



# Youth employment policies in Ukraine

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- i. to advance the knowledge base that underpins the formulation and implementation of relevant policies in Europe with the aim of enhancing the employment of young people and improving the social situation of young people who face labour market insecurities, and
- ii. to engage with relevant communities, stakeholders and practitioners in the research with a view to supporting relevant policies in Europe. Contributions to a dialogue about these results can be made through the project website <http://www.except-project.eu/>, or by following us on twitter @except\_eu.

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## Table of contents

1.	NATIONAL LABOUR MARKET DEVELOPMENTS.....	4
1.1.	Brief description of the key labour market developments in Ukraine .....	4
1.2.	The key risk groups in the labour market .....	11
2.	LABOUR MARKET POLICIES .....	15
2.1.	Main trends regarding active and passive national labour market policies since 2001 .....	15
2.2.	Current policy formulation process.....	18
2.3.	Governance of public employment services .....	20
3.	YOUTH EMPLOYMENT POLICIES: A GENERAL OVERVIEW.....	22
4.	YOUTH EMPLOYMENT POLICIES: SELECTED INTERVENTIONS .....	24
4.1.	5% employment quota.....	24
4.2.	Compensation of social contribution payments.....	26
4.3.	Youth employment centres.....	28
4.4.	Youth labour brigades .....	29
4.5.	Professional training/vouchers for training .....	31
4.6.	Professional orientation services.....	32
4.7.	Portal of guidance and career development for youth <a href="http://mycareer.org.ua/">http://mycareer.org.ua/</a> .....	34
5.	DIFFUSION OF EU YOUTH EMPLOYMENT INITIATIVES .....	36
6.	CONSISTENCY OF THE POLICIES FOR YOUTH INCLUSION .....	36
6.1.	Youth employment policies and universal labour market policies.....	36
6.2.	Youth employment policies and educational policies.....	36
6.3.	Youth employment policies and other components of social policies .....	37
6.4.	Coordination and synergy to improve employment and social inclusion of young people .....	38
6.5.	Major changes, reforms or policy innovations planned aiming at quality of jobs for youth .....	39
7.	EFFECTIVENESS OF POLICY MEASURES.....	40
7.1.	Dominant causes of youth unemployment and social exclusion.....	40
7.2.	Involvement of the targeted youth .....	41
7.3.	Do existing policy interventions address the main causes for unemployment and social exclusion of young people? .....	42
8.	LESSONS LEARNED AND RECOMMENDATIONS FOR FURTHER ACTION.....	44
	REFERENCES .....	45



## 1. NATIONAL LABOUR MARKET DEVELOPMENTS

### 1.1. Brief description of the key labour market developments in Ukraine

*In Ukraine, the youth unemployment rate has been consistently higher than the general unemployment rate. The gap between the youth unemployment rate and the general unemployment rate has been rather stable over time. While official employment is rather secure, informal employment, which lacks any social and legal protection, is widespread. The issue of skills mismatch is very pressing – about half of the workers are employed in jobs which do not correspond either to their education field or their education level. The evidence suggests that youth is clearly a risk group in terms of risk of unemployment. Policy-makers recognize youth as a risk group. Development programs are adopted regularly, while the legislation mandates employers to provide some privileges for young workers. However, these programs and legislation are not always implemented.*

#### 1.1.1. Labour supply and remuneration trends

In Ukraine, the labour force participation rate since 2000 has been practically stable at around 63%, however in absolute numbers the economically active population shrank from 22.8 million in 2000 to 20.8 million in 2013, and further to 18.1 million in 2015, since Crimea and parts of Donetsk and Luhansk oblasts have been occupied.

The share of youth 15-24 in economically active population reduced from 12.8% in 2000 to 8.9% in 2015. At the same time, people aged 25-29 in 2000 comprised 12.7% of labour force, and in 2015 – 14.1%. These trends can be explained by the demographic situation<sup>1</sup>, on the one hand, and the growing supply of higher education services, on the other hand. Hence, a larger share of youth 15-24 goes into higher education rather than joining the labour market.<sup>2</sup>

The overall unemployment rate has not changed much – according to the available data (Figure 1), it was the highest – at 11.6% – in 2000, fell to 6.4% just before the 2008 economic crisis, then increased to 8.2% in 2008 and then further increased to 9.1% in 2015.

Youth unemployment has always been higher than the total unemployment rate, especially for young people aged 15-24 (Figure 1). Moreover, youth is reported to be more likely to work informally: according to the State Statistics Service, 36% of youth aged 15-24 were informally employed in 2015 compared to 26% in the general population (SSSU, 2016b).

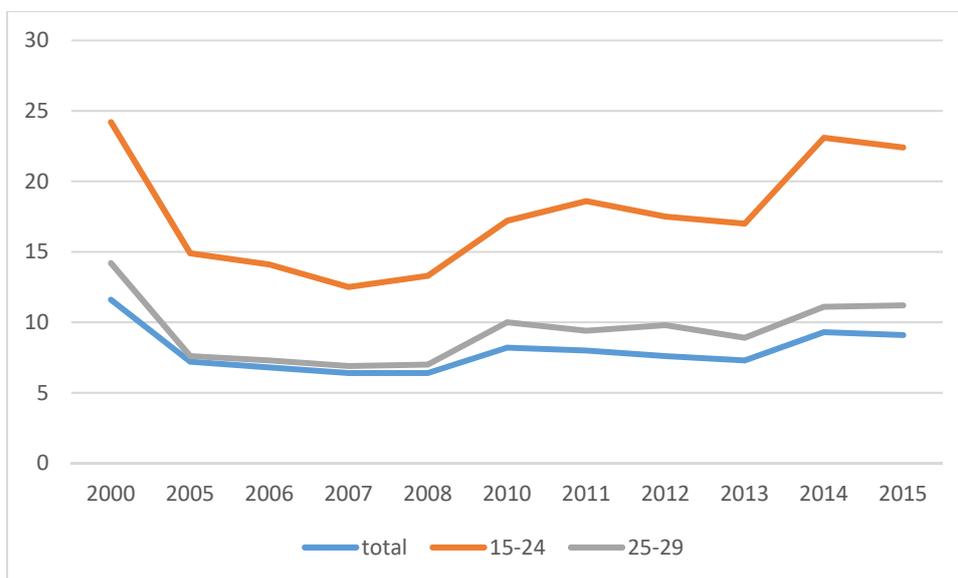
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<sup>1</sup> The birth rate started to fall since the beginning of 1990s and reached its lowest point in 2001

