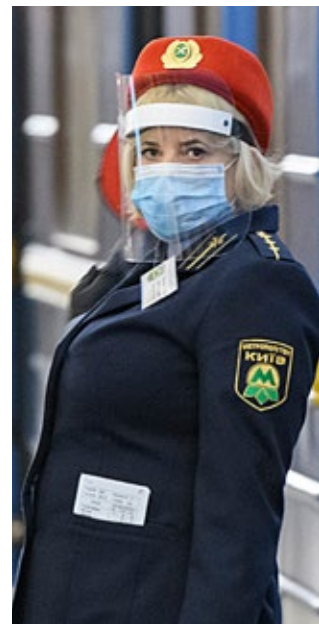


DECENT WORK COUNTRY  
PROGRAMME 2020-2024

**UKRAINE**





DECENT WORK COUNTRY PROGRAMME 2020–2024

# UKRAINE

2020

# CONTENTS

List of Acronyms .....	1
Summary .....	2
Country context: diagnostic and situation analysis .....	5
<b>2.1 Economic and social context.....</b>	<b>5</b>
<b>2.2 Main trends in the labour market and social policies .....</b>	<b>7</b>
<b>2.3 Lessons learned.....</b>	<b>11</b>
Country priorities and Country Programme Outcomes .....	13
<b>Priority 1 Improved social dialogue.....</b>	<b>15</b>
<i>Outcome 1.1 Reformed National and territorial Economic and Social Councils as effective dialogue platforms.....</i>	<i>15</i>
<i>Outcome 1.2 Strong social partners.....</i>	<i>17</i>
<i>Outcome 1.3 Improved collective bargaining at sectoral level .....</i>	<i>19</i>
<b>Priority 2 Inclusive and productive employment .....</b>	<b>21</b>
<i>Outcome 2.1 Modern and efficient employment services .....</i>	<i>21</i>
<i>Outcome 2.2 Reduced skills mismatch among youth.....</i>	<i>23</i>
<i>Outcome 2.3 Improved entrepreneurship skills.....</i>	<i>25</i>
<b>Priority 3 Improved working conditions and social protection .....</b>	<b>27</b>
<i>Outcome 3.1 Increased compliance of national legislation and enforcement mechanisms on OSH and transition to formality with International Labour Standards.....</i>	<i>27</i>
<i>Outcome 3.2 Improved protection, level, and equality of wages.....</i>	<i>29</i>
<i>Outcome 3.3 Improved coverage and sustainability of social protection .....</i>	<i>31</i>
<i>Outcome 3.4 Violence and harassment at the work place combatted .....</i>	<i>33</i>
Management, Implementation planning, monitoring, reporting and evaluation arrangements.....	34
<b>4.1 Implementation, performance monitoring, evaluation arrangements, the role of ILO constituents.....</b>	<b>34</b>
<b>4.2 Risks.....</b>	<b>35</b>
Funding Plan.....	36
Advocacy and communication plan.....	37
Endnotes.....	38

# LIST OF ACRONYMS

<b>CEACR</b>	Committee of Experts on the Application of Conventions and Recommendations
<b>CUFTA</b>	Canada-Ukraine Free Trade Agreement
<b>DWCP</b>	Decent Work Country Programme
<b>EU</b>	European Union
<b>GDP</b>	Gross Domestic Product
<b>ILO</b>	International Labour Organization
<b>ILS</b>	International Labour Standards
<b>NEET</b>	Young people (15–24) neither in employment nor in education and training
<b>NTESC</b>	National Tripartite Economic and Social Council
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OSH</b>	Occupational Safety and Health
<b>SDGs</b>	Sustainable Development Goals
<b>SES</b>	State Employment Service
<b>SMEs</b>	Small and medium-sized enterprises
<b>TVET</b>	Technical and Vocational Education and Training
<b>UN</b>	United Nations
<b>UNPF</b>	United Nations Partnership Framework

# 1 SUMMARY

## Why is a Decent Work Country Programme needed?

Decent Work Country Programmes (DWCPs) are the main planning frameworks for the delivery of ILO support to member countries. DWCPs use the Results-based Management approach adopted by the ILO as the basis for the cooperation framework. They outline a medium-term plan that guides the work of the ILO in a country in accordance with priorities and objectives developed by and agreed upon with governments, trade unions, and employers.

## How was the programme developed?

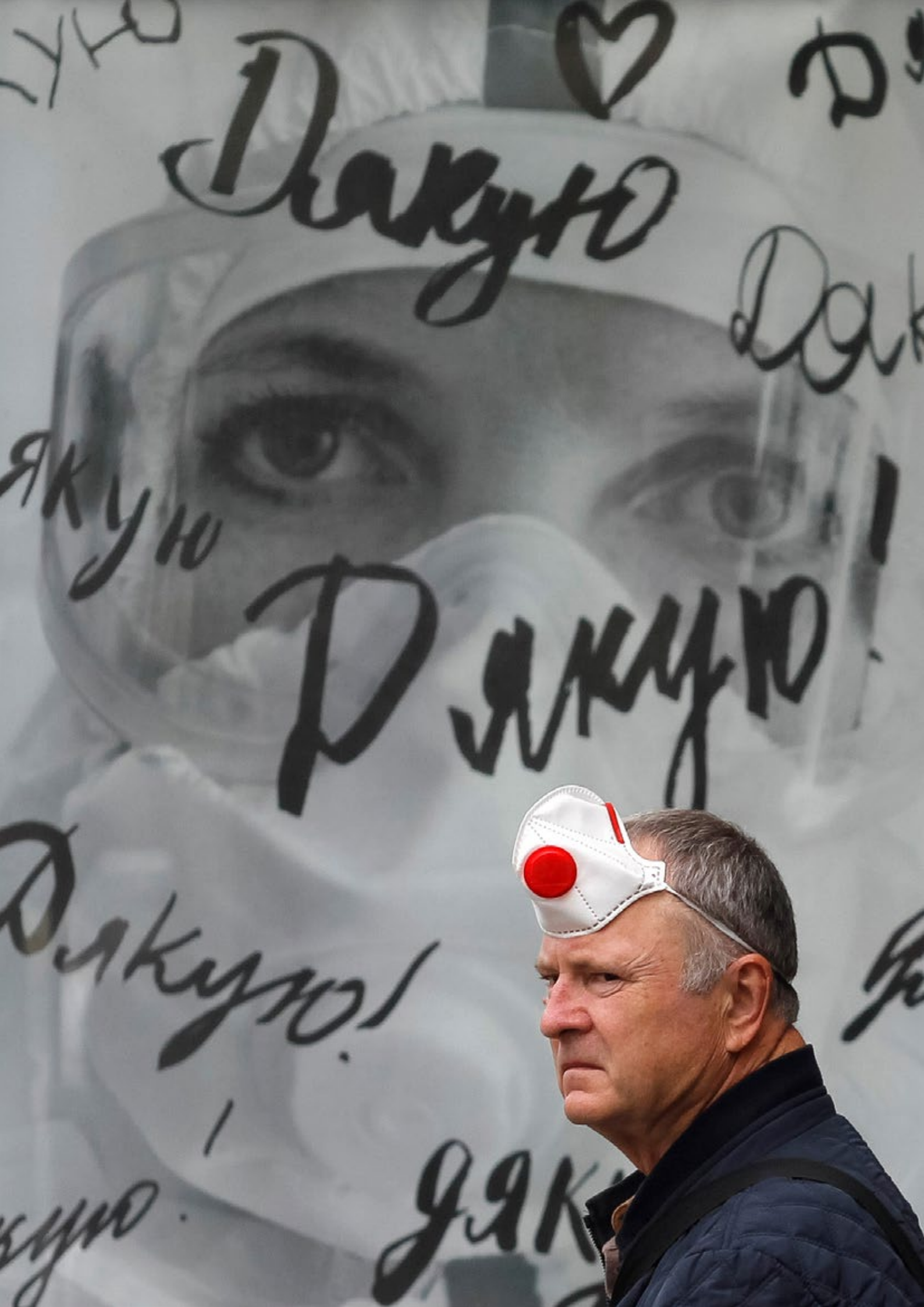
The new DWCP for Ukraine is a result of a tripartite consultation on ILO support in Ukraine for the period 2020–24. At the planning workshop held in Kyiv in December 2019, a consensus emerged on a programme aimed at employment creation, extension of social protection, guaranteed rights at work, and promotion of social dialogue – all key components of economic and social policies. At the same time, the new DWCP supports the national development priorities as spelled out by the 2030 Agenda for Sustainable Development (Sustainable Development Goals or SDGs), the United Nations Partnership Framework (UNPF),<sup>1</sup> the EU-Ukraine Association Agreement, the Canada-Ukraine Free Trade Agreement (CUFTA),<sup>2</sup> and the General Agreement on Main Foundations of Socio-economic Policy and Labour Relations in Ukraine for 2019–21.<sup>3</sup> The new DWCP for Ukraine was drafted before the outbreak of the COVID-19 pandemic and finalized during the lockdown in the spring and early summer of 2020. The global health crisis has created multiple supply- and demand-side shocks that reverberate throughout the economy. The medium- and longer-term impact of the pandemic on employment and social protection systems is not yet quantifiable. Thus, the present document may have to be revised as new evidence becomes available.

