Problems of Unemployment in Ukraine Under the COVID-19 Pandemic

Iryna M. Sotnyk, Mykola V. Nahornyi, Mariana Yu. Maslii, Maryna P. Nikulina, Yehor V. Yehorov

The article studies the problems of unemployment in Ukraine under the impact of the recent COVID-19 pandemic. The reasons for unemployment growth in the country during 2020-2021 have been analyzed. They include strict quarantine restrictions on doing business, imbalance of supply and demand in the domestic labor market, inadequate wages in some industries, the economy’s structural changes such as transformations due to lockdowns. The combined impact of these factors caused a 1.5-fold increase in the number of registered unemployed during the first wave of quarantine restrictions in the spring of 2020, while the unemployment rate in the national economy declined in the subsequent lockdown waves in 2020-2021. In this context, the consequences of mass unemployment in Ukraine have been identified and substantiated. Among them are: lowering living standards, increasing social insecurity of citizens; reduction of tax incomes, problems with filling the Pension Fund; disparities in the development of different types of economic activity; rising crime level; exacerbation of employment issues for migrant workers who returned to the country; worsening demographic situation. However, positive trends in employment growth emerged in some areas such as online commerce, digital banking, home delivery, and teleworking. Instead, a significant reduction in jobs was observed among HR managers, marketers, IT specialists, administrative staff, hotel and restaurant business employees, etc. Based on the conducted analysis, there have been formed ways out from the current crisis in the Ukrainian labor market. They include creating new jobs under multilevel infrastructure modernization programs, support of small and medium-sized businesses, remote employment development, repatriation of migrant workers, etc.

Keywords: COVID-19 pandemic, employment, labor resources, Ukraine, unemployment.

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Introduction. Like any other market, the labor market cannot fully regulate supply and demand for market objects. The disparities between supply and demand may lead to unemployment emergence. The market growth and increasing number of large companies

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cause the competition between labor resources, i.e., people who want to get a job. Despite active economic processes and globalization, unemployment in Ukraine has been rising for recent years. The negative consequences of this trend are lowering living standards, reduced tax revenues and problems with filling the Pension Fund, economic disparities, rising crime, increasing social insecurity of citizens, etc. Recently, the COVID-19 pandemic has complicated this situation and affected the national economy and the whole world. Under these conditions, the state faces new challenges that require adequate approaches to solving unemployment issues.

Analysis of the recent literature. Many researchers studied problems of population employment and unemployment. Among them are D. Bohynia, A. Boryschuk, O. Doronina, O. Grishnova, A. Kolot, E. Libanova, L. Semiv, L. Shaulskaya, S. Slyusar, L. Yatsenko, I. Zaitseva, I. Zayukov and others. The scientists have developed theoretical and methodological principles of the labor market operation, proposed mechanisms for managing the market at different stages of the economic cycle, identified the causes, types, and consequences of unemployment and labor migration in the context of structural changes in national economies and globalization, etc. However, recent years, marked by the impact of the COVID-19 pandemic on all spheres of public life, have somehow changed the situation in global and local labor markets. They have created new challenges for state regulation of labor processes, to which existing labor market theories do not have ready solutions. In this regard, determining effective ways to overcome unemployment under quarantine restrictions has become highly relevant and can be applied to many countries worldwide. These issues have not been appropriately studied and require further research.

The purpose of the paper is (1) to identify trends and problems accompanying the processes of deepening unemployment under the COVID-19 pandemic impact, (2) to form ways out of the current labor market crisis on the example of Ukraine.

Research results. Analysis of the unemployment rate in the country in 2020-2021 shows that this indicator has been growing quarterly in relative terms. It raised from 8.9 % in the 2020 first quarter to 10.9 % in the 2021 first quarter, showing only a slight decrease – up to 10.3 % – in the 2021 second quarter (Fig. 1). At the same time, the number of registered unemployed people was the highest during the first wave of quarantine restrictions in the spring of 2020, when their amount increased from 349.4 thousand people in the first quarter of 2020 to 517.7 thousand people in the second quarter of 2020 [1, 5]. In comparison, a year later, in the 2021 second quarter marked with the next quarantine restrictions wave, the number of registered unemployed workers decreased to 344.8 thousand people [5].

There are several reasons for this phenomenon. Firstly, quarantine restrictions caused job losses in the spring of 2020 [3]. Unemployment in Ukraine began to rise sharply in April that year after the introduction of strict quarantine. While 349 thousand people were officially registered unemployed in Ukraine in March, their number reached 457 thousand in April, 511 thousand in May, and 517 thousand in June. This indicator began to decline to 506 thousand only in July, and it decreased to 474 thousand people in August [14, 19].

