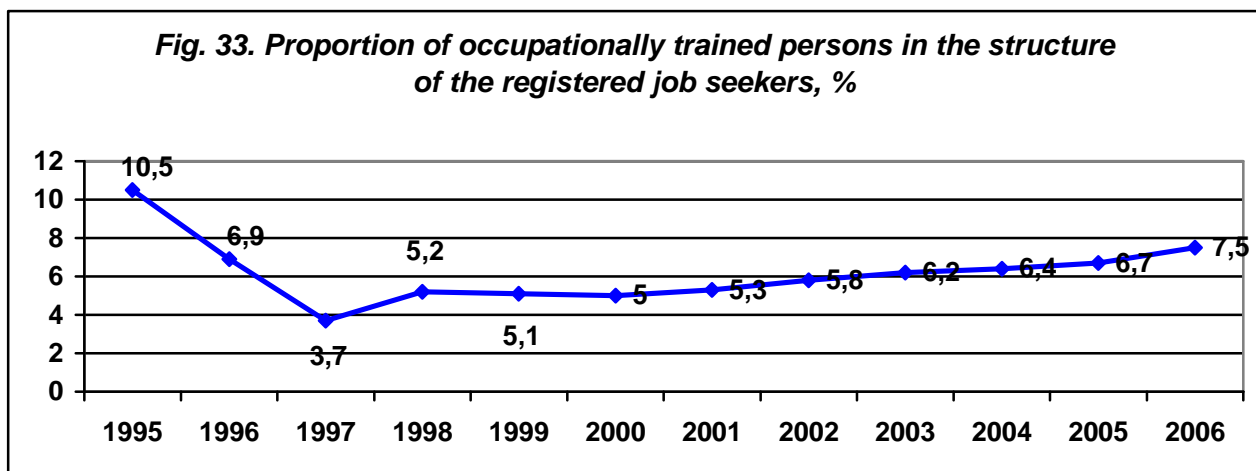
Decreasing of the number of graduates from the secondary schools among the trained persons is probably related to a fact that their larger proportion keeps studying, not enters the labour market. This trend can be regarded as positive, considering higher requirements to the labour force skills.



Source: State Employment Centre of Ukraine

The overwhelming majority of job seekers are trained in establishments of vocational training, i.e. they obtain occupations of workers (Table 23). However, the number of persons, trained in a high educational establishment, is increasing (as compared with 1999, the increase made 115.2%). The number of persons, trained in the state employment centers, is rather small. It results mostly from a low capacity of educational

base and aspiration not to provide (develop) the training centers, but to apply for the corresponding services in the specialized institutions.



Source: State Employment Centre of Ukraine

WORKING TIME

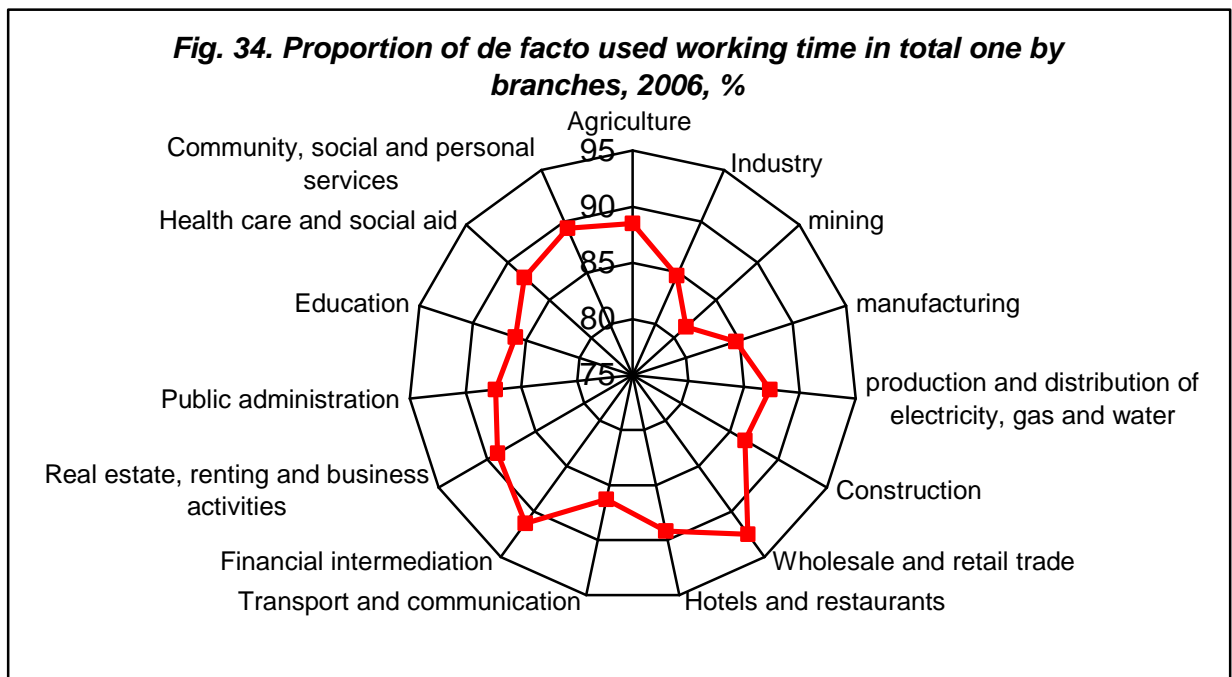
Normative duration of working time in the national economy has grown during 1997-2006: from 1,479 to 1,922 hours per employed⁸. It proves recovering of the economy and decline of the hidden unemployment scales. The largest length of a work year is observed in manufacturing (2008 hours), production and distribution of electricity, gas and water (2009 hours), construction (1 994 hours); the smallest length – in education (1 699 hours), community, social and personal services (1 834 hours).

But the working time is not full used.

A rate of the working time use is steadily increasing in Ukraine: from 79.3% in 1999 up to 87.0% in 2006. The best recent dynamics has been observed in construction, processing industries and agriculture (in 2002-2006). A rate of the working time use has dropped in production and distribution of electricity, gas and water; though this drop was rather small. Negative changes took place in 2005. A worse situation was observed in public administration, as negative dynamics of 2002-2004 has not been compensated there yet.

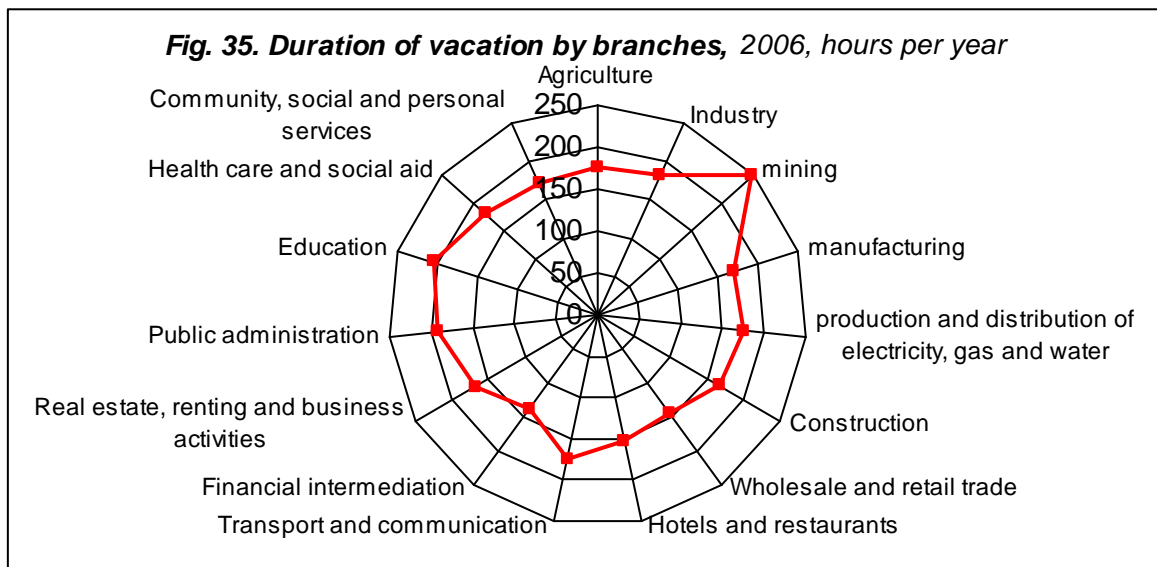
The average level of it using is 87% (2006), this indicator is varying from 86% in education to 92.5% in wholesale and retail trade. The used working time increased after economical crisis overcoming.

⁸ It is a bit smaller than in the most European countries: France – 1,656 hours in 1997, UK – 1,731 hours in 1997, Spain – 1,809 hours in 1997, Hungary – 1,813 hours in 1992, Czech Republic – 2,062 in 1997). The rate of the total work time fund use has changed from 76 to 82.9%.