## What are the challenges to work on?

Key labour market challenges of the country remain low employment rates with a pronounced gender gap, high labour emigration, elevated youth unemployment and inactivity, and a notable skills mismatch. The global health crisis has negatively affected Ukraine's performance in several of these areas and made addressing structural labour market issues even more urgent. Key challenges in the area of working conditions and social protection are a lack of prevention culture concerning safety and health at work, increased levels of informality, high wage arrears, a notable gender pay gap, and insufficient coverage and financial sustainability of the social insurance system. Social dialogue needs to be intensified covering key topics of labour and social policies.

## Objectives of the programme

The DWCP aims to address challenges where the ILO has key technical expertise to offer. The three priorities for the 2020–24 programme with a total of ten outcomes are:



Priority	Outcomes
1. Improved social dialogue	1.1 Reformed National and territorial Economic and Social Councils as effective dialogue platforms
	1.2 Strong social partners
	1.3 Improved collective bargaining at sectoral level
2. Inclusive and productive employment	2.1 Modern and efficient employment services
	2.2 Reduced skills mismatch among youth
	2.3 Improved entrepreneurship skills
3. Improved working conditions and social protection	3.1 Increased compliance of legislation and enforcement mechanisms on occupational safety and health (OSH) and transition to formality with International Labour Standards (ILS)
	3.2 Improved protection, level, and equality of wages
	3.3 Improved coverage and sustainability of social protection
	3.4 Violence and harassment at the work place combatted



## 2 COUNTRY CONTEXT: DIAGNOSTIC AND SITUATION ANALYSIS

Facing a double challenge of a forgotten war and an incomplete economic transition

### 2.1 Economic and social context

In the past decade Ukraine faced severe political, economic, and security challenges, including the war in Eastern Ukraine and the annexation of Crimea. These developments led to a sharp downturn of national income in 2014–15 (GDP declined by 16 per cent), and the internal displacement of 1.7 million people. Even though the Ukrainian economy demonstrated solid growth rates in the past years (3.3 per cent GDP growth in 2018 and 2019), it is not yet back to pre-crisis levels. The country has the lowest GDP per capita income in Europe amounting to 20 per cent of the EU28 average (OECD 2018).<sup>4</sup> The World Bank forecasts a GDP contraction by 5.5 per cent in 2020 and a modest growth by 1.5 per cent in 2021, rising to about 3.7 per cent by 2023.<sup>5</sup>

EU Association is driving reforms

The EU-Ukraine Association Agreement signed in 2014 has been a major driving force shaping Ukraine's reform agenda. The agreement calls for strengthened dialogue and cooperation on promoting the decent work agenda, employment policy, health and safety at work, social dialogue, social protection, social inclusion, gender equality, and non-discrimination. Ukraine made progress on decentralization, reform of the judiciary, of the financial sector and public finances, and access to social services, while pension, healthcare, and labour reforms advanced slowly.<sup>6</sup>

The government that came into power in September 2019 announced an ambitious five-year plan to boost GDP growth and create over 1 million new jobs. Reforms of industrial and labour relations played an important role in realizing these plans.

Labour law reform is priority on the reform agenda

In this context, initiatives introduced by the government aimed to liberalize labour legislation pursuing more flexibility for employers to hire and dismiss workers. Furthermore, the government intended to pull out from collective bargaining and leave these negotiations to the social partners. The government wanted to strengthen individual labour relations and formalize undeclared work. The work on revising labour legislation started in late 2019.

While modernization of the labour legislation is needed (the current labour code dates back to the 1970s), there is considerable risk that the proposed reforms would not properly balance the request for more flexibility and adequate labour protection and social security for workers in vulnerable situations (including women, people with disabilities, or people living with HIV). The current discussions on modernizing the labour law have also shown a strong need for consultations with social partners on effective social dialogue platforms.

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## 2.2 Main trends in the labour market and social policies

### Low employment rates

Despite the recovery of economic growth since 2016 and the slight improvements of key labour market indicators in the period of 2017–19, employment continues to be relatively low. The unemployment rate has been hovering close to 9 per cent since 2014 (with men marginally more affected than women), in spite of the shrinking working age population due to low birth rates and emigration. Employment rates continue to be low (49 per cent in 2019 for the population above 15 years of age; 57 per cent for men and 43 per cent for women; EU28: 53 per cent).<sup>7</sup> Low employment rates are mostly due to inactivity of young women (25–39 years of age) with family responsibilities and 1.6 million pensioners who are of working age. The high level of remittances from Ukrainian citizens working abroad may also play an important role. Estimates of the total number of Ukrainians working abroad vary widely and range from 2.2 million (13 per cent of total employment) to 4 million (24 per cent of employment). The country is the tenth largest receiver of remittances among all low- and middle-income countries and the second largest receiver, after Egypt, among EU neighbourhood countries. Remittances account for 8–10 per cent of the GDP.<sup>8</sup>

### High inactivity of youth caused by skills mismatches

Youth unemployment (15–25 years of age) stood at 18.8 per cent in 2019. The share of young people not in education, employment, or training (NEET) was around 13 per cent for young men and 19 per cent for young women in 2017. A key obstacle to improving youth employment is the skills mismatch. Formal educational attainment in Ukraine is very high. Around 52 per cent of the active population has attained higher education compared to the OECD average of 36 per cent (2015). However, further education does not lead to better labour market outcomes as unemployment rates do not vary significantly across groups with different educational attainment. Companies responding to business surveys regularly report that graduates do not meet their skills needs, particularly because the structure of the economy tends to generate demand for (specialised) blue-collar jobs. Curricula in the formal education and in the training system are focused on theory rather than on skills relevant to the workplace. Furthermore, some studies recognize that corruption in the education sector has an impact on quality.<sup>9</sup>

### Informal employment declining but still significantly high

A high percentage of Ukrainians are in informal work: informal employment represents close to 21 per cent of total employment (2019),<sup>10</sup> with men accounting for almost 60 per cent of informal workers. Informal employment is concentrated in agriculture, forestry, and fisheries (42.3 per cent), wholesale and retail trade, repair of motor vehicles and motorcycles (17.3 per cent), and construction (17 per cent). These sectors were more severely hit by the COVID-19 crisis, yet informal workers in high-contact occupations are not adequately protected. High levels of informality are also detrimental to the urgently needed productivity growth (labour productivity is at 10 per cent of the EU28). Informality reduces incentives to invest in human capital, hampers business innovation, and limits fiscal space for the public administration.<sup>11</sup>

### SMEs and new enterprises could create more jobs

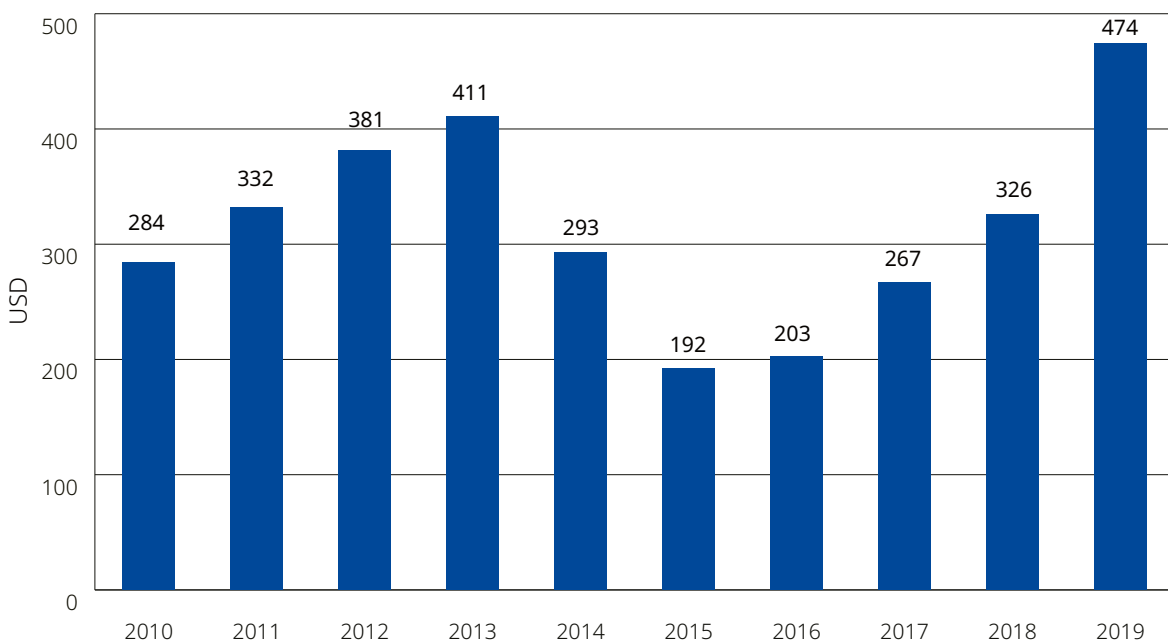
The potential of small and medium-sized enterprise (SME) development and entrepreneurship for the creation of more and better jobs has not yet been fully exploited. In past years Ukraine has made progress in the design and implementation of SME and entrepreneurship policies when compared to international best practices.<sup>12</sup> Nevertheless, the share of employers in the labour force survey remains low at 0.9 per cent (2019; 0.7 for women).

Business sentiment worsened substantially during the quarantine as restrictions were imposed because of the COVID-19 pandemic. During the first quarter of 2020 the volume of construction output decreased for the first time since 2016. SMEs operating in metals and mining as well as manufacturing were significantly impacted by weak external demand.