Since the quarantine beginning and as of the end of August 2020, almost 432 thousand Ukrainians had received the unemployed status that was 67 % more than in 2019 [6, 14]. Hundreds of thousands of citizens became unemployed, including both representatives of intellectual labor and the simplest professions. For example, as of August 20, 2020, almost 488 thousand people were officially registered as unemployed. In 2019, as of that date, only 276 thousand people lost their jobs. Migrant workers, who returned to the country at the beginning of the pandemic, added difficulties by joining the army of the unemployed. However, starting from September 2020, the number of unemployed decreased, and Ukraine's
The economy gradually began to recover [9]. These positive changes were facilitated by the gradual easing of quarantine restrictions, the revival of business activities, and the adaptation of the population and employers to the new employment and economic activity conditions caused by the pandemic.

The unemployment situation is still tense due to the supply and demand imbalance in the domestic labor market. For instance, according to the State Employment Service, in January-September 2021, the number of registered unemployed in Ukraine was 1,001,689 people, while the number of vacancies was only 582,486 units, which is 1.72 times less [6].

Secondly, an important reason for unemployment is the inadequate level of wages in some industries. The reward for the work often does not correspond to the necessary skills, efforts, knowledge, and responsibilities that must be applied to perform a particular job [16]. That is why many young people choose professions where average wages in the industry are higher.

Since a narrow range of specialties provides high wages, most people seek education in this field. Oversaturation of the labor market by graduates of certain professions increases its supply and, consequently, sharpens competition between employees. As there are usually several applicants per workplace, other candidates do not receive a position according to their specialty. Therefore, they either become unemployed or find a job in another field that may not fully match their skills, abilities, and knowledge. Thus, there is a suboptimal distribution of labor resources and a waste of time and money to train specialists the economy does not need.

Thirdly, accompanied by job cuts, the economy's structural changes are an unemployment source. Many companies cease their activities for specific reasons, and new enterprises do not always replace them on the same scale. Thus, employees who have been hired for a particular position lose their jobs. A striking example is the COVID-19 pandemic, which led to the bankruptcy of many domestic enterprises unable to adapt to the new working conditions under 2020-2021 quarantine restrictions. On the contrary, online commerce, digital banking, home delivery, teleworking, and other economic activities got the impetus for their development.
Due to the changing consumer needs, new companies have appeared and continue to appear in the labor market while creating new jobs. It causes competition between young and experienced staff. Obviously, under the COVID-19 pandemic, the number of applicants exceeds the number of positions, and the part of the population that would not get a job will increase the unemployed cohort. In particular, about 54 thousand new enterprises were registered in Ukraine in 2020 that is 20% less than in the pre-crisis 2019 [20]. According to the personnel portal gr.ua research, in April-May 2021, there were 3-4 times more applicants per vacancy than at the beginning of 2020. However, this differentiation is associated not only with a vacancies shortage but also with mass layoffs that increase the competitive workload per job. For example, during the quarantine period, mass dismissals took place among HR managers, marketers, IT specialists (programmers, developers, system administrators), administrative staff, HoReCa employees (hospitality and restaurant business), sales specialists, etc. [19].

In Ukraine, the industries with the highest unemployment levels are wholesale and retail trade, motor vehicle and motorcycle repairing, agriculture, forestry, and fisheries. For example, in January-September 2021, the number of unemployed in the wholesale trade sector was 156.3 thousand people, while agriculture, forestry, and fisheries counted 135.9 thousand people as unemployed. During the same period, the processing industry had almost 122.9 thousand people who lost their jobs [6].

Table 1 summarizes the main causes of unemployment in Ukraine during the COVID-19 pandemic.

**Table 1**

<table>
<thead>
<tr>
<th>Causes of unemployment</th>
<th>Consequences of rising unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>- strict quarantine restrictions on doing business;</td>
<td>- lowering living standards, increasing social insecurity of citizens;</td>
</tr>
<tr>
<td>- imbalance of supply and demand in the domestic labor market;</td>
<td>- reduction of tax revenues, problems with filling the Pension Fund;</td>
</tr>
<tr>
<td>- inadequate level of wages in some industries;</td>
<td>- disparities in the development of different economic activity types;</td>
</tr>
<tr>
<td>- structural changes in the economy, including the ones caused by the lockdown</td>
<td>- increase in crime;</td>
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<tr>
<td></td>
<td>- exacerbation of employment problems of migrant workers who have returned to the country;</td>
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<tr>
<td></td>
<td>- negative impact on the demographic situation</td>
</tr>
</tbody>
</table>

The consequences of rising unemployment are harmful to the national economy (see Table 1). Every working citizen pays taxes to the state budget and the Pension Fund. Accordingly, if the number of unemployed people increases, so does the tax revenues to state funds. Therefore, there may be insufficient government funding for specific programs or projects, primarily social ones.