Source: State Statistics Committee of Ukraine

The main reasons of working time lost are: vacation (total 154 hours per employed, min – 95 hours – in wholesale and retail trade, max – 187 hours – in education) and sick leaves (total 53 hours per employed, min – 25 hours – in wholesale and retail trade, max – 72 hours – in industry). Duration of vacation is varying by branches.



Source: State Statistics Committee of Ukraine

The system with working time flexibility is not widespread in Ukraine; however, duration of the de facto used working time varies significantly. According to data of 2006, 1.6% of employees worked less than 20 hours a week, 2.9% - 20-29 hours, 9.6% - 30-39 hours, 70.1% - 40 hours and 15.8% - more than 40 hours a week. Males averagely work on 2 hours longer than females, while rural population - on 2 hours less than urban population.

The largest duration of a working week is common for employers – 47 hours a week (in urban dwellings – 48 hours) and for self-employed – 43 hours (in urban dwellings – 45 hours).

Legislators, senior state officials, chiefs and workers of services and trade have the largest duration of a working week (42 hours). The smallest duration is common for professionals (37 hours, females – 36, rural dwellers - 33) and experts (39 hours, rural dwellers – 38 hours).

EXTERNAL LABOUR MIGRATIONS

Scale of external labour migration

At the 1991-1995 labour migration was realized mostly as trips to neighbouring countries for the purpose of trade. The earnings of the so-called "shuttle-traders", who personally transported small consignments of goods, were based on difference in prices and exchange rates. Such trips let many families survive in the worst times of crisis; they also let some families to accumulate capital for development of small business. Moreover, the "shuttle-traders" obtained experience and contacts helping Ukrainians to work abroad, in particular in Europe.

According to state statistics, the scale of registered employment abroad is increasing. While 11.8 thousand people were employed through official mediators in 1996, their number reached 61.2 thousand people in 2006; thus, it has grown 5.5 times.

The First Ukrainian Population Census (2001) registered 118.8 thousand people, employed in another state.

But, the official data do not even crudely reflect the real scale of labour migration; the actual scale is usually estimated, based on sampling population surveys.

According to the survey, done in 8 regions of Ukraine by the State Statistics Committee of Ukraine in 2001, the minimum number of Ukrainian labour migrants was about 1 million.

A national survey in 2002 found members of 10.2% of Ukrainian families had done some work abroad. There were 12% such households in 2003 and 15.7% in 2006.

According to the Ministry of Foreign Affairs of Ukraine and Ukrainian embassies, about 2 million Ukrainians are abroad to earn money currently.

In 2001, the state regional employment centre of Ternopil oblast conducted a detailed investigation of labour migration by rural residents. The all-Ukrainian outflow was estimated at 2 million people. A repeated survey, in 2004, found an increase of labour migration of 18% (up to 2.4 mln. people).

The Ministry of Labour and Social Policy of Ukraine estimates external labour migration at 3 million people. This figure is based on an estimation of working-age people who have "disappeared" from the national labour market (Parliament hearing 2004). But, such "disappearance" could be partially explained by shadow employment (according to the Ministry of Economy of Ukraine, shadow employment covers from 16 to 20% of economically active people aged 15-70 (Ministry of Economy of Ukraine 2006).

According to a Special Report of the Ombudsman of Ukraine in 2003, devoted to protecting citizens' rights abroad, Ukrainian labour migrants were estimated at no less than 5 million. In other speeches the Ombudsman mentioned a figure of 7 million people. These figures, however, are not supported by calculations look like overestimates.

Comparisons and verifications of these estimates suggest a probable figure of Ukrainians abroad at 2.5 million people (almost 10% of the economically active population).

The characteristics of labour migration are changing with time. Residents of the capital and large cities were more active at the beginning, as they were better informed and more mobile. Presently, residents of small towns dominate (33% of labour migrants, according to the national social survey), as well as rural dwellers (28%).

External labour migration has become most popular in the transboundary regions. But, they started to develop in other regions with time, distributed throughout Ukraine.

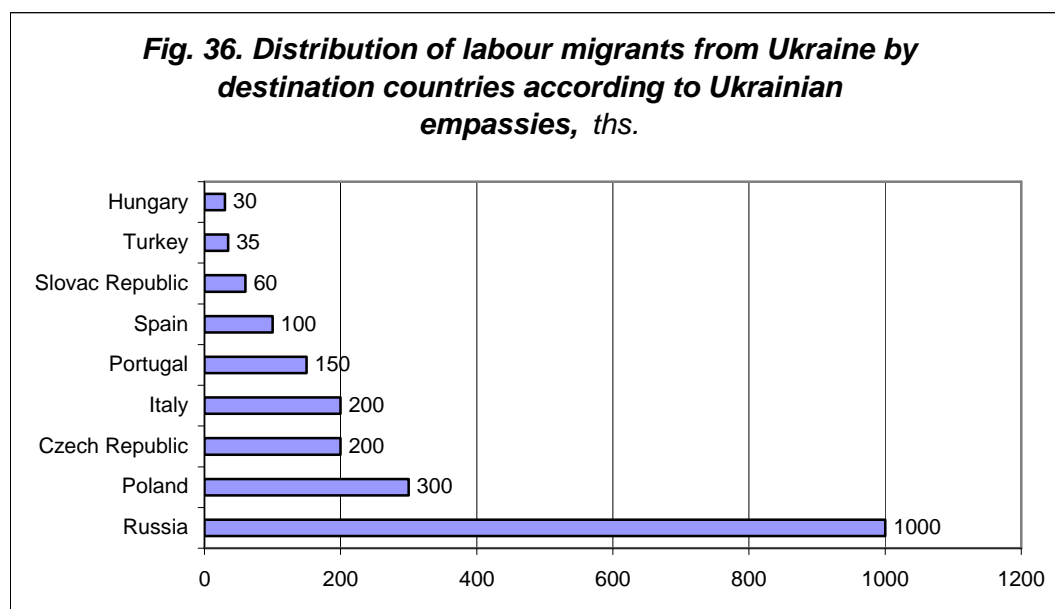
As compared to the beginning of the 1990s, present labour migrants are younger, in particular rural dwellers. According to the Population Census in 2001, 29% of emigrants were under 27. The average age of migrants was 36, while the average age of the employed population was 39.5.

Participation of women in migration has been gradually increasing. Gender balance of migration is determined by the specifics of the local labour market. In 2004, women were only 19% of Ukrainian labour migrants, registered in Portugal, while in Greece share of female migrants was much higher - 75.7% (SOPEMI 2006).

As people with higher education got better opportunities to work at home once the Ukrainian economy improved, their share has dropped among labour migrants. Therefore people with secondary education and vocational training have a bigger share.

Previously, labour migrants kept up at least formal labour relations in Ukraine. But now they prefer to break off such relations in favour of systematic labour migration. Emigration has become the main type of occupation and way of life for some Ukrainians.

Ukrainian embassies abroad provide information on shares of labour migrants by destination countries: 300,000 people are looking for work in Poland, 200,000 – in Italy, 200,000 - in Czech Republic, 150,000 – in Portugal, 100,000 – in Spain, 35,000 - in Turkey, 20,000 – in the USA. The number of Ukrainians working in Russia is estimated at 1 million people.



Source: *Karpachova, N.*, (2003). "Compliance and Protection of Human Rights of Ukrainian Citizens Abroad: Special Report of the Human Rights Commissioner at the Parliament of Ukraine", Kyiv: Intertechnology.

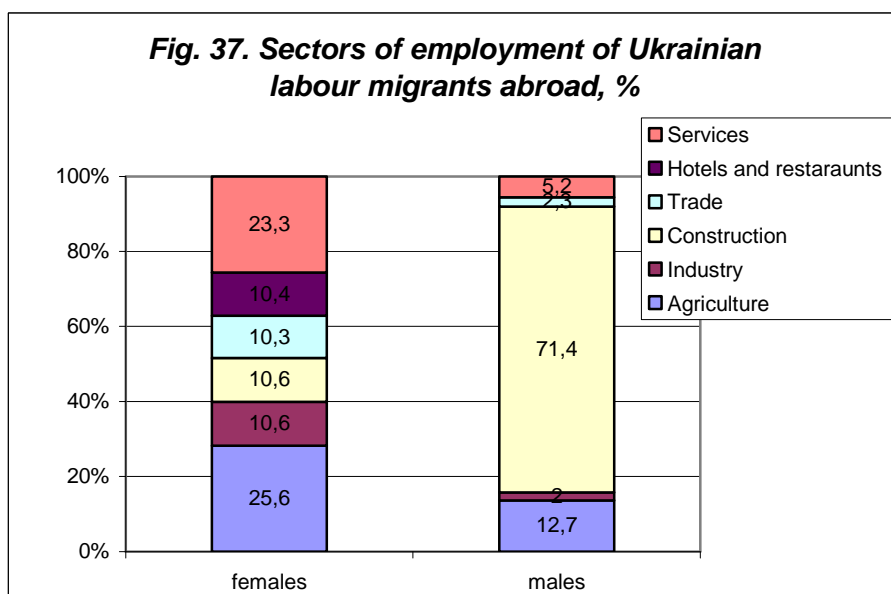
Though earnings in Russia are lower than in Europe, the country is popular among migrants, as there are no language barriers, visa regime or expensive transportation. These advantages are powerful for the eastern transboundary regions, for migrants of older age groups and lower education levels.