**Low level of wages and legal minimum wages**

Wage levels in the last decade reflect the sharp economic downturn of 2014–15 caused by the war and the recovery notable since 2016.<sup>13</sup> Wages remain far below European levels: the average monthly wage in the EU is more than four times higher.<sup>14</sup>

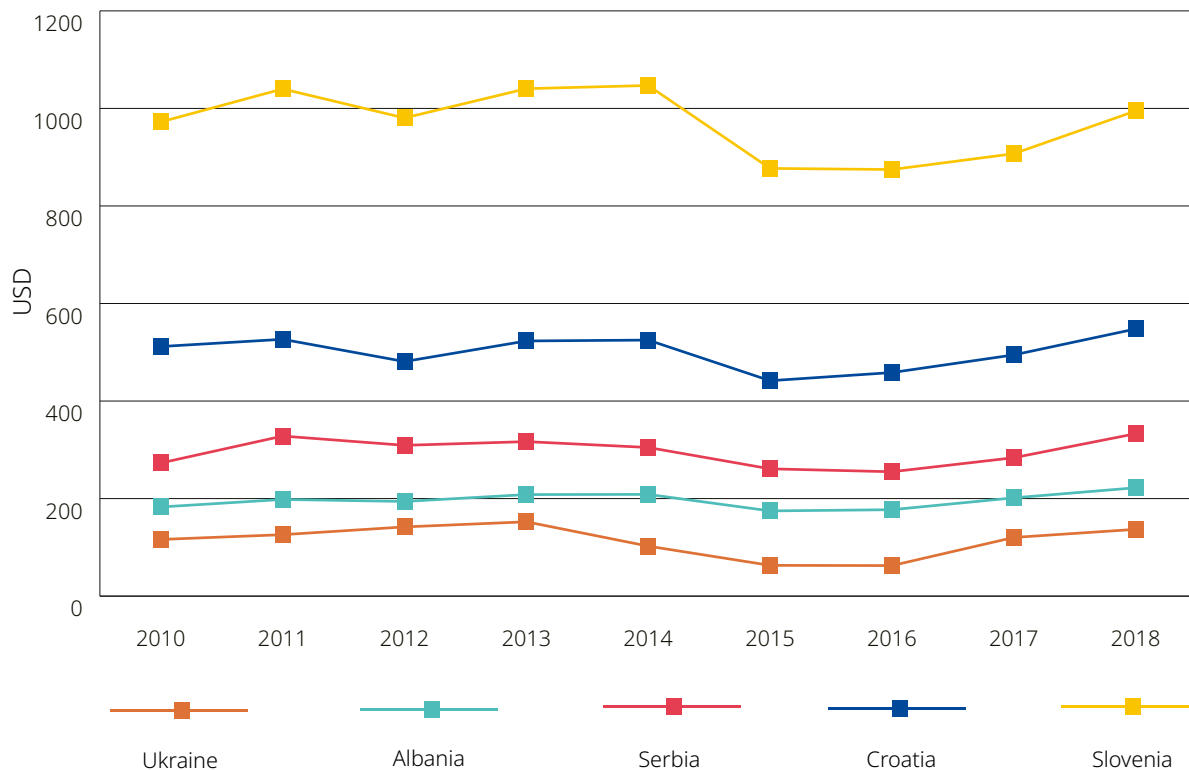
**Average monthly wage in USD (2010–19)<sup>15</sup>**



The legal minimum wage level follows the trend of overall wages. Ukraine has the lowest national minimum wage in Europe. Although the minimum wage was raised twice since 2017, it is insufficient to cover the essential needs of workers and their families.



### Monthly minimum wages in Ukraine and selected European countries (2010–18)<sup>16</sup>



#### High gender pay gap

The difference between wages earned by women and men, referred to as the gender pay gap, is relatively high in Ukraine as compared to the EU average (21 per cent versus 14.8 per cent in 2018).<sup>17</sup> The gender pay gap is explained by a combination of factors including overrepresentation of women in relatively low-paying sectors, unequal distribution of family responsibilities leading to fewer hours of paid work of women, and discrimination of women who earn less than men for doing jobs of equal value.

#### Wage arrears

A long-standing challenge in relation to wage policies in Ukraine is wage arrears. In 2019 wage arrears stood at 2.8 billion Ukrainian Hryvnia (or 3.4 per cent of the total national wage bill).<sup>18</sup> This represents an increase of 280 per cent when compared to the year preceding the downturn (2013). The heaviest hit sector is the mining industry; it accounts for 24 per cent of all wage arrears in Ukraine. ILO supervisory bodies have dealt with the burning issue of wage arrears on several occasions but Ukraine is still not complying with relevant ILO conventions. Measures taken by successive governments based on the conclusions of these working committees have not been sufficient to ensure the timely payments of workers' salaries.

#### Health and social protection: low levels of expenditures and unsatisfactory results

Health and social protection in Ukraine are characterized by lower levels of expenditure as compared to other European countries. Although the total social protection expenditure of Ukraine (24.6 per cent of GDP in 2013) is slightly below the EU average (28.1 per cent of GDP in 2017), expenditure on health is significantly lower than the EU average. Per capita health expenditure in Ukraine amounts to US\$585 per year (the EU27 average

## Pension system: large gaps exist in coverage, benefit levels, and sustainability

being approximately US\$3,300)<sup>19</sup> contributing to lower life expectancy: 72 years in Ukraine (77 for women and 67 for men) compared to 81 years in the EU (83 for women and 78 for men). Cash social benefits in Ukraine are mostly of a categorical nature, mainly directed to families with children. The government intends to expand targeted social assistance to low-income families.

In 2017 the government adopted a pension reform that aimed to increase the level of pensions in payment and to severely restrict future pensions. A recent ILO analysis on the future of the Ukrainian pension system shows that further changes are needed to improve adequacy, coverage, and sustainability.<sup>20</sup>

This analysis reveals that the current pension formula does not secure the benefit level required by ILO Convention No. 102, which Ukraine ratified in 2016. The current benefit rate is 30 per cent after 30 years of contribution and the minimum pension is about 1,640 Hryvnia (less than €50 per month). The pension formula should be increased to secure a benefit rate of at least 40 per cent after 30 years of contribution.

Currently only 36 per cent of the population aged 15–64 is contributing to the state pension system. Low coverage implies that in the long run more than 60 per cent of the elderly would not be entitled to pensions. There is an urgent need to increase effective coverage of all types of employment contracts and to improve compliance with reporting economic activities and paying contributions.

Since 2016 the revenue of the State Pension Fund has decreased significantly due to the substantial reduction in the single social contribution rate. As a result, more than 40 per cent of the total expenditure of the Fund is financed by the state budget. In 2018 the transfer from the state budget to the State Pension Fund amounted to 4.2 per cent of the GDP, one third of which was spent to cover the deficit of the Fund. Revenues of the Fund need to be built up in order to improve long term sustainability.

Currently, the Ukrainian government is preparing the introduction of a mandatory funded pension tier (second pillar) based on individual savings accounts. Drawing on the experiences of pension privatization carried out in other East European countries, the ILO has advised proceeding with caution arguing that this plan may not be suitable for the current economic conditions of Ukraine.<sup>21</sup>

## Limited role of social dialogue

The effectiveness of social dialogue in Ukraine is limited. The National Tripartite Social and Economic Council, which is the national social dialogue institution of Ukraine, has not been functioning since early 2018 due to reasons above and beyond the control of the members of the Council. The government and the social partners agree on the importance of tripartite social dialogue in formulating socio-economic policies in the country and are working together to restore the National Tripartite Socio-Economic Council as the main platform for social dialogue in Ukraine with a reinforced mandate. One of the important priorities from the social partners' point of view should be maintaining parity in the management of state social insurance funds.

At the enterprise level employers and workers lack the culture of dialogue as well as transparent and effective procedures for the prevention and resolution of workplace conflicts and grievances.<sup>22</sup> Most labour disputes

## Collective bargaining only covers the public sector

are not handled at the workplace: cases often escalate and require formal intervention by a third party such as labour inspection bodies or state mediators in case of collective disputes, or courts in case of individual disputes.

The coverage of collective bargaining agreements in Ukraine is high and stood at 75 per cent in 2018.<sup>23</sup> However, it is mostly the public sector which contributes to this high coverage rate. The private sector as well as new forms of work (Ukraine has the largest number of digital platform workers in Europe<sup>24</sup>) are hardly covered. Trade unions and employers' organizations face difficulties in recruiting new members from these sectors. Overall, their representativity is eroding which makes collective bargaining even more challenging.

## International Labour Standards and EU Acquis

Although Ukraine is a frontrunner in the region when it comes to the number of ILO Conventions ratified,<sup>25</sup> there is still work to be done with putting International Labour Standards into practice. A prominent example of this dichotomy is the Ukrainian labour inspection system. Over the last years, the Ukrainian government initiated reforms of labour inspection services with ILO support. The government devised policies on reducing undeclared work and transposed EU Directives on occupational safety and health into the national legal framework. Still, there is an implementation gap. The two ILO Conventions stipulating the core rights, powers, and functions of labour inspection have only been partially applied leading to an intervention of ILO supervisory bodies.<sup>26</sup>

With regard to rights at work, not all labour rights are respected in Ukraine. There are cases of discrimination against unionized workers and breaches of the right to strike. Other issues in need of systemic response by the social partners include workplace violence and harassment (gender-based violence in particular), as well as stigma and discrimination against vulnerable workers including women, people with disabilities, or people living with HIV. ILO supervisory bodies looked into some of these problems and sent direct requests to the Government of Ukraine<sup>27</sup> in order to ensure that fundamental rights are respected.

