



УДК 331.56

THE INFLUENCE OF THE LEVEL OF UNEMPLOYMENT ON THE DEVELOPMENT OF ENTREPRENEURSHIP IN UKRAINE ВПЛИВ РІВНЯ БЕЗРОБІТТЯ НА РОЗВИТОК ПІДПРИЄМНИЦТВА В УКРАЇНІ

Vlasenko I.G. / Власенко І.Г.

Professor / професор

ORCID: <https://orcid.org/0000-0001-9995-2025>

Ternova A.S. / Тернова А.С.

PhD, Associate Professor / доцент

ORCID: <http://orcid.org/0000-0002-7447-137X>

Vinnitsia Institute of Trade and Economics of
State University of Trade and Economics, Vinnitsia, Soborna, 87, 21050 /
Вінницький торговельно-економічний інститут
Державного торговельно-економічного університету, Вінниця, Соборна. 87, 21050

Анотація. The article shows that the drop in production and the growth of unemployment is a key risk for the functioning of the Ukrainian economy. This is due to a reduction in production, a decrease in tax revenues and the country's GDP, and an increase in budget expenditures for assistance to the unemployed. The dynamics of Ukraine's labor force indicators were considered, the reasons for the shortage of certain specialties and the inconsistency of the current state of labor force training with the needs of the economy were analyzed. One of the problems that worsens during the war is the increasing tinization of the labor market - the increase in the number of workers without official registration.

It is shown that from the beginning of 2023, the gradual recovery of the labor market in Ukraine continues. However, unemployment remains higher than in the period before the beginning of the great war and acquires signs of a structural phenomenon.

Key words: unemployment, employment, production, labor market, employment

Introduction.

Human capital is the engine of the modern economy, domestic consumer demand and the main factor of the country's economic growth. With the beginning of the full-scale invasion of the Russian Federation on the territory of our state, migration processes and the unemployment rate increased significantly. The problem of falling production and rising unemployment is a key risk for the functioning of the Ukrainian economy. Unfortunately, rising unemployment has serious economic consequences, as tax revenues are reduced; the country's GDP decreases; a significant drop in the standard of living of the population is noted, people who find themselves in the status of unemployed lose their qualifications; expenses from the budget for assistance to the unemployed are increasing; production is reduced; the motivation of young people to study is falling.

The unprecedented conditions in which Ukraine found itself as a result of the full-scale military invasion of Russia caused significant changes in all spheres of public life, the functioning of state and non-state institutions in the country. Thanks to significant international support, the economic system of Ukraine endured, resisted and was able to adapt to new circumstances. During 2022, serious tests took place in the labor market, but the lack of statistical data significantly limited the possibilities of assessing the real state and nature of the changes taking place in Ukraine.



The need for up-to-date information on the state and prospects of the labor market development, employers' requests for workers and skills are due to the need to develop the most effective measures to stimulate employment and economic development, as well as protect the most vulnerable groups in the labor market. Another important aspect of the need to study the Ukrainian labor market is the planning of Ukraine's post-war reconstruction programs. It is necessary to know what the economy, the state, the army will need and what human resources Ukraine needs for this. That is why the assessment of the level of unemployment in Ukraine is an important and relevant issue today.

Analysis of recent research and publications. Issues related to the impact of unemployment on the state economy are of interest to domestic and foreign scientists. Thus, in the work of O. Lyashenko and D. Ovcharenko, an economic and mathematical analysis of the level of unemployment in Ukraine and EU countries was carried out [1]. The labor market in wartime conditions and the main trends and directions of its stabilization are discussed in the analytical note of O. Pyschulina and K. Markevich [2]. Domestic scientists focus the main attention on the problems of our state in modern conditions. In the work of T. Melnyk, the situation, the main problems and ways to solve them for Ukrainian business in the conditions of the war are disclosed [3]. The work of T.O. Murovanoye also talks about domestic entrepreneurship under martial law and the main trends and methods of support [4]. The work of T.V. focused on the directions of the development of trade in Ukraine under the conditions of martial law. Pashkudy, A.I. Affendi [5]. However, the labor market in modern conditions of Ukraine is changing very quickly, which requires additional research into its condition, problems and prospects.