<sup>2</sup> At the beginning of 1990s, about 20% of high school graduates were admitted to universities while in 2016 this share reached 80%.



Figure 1. Unemployment rate, ILO methodology



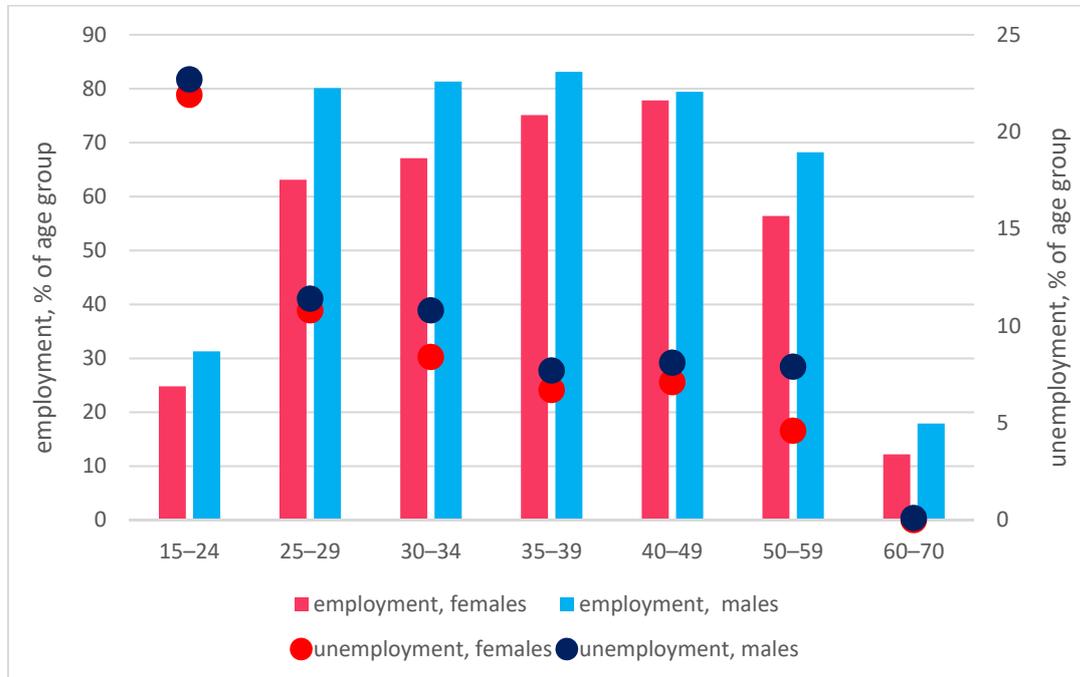
Source: State Statistics Service of Ukraine. ILO unemployment rate, by sex, age group and place of residence. Available at [http://www.ukrstat.gov.ua/operativ/operativ2006/rp/ean/ean\\_e/arh\\_rbrn\\_e.htm](http://www.ukrstat.gov.ua/operativ/operativ2006/rp/ean/ean_e/arh_rbrn_e.htm)

The registered unemployment has always been much lower than the one calculated according to the ILO methodology – it was about 50% of actual unemployment during 2000s, reaching its maximum of 59% in 2008, and since 2010 registered unemployment has been about 30% of the one based on the ILO methodology. This can be attributed to two factors: (i) the development of new technologies that provide considerably more opportunities for independent job search, and (ii) to strong preferences for “traditional” job search (via informal connections – friends and relatives). Partly, the preference for informal job search stems from low trust into government institutions, including the State Employment Service.

The employment rate among women is lower than that among men for all age cohorts but the highest difference is observed for ages 25-34 – at this age more women exit labour force to take care of children. In 2014, the average age of women at first marriage and at birth of first child was 24.9 years in Ukraine (United Nations 2017).



Figure 2. Employment and unemployment rates by age groups and gender



Source: State Statistics Service of Ukraine (SSSU 2016b)

The unemployment in the Ukrainian economy seems low compared to other countries, and the current unemployment level is lower than could be expected given the severity of the economic crisis<sup>3</sup>. This can be explained by two factors. The first one is methodological – people having no other job besides subsistence farming on their land plots are considered employed (and there are quite many of them in rural areas). The second is the legacy of the planned economy with full employment (Libanova et al, 2014). In case of economic hardship, many enterprises prefer to send a worker to an unpaid leave or to go into wage arrears<sup>4</sup> rather than to lay off redundant staff. If people are employed officially, procedure for their firing is rather complicated.