## What did we learn from implementing the previous DWCP?

### 2.3 Lessons learned

A formal evaluation of the last DWCP for Ukraine (2016–19) was not conducted. However, several lessons were discussed at the planning workshop for the new DWCP in December 2019:

- ▶ A robust DWCP for Ukraine was of key importance to get the necessary support from development partners to fund and implement certain components of this plan.
- ▶ The DWCP Tripartite Overview Board did not fully claim authority to promote, monitor, and adapt the plan to the changing environment.
- ▶ Anchoring the DWCP Overview Board in the National Tripartite Social and Economic Council was helpful to ensure local ownership of DWCP outcomes.
- ▶ Decentralized interventions at the level of economic sectors or districts/municipalities of Ukraine (local employment partnerships, subnational collective bargaining) improved the outreach of ILO's interventions to ultimate beneficiaries.



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### 3 COUNTRY PRIORITIES AND COUNTRY PROGRAMME OUTCOMES

The choice of priorities for the DWCP Ukraine 2020–24 supports both national and global goals (SDGs). The outline of the document was discussed before COVID-19 reached Ukraine and the programme does not yet take into consideration policy responses to the pandemic. The three key priority areas for the new DWCP are:

Priority	Outcomes
1. Improved social dialogue	1.1 Reformed National and territorial Economic and Social Councils as effective dialogue platforms
	1.2 Strong social partners
	1.3 Improved collective bargaining at sectoral level
2. Inclusive and productive employment	2.1 Modern and efficient employment services
	2.2 Reduced skills mismatch among youth
	2.3 Improved entrepreneurship skills
3. Improved working conditions and social protection	3.1 Increased compliance of legislation and enforcement mechanisms on OSH and transition to formality with ILS
	3.2 Improved protection, level, and equality of wages
	3.3 Improved coverage and sustainability of social protection
	3.4 Violence and harassment at the work place combatted

## ▶ INTERVENTION MODEL

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## ▶ MEASURE OF PERFORMANCE

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Number of recommendations formulated by the NTESC or territorial councils incorporated into economic, social, and labour policies, laws, or regulatory and administrative changes including those covering the promotion of gender equality and non-discrimination

**BASELINE** None

**TARGET** **6** recommendations

## Priority 1 Improved social dialogue

### **Outcome 1.1** *Reformed National and territorial Economic and Social Councils as effective dialogue platforms*

#### The rationale for reviving the economic and social councils

As outlined in chapter 2, the effectiveness of social dialogue in Ukraine is limited. The national social dialogue institution (the National Tripartite Economic and Social Council, NTEC) has not been fully functioning since early 2018. Neither the National nor territorial councils perform their consultative and advisory role on labour, social, and economic matters. The weak commitment of some policy-makers to social dialogue, limited institutional support, and the insufficient technical capacity of institutions to issue high-quality advice on complex economic and social topics reduces the impact of social dialogue in national and local debates and the credibility of those participating. In sum, the NTEC's and the territorial councils' potential to facilitate achieving consensus on key economic and social challenges is underused by the government.

Reviving the NTEC and territorial councils as platforms of dialogue will be important to advance inclusive labour, social, and economic reforms. The ILO will assist in further strengthening the councils as institutions. Assistance will include the promotion of gender equality within the councils since balanced gender representation is key to having well-designed recommendations for advancing gender equality in the labour market. The ILO will also provide technical assistance on selected economic and social topics in order to facilitate informed discussion in the councils.

#### Theory of change

**If the ILO** supports the NTEC and selected territorial councils aiming to strengthen the legal framework and procedures, the councils' resources and technical capabilities, **and if** the ILO provides quality evidence on topics selected by the councils including gender equality, **and if** the ILO provides technical support for the establishment of a monitoring mechanism of the NTEC's and territorial councils' recommendations and performance,

**...then** the councils will be more relevant, credible, and influential in the policy-making process,

**...leading to** increased effectiveness of social dialogue in improving working and living standards for all citizens.

Planned changes will especially contribute to Ukraine achieving SDG targets 8.3, 8.5, and 8.8.

## ▶ MEASURE OF PERFORMANCE

Number of recommendations formulated by employers' and workers' organizations on economic, social, and employment policies including those aimed at promoting gender equality at work

BASELINE

**6** policy position papers developed by social partners in the past two years

TARGET

At least **2** new policy position papers per year developed by employers' and workers' organisations including references to policies promoting greater gender equality and non-discrimination at work

Number of new or revised services introduced by employers' and workers' organisations

BASELINE

**5** services

TARGET

At least **2** new services/products developed or improved by employers' and workers' organisations each year

Membership of social partners

BASELINE

Federation of Employers: 112 regional and sectoral employers' organizations representing 8,500 companies with five million workers; The Association of Employers' Organizations of Ukraine has seven all-Ukrainian sectoral associations of employers' organizations, 3 sectoral and 19 territorial associations of employers' organizations, 17 territorial employers' organizations providing employment to some two million workers; Confederation of Employers: six sectoral employers' organizations representing 27 per cent of all registered companies with 2.7 million workers (all data from 2019); Federation of Trade Unions of Ukraine:<sup>28</sup> 44 sectoral and 25 regional members with the total membership of 4.4 million; Confederation of Free Trade Unions of Ukraine: 10 sectoral and 14 regional confederations<sup>29</sup> with the total membership of 174,000 members (sex-disaggregated data are not available).

TARGET

Membership increased by **15%** by the end of 2024 (disaggregated by sex)

### Outcome 1.2 *Strong social partners*

#### The rationale for strong social partners

Independent and representative social partners play a crucial role in advancing the collective interests of their members and in influencing policy development. However, neither employers' nor workers' organizations have the necessary organizational infrastructure and technical capacity to perform their role effectively in all cases. In addition, social partners are apparently left out of certain legal and political processes pertaining to economic and social development. While more seasoned workers' and employers' organizations alone are not a guarantee of better social dialogue, assisting them in improving advocacy and increasing relevance through more sophisticated services would strengthen the voice of their membership.

#### Theory of change

**If the ILO** assists workers' and employers' organizations in improving policy drafting skills, advocacy, and membership services,

**...then** social partners will be better placed to respond to their members' needs and to participate more effectively in social dialogue,

**...leading to** stronger involvement in the formulation of economic and social policies that work for everyone.

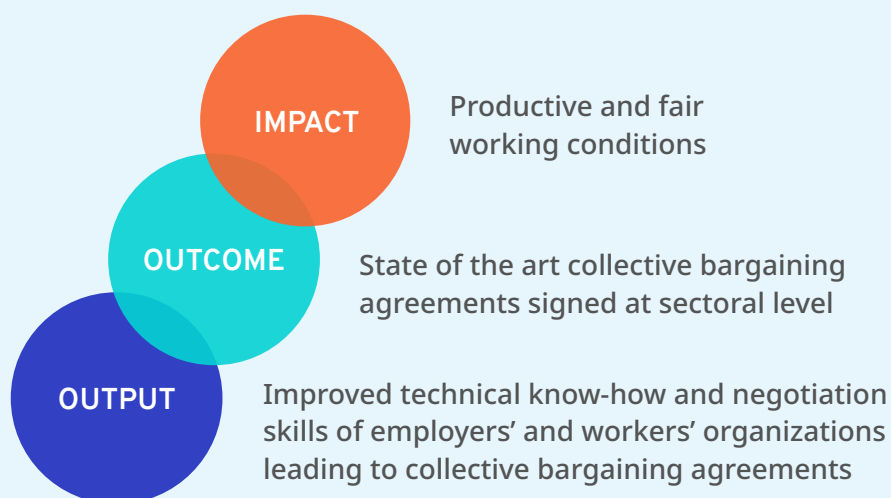
Planned changes will contribute to Ukraine achieving SDG targets 8.3 and 8.8.

## ▶ INTERVENTION MODEL



## ▶ INTERVENTION MODEL

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## ▶ MEASURE OF PERFORMANCE

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Number of sectoral collective agreements signed including stipulations to promote gender equality and non-discrimination

**BASELINE** None

**TARGET** **3** collective bargaining agreements signed by the end of 2024 including metallurgy and the maritime sector; at least two collective agreements will include stipulations on equal opportunities for women and men.