Presenting main material. Examining the dynamics of labor force indicators of Ukraine in 2019-2021, we can say that the unemployment rate increased, but this increase was not significant (Table 1). Thus, during the studied period, the unemployment rate (at the age of 15-70) increased from 8.2% in 2019 to 9.9% in 2020. If we take into account people of working age, this indicator increased from 8.6% in 2019 to 10.3% in 2020.

Looking at the quarterly dynamics of the unemployment rate of the population aged 15-70, it can be seen that these fluctuations were not significant (Fig. 1). That is, the situation remained relatively stable.

In connection with military actions on the territory of our state, the indicators of migration processes have increased significantly. This is related to the occupation of part of the territory of Ukraine, as well as the constant destruction of industrial facilities, housing stock, infrastructure and energy systems. In this regard, many Ukrainians were forced to leave their homes and seek refuge in other countries. Therefore, as of the beginning of 2023, the number of Ukrainian refugees registered for temporary protection in Europe increased from 4.8 to 4.9 million people. At the same time, the largest number of Ukrainian migrants applied for temporary protection to such EU countries as: Poland (1.554 million people), Germany (1.022 million people), the Czech Republic (475 thousand people), Italy (166.5 thousand people), Spain (164.7 thousand people) and Bulgaria (148.5 thousand people) [7].

**Table 1 – Dynamics of labor force indicators of Ukraine in 2019-2021**

Indicator	Year		
	2019	2020	2021
Labor force (thousands of people)			
at the age of 15-70 years	18066,0	17589,5	17321,6
in working age	17381,8	16917,8	16666,8
Employed population (thousands of people)			
at the age of 15-70 years	16578,3	15915,3	15610,0
in working age	15894,9	15244,5	14957,3
Unemployed population (according to the ILO methodology) (thousands of people)			
at the age of 15-70 years	1487,7	1674,2	1711,6
in working age	1486,9	1673,3	1709,5
People who are not part of the workforce (thousands of people)			
at the age of 15-70 years	10430,5	10724,8	10718,3
in working age	6114,7	6312,6	6254,9
The level of participation of the population in the labor force (% of the total population of the corresponding age group)			
at the age of 15-70 years	63,4	62,1	61,8
in working age	74,0	72,8	72,7
Employment rate (% of the total population of the corresponding age group)			
at the age of 15-70 years	58,2	56,2	55,7
in working age	67,6	65,6	65,3
Unemployment rate (% of the total population of the corresponding age group)			
at the age of 15-70 years	8,2	9,5	9,9
in working age	8,6	9,9	10,3

Based on [6].