Some pressure on the national labour market (especially in the selected regions) is reduced by the outward labour migration (Vakhitova and Coupe, 2013). According to

<sup>3</sup> Real GDP dropped by 15.1% in 2009. Over 2010-2013, economy gained overall 10.0%, but then lost 6.6% in 2014 and 9.8% in 2015 due to annexation of Crimea and military conflict in eastern Ukraine (State Statics Service of Ukraine. 2017. Gross domestic product. Available at [http://www.ukrstat.gov.ua/operativ/operativ2005/vvp/vvp\\_ric/vvp\\_e.htm](http://www.ukrstat.gov.ua/operativ/operativ2005/vvp/vvp_ric/vvp_e.htm)).

<sup>4</sup> Thus, at the end of 2013 wage arrears constituted UAH 0.95 billion (EUR 0.09 billion), then they jumped to UAH 2.4 billion (EUR 0.12 billion) at the end of 2014. As of end2016 wage arrears reduced slightly to UAH 2.00 billion (the figure in EUR reduced more markedly to EUR 0.07 billion due to exchange rate changes). State Statics Service of Ukraine. 2017. Dynamics of wage arrears. Available at [http://www.ukrstat.gov.ua/operativ/operativ2015/gdn/prc\\_rik/prc\\_rik\\_e/dsz\\_e\\_U.html](http://www.ukrstat.gov.ua/operativ/operativ2015/gdn/prc_rik/prc_rik_e/dsz_e_U.html)

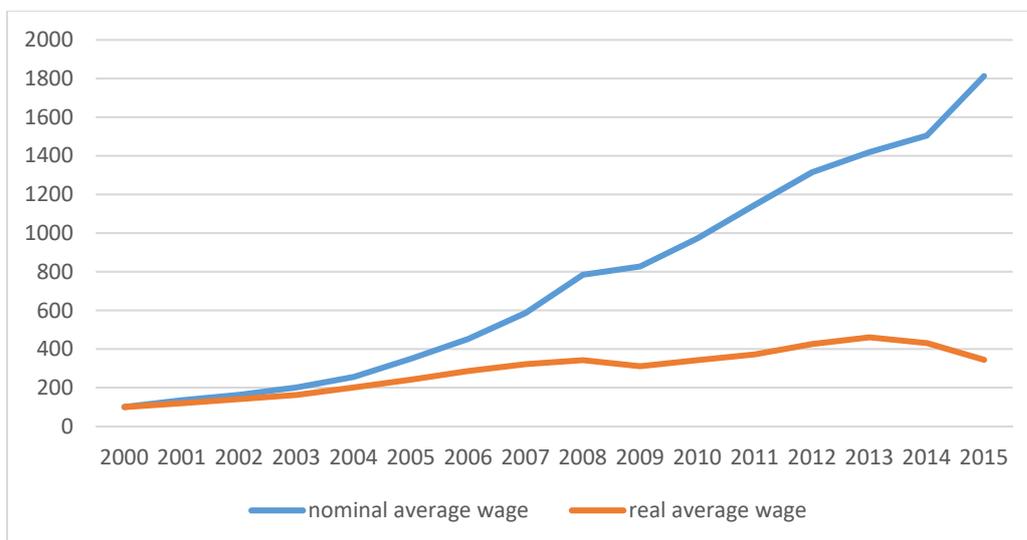


the existing surveys, some 1.2-1.5 million of Ukrainians work abroad<sup>5</sup> at a given moment in time; 11% of labour migrants are aged 15-24, and another 15.8% are aged 25-29.

While the nominal wage has increased almost 18 times over the period, the real wage growth has been slightly over 3 times within the last 15 years with two periods of decline in 2008-2009 and since 2013 onwards. These numbers, however, should be taken with caution since in Ukraine the undeclared income (wages paid “in envelopes”) may equal the declared income or even exceed it. About a third of workers receive their salary partly or completely ‘in envelopes’ (Kirchner et al. 2017).

The poverty measures show that in-work poverty is rather high (almost 30% of households with three working members can be considered poor), and it increased in 2015 compared to 2009 (Figure 4).