The analysis of the trends in revenues to Ukraine's state budget during the COVID-19 pandemic revealed that state budget incomes amounted to UAH 107 601 67.7 million in 2020, which was only UAH 77 737.8 million more than in 2019. In general, tax revenues were UAH 851 115.6 million or 79% in 2020, while UAH 799 776 million or 81% in 2019. Non-tax incomes amounted to UAH 212 946.9 million or 21% in 2020, and UAH 186 684.2 million or 18% in 2019 [4]. Thus, the revenues had increased, but only slightly, which might be partly
due to the inflation factor. In terms of incomes, the state budget was executed up to 98.2% in 2020.

As of September 1, 2021, budget revenues amounted to UAH 820,578.2 million, with a plan of UAH 1,084,064.3 million for 2021. However, in January-August 2021, there was a monthly shortfall in planned incomes, which amounted to UAH 246,635.5 million as of September 1, 2021 [4]. The resulting budget deficit is mainly due to the negative impact of unemployment and business problems under quarantine restrictions.

The mentioned deficit is evidenced by the analysis of the state budget revenues' structure. For example, as of September 1, 2021, the largest share of them was the value-added tax on imported goods (28%). Value-added tax on domestic goods and excise tax were 12% each, personal income tax amounted to 10%, and corporate income tax share was 13% [4]. Thus, the primary sources of filling the budget were the incomes of businesses and employees, which had decreased significantly during the COVID-19 pandemic.

Revenues of the Pension Fund of Ukraine decreased in 2020-2021 under the influence of rising unemployment. In January-August 2021, they amounted to UAH 330 billion, including UAH 213.8 billion from own accounts and UAH 116.2 billion from the state budget [11]. In connection with the spread of acute respiratory disease COVID-19 in Ukraine, amendments were made to the Law of Ukraine "On amendments to the Tax Code of Ukraine and other laws of Ukraine on social support of taxpayers for the period of restrictive anti-epidemic measures" from 04.12.2020 [12]. This law exempts individual entrepreneurs who have chosen the simplified taxation system and belong to the first group of single taxpayers from accrual and payment of the single social contribution. According to forecasts, it will decline the incomes of the Social Insurance Fund of Ukraine from the single social contribution by UAH 745.8 million in 2021 [8]. The Pension Fund will also suffer from losses since part of the single social contribution is paid to this institution [18].

The main source of income of the Social Insurance Fund of Ukraine is receipts of 9.5727% of the single social contribution. They aim to finance material support, including sick and maternity leaves, as well as paying insurance, medical and social benefits for more than 12 million insured persons and 200,000 injured at work and their families [8]. Thus, the deficit of the Social Insurance Fund of Ukraine will reduce social programs' funding and increase the social insecurity of Ukrainian citizens.

Unemployment rising under the COVID-19 pandemic is also affecting the demographic situation in the country. Every conscious citizen understands that starting a family requires a job where the work remuneration will satisfy the needs of a breadwinner and all family members. Accordingly, the higher the unemployment rate, the smaller the proportion of the population ready to start a family. As a result, the increase in unemployed people significantly worsens the demographic situation in the country [2]. For example, the number of newborns in Ukraine was 67,514 persons in the first quarter of 2021 and 70,490 persons in the same period of 2020. It means that the birth rate decreased by almost 3,000 people in the first quarter of 2021 [7]. Moreover, rising unemployment exacerbates the crime issues in the country, as people who have lost their jobs and have no means for living, but have a lot of free time, are more prone to committing offenses.

Every year more and more citizens go abroad in search of a better life since they have significant difficulties in finding a decent and well-paid job in Ukraine. Most often, their destination countries are neighboring states (Russia, Poland, the Czech Republic) and the Southern European countries (Italy, Portugal, Spain) [17]. For example, the number of labor
migrants was 3.5 million people in 2019 and about 3 million people in 2020. In 2021, the labor migration potential is estimated at 2.5-3 million persons [15].

Mainly due to the spread of the COVID-19 pandemic, 400-500 thousand migrants returned to Ukraine in 2020, adding problems with their employment in the homeland [15]. At the same time, in addition to the human capital loss, the negative consequence of the constant outflow of Ukrainian labor resources abroad is the lack of tax revenues for the state budget, which migrant workers could pay if they worked in Ukraine.