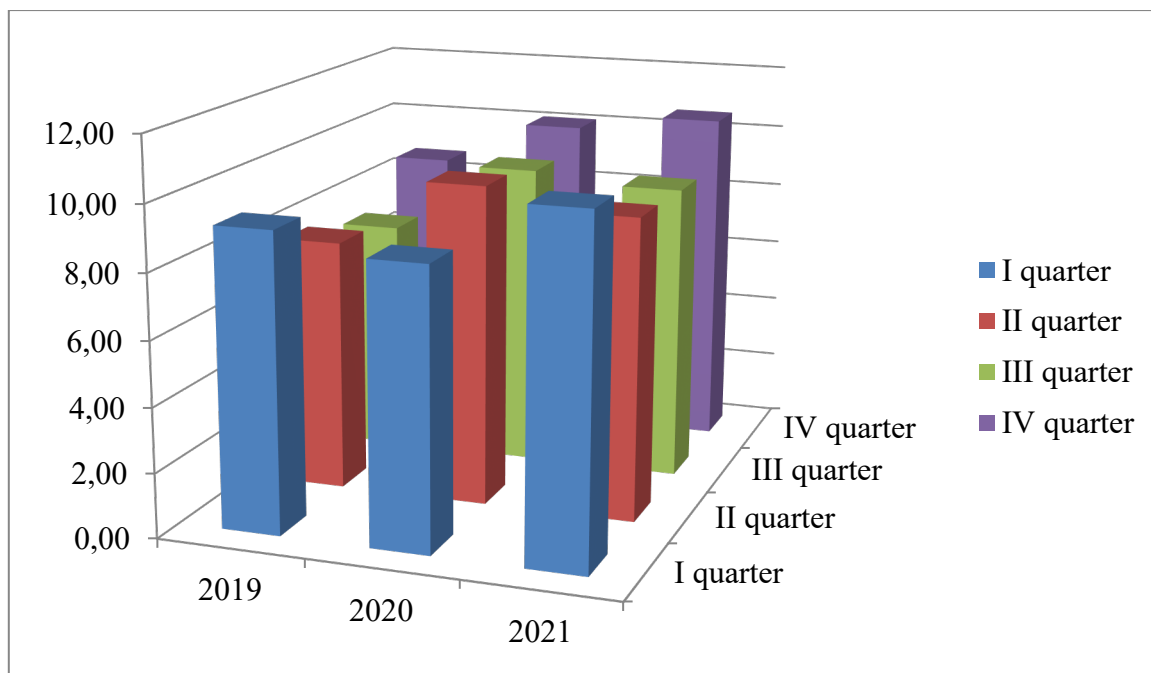


Figure 1 - Dynamics of the unemployment rate of the population aged 15-70 (% of the labor force of the corresponding year) Based on [6]



Citizens of Ukraine who were forced to seek refuge in EU countries found themselves practically without means of livelihood and needed full social security in the country of temporary stay. In addition, a significant number of these persons were trying to find work, that is, they needed access to the labor market.

If we talk about the unemployment rate, it is extremely difficult to objectively calculate it due to the fact that a certain part of the Ukrainian economy is in the shadows and workers do not have official registration. With the beginning of a full-scale invasion, the situation became even more complicated. Thus, in order to optimize resources, a large number of employers transferred employees to a remote form of work and sent them on vacation at their own expense for a long period. All these factors create difficulties in calculating the unemployment rate indicator and its discrepancies when calculated by different institutions. Thus, according to the National Bank of Ukraine, in 2022 there were 4.5 million unemployed people in Ukraine. However, according to the calculations of the International Labor Organization, this figure was 4.1 million people, and according to the Kyiv School of Economics - 3.5 million. The lowest unemployment rate in Ukraine in 2022 was published by the Ministry of Economy of Ukraine - 2.6 million people. Therefore, according to various calculations, the figure ranges from 4.5 to 2.6 million [8]. In the materials for the project of the state budget of Ukraine for 2023, it was mentioned that the projected level of unemployment in 2023 is at the level of 30%.

According to the International Labor Organization, there are more than 200 million unemployed people in the world. Due to the full-scale war, Ukraine is now among the top ten countries with the highest unemployment rates [8].

If we consider the indicator of the unemployment rate in the six countries of the European Union to which Ukrainian refugees left the most, it can be seen that the lowest unemployment rate among all EU countries is in the Czech Republic, which is the leader among European countries in terms of employment of citizens (Table 2).

Table 2 - Unemployment rate in EU countries in 2022 (%)

Country	Unemployment rate (%)	
	the beginning of 2022	the end of 2022
Spain	14,6	9,5
Italy	8,7	7,7
Poland	5,9	5,1
Germany	5,4	5,4
Bulgaria	4,9	3,7
Czech Republic	2,4	2,7

Based on [7].

The International Labor Organization defines those who meet the following criteria as unemployed:

- age from 15 to 74 years;
- lack of work;
- willingness to start work within two weeks;
- active attempts to get a job within four weeks.



The unemployment rate is calculated as a percentage of the number of unemployed persons from the total labor force, i.e. all able-bodied persons in the country between the ages of 15 and 74.