**Figure 3. Wage index, 2000=100**

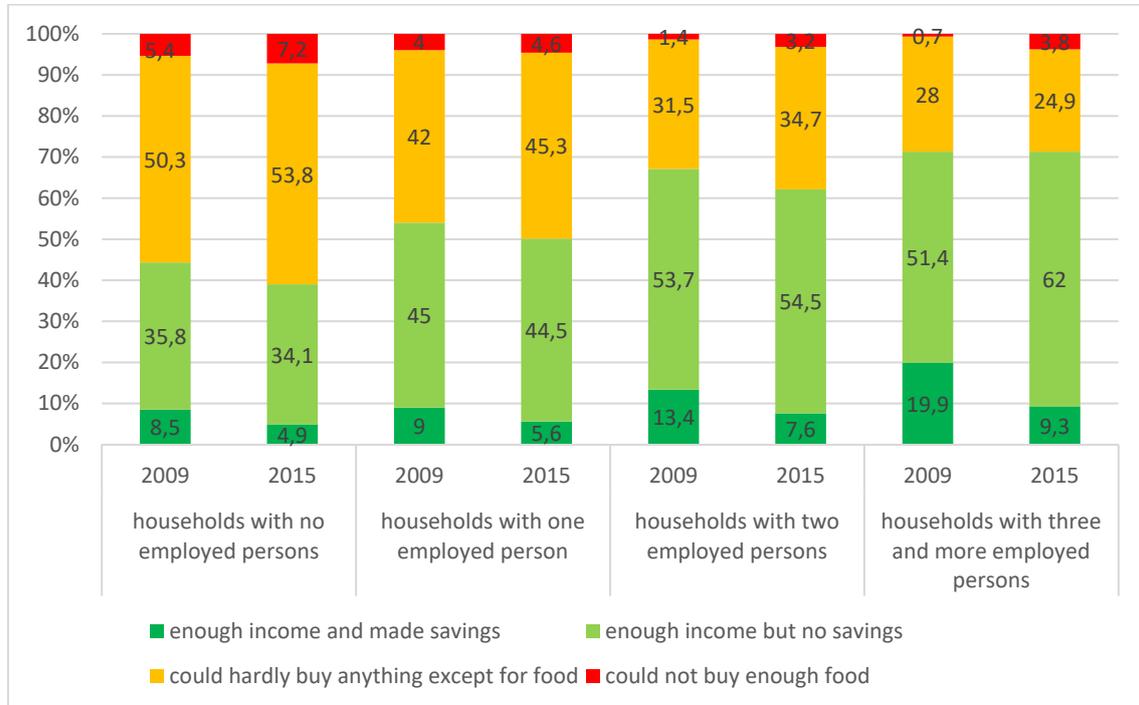


Source: Author's calculations based on State Statistics Service data

<sup>5</sup> Estimates of 2012 labour migration survey performed by the Institute of Demography in cooperation with ILO (ILO, 2013)



**Figure 4. Self-assessment by households of their financial situation, % of households**



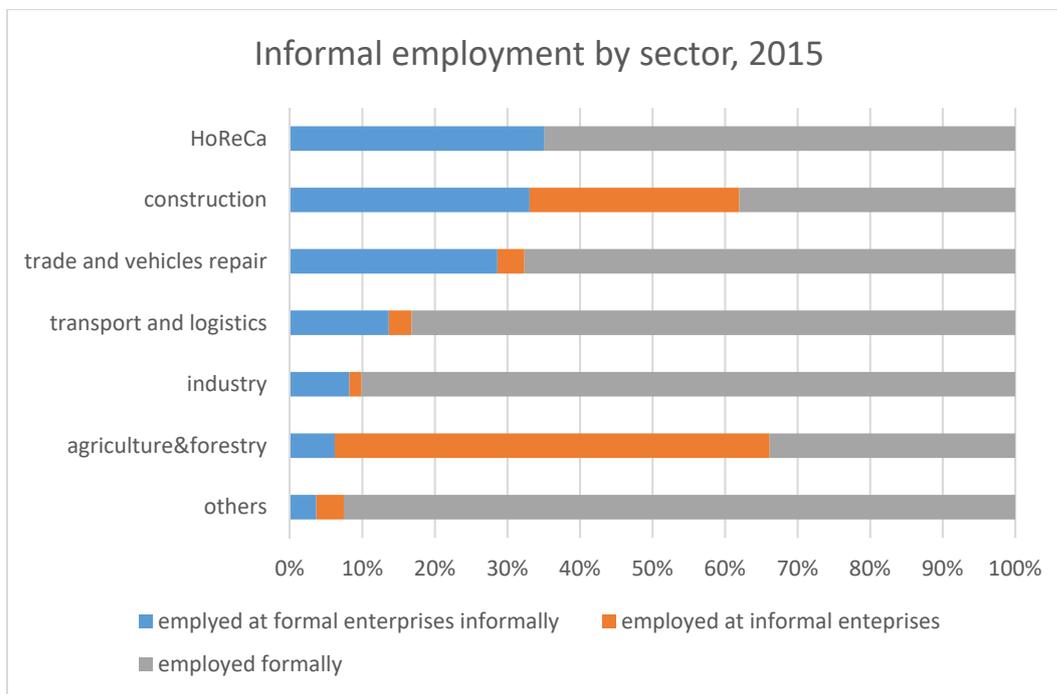
Data source: State Statics Service of Ukraine (SSSU 2010-2016)

### 1.1.2. Current level of labour market security / insecurity

On the one hand, the employment legislation in Ukraine is very protective. It is rather complicated to fire a worker who is officially employed. For example, an officially employed person cannot be fired while on sick leave or vacation; if an owner wants to fire a worker for absenteeism, being drunk or loaded, the labour union has to approve this dismissal; a worker has to be warned two months in advance of layoff etc. There is quite generous provisions for maternity leave (up to three years with preservation of the workplace with an opportunity to extend to 6 years) which discourages employers from hiring young women. As a result, government-owned firms and organizations, large companies and companies with foreign capital, which tend to hire workers officially, face a very rigid labour regulation.