Another problem caused by the need to do business and provide employment under quarantine restrictions is structural economic transformations and changes in employers' qualification requirements. During 2020-2021, remote work, which needs specific digital skills, became very popular [10]. Since many employees lack digital knowledge or cannot learn these skills quickly, digital literacy has become one of the main requirements for getting or keeping a decent job. In addition, as mentioned above, the development of online trade, teleworking, logistics has led to increased demand for labor in these areas. In contrast, the hotel business, restaurants, air transport, travel and film industry, etc., have suffered huge losses. As a result, there has been a redistribution of jobs between different economic activities, with an increase in the number of workplaces in some of them and a decline in others.

**Conclusions and prospects of further research.** Unemployment is a nationwide problem, which is significantly exacerbated in 2020-2021 in Ukraine. Its solution requires urgent actions at all management levels since it affects the welfare of citizens and can prevent labor migration. If new jobs with decent wages are not created, in 10-15 years, Ukraine may become a country of retirees who will not have the means for living due to the outflow of most labor resources abroad. There will be no one to pay taxes and take care of the development of the nation. The COVID-19 pandemic clearly demonstrated it.

In our opinion, in the conditions of the general economic crisis caused by quarantine restrictions, the state's role in providing all interested persons with jobs increases. To this end, it is necessary to develop and implement national and regional programs to involve the unemployed in public works, as it was in the United States during the Great Depression. As for Ukraine, such workplaces can be created under the local infrastructure modernization, using the current "Large Construction" program of the President of Ukraine as an example [13]. It is advisable to expand the scope of this program at the local level, involving regional and local budgets in the reconstruction of obsolete fixed assets. Each community must develop its work plan and implement it by creating jobs, primarily for unemployed residents. In this way, people will get workplaces, contribute to the local development and improve community members’ living standards. Considering the relatively high level of shadowing of Ukraine's economy, the local programs should be transparent in using budget funds and increasing employment so that taxpayers can be sure that both society and they personally benefit from their work.

The comprehensive public support for business development, especially small entrepreneurship, is another direction of employment growth. Further simplification of business registration, reporting, taxation, communication with authorities in the digital environment will help reduce corruption, speed up and improve the quality of administrative services.

It is also necessary to increase the financial support of state job search agencies and stimulate the development of small and medium-sized businesses, remote employment by enshrining the legal rights of distant workers, provide state assistance to young entrepreneurs...
in developing their businesses. The ultimate goal of these incentives is to increase the number of entrepreneurs who create jobs for themselves and other people, do business in a real and virtual environment while the state supports their initiatives.

Further investigations concerning unemployment issues in Ukraine during the COVID-19 pandemic include adjusting the mechanisms of state and regional labor-management policy, developing and implementing multilevel plans to create decent jobs for the unemployed while meeting the needs of local economies.

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Проблеми безробіття в Україні в умовах пандемії COVID-19

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У статті досліджено проблеми безробіття в Україні, обумовлені впливом поточної пандемії COVID-19. Проаналізовано причини зростання безробіття в державі протягом 2020-2021 рр., до яких віднесено: суворо карантинні обмеження на ведення бізнесу; дисбаланс попиту і пропозиції на відкритому ринку праці; неадекватний рівень заробітної плати в окремих галузях; структурні зміни в економіці, т.ч. внаслідок локдаунів. Суккупний вплив зазначених факторів привів до зростання чисельності зареєстрованих безробітних у 1,5 раза під час першої хвили карантинних обмежень навесні 2020 року, тоді як у наступні хвили локдаунів 2020-2021 рр. масштаби безробіття у національній економіці знижилися. У цьому контексті обґрунтовано наслідки масового безробіття в Україні, серед яких використано: зниження життєвого рівня, підвищення соціальної незахищеності громадян; скорочення податкових надходжень, проблеми з наповненням Пенсійного фонду; диспропорції у розвитку різних видів економічної діяльності; зростання злочинності; загострення проблем працейштування трудових мігрантів, що повернулися в країну; негативний вплив на демографічну ситуацію. Поряд з цим, виявлено позитивні тенденції зростання зайнятості у таких галузях, як онлайн торгівля, цифрові банківські послуги, доставка продуктів додому, дистанційна робота. Натомість суттєве скорочення робочих місць відбулося серед НР-менеджерів, маркетологів, IT-спеціалістів, адміністративного персоналу, працівників готельно-ресторанного бізнесу тощо. На підставі проведенного аналізу сформовано шляхи виходу з поточної кризи на ринку праці України, які охоплюють створення нових робочих місць за багаторівневими програмами модернізації інфраструктури територій, підтримку малого та середнього бізнесу на місцях, розвиток дистанційної зайнятості, повернення трудових мігрантів на батьківщину тощо.

Ключові слова: пандемія COVID-19, зайнятість, трудові ресурси, Україна, безробіття.

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Figure 1; Table 1; References: 20

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