According to statistics, the unemployment rate in the Czech Republic is 2.5%, which corresponds to 131 thousand people. This is the lowest indicator among EU countries. Malta comes next with an unemployment rate of 2.7%, followed by Germany at 3%.

The highest level of unemployment is observed in Spain, where it is 11.5%. In Greece, this indicator reaches 10.9%, and in Sweden and Estonia - 7.6% each.

The average level of unemployment in the countries of the European Union is 5.9%, which is almost 13 million people.

If we consider the level of employment of young people under the age of 25 in Europe, it can be seen that the lowest rate of unemployment among young people is recorded in Germany - 5.7%. The Czech Republic ranks second with an unemployment rate of 8.5%, followed by Lithuania (8.6%) and the Netherlands (8.7%) [9].

The greatest demand for workers exists in the fields of construction, drivers, manufacturing and information technology. The most needed are programmers, cyber security and data analysis specialists. There are also a large number of vacancies for teachers, doctors and other specialists on the market [10].

Migration processes, namely the mass departure of Ukrainians to these countries, had a minor impact on the level of unemployment in the EU countries, except that they did not manage to improve the indicators of the year before last in such countries as Poland, the Czech Republic, and Germany.

For Ukraine, the departure of a significant number of citizens abroad had significant consequences. So, as a result of this, private business faced first of all a lack of qualified workers. There is a shortage of certain specialties, despite the high level of unemployment.

The reasons for this phenomenon:

- departure of skilled workers, primarily women, to other countries as refugees;
- mobilization of men into the Armed Forces (up to 1 million people of working age).

At the same time, the shadowing of the labor market is increasing - the number of workers without official registration is increasing. As a result, such persons do not have social guarantees, their working hours are not included in the length of service. The increase in the size of informal employment was influenced by the requirement to register men in military commissariats for official employment.

According to estimates of the State Employment Service of Ukraine, as of March 2023, about 3 million people were working without official registration, which is more than 20% of the working population of Ukraine [11].

According to optimistic forecasts, the level of unemployment will decrease due to the intensification of economic activity. The process of restoring Ukraine's economy will allow the elimination of structural disparities, in particular thanks to investments in the affected regions and the return of refugees and displaced persons to their homes.

Migration processes will remain a big problem, primarily in the medium and long



term - the number of Ukrainians who have the status of temporary protection in Europe is currently 5.14 million people.

Another 250,000 refugees moved to the USA and Canada. From a demographic point of view, these are mostly women with children, which significantly complicates the situation with the labor force in Ukraine in the future.

With the reduction of security risks, the return of refugees will accelerate, but the threat of return movement remains - family reunification or job search outside of Ukraine.

The aging process of Ukraine's population will accelerate (as of January 1, 2022, the average age in Ukraine was 42.2 years), which will reduce the potential of the labor force.

Education plays a decisive role in the formation of human capital, especially in conditions of unfavorable demographic development. A high-quality system of education, retraining and professional development can help reduce labor shortages.

But efforts to improve the quality and relevance of education, especially vocational, higher and adult education, are insufficient. Investments in human capital, such as adult retraining programs, were not a priority in Ukraine even before the war.

The war also accelerated the depreciation of human capital, causing significant collective psychological trauma that would have long-lasting effects on people's mental and physical health, which in turn would affect labor productivity.

Another problem is the inconsistency of the current state of workforce training with the needs of the economy. Plans of the education system for workforce training, developed even before the war, have not changed, which makes it difficult to adapt to modern market requirements.

According to the State Employment Service, one of the main problems in the labor market is a professional and qualification imbalance and certain disproportions between the demand and supply of labor.

Currently, employers have the greatest demand for skilled manual workers. However, among the registered unemployed, 43% have higher education, and in some large cities this number reaches 60% or higher. Moreover, the number of unemployed among former managers, professionals and specialists is three times higher than the number of corresponding vacancies.

In order to stabilize the number and productivity of the labor force, it is necessary to prioritize the training of specialists, first of all, in economic sectors that need recovery. This process should be carried out by the state in close coordination with business, which, in addition to the unpredictable situation due to the war, is also experiencing a well-known shortage of personnel.