**Figure 5. Informal employment by sector, share of employees**

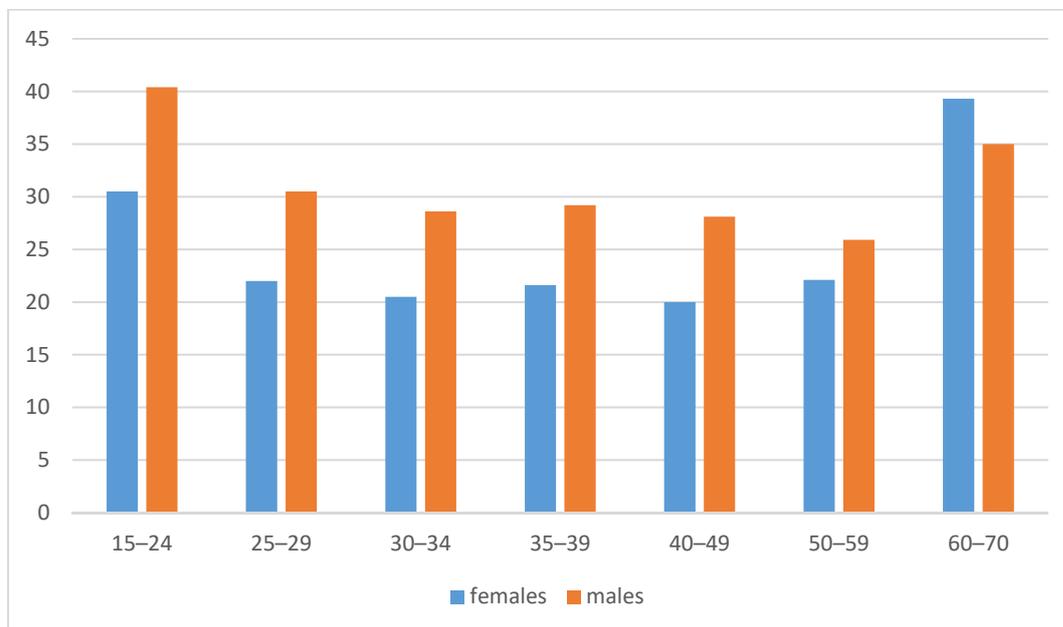


*Source:* State statistics service of Ukraine. Labour Force Survey in 2015 (SSSU 2016a)

On the other hand, smaller private firms often offer unofficial employment or employment with temporary contracts to preserve flexibility and avoid high tax burden since benefits outweigh the risk of fines and there is no protection in courts either. In this parallel informal labour market, many jobs are not secure and one can be fired any moment. This situation has not changed during the last two decades - a new version of the Labour Code has been adopted in 2017. Informal employment is the most common in agriculture, construction and consumer services (Figure 5), i.e. industries that need high flexibility of employment, and is more likely for people without higher education. It is very common for students to work informally during their studies (Figure 6).



**Figure 6. Share of informal employment, percent of employed population of respective age group**



Source: State Statics Service of Ukraine (SSSU 2016b)

Minimal wage has been used as a political instrument (e.g. a common electoral promise was to raise minimal wage to the subsistence level) rather than an economic policy tool. One example is doubling of minimal wage since January 1<sup>st</sup> 2017 – a decision that came out with no economic justification and was controversially perceived by business. Although at the end of 2015 over 6 million of workers (or 37.5%) have officially been considered union members, these organizations are rather formal and do not play the role they play in other countries.

### 1.1.3. Mismatch of qualifications

A number of recent studies (Del Caprio et al, 2017; Kupets, 2016; Elder et al, 2015) demonstrate that the issue of skills mismatch is very pressing – both for older workers and for youth. About half of the workers are employed in jobs which do not correspond either to their education field or their education level. The causes of this mismatch are both the structure of the economy with the prevalence of low-skilled workplaces and the educational system with excessive number of higher educational institutions providing low quality education. Educational institutions are usually reluctant to cooperate with businesses, let alone adjust their teaching programs to modern labour market demands. The reason for that is the absence of economic incentives – the university earnings depends much more on the number of students than on their future employment.

Due to the widespread corruption in higher education sector, which remains rather stable across the years, employers do not know the value of an applicant's diploma.



Therefore, employers would rather look at the work experience or personal recommendations than the formal qualifications. Only 34% of the applicants were asked about their university diploma during the interview, while 29% did not need to submit their education documents even after they were hired (HH, 2016).

In their turn, students select educational institutions without thorough consideration of available options and future job prospects associated with them. Zheriobkina et al. (2016) show that only 28% of students select the university because they think they will have better job prospects after the graduation, while 22% just follow the advice of their friends or relatives, and 17% selected a higher educational institution because it was close to their home or their friends studied there. Only 15% of the students considered the quality of education while selecting an institution to study at.

Nevertheless, higher education does provide some labour market advantage – both the rate of unemployment and the incidence of informal employment are lower for people with higher education. Thus, in 2015, among those in informal employment 34% had secondary education, 33% - technical education, while among formally employed people 62% have higher education (SSSU, 2016b).

The need to link education to labour market requirements is recognized at the state level. The law “On employment of population” includes provisions which aim at encouraging employers to offer internships to students. Moreover, the majority of higher educational institutions include a few months’ internship as a requirement for obtaining their degree. However, very often this requirement is fulfilled only formally.

The new law on higher education adopted in mid-2014 aims at stimulating competition among higher educational institutions. Since 2016, public funds are allocated to higher educational institutions proportionately to the number of applicants with high grades for external testing, while previously the availability of public funding was negotiated between rectors, Ministry of Education and Science and other ministries, and distorted students’ choice of an institution.

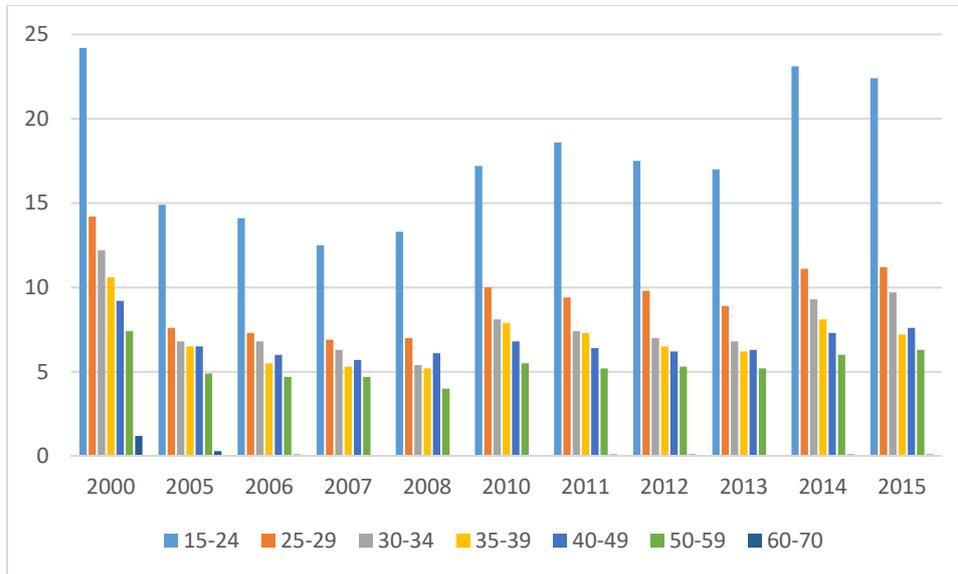
## 1.2. The key risk groups in the labour market