### **Outcome 1.3** *Improved collective bargaining at sectoral level*

#### The rationale for promoting collective bargaining

Collective bargaining is first and foremost a fundamental right at work. Furthermore, it is a key means through which employers and trade unions establish fair wages and working conditions. Recent evidence shows that there is positive correlation between enterprise productivity and collective bargaining, especially at company or sectoral level.<sup>30</sup> As outlined in chapter 2, collective bargaining in Ukraine is mainly limited to the public sector. Another key challenge is that agreements often do not cover controversial topics like wages, working conditions, or equal treatment of women and men. Finally, collective bargaining agreements are seldom enforced.<sup>31</sup>

#### Theory of change

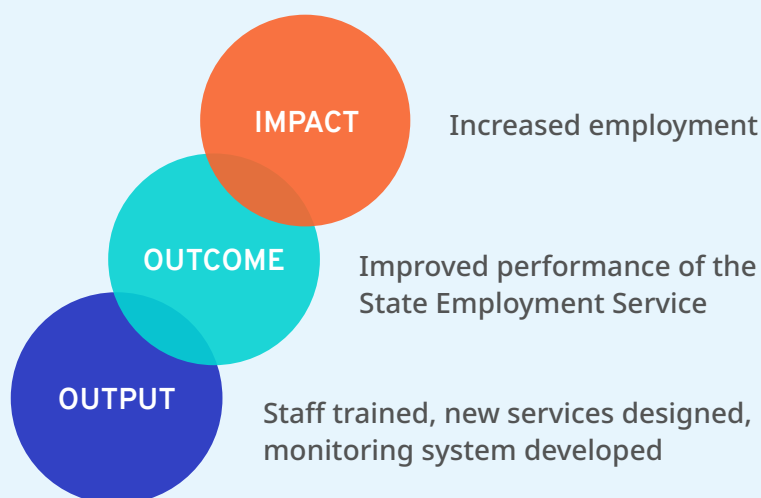
**If the ILO** presents best practices from Europe on collective bargaining at sectoral level **and if** the ILO trains workers and employers to improve the quality and coverage of collective agreements, including extension of sectoral collective agreements, dispute prevention and amicable resolution in the work place,

**...then** workers' and employers' organizations will be able to identify and use economic data for sectoral collective bargaining, **then** workers' and employers' organizations will build regular feedback mechanisms used prior and during negotiations to pinpoint the needs of members, **then** workers' and employers' organizations will have acquired additional negotiation skills,

**...leading to** the establishment of fair and productive working conditions and harmonious industrial relations.

Planned changes will contribute to Ukraine achieving SDG target 8.8.

## ▶ INTERVENTION MODEL



## ▶ MEASURE OF PERFORMANCE

Public spending on labour market programmes<sup>32</sup> (as percentage of GDP)

**BASELINE**

To be determined by SES in 2021

**TARGET**

To be determined (depending on baseline, increase in percentage points by 2024)

Number of people leaving the SES unemployment records, as a share of registered unemployed persons

**BASELINE**

**22%** (2019)<sup>33</sup>

**TARGET**

**45%** (2023)



## Priority 2 Inclusive and productive employment

### Outcome 2.1 *Modern and efficient employment services*

#### The rationale for reforming the State Employment Service

Ukraine's State Employment Service (SES) is responsible for the implementation of active and passive employment policies. It provides services to employers, job seekers, and the unemployed to ensure better labour market governance and improved employment outcomes. Current challenges and complexities of the Ukrainian labour market push the SES to identify new approaches, build modern work methods, and innovative service delivery models. Major reforms carried out with the technical assistance of the ILO over the past two years have enabled SES staff to dedicate more time to advising and supporting their clients based on profiling individual needs, opt for customized employment planning, and introduce case management approaches. The key task ahead is to consolidate these reforms and convert the SES into an effective service provider and reliable partner capable of continuously adapting, delivering, and monitoring tailored new programmes and services.

#### Theory of change

**If the ILO** supports the SES in decentralizing its services *inter alia* through local partnerships for employment or entrepreneurship training with a focus on women and using a gender perspective; **and if** the ILO advises SES staff on advanced techniques on how to reach out to and identify the needs of individuals in vulnerable circumstances on the labour market (such as young people, single mothers, the long term-unemployed); **and if** the ILO supports the piloting of a system for collecting and analysing labour market information at the regional and national levels; **and if** the ILO enables the SES and the social partners to introduce and apply monitoring and evaluation tools for tracking the performance of its services and programmes,

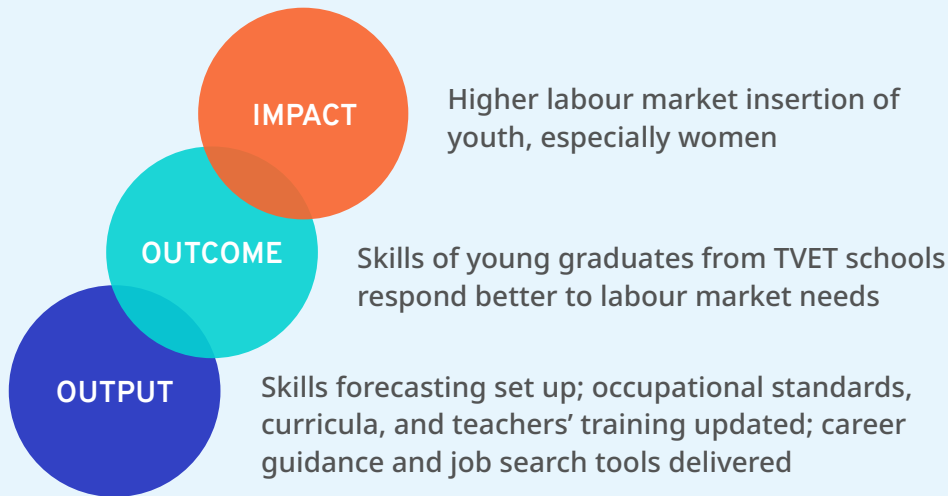
**...then** the SES will provide modern and customized services to the different categories of clients, and improve the governance of the labour market,

**...leading to** better employment outcomes for Ukrainians.

Planned changes will contribute to Ukraine achieving SDG target 8.5.

## ▶ INTERVENTION MODEL

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## ▶ MEASURE OF PERFORMANCE

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Share of employers stating that graduates meet their skills needs

**BASELINE**

Up-to-date baseline not available, new survey needs to be done

**TARGET**

To be determined, depending on results of baseline value

## **Outcome 2.2** *Reduced skills mismatch among youth*

The rationale for matching educational outcomes to skills needed by enterprises

The Ukrainian Technical and Vocational Education and Training (TVET) system does not fully deliver the skills needed by enterprises; the lack of required proficiency dampens productivity gains and curtails the competitiveness of the country. Companies regularly report that TVET institutions are not equipping graduates with practical know-how or with the necessary skills. In addition, there is a problem with the adequate level of education: according to the 2016 ILO School-to-Work Transition Survey (SWTS), only 63 per cent of young Ukrainian workers are engaged in occupations matching their qualifications, while 37 per cent work in jobs for which they are overeducated (with higher education degrees in particular). Skills needs anticipation is not well-coordinated among the different institutions, its results are not adequately reflected in career guidance, occupational and educational standards, training curricula and programmes. Furthermore, social partners are not sufficiently included in skills needs anticipation at national, sectoral, and local level. The current government seeks to increase the number of young people trained in TVET occupations and to improve training contents and methodology in order to synchronize TVET supply and needs of the economy.

Theory of change

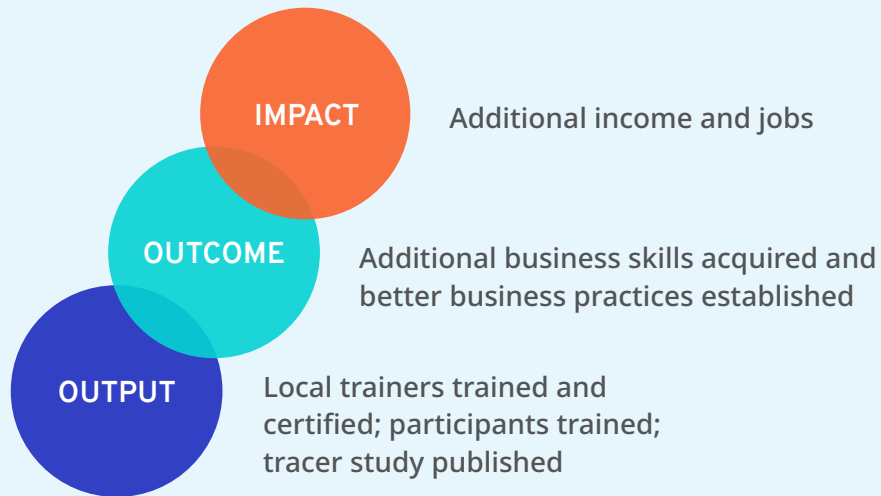
**If the ILO** supports improving the quality of TVET in key occupations, **and if the ILO** ensures the involvement of social partners in improving coordination and cooperation in forecasting skills demands, developing and reviewing occupational standards, curricula, and teacher training by incorporating the gender perspective, **and if the ILO** assists in improving career guidance and job search including support for young women to choose male dominated occupations,

**...then** competencies of young TVET graduates will respond better to needs of the labour market,

**...leading to** higher employability of trained youth with higher rates of labour market insertion and lower youth unemployment or inactivity for young women and men.

## ▶ INTERVENTION MODEL

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## ▶ MEASURE OF PERFORMANCE

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Increased entrepreneurial intentions (percentage of participants in entrepreneurship training courses intending to open their own business, at least 40 per cent women)

**BASELINE** None

**TARGET** **25%**

## The rationale for promoting entrepreneurship

### Outcome 2.3 *Improved entrepreneurship skills*

In the past years Ukraine progressed in the design and implementation of SME- and entrepreneurship-promoting policies when compared to international best practices.<sup>34</sup> The country has improved deregulation, public procurement, harmonisation with the EU Acquis, bankruptcy procedures, and developing key entrepreneurial competencies. Nevertheless, the share of employers in the labour force, often used as a proxy for the level of entrepreneurship, remains at 0.9 per cent (2019; 0.7 for women). In EU countries 2–5 per cent of the labour force are employers who own/manage firms and employ others. Many organizations provide support in this area. The particular niche for the ILO is to collaborate with its long-standing partners like the public employment services, TVET institutions, and employers' organizations, and link the ILO entrepreneurship trainings<sup>35</sup> to the service palette of these organizations. This will further upscale entrepreneurship and SME management training in the country.