But, rates of labour migration to Russia are decreasing. While 25% of respondents were willing to work in Russia in the middle of the 1990s, there were only 14% of such respondents at the end of the 1990s (Shulga 2002). Meanwhile, labour migration are being rapidly developed to southern Europe (Italy, Spain, Portugal, Greece); also some Asian countries (for instance, Ukraine is among six main suppliers of workers for South Korea).

According to the Population Census, 35.5% of male migrants worked in construction; 21.8% of labour migrants – in domestic services, 6.3% - in agriculture, 5.8% - in transport.

The last figure results from a large number of the Ukrainian sailors, who go under foreign flags. Though a maritime state, Ukraine lost almost its whole navy during the crisis, but training of sailors continued. Nowadays, 65,000 Ukrainian sailors are employed on foreign vessels, 5.3% of all sailors of the world merchant fleet (Ilnycky 2006).

Structure of employment among Ukrainians varies in different countries, depending on the needs of local labour markets. For instance, according to the State Statistics Committee of Ukraine (2001), almost 90% of female Ukrainians in Italy were employed in domestic work. As to Poland, employment in agriculture prevails (66.7% of female migrants). Although construction is the main sector of employment of male migrants in all destination countries, a share of those employed in transport is large in Russia (11.1%).



Source: Libanova, E., Poznjak, O. "International labour Migration of the Ukrainian Population", Kyiv.

The labour migrants usually stay abroad for 6 months, engaged in seasonal work (this trend is typical for Russia and Poland). The average length of stay in Italy, Portugal and Spain is 1.5 to 2 years.

Employment of only 11.6% of labour migrants was based on written contracts. Naturally, more than a quarter of respondents' labour rights had been violated.

A working week of Ukrainian migrants abroad was on average 40% longer than the norm. Also, lax safety measures were widespread, as well as hazardous and dangerous work. But as this work was usually paid extra, labour migrants usually agreed to do it.

FORCED LABOUR

Child trafficking

The problem of trafficking in children for forced labour, including begging, does not feature in legal accounts. Children forced to work and their parents do not report this to law enforcement bodies. So, an analysis of official data and legal practice does not give a full picture of trafficking in children.

The main factors supporting child trafficking in Ukraine is poverty. Low income level is reason why people look for additional sources of income, seeking them in secondary employment and/or by putting their children to work.

Family environment has an important impact on children generally and specifically on their behavior. In this respect what matters is family completeness, the nature of relations among family members, and material status. All of these factors play an essential role in creating an environment in which child trafficking occurs.

The children who fall victim to human trafficking are generally aged between 13 and 18 years of age. Most of them are girls trafficked into sexual exploitation, reflecting the nature of demand. Boys are used for the most part as cheap labour for unskilled jobs or to peddle drugs among teenagers. Until their involvement in trafficking, one third of children combined school with work.

Children are generally lured into trafficking, both domestic and cross-border. One half of the children trafficked to the Russia and Moldova; the rest go to the urban outside CIS, sometimes to the Poland.

For those trafficked internally, the use of force is also widespread.

Many of the children trafficked across borders were often also trafficked within the country too.

The children trafficked across borders were exploited in street-vending, domestic labour, agriculture, dancing, as waiters/waitresses, or to provide sexual services. Most often, the children were expected to dance, beg or provide sexual services, regardless of what they had anticipated doing. Children trafficked internally were also expected to provide sexual services or to beg, despite promises of work as cleaners, waiters or hawkers.

Trafficking of migrant workers

The quantity of trafficked labour migrants is not known. We have very fragmentary estimation.

The destination countries for trafficked and non-trafficked migrants are the same: Russia, Turkey, Italy, Greece and Hungary. The low income, relative deprivation play the main role in the migration decision.

Women are more at risk of being trafficked than men, particularly for the purpose of sexual exploitation: 64.2% trafficked victims are women. But the same is true for non-trafficked victims of forced labour, though here gender aspects are less emphasized. Trafficked victims of forced labour are on average 35 years old.

The rural citizens and small town citizens are more often trafficking due to more hard labour market situation.

According to the special research data, none of the trafficked victims of forced labour considered their pre-migration situation satisfactory.

The official information is not important in the migration decision, and Ukrainian Government needs to take action in the sphere of migration management. Potential migrants are at risk of being deceived by informal information sources, hence increasing their vulnerability to abuse exploitation and forced labour.

CONDITIONS OF WORK

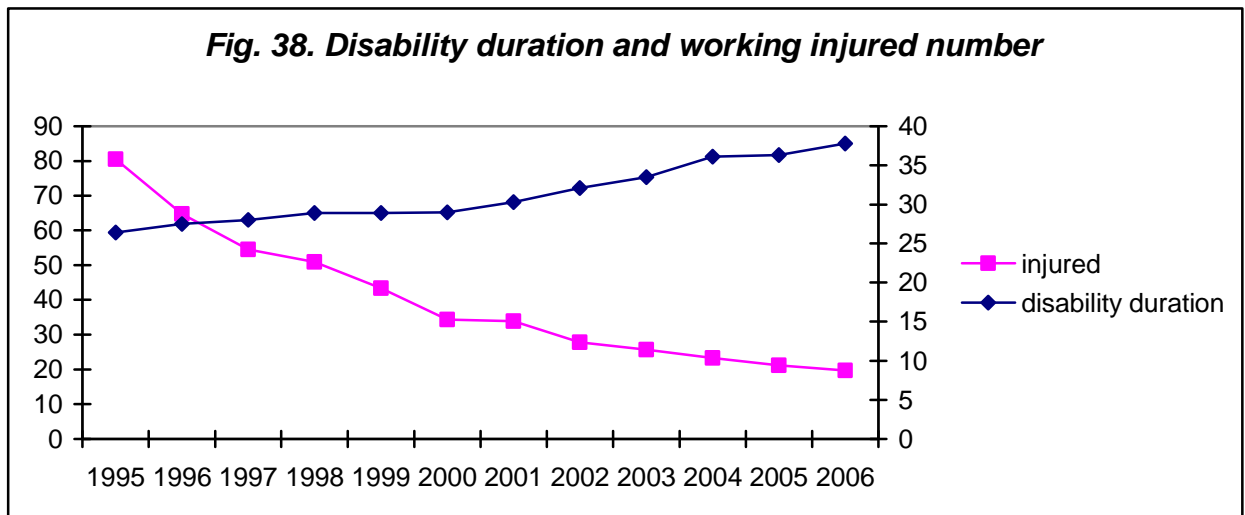
The total number of working in conditions, which do not respond to the sanitary-hygienic norms, is steadily decreasing. However, it results not from employers' efforts on improvement of conditions of work, but from shutting down of a large number of coal mines and corresponding reduction of the number of employed in coal mining industry. Thus, the number of employed in coal mining, working in hazardous conditions, has dropped from 322.4 thous. persons in 1999 to 251.8 thous. persons in 2006.

As on 31.12.2005, the largest number of working places with such conditions of work was concentrated in processing industries (695.9 thous.), in particular in metallurgy and metal working (241.5 thous.); however the largest proportion in the total number of working places is common for mining of coal, char coal and peat (76.3%) against 55.5% in metallurgy.

Females are much less employed in hazardous works, as compared with males. As on 31.12.2005, a share of females, employed in such works, was 16.8% against 34.2% of males. The most wide-spread hazardous factors are almost similar for males and females. Thus, females most often work under conditions of noise, infrasound and ultrasound (26.5 thous. persons), hazardous chemical substances (21.9 thous.) and microclimate in a room (20.8 thous.). As to males, there are such most prevalent hazardous conditions as noise, infrasound and ultrasound (182.9 thous. persons), dust (142.9 thous.) and hazardous chemical substances (121.9 thous.). The largest concentration of hazardous works in common for mining industries (69.0%), in particular in mining of energetic materials (73.2%) and for processing industries (29.3%), in particular for production of coke, oil products (57.3%), metallurgy and metal working (55%). These rates are practically not differentiated by gender of employed.