### 1.2.1. General statistics and legal framework

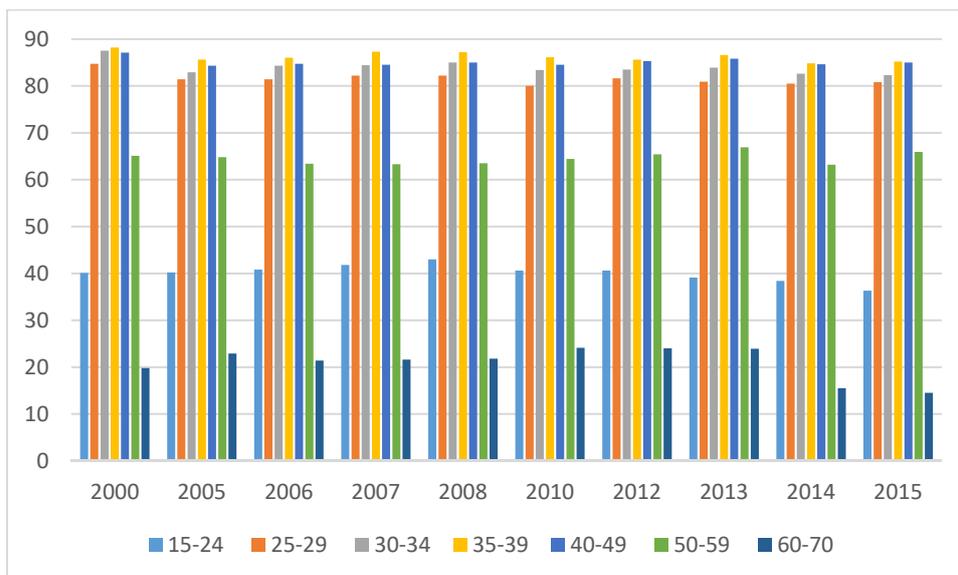
According to labour market statistics (ILO methodology), young people under 25 have both highest unemployment and lowest economic activity levels (upper and lower panels of **Figure 7**). This holds in every single year observed. The situation has improved considerably by year 2007, but since 2008 the overall trend in unemployment for this group has been upward.



Figure 7. Unemployment rate by age group, % of active labour force



Labour force participation rate by age group, % of population 15-70



Source: State statistics service of Ukraine. (SSSU 2016a)

Young people of 25-29 have very high economic activity rate – about 80%. Yet they have the second largest unemployment rate among age groups in every single year. This may reflect the period of transition from studies to the job market. Besides, as noted above, young people are more likely to work informally, which may be combined with the status of registered unemployed.

Another vulnerable category is people above 50. They tend to be [formally] overqualified to even greater extent than the youth since their skills obtained some



20-30 years ago are now obsolete. Moreover, unlike young people they cannot expect to move to a higher-qualification position with time (Kupets, 2016).

From policy perspective, risk groups are defined by the law “On employment of population”. The list includes:

- A person has a child under 6
- A person is single and has a child under 14
- A person who supports a disabled person
- A person is a child older than 15 (upon agreement of his/her parents or caregivers)
- A person who has been released from prison or rehab
- A person is a fresh graduate and this is his/her first workplace
- A person has less than 10 years until he/she reaches the pension age
- Disabled people who do not yet have the right for disability pension
- Participants of the “anti-terrorist operation” (ATO) in the East of Ukraine

The Law states that at the enterprises with more than 20 employees, 5% of employees should be from the abovementioned categories (employers report on this annually to the Ministry of Social Policy and receive salary compensation for each such worker). Otherwise a firm pays a fine of 50% to 100% of its annual salary to the Social security fund. In addition, 4% of workplaces (or 1 workplace if total employment at a firm is 8-25 people) should be provided to people with disabilities.

The above list of officially recognised vulnerable categories has been stable for the last 20 years; only in 2014 two other categories were added to this list – internally displaced people (IDPs) and people in the army service, due to the military conflict.

The law "On employment of population" also states that the unemployed people from one of the following categories can receive a voucher for training:

- Those older than 45 years until the pension age (they must have at least 15 years of work experience);
- Those disabled as a result of the ATO until they reach the age to be eligible for disability pension;
- IDPs if they don't have a suitable job

It has to be mentioned that about 75-78% of Social Insurance Fund is spent on unemployment benefits, so very little is left for proactive labour market policies.

The national employment policies focus on individual deficits – they foresee certain privileges for the most vulnerable groups and provide regular services for everyone – such as unemployment benefits, professional orientation and training, assistance in job search. The employment policies addressing structural deficits include labour market deregulation and education reform that are still far from being fully implemented due to substantial political resistance.