## Theory of change

**If the ILO** makes available and adapts its standardized Start and Improve Your Business Programme package, **and if the ILO** trains and certifies local trainers, **and if the ILO** advises local providers to deliver entrepreneurship and SME management training, **and if the ILO** links trained enterprises to financial service providers, **and if the ILO** helps local partners to track the results of the intervention,

**...then** potential and existing enterprises will improve their business management skills, will establish better business practices, and will write better business plans for banks,

...which will **lead to** better enterprise performance, additional income, and more jobs.

Planned changes will contribute to Ukraine achieving SDG targets 8.3, 4.4 and 9.3.

## ▶ INTERVENTION MODEL

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## ▶ MEASURE OF PERFORMANCE

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Improved compliance of Ukraine with key International Labour Standards on OSH and undeclared work - measured by the number of requests for improvement which the ILO Committee of Experts on the Application of Conventions delivers to the Ukrainian government

**BASELINE** 1 request

**TARGET** None

## Priority 3 Improved working conditions and social protection

**Outcome 3.1** *Increased compliance of national legislation and enforcement mechanisms on OSH and transition to formality with International Labour Standards*

### The rationale for promoting occupational safety and health

Ukraine faces the urgent challenge to reduce work-related accidents and occupational diseases and to improve the safety and health of workers. Under the EU-Ukraine Association Agreement, Ukraine has committed to ensure gradual approximation to EU law, standards and practices, in particular through the alignment of its national legislation with the International Labour Standards and the EU Directives on OSH and labour relations.

ILS on labour inspection (ILO Conventions 81 and 129) have not yet been fully translated into national law and practice. Ukrainian labour inspectors lack several of the basic powers foreseen in the ILO Conventions as well as capacities needed for performing their duties - identifying and eliminating hazardous working environments and undeclared work included.

ILO support will build on past and on-going bilateral projects aiming at the roll-out of modern labour inspection services promoting safe, healthy, and declared work.<sup>36</sup>

### Theory of change

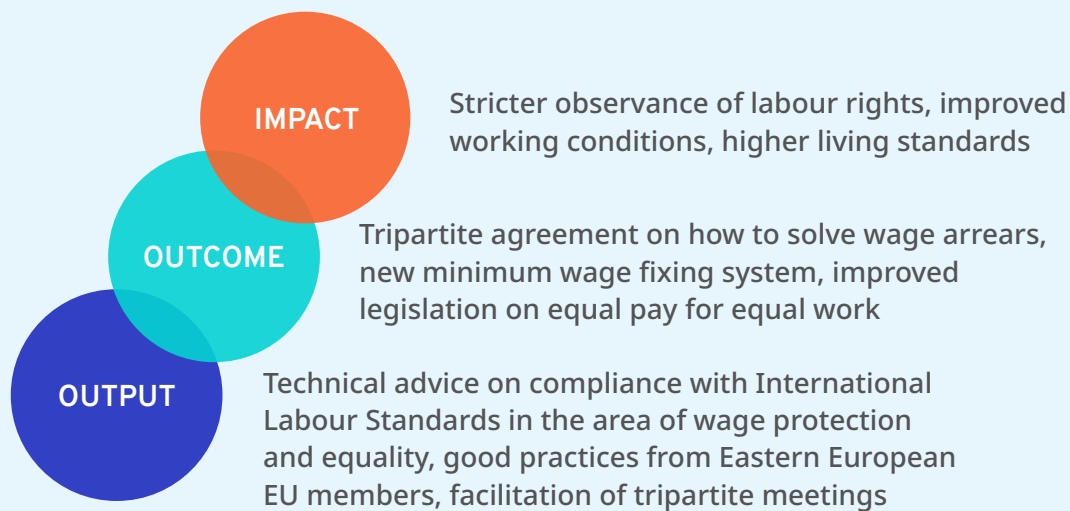
**If the ILO** assists Ukrainian authorities to draft laws and regulations bringing the country's OSH regulatory framework closer to EU Directives and International Labour Standards, **and if the ILO** supports advocacy roundtables with the involved legislative actors and social partners, **and if the ILO** provides training, advocacy, and legal advice on how to combat undeclared work, **and if the ILO** secures operational support to the State Labour Service for rolling out its services and data collection,

**...then** legislative actors will have the knowledge to modernize the national OSH and labour relations legal framework and align it with key international standards, and **then** the national labour inspection system will have the power and capacity to promote and enforce compliance with the law,

...which will **lead to** safer, healthier working conditions and a higher share of declared work.

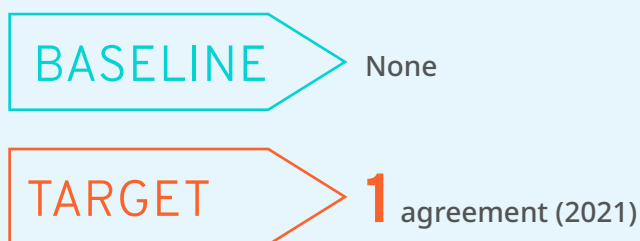
Planned changes will contribute to Ukraine achieving SDG target 8.8.

## ▶ INTERVENTION MODEL

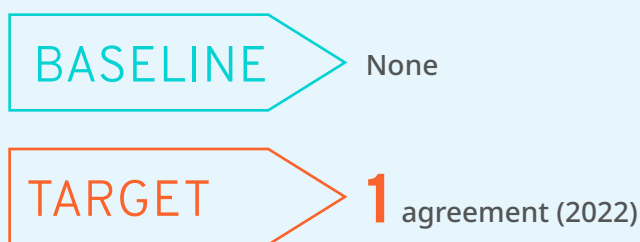


## ▶ MEASURE OF PERFORMANCE

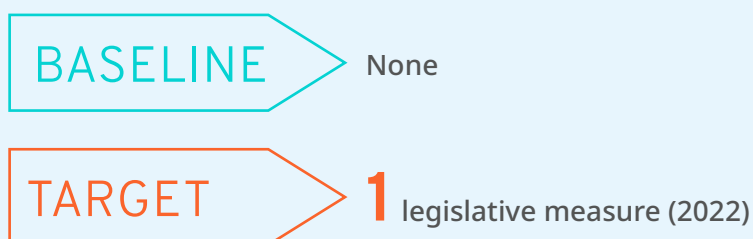
A tripartite agreement on a road map to solve wage arrears reached



A tripartite agreement on a new minimum wage fixing system reached



The principle of equal pay for equal work enclosed in the new labour code or another legislative measure





### **Outcome 3.2** *Improved protection, level, and equality of wages*

#### The rationale for working on wage policies

Wage arrears have been a long-standing issue in Ukraine and the problem is still to be solved.<sup>37</sup> ILO supervisory bodies have dealt with this burning issue on several occasions. However, measures taken so far by Ukrainian authorities were not sufficient to ensure the timely payments of workers' salaries. The amount of wage arrears is further increasing and the country is not complying with the relevant ILO conventions.

A second challenge in respect to wage policies is the setting of minimum wages. The gravest concerns are the following: the subsistence minimum - as defined by the public sector wage grid - is lower than the minimum wage; also, social partners are not involved in the determination of the minimum wage level.

Thirdly, the gender pay gap, which is significantly higher than in the EU (21 per cent versus 14.8 per cent in 2018), needs to be addressed. The labour law reform proposed by the government envisages equal pay for work of equal value and the establishment of corresponding obligations for employers.

#### Theory of change

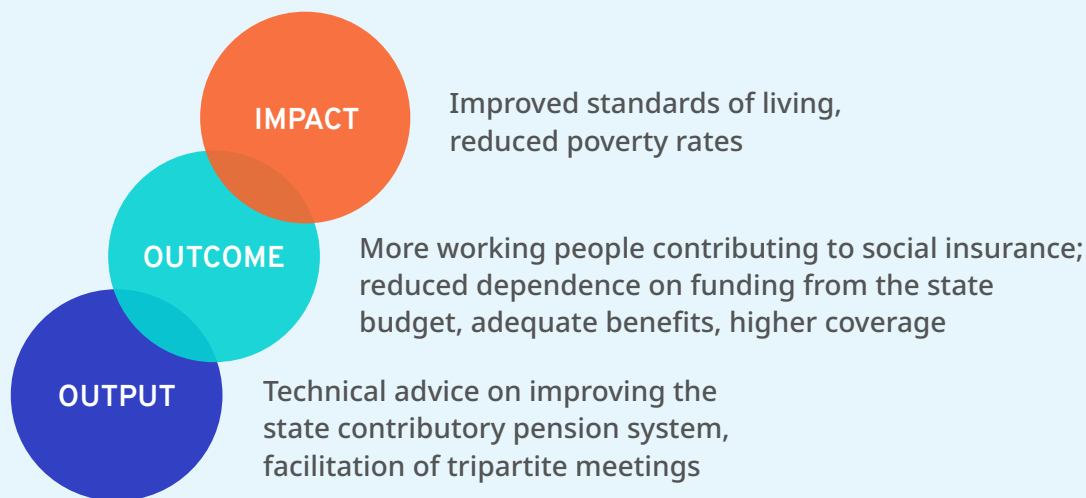
**If the ILO** provides a legislative review based on comments of ILO supervisory bodies on the compliance of Ukraine with International Labour Standards in the areas of protection and equality of wages<sup>38</sup> and produces evidence-based analysis assessing the root causes of problems, **and if the ILO** shares good practices from Eastern European EU countries, **and if the ILO** builds the capacity of social partners and facilitates tripartite discussions on a possible package of measures to address the shortcomings,

...**then** the government and social partners will agree on a road map for addressing wage arrears, **then** the government will revise the minimum wage fixing system by aligning the calculation of the subsistence minimum level and the legal minimum wage across sectors and engage in productive social dialogue, **then** the government will go for legislative changes ensuring equal pay for equal work eliminating any gender based discrimination with regard to wages,

...which will **lead to** stricter observance of labour rights, improved working conditions, and higher living standards.