Working injuries

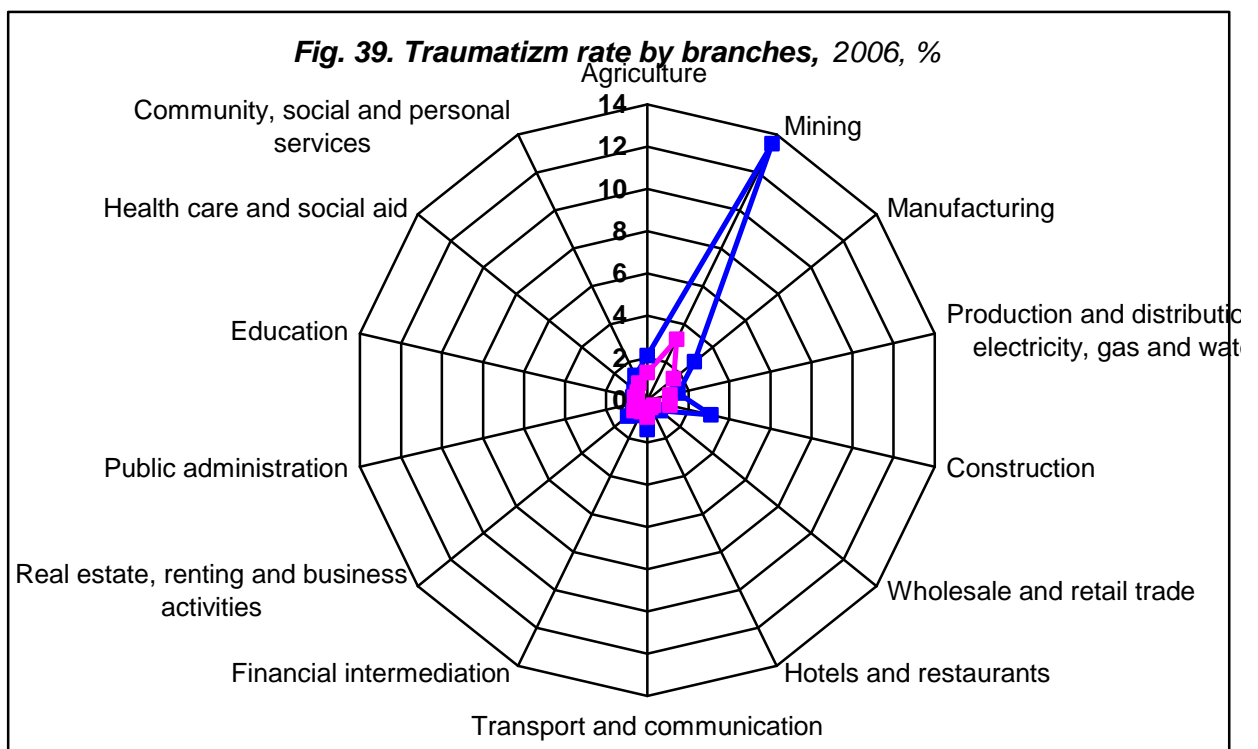
Working injuries are largely influenced by conditions of work. There is a steady decreasing of working injuries in Ukraine, which has started during the economic crisis and is been kept during the economic growth. The total decrease made 64% in 1997-2006 and 76% in 1995-2006. Unfortunately, duration of disability, caused by working injury, has significantly increased: from 28 days in 1997 (26.4 in 1995) to 37.8 in 2006. Paradoxically, these two trends are absolutely contradictory.



Source: State Statistics Committee of Ukraine

The rates of lethal traumatism have been rapidly decreasing: while there were 1.6 thous. lethal injuries in 1997 (in 1995 – 2.1 thous.), this figure was 1 thous. in 2006.

The majority of working injuries took place in mining industry (7.2 thous. in 2006 or 13.5 injuries per 1,000 employed) and processing industry (6.9 thous. or 2.9 per 1,000 employed), in agriculture (2.2 thous. or 2.1 per 1,000 employed). In total, there are some most dangerous branches in Ukraine: coal mining (19.7 injuries per 1,000 employed in 2006), tobacco industry (5.9 injuries) and textile industry (4.7 injuries).



Source: State Statistics Committee of Ukraine

Females suffer from traumatism in 4 times less than males do in all branches of the economy; moreover, the rates of decreasing of female traumatism are much higher (a gap was 2.9 times in 2001). As in 2006, 67.7 females of every 1,000 were injured (the largest number – in mining industry – 283.2), while there were 273.5 injured males per 1,000 employed males (in mining industry – 1,662.3 persons). A gap was even larger

among lethal injuries: there were 12 died males per 1 died female (in 2001 – 15). Obviously, gender disparities in structure of employment are important in this regard, but prevalence of alcohol abuse at work is more common for males, as well as smaller attention to the safety rules.

A large share of working injuries result from organizational factors (68.3 % of the total working injuries in 2006, in particular 54.2% of injured females). Technical factors are also important (15.8% of total injuries in 2006, in particular 16.7% of injured females).

The main causes of working injuries are: violation of labour and production discipline (17.1% of total injuries, in particular 22.8% in mining and 20.1% in processing industries), violation of safety requirements during exploitation of equipment, machines and mechanisms (15.1%, in particular 25.5% in processing industries) and violation of technological process (8.9%, in particular 18.5% in mining industries).

The number of lethal working injuries is determined by other industries: 463 – processing industries, 256 – construction, 253 – agriculture. However, the largest lethal traumatism rates per 100,000 employed are registered in mining industries (33 cases), on construction (30 cases) and in agriculture (12 cases). The main causes of lethal injuries are transport incidents (27.5%, in particular 70.0% in public administration, 63.6% in collective, public and personal services, 63.1% in health care and social aid, 31.2% in agriculture), falling of injured (18.3%, in particular 35.0% on construction, 24.0% in processing industries, 21.0% in public health and social aid) and falling or descends of objects, rocks, soils, etc. (13.9% in the economy as a whole, 23.9% -in mining industries, 23.7% - in production and distribution of electricity, gas and water).

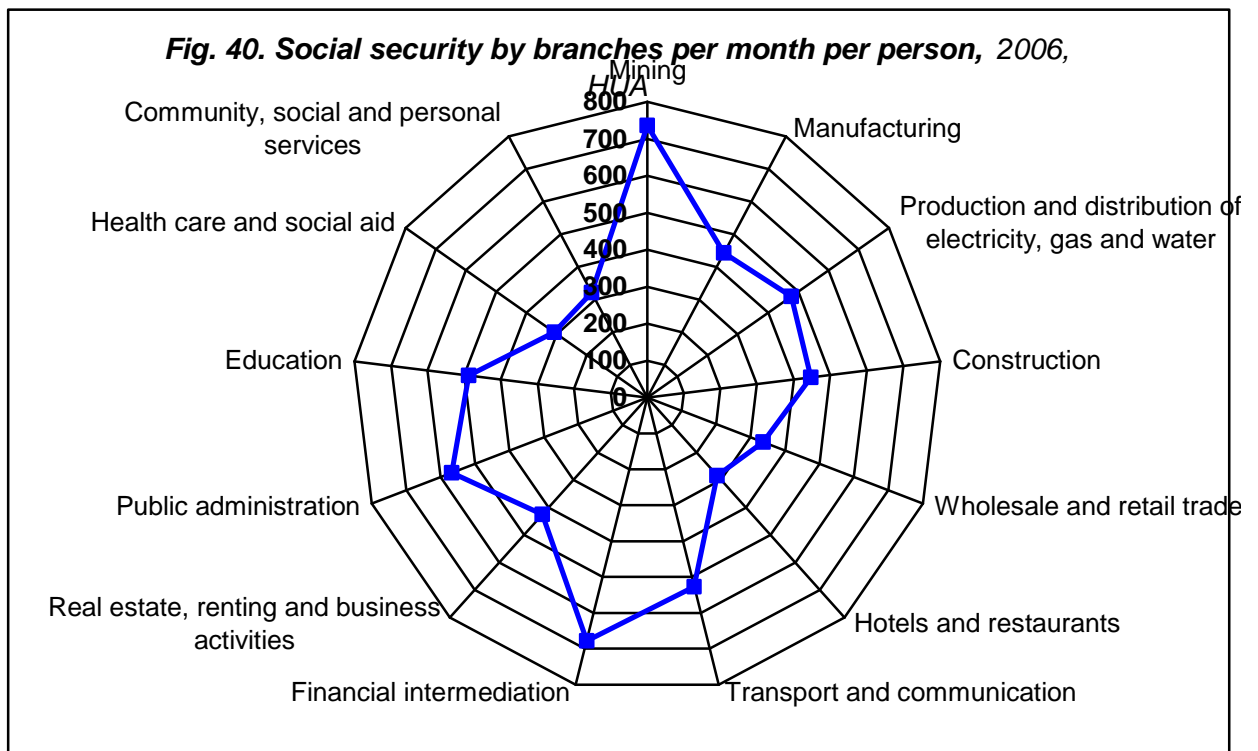
The majority of lethal injuries (56.1%) take place at private enterprises – 13.7 thous. in 2006, including 1.2 thous. lethal injuries, i.e. 8.9% of the total lethal injuries. While there were 21.1 lethal injuries per 100,000 employed at private enterprises, there were 16.3 such injuries at the state enterprises and 7.0 – at the communal enterprises.