### 1.2.2. Public perception of youth as a risk group

The evidence suggests that youth is clearly a risk group in terms of risk of unemployment. The gap between the youth unemployment rate and the general unemployment rate has been rather stable over time (see Figure 1). In principle, policy-makers recognize youth as a risk group. Thus, there is a special Ministry for Youth and Sports, the five-year youth development programs are adopted regularly. The legislation mandates employers to provide some privileges for young workers etc. However, these programs and legislation are not always implemented.

The state recognizes young people as a risk group and constantly stress that youth is important for the country development. Several laws foresee policies to support youth employment, as well as subsidized housing and provision of social services. The earliest law “On facilitation of social Formation and Development of Youth in Ukraine”(VRU 1993) was adopted in 1993. It declares the guarantee to the first workplace, and since 2003 it includes the norm on the creation of youth job centres, and since 2012 – job quotas for young people. It also states that the local government can develop youth entrepreneurship, e.g. create business-incubators. As discussed above, the law “On employment of population” also foresees some privileges for employment of youth. Since 2005, the state adopts five-year programs of youth development. In 2016, the third such program was adopted. The programs foresee the development of the civil activity of young people as well as some employment-enhancing measures. Tools proposed by these programs include seminars, trainings, conferences etc.

We found no surveys asking about perceptions of young people by the society.



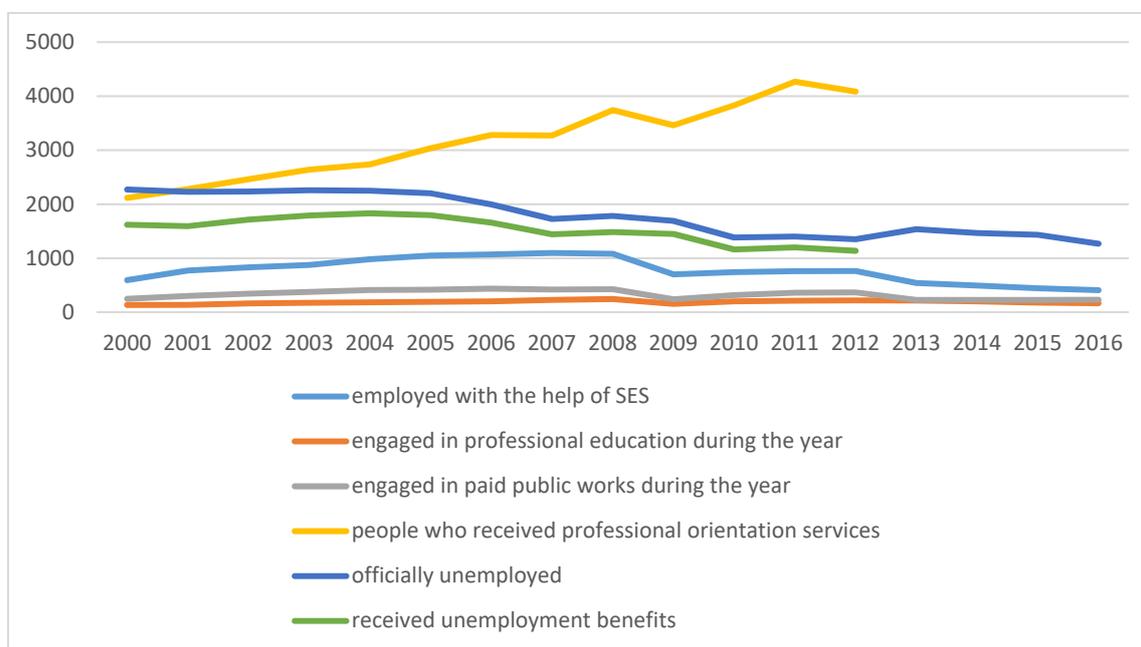
## 2. LABOUR MARKET POLICIES

*In their essence, active and passive labour market policies remain the same – payment of unemployment benefits, providing professional orientation services, providing help in job search and professional training. The instruments used for policy provision change a bit – e.g. now employment services and youth employment centres use social networks to distribute their information and offer young people to make video resumes. Other instruments remain the same – e.g. vacancy fairs, lectures on job search at schools and universities etc. The main policy innovations were introduction of schemes when an employer can get a Single Social Tax refund if he/she employs a young person to her first workplace, and a 5% employment quota for vulnerable categories, including youth (both introduced in 2003).*

### 2.1. Main trends regarding active and passive national labour market policies since 2001

Ukrainian labour market policies have remained practically unchanged during the last 20 years. The main policy is the provision of unemployment benefits and intermediary services (professional orientation and job search) by the State Employment Service. The relevant statistics on the issue is presented in the Figure 8.

**Figure 8. Beneficiaries of state employment service, thousand people**



Source: State Employment Service statistical information <sup>6</sup>. Available at [http://www.dcz.gov.ua/control/uk/statdatacatalog/list/category?cat\\_id=30543](http://www.dcz.gov.ua/control/uk/statdatacatalog/list/category?cat_id=30543)

<sup>6</sup> Figure 8 is based on several publications: State Employment Service. Dynamics of the main indicators of the provision of social services to unemployed in 1991-2012. Accessed online at <http://www.dcz.gov.ua/statdatacatalog/document?id=350880> on March 31, 2017; State



1) **Provision of unemployment benefits.** Unemployment benefits are paid via the State Unemployment Insurance Fund (SUIF). Every employer contributes 1.6% of the wage bill, while another 0.6% of wage is paid by the employees which constitutes part of the single social contribution.<sup>7</sup> These payments amount to about 70% of the Fund revenues, with the rest covered by the State budget. Overall the SUIF budget had reduced from about 0.55% of GDP in 2006 to 0.43% of GDP in 2016 – because of the economic slowdown. In recent years, over 80% of the Fund expenses have been spent on unemployment benefits; about 3-4% channeled to professional training, and near 1% - spent on paid public works.