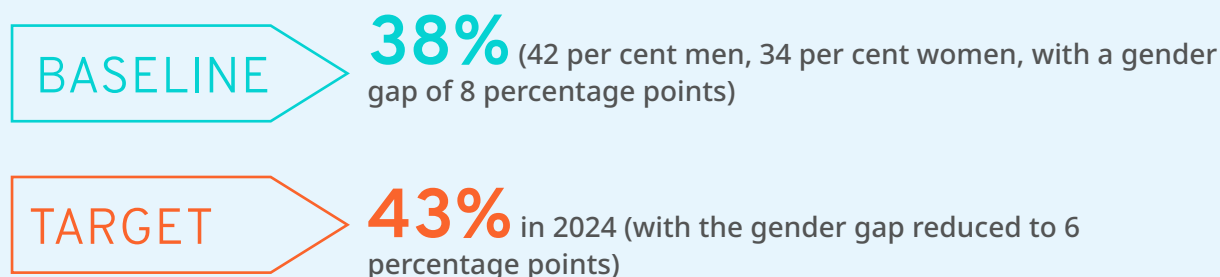
Planned changes will contribute to Ukraine achieving SDG targets 10.4, 8.5 and 5.2.

## ▶ INTERVENTION MODEL

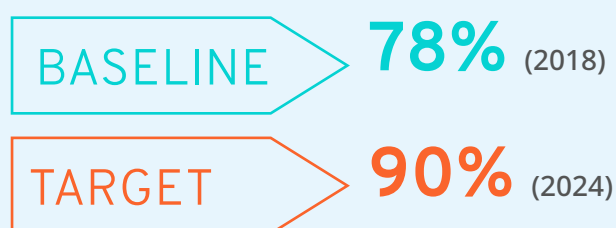


## ▶ MEASURE OF PERFORMANCE

Percentage of working age population contributing to social insurance



Ratio of own revenues to own expenditures in the state pension system<sup>39</sup>



Minimum benefit (such as minimum pension) as percentage of actual subsistence minimum, disaggregated by sex



### **Outcome 3.3** *Improved coverage and sustainability of social protection*

#### The rationale for intervening

In 2016, Ukraine ratified the Social Security (Minimum Standards) Convention No. 102 with respect to all nine branches of social security.<sup>40</sup> The ratification is an important step towards establishing a social protection system that ensures access to basic health care and adequate income security for all.

Key challenges for the Ukrainian social protection system remain insufficient coverage and lack of financial sustainability. In order to establish a sustainable social protection system, there is a need to stimulate employment rates and formalize employment, thereby reducing widespread undeclared work and the evasion of social security contributions. Such measures would also minimize funding gaps currently covered by the state budget. The pension system – as one of the key elements of social security – is characterized by<sup>41</sup>

- ▶ Low coverage with only 38 per cent of the population aged 15–64 contributing to the state pension system,
- ▶ Inadequate pension level which puts pensions below the national poverty benchmarks for income of workers,
- ▶ High dependence of transfers from the state budget covering 40 per cent of the total expenditure.

#### Theory of change

**If the ILO** provides technical assistance to the government and social partners to develop policy options with cost estimates for (i) extending the population coverage (in particular to workers in the informal economy) and improving the collection of contributions, (ii) increasing the long-term financial sustainability of social security systems, and (iii) creating fiscal space to ensure adequate minimum benefits, **and if the ILO** facilitates tripartite negotiations building a national consensus on the redesign and reform of the social protection system including assistance on drafting amendments of legislation,

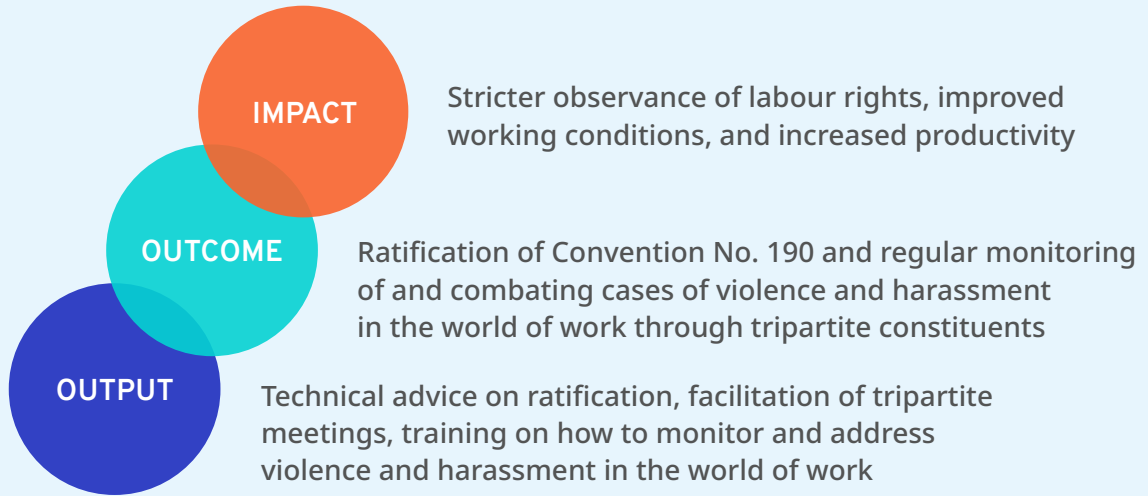
**...then** the government will increase the long-term financial sustainability of social insurance,

...which will **lead to** adequate benefits, higher coverage, and improved standards of living.

Planned changes will contribute to Ukraine achieving SDG target 1.3 (Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable).

## ▶ INTERVENTION MODEL

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## ▶ MEASURE OF PERFORMANCE

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Convention 190 ratified



**Outcome 3.4** *Violence and harassment at the work place combatted*

The rationale for intervention

In June 2019 the ILO adopted the new Violence and Harassment Convention No. 190. This Convention is the first ILS on the prevention, remediation, and elimination of violence and harassment in the world of work, including gender-based violence and harassment. As a first in international law, Convention No. 190 recognizes the right of everyone to a world of work free from violence and harassment, and sets out the obligation to respect, promote, and realize this right. The Ukrainian government plans to be a frontrunner in ratifying the Convention in Eastern Europe and asked the ILO for technical assistance to facilitate this ratification.

Theory of change

**If the ILO** provides technical assistance to government and social partners to conduct a pre-ratification study identifying what needs to be done to eliminate legal gaps hampering the transposing of the new ILS into national law, **and if the ILO** includes Ukraine in its survey on violence and harassment in the world of work, **and if the ILO** facilitates tripartite meetings for the validation of the pre-ratification studies building a national consensus on drafting amendments of legislation, **and if the ILO** provides practical training to tripartite constituents on how to report, monitor, and prevent violence and harassment in the world of work, including gender based violence,

**...then** the government will ratify Convention No. 190, legislative actors will adopt the necessary legal changes at national level, and tripartite constituents will monitor and combat cases of violence and harassment in the world of work,

...which will **lead to** stricter observance of labour rights, improved working conditions, and increased productivity.

Planned changes will contribute to Ukraine achieving SDG target 8.8.

## 4 MANAGEMENT, IMPLEMENTATION, PLANNING, MONITORING, REPORTING AND EVALUATION ARRANGEMENTS

### 4.1 Implementation, performance monitoring, evaluation arrangements, the role of ILO constituents

#### Joint implementation

The ILO Office for Central and Eastern Europe and the ILO National Coordinator for Ukraine will manage the Programme, and the Regional Office for Europe and technical units at ILO headquarters in Geneva will support its activities. The ILO will continue cooperating with major stakeholders in the country such as the UN, under the framework of the Government of Ukraine – United Nations Partnership Framework for 2018–22<sup>42</sup>.

The Programme will be jointly implemented (including support, funding, and monitoring) by the constituents and the ILO. From the ILO side, this will be pursued through technical cooperation projects, advisory missions, and seminars for information dissemination and capacity building. ILO's extra-budgetary and regular budget resources will be used to finance the implementation of this Country Programme.

A tripartite Overview Board will be set up with a clear role to promote the DWCP and monitor its implementation. The terms of reference (ToR) for this Board will include a minimum critical mass of 35 per cent women members, with the goal of gender parity. The Board will review implementation on an annual basis suggesting necessary adjustments, addressing bottlenecks, and helping in resource mobilisation. The ILO will prepare annual progress reports that will feed into the work of the Board.

The ILO will commission an internal mid-term review and a country programme review at the end of the DWCP to evaluate its relevance, effectiveness, and efficiency. In order to improve the evaluability of the new DWCP, much effort has been put into defining clear theories of change for all nine outcomes as well as quantified measures of performance.

## 4.2 Risks

Main risks are political change and the impact of the COVID-19 pandemic

The main risks for this Programme are related to the severe political, economic, and security challenges the country has been facing in the last decade (see section 2.1). Frequent changes in the government and the new division of tasks between the ministries working on employment and social policies can also significantly slow down implementation of the DWCP. The impact of the COVID-19 pandemic on employment and social protection is still unclear, but a major economic and social crisis is to be expected.