The largest proportion of injured with alcoholic intoxication was also registered at private enterprises. In total, according to official statistics only 2.6% of injured had alcohol and narcotic intoxication. However, there is a large inter-sectoral differentiation of this parameter. The maximum rate – 13.9% - was registered in fishery, 6.8% - on construction, 6.1% - in agriculture.

The main causes of working injuries at private enterprises are similar to those, which determine working injuries in the economy as a whole: violation of labour and production discipline (18.0%), violation of safety requirements during exploitation of equipment, machines and mechanisms (20.3%). Working injuries at the state enterprises are determined by violation of labour and production discipline (17.9%) and violation of technological process (15.1%). As to communal enterprises, the next factors are important: violation of road laws (9.5%), violation of safety requirements during exploitation of equipment, machines and mechanisms (8.0%), poor technical state of productive objects, buildings, houses, territories, means of production and transport means (7.2%).

SOCIAL SECURITY

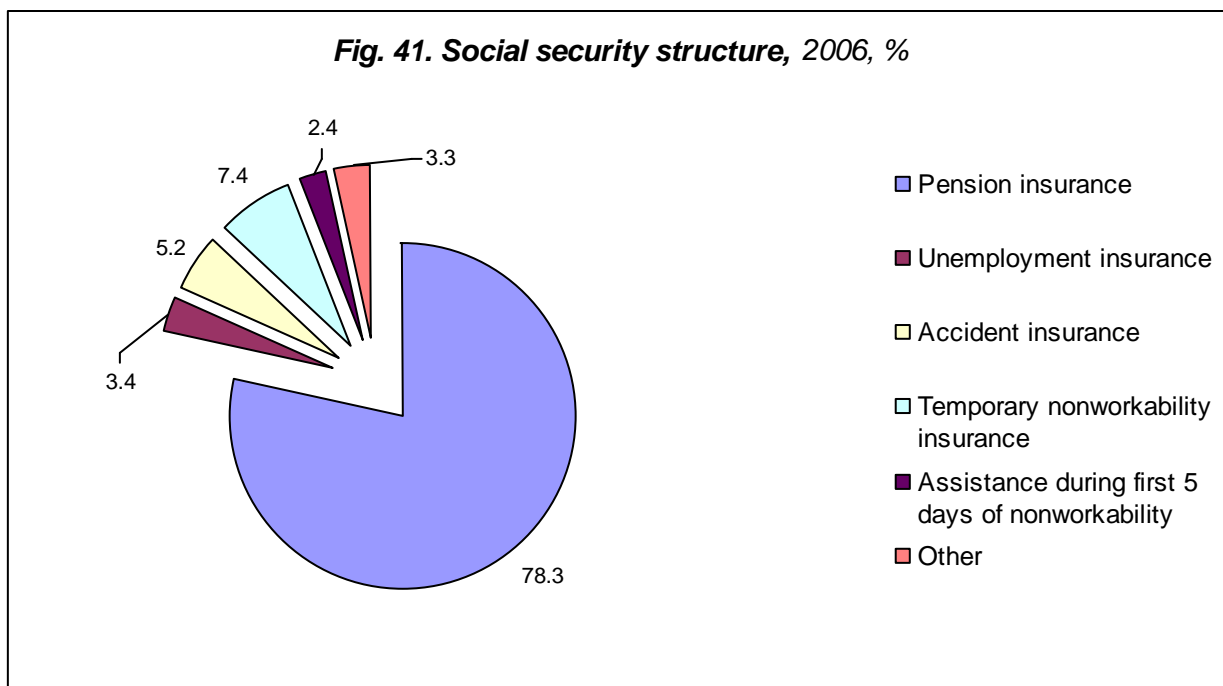
Expenditures on social security of employees made HUA 462.9 in 2006 (about 63 euros) monthly per person. The largest expenditures (HUA 735.9) were in mining industries due to large rates of contributions on social insurance on working injuries (HUA 125.9, i.e. 17.1% of the total expenditures on social security), the smallest expenditures (HUA 284.1) – in hotels and restaurants.



Source: State Statistics Committee of Ukraine

Expenditures on social security per employee are directly proportional to a size of an enterprise. While the average spending on social security makes HUA 282.3 at enterprises with 10-49 employees monthly, the corresponding costs are HUA 458.7 at enterprises with 250-499 employees and HUA 610.8 at enterprises with 1,000 and more employees.

The legislation suggests 4 types of social insurance of employees: on unemployment, on temporary disability, pension and on working injuries. The contributions are paid mostly by employers (in total - 37.5% of wage fund in 2006). Moreover, employers pay benefits on temporary disability during the first 5 days. Employee takes a small part in forming of costs of Funds of insurance (in total – 2.0% of wages, which are smaller than HUA 150, 3.0% of wages, which are larger than HUA 150, but smaller than the subsistence level for workable person, 3.0% of wages, which are larger than the subsistence minimum for workable person). Thus, contributions of employees make 5.0-8.5% of the total sum depending on a size of wages.



Source: State Statistics Committee of Ukraine

The largest insurance payments are related to working injuries, directly caused by conditions of work and safety. A contribution of these causes varies from 0.86% at enterprises, belonging to the first class of professional risk, up to 13.8% at enterprises, belonging to the 67th class. The rates of increasing of benefits to injured are much higher than the rates of increasing of all other insurance benefits, reaching the rates of increasing of average wage. Thus, the average size of a single-paid benefit has grown from HUA 8.5 to 15.2 thousand only in 2004-2006, i.e. by 78.8%; of a single-paid benefit to dependants of a died injured – from HUA 7.7 to 12.3 thousand, i.e. by 59.7%. A monthly benefit has grown with the same rates: to an injured person - from HUA 229.6 to HUA 361.3, i.e. by 57.4%, to dependents - from HUA 257.3 to HUA 389.2, i.e. by 51.3 %. However, due to lower rates in increasing of benefits, as compared with rates of the average wage increasing, a ratio of the benefits to the average wage has dropped: benefits to injured - from 38.9% in 2004 to 34.7% in 2006, benefits to their dependants – from 43.6 to 37.4%. But, this is the largest ratio in Ukraine.

Recently, the total number of working injuries has importantly dropped. There were 28,105 injured persons in 2002, including 1,130 lethal injuries (4.0%). Until 2006, the total number of injured has dropped to 20,065 persons (decreasing makes 28.6%), while the number of lethal injuries - to 892. Unfortunately, a share of lethal working injuries has grown to 4.4% in the total number of injuries.

The largest number of injured was registered in Donetsk oblast (35.1% of the total number in Ukraine), as coal mines are concentrated there.

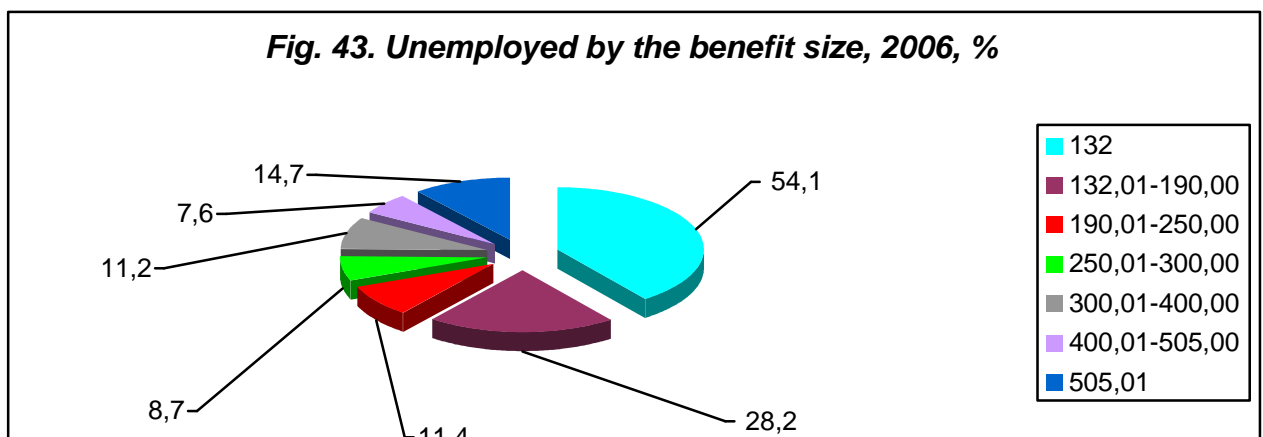


Source: Ministry for labour and social policy of Ukraine

The Ukrainian legislation suggests a set of compensational payments due to working injuries: monthly and single-paid insurance payments (directly to an injured or to his/her dependents in a case of lethal injury), compensation of moral harm, benefits on temporary disability (until recovering or permanent disability registration) and single-paid benefit on a permanent disability, payments of funerals of injured, payments to injured in case of temporary move to an easier work. The measures of medical, occupational and social rehabilitation of injured are suggested: treatment, rehabilitation, prosthetics, supplementary meals, professional training (re-training), special medical care, permanent outside care, household services, purchase of transport means.