Forecasts for the further growth of the Ukrainian economy also vary on a very modest scale: from +0.3% in 2023 to +6.4% in 2025 (data of the NBU forecast). This is very little both for the conditions of wartime and for the conditions of the probable post-war recovery.

Thus, during the Second World War, the German economy grew by an average of 3.7% per year (1939-1944), the economy of Great Britain during the same period – by 3.5% per year. After the war, the pace of recovery of European economies was measured by double-digit numbers.



For example, the average annual rate of real GDP in the first 5 years of recovery in Germany was +15%, France +18%, Italy: +14%, Austria: +17%, Japan: +10%, USSR: +9%.

The economy of West Germany was especially intensively restored. Thus, already in 1946, industrial production in the American and British zones of occupation doubled, and in 1950 it exceeded the level of 1945 by 4 times. The large-scale restoration of production and the creation of jobs formed the basis of the macroeconomic and financial stability of post-war Germany [12]. There are examples of successfully overcoming post-war difficulties in the development of the economy.

Conclusion.

From the beginning of 2023, the gradual recovery of the labor market in Ukraine continues. However, unemployment remains higher than in the period before the beginning of the great war and acquires signs of a structural phenomenon. In particular, professional and regional disparities are deepening, which holds back the further recovery of employment. The consequences of the war (destruction, closure and relocation of enterprises), the departure of refugees abroad and the increase in the number of internally displaced persons create a situation of mismatch in the geographical location of workplaces and labor force.

References:

1. Lyashenko, O., Ovcharenko, D. Economic and mathematical analysis of the level of unemployment in Ukraine and EU countries. *Young scientist*, 2023. 4 (116), 147-152. URL: <https://doi.org/10.32839/2304-5809/2023-4-116-30>
2. Pyshchulina O., Markevich K. The labor market in the conditions of war: main trends and directions of stabilization: analytical note. Kyiv: Razumkov centre, 2022. URL: <https://razumkov.org.ua/images/2022/07/18/2022-ANALITZAPIS-PISHULINA-2.pdf>
3. Melnyk T. Ukrainian business in the conditions of war: current state, problems and ways to solve them. *Journal of Innovations and Sustainability*. 2023. №7 (3). C. 7. DOI: <https://doi.org/10.51599/is.2023.07.03.07>
4. Murovana T.O. Domestic entrepreneurship under martial law: main trends and methods of support. *Economy and society*. 2023. Issue 47. DOI: <https://doi.org/10.32782/2524-0072/2023-47-49>
5. Pashkuda T.V., Afendi A.I. Directions of trade development in Ukraine under martial law. *Economy and society*. 2022. № 43. DOI: <https://doi.org/10.32782/2524-0072/2022-43-73>
6. State Statistics Service of Ukraine. URL: <http://www.ukrstat.gov.ua>.
7. European Statistical Committee. URL: <http://epp.eurostat.ec.europa.eu>
8. Ukraine is among the top ten countries in the world with the highest unemployment rates. URL: <https://www.slovoidilo.ua/2023/10/12/infografika/svit/ukrayina-vxodyt-desyatyk-krayin-svitu-najvyshhymy-pokaznykamy-bezrobittya>
9. Which European country has the lowest unemployment rate: recent Eurostat data. URL: <https://visitukraine.today/uk/blog/2745/v-yakii-kraini-jevropi-nainizcii-riven-bezrobittya-svizi-dani-jevrostatu>



10. The labor market in the conditions of war: trends and prospects / National Institute of Strategic Studies, 2022. URL: <https://niss.gov.ua/news/komentari-ekspertiv/rynok-pratsi-v-umovakh-viyny-tendentsiyi-taperspektyvy>.

11. Official website of the State Employment Service of Ukraine. URL: <https://dcz.gov.ua>

12. 5 stories of economic success after the war: world experience for Ukraine. URL: https://lb.ua/economics/2022/04/13/513199_5_istoriy_ekonomichnogo_ushpihu_pislya.html