Beneficiaries of various capacity development activities will be selected from both top and middle management levels (decision makers) and from technical experts (operational level) to ensure knowledge transfer at all levels and to guarantee continuity. It is expected that middle management and technical staff will not be affected by frequent political changes.

Sharing the understanding of lessons learned from past cooperation, participatory planning, and strengthening the role of the Overview Board are further measures minimizing the risk stemming from lack of ownership.

Achieving the DWCP outcomes will depend on the availability of financial and human resources with both the Ukrainian constituents and the ILO. While the ILO developed a resource mobilisation strategy, success will only be possible if constituents strongly campaign for goals and outcomes of the DWCP, make the DWCP a priority of national budgets and programmes of other international organizations supporting the country.

## 5 FUNDING PLAN

### Stronger resource mobilisation

The DWCP will have to be resourced by a combination of in-kind contributions from the Ukrainian tripartite constituents and from ILO regular and extra-budgetary sources.

Confirmed extra-budgetary resources as well as any remaining funding gaps are listed in the results framework. The estimations are indicative and will be updated based on the availability of funds.

It is estimated that US\$11.7 million will be required to achieve the DWCP outcomes with an estimated funding gap of US\$3.4 million.

In addition, assistance for an effective response to the COVID-19 crisis will require an estimated US\$8 million.

Resource mobilisation for covering existing funding gaps will be done based on joint prioritisation. In this context, the ILO and the Ukrainian tripartite constituents will join efforts in mobilizing donor resources in order to operationalize the 2020–24 DWCP for Ukraine.

The ILO will further explore joint funding options with other UN agencies for the implementation of goals identified under the UNPF as well as the outcomes of the DWCP.



## 6 ADVOCACY AND COMMUNICATION PLAN

The objective of advocacy and communication activities is to raise awareness among relevant stakeholders and the general public in Ukraine on:

- ▶ The role of International Labour Conventions and SDG 8 in promoting inclusive and sustainable development in Ukraine;
- ▶ The importance of effective partnerships to address decent work challenges, to work on national development priorities, and to implement the SDGs;
- ▶ The unique and value-adding nature of the ILO's tripartite membership base with respect to shaping and implementing inclusive, sustainable, and equitable national policies, strategies and plans;
- ▶ Success stories emerging from initiatives under the Programme.

Visibility and communication activities target primarily the tripartite constituents as well as multi- and bilateral donor organizations, civil society organizations, and other international and governmental agencies working in Ukraine on the same or similar themes. Secondary audience is the general public of Ukraine. The ILO will develop a yearly "Advocacy and communication activity plan" jointly with the constituents. This plan, which will use both gender mainstreaming and targeted communication strategies, will include at least two events per year specifically focusing on heightening the visibility of the DWCP so that the Programme's key messages and achievements are appropriately communicated and presented. Just as the communication activity plan, key topics will be jointly developed with the tripartite constituents; activities will be carried out in consultation, coordination, and/or collaboration with them.

# ENDNOTES

- 1 <https://ukraine.un.org/en/49416-government-ukraine-united-nations-partnership-framework-2018-2022>
- 2 <https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/ukraine/text-texte/toc-tdm.aspx?lang=eng>
- 3 <https://zakon.rada.gov.ua/laws/show/n0001120-19#Text>
- 4 OECD, Maintaining the Momentum of Decentralisation in Ukraine, 2018.
- 5 World Bank (2020). Ukraine economic Outlook. Available at: <https://www.worldbank.org/en/country/ukraine/overview#3>
- 6 See also European Commission, Association Implementation Report on Ukraine 2018.
- 7 International Labour Organization, ILOSTAT database (modelled ILO estimates)
- 8 For all data on labour migrants and remittances see European Commission, The Impact of Labour Migration on the Ukrainian Economy 2020, and Vienna Institute for International Economic Studies, Economic Analysis and Outlook for Central, East, and Southeast Europe, 2018
- 9 OECD 2018
- 10 [https://ukrstat.org/en/operativ/operativ2017/rp/eans/eans\\_e/Arch\\_nzn\\_smpsz\\_e.htm](https://ukrstat.org/en/operativ/operativ2017/rp/eans/eans_e/Arch_nzn_smpsz_e.htm)
- 11 OECD 2018
- 12 OECD, SME Policy Index: Eastern Partner Countries, Assessing the Implementation of the Small Business Act for Europe, 2020
- 13 <http://www.ukrstat.gov.ua/>, <https://bank.gov.ua/statistic/>
- 14 [https://ec.europa.eu/eurostat/statistics-explained/index.php/Wages\\_and\\_labour\\_costs#Gross\\_wages.2FEarnings](https://ec.europa.eu/eurostat/statistics-explained/index.php/Wages_and_labour_costs#Gross_wages.2FEarnings)
- 15 ILO study on Minimum Wages in Ukraine, 2020 (unpublished)
- 16 Statutory minimum wages, see [https://www.ilo.org/shinyapps/bulkeplorer52/?lang=en&segment=indicator&id=EAR\\_4MMN\\_CUR\\_NB\\_A](https://www.ilo.org/shinyapps/bulkeplorer52/?lang=en&segment=indicator&id=EAR_4MMN_CUR_NB_A)
- 17 For Ukraine see <http://www.ukrstat.gov.ua/>, (Chapter "Remuneration of labour"), for EU see [https://ec.europa.eu/eurostat/statistics-explained/index.php/Gender\\_pay\\_gap\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_pay_gap_statistics)
- 18 <http://www.ukrstat.gov.ua/>, Chapter "Remuneration of Labour and Social Relations"
- 19 WHO, Global Health Expenditure Databank, current health expenditure per capita in PPP (USD) for 2017
- 20 ILO, Future of the Ukrainian Pension System: Adequacy, Coverage and Sustainability, 2020
- 21 ILO, Reversing Pension Privatizations. Rebuilding public pension systems in Eastern Europe and Latin America, 2019
- 22 The ILO Examination of Grievances Recommendation, 1967 (No. 130) places emphasis on workplace dispute resolution through the establishment and proper functioning of a sound personnel policy, which should take into account and respect the rights and interests of the workers, based on regular cooperation with the workers' representatives
- 23 [http://ukrstat.gov.ua/operativ/operativ2017/rp/eans/eans\\_u/arch\\_nzn\\_ved\\_u.htm](http://ukrstat.gov.ua/operativ/operativ2017/rp/eans/eans_u/arch_nzn_ved_u.htm)
- 24 See for example [https://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS\\_636091/lang-en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_636091/lang-en/index.htm)
- 25 Ukraine has ratified 71 ILO International Labour Standards (Conventions), including the eight fundamental and four priority Conventions
- 26 See: [https://www.ilo.org/dyn/normlex/en/?p=NORMLEXPUB:13100:0:NO::P13100\\_COMMENT\\_ID:3499382](https://www.ilo.org/dyn/normlex/en/?p=NORMLEXPUB:13100:0:NO::P13100_COMMENT_ID:3499382)
- 27 Direct Request (CEACR) - adopted 2018, published 108th ILC session (2019): [https://www.ilo.org/dyn/normlex/en/?p=1000:13100:0:NO:13100:P13100\\_COMMENT\\_ID:3962783](https://www.ilo.org/dyn/normlex/en/?p=1000:13100:0:NO:13100:P13100_COMMENT_ID:3962783)
- 28 <http://www.fpsu.org.ua/pro-fpu/istoriya-fpu.html>
- 29 <https://kvpu.org.ua/uk/about/representative>
- 30 ILO, Social Dialogue and Economic Performance What matters for business - A review, 2017
- 31 For more details see ILO, Legal Framework and Current Practices of Collective Bargaining in Ukraine, 2013
- 32 Public spending on labour market programmes includes public employment services (including placement and related services, benefit administration and other expenditure), training, wage subsidies, and other programmes, as well as unemployment benefits. Data are based mainly on information about individual labour market programmes which appear in state budgets and SES accounts and annual reports.
- 33 According to SES data, in 2019 1.7 million jobseekers used the services of the state employment service, of which 829,000 people had the status of registered unemployed. With the assistance of employment centres 324,000 people were employed, including 185,000 unemployed. This gives a transition rate of 22 per cent.
- 34 OECD, SME Policy Index: Eastern Partner Countries, Assessing the Implementation of the Small Business Act for Europe, 2020
- 35 Start and Improve Your Business is one of the largest global business management training programmes, implemented in over 100 countries. In the last 15 years, it helped roughly 14.5 million small-scale entrepreneurs worldwide to start and grow their business, thereby creating more and better employment for women and men. An additional product is Biz-Up, which assists employment counsellors and facilitators delivering workshops where young people gain a better understanding of the basic concepts related to setting up an enterprise.
- 36 See for example <https://www.ilo.org/budapest/what-we-do/projects/enhancing-labadmin-ukraine/lang-en/index.htm>
- 37 For details on quantitative dimension of wage arrears see chapter 2
- 38 ILO Conventions 95, 173, 131, 100, and 111
- 39 The indicator measures to what extent the contributions from salary earners cover the benefits received without including any state funding.
- 40 The nine branches are medical care, sickness, unemployment, old age, employment injury, family, maternity, invalidity, and survivors' benefits
- 41 ILO, Future of the Ukrainian Pension System: Adequacy, Coverage, and Sustainability, 2020
- 42 <http://www.un.org.ua/en/publications-and-reports/un-in-ukraine-publications/4250-government-of-ukraine-united-nations-partnership-framework-for-2018-2022>