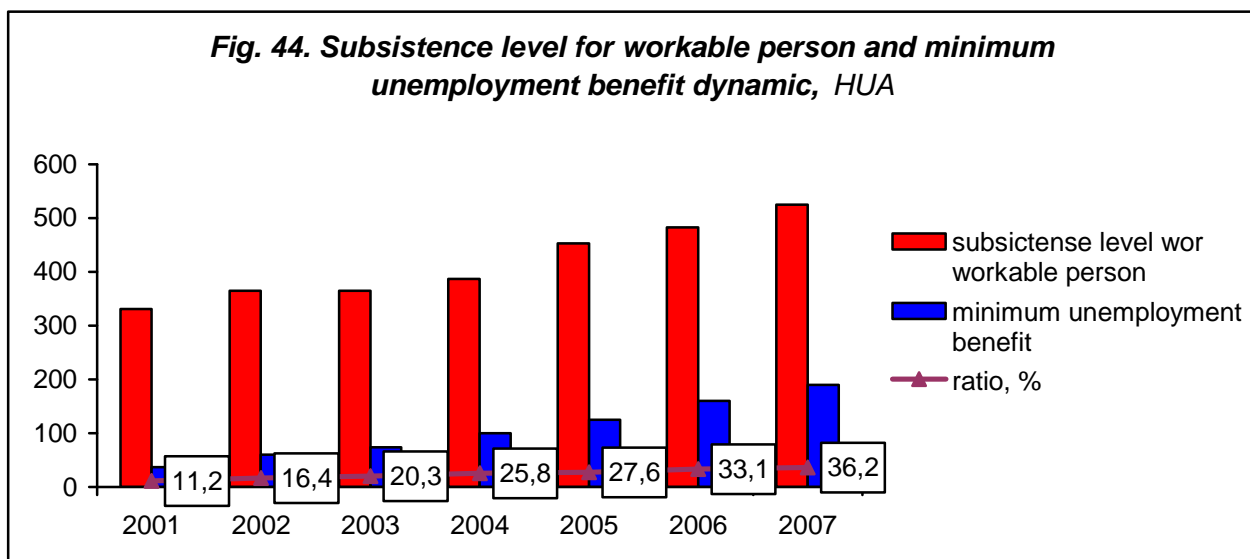
Average unemployment benefit increased during 2000-2006 both nominal and real terms. But its ratio to average wage increased during 2000-2002 (from 23.3 to 25.6%), and it declined during 2003-2006 (from 24.3 to 21.3%)/

About three fourths of unemployed receive benefits as on average. More than a half of those, who receive benefits, receive the minimum benefits, while only 14.7% of them receive benefits larger than subsistence minimum for workable person. It proves that mostly unskilled and low-paid persons become unemployed.



Source: Ministry for labour and social policy of Ukraine

In this regard, dynamics of the minimum unemployment benefit is important, as well as its ratio to the subsistence level for workable persons. Though the situation has been improved in the 2000's, it is still not appropriate. The minimum size of unemployment benefit makes only 36.2% of the subsistence level for workable person, i.e. it cannot provide a survival.



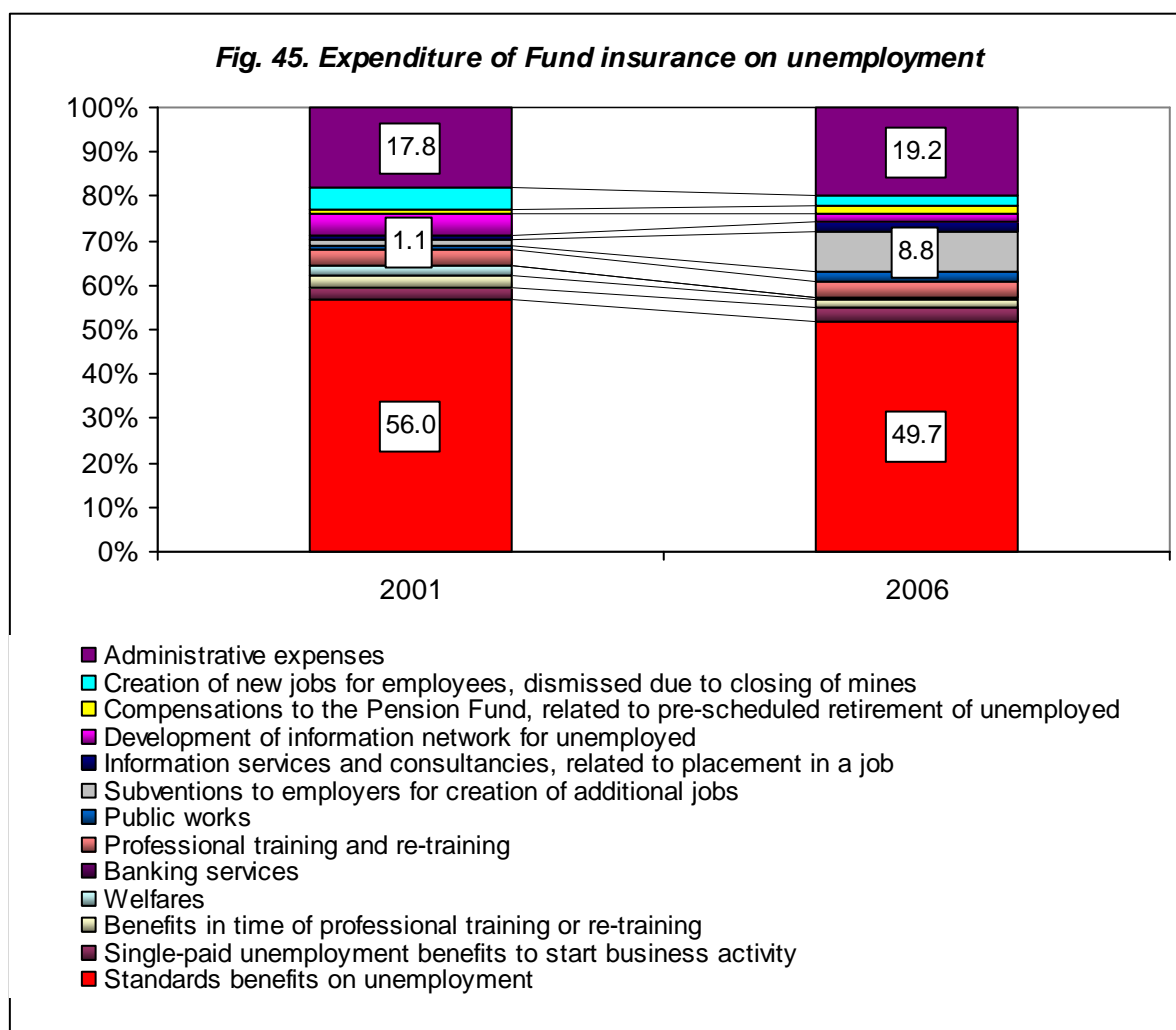
Source: Ministry for labour and social policy of Ukraine

Obviously, it motivates people to the shadow economic activity, i.e. to law violation and even frauds.

A ratio of the main instruments of employment policy has not practically changed in Ukraine in 2001-2006. It can be proved by absence of important structural shifts in expenditures of the Fund of insurance on unemployment. However, there was increasing of subventions to employers for creation of new jobs, as it has been reflected in increasing of their share in the total expenditures of the Fund from 1.1% in 2001 to 8.8 in 2006. Expenditures on funding of public works have grown with accelerated rates, while their share has grown from 0.9 to 2.2%. It proves intensification of attention paid to instruments of active employment policy, but the mentioned transformation of actions is not determinative.

Due to a drop in unemployment rates, a share of expenditures, directly related to material support of unemployed, in particular to funding of benefits, has decreased – from 63.4% in 2001 to 54.5% in 2006.

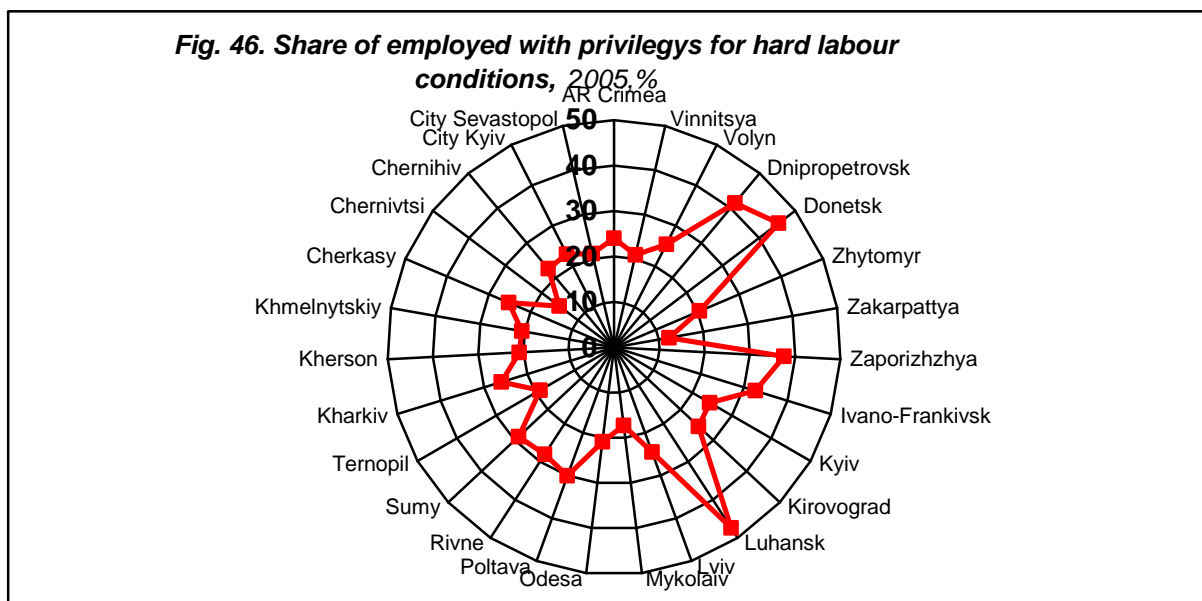
Fig. 45. Expenditure of Fund insurance on unemployment



Source: Ministry for labour and social policy of Ukraine

As on average, there are HUA 261 a year paid on safety of an employee, in particular in mining – HUA 1,018, processing industry - 570, production and distribution of electricity, gas and water – 394. Larger sums are paid at private enterprises – HUA 335, while smaller sums – at the state enterprises (HUA 284) and communal enterprises (HUA 66). Such differentiation results from different sectoral structure.

Workers, employed in hazardous works, are eligible to some privileges and compensations: additional leaves, shorter working week, extra charges to wages, milk or other products, which facilitate taking out of harmful products of an organism, medical and prophylactics meals. In total, the mentioned privileges and compensations are received by 30.9% of employed, in particular 10.0% of agrarian workers, 70.8% of miners, 32.2% of employed in processing industries, 35.8% of employed in production and distribution of electricity, gas and water, 22.6% of employed in construction and 27.7% of employed in transport and communications. Additional leaves are most widespread of the mentioned privileges. According to the legislation, 20.9% of employed in hazardous works receive additional leaves (60.0% of employed in mining), 4.0% of employed receive additional leaves based on collective agreements (11.8% of employed in mining). Additional leaves for special character of work are provided in the same industries (in mining - 34.6% based of the legislation and 4.2% based on collective agreement). In contrast, extra charges are more common in production and distribution of electricity, gas and water (23.0% of employed), in processing industries (18.7% of employed) and on transport and communications (14.7%), as compared with mining (8.8% of employed).



Source: State Statistics Committee of Ukraine

The regional differentiation of privileges and compensations for hazardous work is determined by situation of enterprises of the appropriate sectors. The largest rate is common for Luhansk oblast (47.4%) and Donetsk oblast (45.4%), where enterprises of coal-mining industry and metallurgy are concentrated, as well as in Dnipropetrovsk (41.5%) and Zaporizhia (37.5%) oblasts, which are the centers of the Ukrainian metallurgy.

CONCLUSION AND POLICY RECOMMENDATIONS

There has been the extraordinarily deep crisis in the economy of Ukraine in 1995-2006; it was accompanied by a decline in the GDP, high inflation, decline in employment and growth of unemployment, decreased demand on the skilled labour force and corresponding increase of the unskilled workers in the structure of employed. In 1999, the GDP made only 75% of the rate of 1995 (although the crisis started in the end of the 1980's and the total decline of the economy was much larger), while employment – 85.4% and wages – 90.4%. Thus, a drop of the GDP has been much larger than a decline in the basic indicators of the labour market in this period.

Economic growth, which has been observed in Ukraine since 2000, did not provide the adequate growth of employment. In 2006, the GDP made 164.7% of the rate of 1999, while employment – 104.0%, and wages – 283.6%. Thus, dynamics of the basic indicators of the labour market did not correspond to the macroeconomic processes in this period as well.

The number of employees has dropped by 12.3% in 2000-2006, while their proportion in the total number of employed has dropped from 79.5 to 67.9%. Unfortunately, the mentioned structural changes result mostly from a rapid growth of the number of self-employed persons. A share of self-employed makes 44.5% in rural area. There has been a large growth of employment in the informal economy – from 10.5% in 1999 to 22.3% in 2006. The population chooses these forms of economic activity mostly due to the limited decent employment opportunities. Presently, prevalence of self-employment and informal employment provides a solution for many social problems of the Ukrainian society, at least it protects the workable population of the poverty; however, it obviously

does not respond to the tasks of the accelerated economic growth and introduction of the new technologies.

The number of the well-skilled workers is decreasing, in particular regarding the skilled specialists of industry and agriculture. In contrast, the number of the unskilled workers is increasing.

A decline in economic activity of the population is a very negative feature of the newest changes. It is especially dangerous regarding a rapid depopulation and the increased demographic ageing, which is already reflected in a decline of the working-age population. The aspirations of young people in realization of their economic activity are decreasing on a background of the increased economic activity of pensioners. A particularly large decline in the labour force participation rates is observed among females under 30. This trend is largely related to an increase of birth rates, which has been observed in Ukraine since 2001 and ruining of the system of preschool establishments for children's in the first half of the 1990's. A decline in economic activity of young people aged 15-24 is explained mainly by an increase of a proportion of persons, who continue studies. A transition to the 12-years system of secondary education and a large growth of the scales of training of specialists with high education are, obviously, positive features of the tendencies of the Ukrainian labour market.

The changes of the labour force participation rates became a regulator of the demand and supply at the labour market, as they were accompanied by an increase of employment rates and decrease of unemployment rates practically in all sex-age groups of the population. A larger increase of employment rates of rural population results from a change of the methodology of audit of self-employed in 2004. According to all other data, the situation is more problematic at the rural labour market.

While the population of Ukraine suffered from the forced underemployment during the crisis (5.6% of employed worked part-time workday or workweek in 1995 and 17.7% of them were on administrative leaves), economic growth was reflected in a rapid decrease of this phenomenon; the so-called administrative leaves have been practically eliminated. As a result, 5.4% of employed were forced to work part-time in 2006, while 1.2% of them were on administrative leaves. At the same time, a share of those, who voluntarily works under condition of underemployment, is increasing: from 2.7% in 1999 to 3.8% in 2006. However, the overwhelming majority of those, who voluntarily chose a part-time employment, specify initiative of administration or impossibility to find a job with full-time employment as principal reasons of their decisions. However, while underemployment reached 42.3% at times of the deepest economic crisis (1999), it made only 10.4% in 2006. The use of working time use is increasing as well: while it made 79.3% in 1999, it reached 87% in 2006. The largest rates were observed in trade (92.4% in 2006) and financial activity (91.3%), the lowest rates – in mining (81.4%) and processing industries (84.7%). The main reason of losses of working time is in additional vacations, which last averagely 248 hours a year, in education – 205 hours and in financial intermediation – 138 hours a year.

The most difficult problems concern wages. In spite of a rapid growth of the GDP per working person, the average wage, the total expenditures on the labour force, wages and a share of expenditures on the labour force in the prime prices remain too low in comparison with all countries of Europe. The cost of labour is formed mostly of the direct payment of labour (60.5% in 2006) and expenditures on the mandatory social insurance (26.9%) in Ukraine. The modern forms of the so-called “social package” –

compensation of expenditures on housing and medical services – are practically absent. Employers spend little costs on training and retraining of the labour force. Occupational training is carried out mostly at expense of the state budget or the Fund of the Mandatory Insurance on Unemployment.

Though the educational level of the Ukrainian females is higher than the educational level of males (while the educational level is the determinative of employment and incomes), gender differentiation of wages is still high; however, the situation is being improved gradually. While the average wage of females was 64.7% of the average wage of males in 1996, this ratio was 72% in 2006.

According to data of the survey of the living standards of households, the population incomes stratification is decreasing, as well as wage stratification. Thus, Gini-coefficient, estimated for incomes of males, has dropped from 47.8% in 1999 to 38.8% in 2006, for wages of males – from 48.8 to 35.6%. Gini-coefficient, estimated for incomes of females, has dropped from 42.3 to 31.6%, for wages of females – from 42.9 to 32.1%. Obviously, a rate of stratification is not too high. However, the survey does not cover the poorest population (with no housing) and the richest persons. According to data on purchase of expensive cars, real estate and luxury goods, a rate of stratification is much higher.

The low cost of labour results in the next consequences:

- employers are not motivated to introduce the new technologies and economize the labour force; thus, a share of the unskilled workers is extra-high in the structure of employed;
- the hired workers are not stimulated to effective labour activity, while enterprises, which are dynamically developed, suffer from a lack of the skilled labour force (it concerns engineering, technical and working occupations);
- the most active and skilled population groups depart from the country, i.e. expenditures on their training (mostly from the state budget) are not compensated; instead, the Ukrainian labour force works for the economies of other countries;
- there are numerous vacancies with practically no demand in the economy;
- a large part of the population needs the state assistance, leading to the irrational increase of social transfers;
- the system of social insurance has not received the appropriate development (regarding the mandatory social insurance), restricting investment opportunities and development of the appropriate financial instruments and stock market.

Conditions of work do not respond to the normal ones as well: more than a quarter of employed persons work in conditions, which do not respond to the sanitary-hygienic norms. The largest share of such employed is concentrated in mining (69%) and production and distribution of electricity, gas and water (30.3%). Correspondingly, the largest traumatism is common for mining (13.5% of employed has injuries in 2006). In total, dynamics of occupational traumatism is rather positive: while there were 80.5 thous. injured persons in 1995, their number made only 19.7 thousands in 2006.

However, dynamics of the number of injured persons is inversely related to dynamics of duration of a period of disability – 26.4 days in 1995 and 37.8 days in 2006.

Social protection of employed is insufficient, though large costs are spent on this purpose. The majority of insurance payments are too small, in particular benefits on unemployment make only 44.8% of the subsistence minimum for workable persons, while the minimum benefit – 36.2%. About three fourths of the registered unemployed receive benefits on unemployment. More than a half of those, who receive these benefits, have them in the minimum size, while only 14.7% of them receive benefits, which are larger than the subsistence minimum for workable persons. It can be explained, as unemployed persons are presented mostly by the low-skilled and low-paid persons, while employment service does not pay a large attention to their occupational training; however, the benefits are too small to provide a simple survival. A large part of unemployed persons are forced be involved into illegal labour activity with purpose of survival.

Thus, in spite of a large improvement, the situation at the Ukrainian labour market is still very complicated. It will be even more deteriorated due to demographic changes, which are expected in the nearest prospect. That is why the state should realize rather drastic actions in the next spheres: education, control over conditions of work, elimination of use of alcohol at a workplace, regulation of migratory processes, wage setting, and administration of social security.

Recommendations on stimulation of an increase of the population economic activity

- to develop a system of establishments of children's preschool education, in particular for children over 1
- to stimulate development of accessible households infrastructure
- - to develop a system of occupational counseling of schoolchildren of higher grades
- to provide assistance in employment for teenagers over 16, which do not study
- to create employment opportunities of disabled persons, in particular at expense of the new jobs in a system of social services

Recommendations on employment increase

- to provide effective control over confirmation of the legislation on gender equality in employment
- to introduce the practice of flexible organization of work
- to extend the practice of granting of subventions to employers for employment of persons, who enters the labour market or return after a long-term stay
- to stimulate development of jobs in non-agricultural sector of rural area
- to assist development of the “green tourism”

Recommendations on occupational training

- in accordance with priorities of economic development, to form the government order on training of the labour force by occupations
- to adjust a system of informing of the population about the labour force demand by occupations
- to develop and introduce the national qualifying system in practice of accreditation of educational establishments
- to provide forming of the government order on preparation of specialists in occupations, which are in a large demand at the labour market, and development of a mechanism of stimulation of the trained specialists to work in their occupations
- to create a mechanism of motivation of employers to fund occupational training (retraining) of workers
- to work in direction of improvement of the quality of programs of training, re-training and improvement of skills
- to expand the scales of occupational training in accordance with employer's requests for specific jobs and granting of opportunities of the direct probation

Recommendations on actions related to control over conditions of work of elimination of use of alcohol at workplaces

- to suggest actions on the control over conditions of work in collective agreements, to engage trade-unions in this work
- to develop a mechanism of limitation of duration of work in jobs with dissatisfying sanitary-hygienic norms
- to realize systematic qualification of jobs; the results should be used, when establishing the rates of payments to the Fund of the Mandatory Insurance on Industrial Accidents and Occupational Diseases
- to counteract the use of alcohol at workplaces, in particular through establishment of the personal responsibility of chiefs of enterprises and introduction of a system of control over the presence of alcohol in organisms of workers, which are employed in jobs with public risks

Recommendations on actions of regulation of migratory processes

- to provide the state assistance to the internal migrations of the labour force
- to develop a system of the accessible informing of the population on a need in the labour force by different occupations in the regions

- to provide availability of information on firms, which have licenses to employ the Ukrainian citizens abroad
- to develop the work on signing of the interstate agreements on protection of rights of labour migrants
- to favour building of temporal and social housing for simplification of the internal migratory flows in Ukraine

Recommendations on wage setting policy

- to introduce the full-scale unified tariff net of wages in the public sphere, probably with a simultaneous expansion of a social package
- to increase a minimum wage to the subsistence minimum for workable persons
- to stimulate employers to increase wages through special training of the skilled labour force (compensation of expenditures of employers), building of temporal housing, etc.
- to include the audit of social package to the mandatory conditions of passing listing at the stock market
- to provide favourable conditions for expansion of social packages, which are provided by employers, in particular through development of the voluntarily forms of social security

Recommendations on improvement of social protection of employed

- **Institutional changes**

- to use the “gross” wages with purpose of a gradual transition to the parity payment of contributions on social insurance by employers and employees
- to introduce a single contribution on the mandatory social insurance
- to create a single database, which would include as contributions, as payments (insurance and non-insurance payments)
- to realize a phased introduction of medical insurance (starting from the first aid medical services) under condition of coordination of this process with the comprehensive reform of the system of public health protection
- to re-structure the system of funds of social insurance
- to develop a clear audit of the costs, which are allocated from the budgets of all levels for granting of social benefits and services and costs of enterprises, which provide such services

- ***Development of the system of social insurance***
 - to provide payment of contributions to the system of the mandatory state insurance for all insured persons (if contributions of employers and /or employees are not suggested, they have to be paid from the budget)
 - to carry out payments from the insurance funds only in cases of insurance events (benefits on children, on funerals, etc. should be done from the state budget)
 - to estimate a size of insurance payments based on insurance contributions
 - to realize a new stage of the pension reform, in particular to renew granting of pensions based on the insurance principles through:
 - a large increase of the length of service, which provides eligibility for labour pensions (at least 40 years for males and 35 years for females regarding the real length of labour activity – from the age of 18 to the ages of 60 and 55 respectively), and introduction of a large increase of coefficients of the “extra-norm” length of service;
 - regulation of a system of the early pensions, which are granted due to heavy or hazardous conditions of work;
 - introduction of a system of the state pension obligations, oriented exclusively on pension funds
 - to stimulate the population to refuse pensions, regulated by other laws, by “freezing” of sizes of all pensions, except those, which are paid in accordance with the Law on the mandatory state pension insurance
- ***Transformation of the system of privileges, including privileges for special achievements, compensations, types of social support of the poor population and occupational privileges***
 - to replace privileges, which realize functions of social support of the poor population, with the target social assistance
 - to prevent irrational reproduction of the privileged persons number; in particular those, who receive privileges for special achievements
 - to grant privileges, related to compensation of harm to the health, in the form and size, which are directly related to their scales and type of the harm