The Unemployment benefit is paid for no more than a year (two years for workers nearing the pension age), and monthly payment equals 50-70% of the previous salary, depending on the work experience and the reason for dismissal. The Unemployment benefit can be paid as a lump-sum rather than monthly if a person is willing to open a small business. According to the report of the State Employment Service (2017b) report, 1.7 thousand of young people received this lump-sum unemployment benefit during the 9 months of 2016 compared to 7.1 thousand for the same period of 2015. These are very small numbers given about 260 thousand young people employed with the help of State Employment Service over the same period. It worthwhile mentioning that the entrepreneurial spirit is quite low among Ukrainian youth – 29% of young people do not want to open own business while 38% would like to do that but cannot because of difficult circumstances. Only 4% have own business, and 11% wanted to open it in the nearest future (Youth of Ukraine – 2015, 2015).

2) **Job search services.** The State Employment Service provides matching/job search services for both unemployed and employed people. If an unemployed person rejects the second job or training offer from the State Employment Service, this person loses the right for unemployment benefits. In addition, an unemployed person receiving benefits has to visit the State Employment Service office at least once a month – e.g. to attend a professional orientation seminar, a seminar on compiling a resume etc. However, the application to the State Employment Service is viewed by young people as not very attractive since the State Employment Service offers low-paid employment (indeed, in the first quarter of 2017 the average wage offered among the State Employment Service vacancies was UAH 4.1 thousand compared to the UAH 6.3 thousand average across all vacancies) (State Employment Service 2017a). Thus, the registration with the State Employment Service can be viewed as a kind of stigma by young people. In their turn, employers might be unwilling to provide vacancies to the State Employment Service if they believe that only such desperate people would register with it.

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Employment Service. 2013-2016. Monthly information. Accessed online at [http://www.dcz.gov.ua/control/uk/statdatacatalog/list/category?cat\\_id=30543](http://www.dcz.gov.ua/control/uk/statdatacatalog/list/category?cat_id=30543) on March 31, 2017;

<sup>7</sup> Since 2011, these payments enter Single Social Contribution and are distributed to relevant funds by the Treasury.



3) Besides, the State Employment Service provides **professional orientation services**, and the number of people who used this service has varied – it increased from about 3 million in 2005 to over 4 million in 2012. To the contrast, for the first 6 months of both 2015 and 2016 their number was near 500 thousand, which suggests a sharp drop in provision of such services during the last two years. The scale of professional orientation services is so large because they are rather cheap<sup>8</sup> and provided in the school settings – these are lectures/seminars on the current state of the labour market by the State Employment Service, and sometimes they can offer psychological tests.

4) Since the end of 1990s another policy instrument has been the subsidized employment. In 2013 it had been replaced by the **compensation of social contribution** to employers who employ vulnerable categories of population (see section 1.2.1). However, the scale of this compensation program has been quite small – in 2015 the expenses for this program were UAH 94 million (EUR 4 million) or 1.1% of the total Unemployment Insurance Fund expenses, in 2016 the expenses planned for this program were UAH 63.5 million (EUR 2.4 million) or 0.7% of the Fund total expenses.<sup>9</sup> During the first half of 2016, 2487 people were employed via this program, of them only 77 were young people that graduated from studies, compared to 1315 of those who have less than 10 years left until the pension age.

5) The law "**On Social Protection of Disabled People**"(VRU 1991) foresees an employment quota for this group (see section 1.2.1). Enterprises may create subsidized workplaces for disabled people, and subsidies may come both from local authorities and the Fund for Social Protection of Disabled People.

6) **Professional training** at the State Employment Service training centres or at the professional education institutions designated by the State Employment Service. In 2015 179 thousand people received these services with the budget of UAH 238 million (equivalent to EUR 9.8 million or 3.5% of SUIF expenses). In 2016 the planned financing was slightly lower – UAH 228 million (equivalent to EUR 8.7 million as of start of 2016, 3.2% of SUIF expenses).

7) **Vouchers for professional training.** Unemployed people of the following categories can receive one voucher for professional training:

- Those between 45 and the pension age<sup>10</sup> who have at least 15 years of work experience;

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<sup>8</sup> SUIF spends about 0.55% of the budget on information and professional orientation services.

<sup>9</sup> Assuming an employer pays to a person employed under this program 2xminimal salary (the minimal amount allowed by the law), the provided sum is enough to cover employment of 6.5 thousand people in 2015 and 8.3 thousand people in 2016.

<sup>10</sup> Currently 58 years for women (will reach 60 in 4 years) and 60 years for men. However, the plans are to increase pension age to at least 62 to improve the financial stance of the pension system.



- Those disabled as a result of the ATO until they reach the age to be eligible for disability pension;
- IDPs if they don't have a suitable job.

The sum of the voucher cannot exceed 10 subsistence levels<sup>11</sup> and is paid if the SUIF has the money. In 2015 and 2016 expenses on this program have been very small – 0.3% and 0.2% of SUIF expenses respectively.

8) A specific policy aimed at young people is the youth labour brigades (Kupets, 2016). After the collapse of the Soviet Union, they resumed their work in 2002. A decree on a typical labour brigade was approved by the Cabinet of Ministers in 2006 (CMU 2006). According to the Ministry of Youth and Sports,<sup>12</sup> during the first half of 2014, 873 youth labour brigades were created, and 17397 of people took part in them. These labour brigades provide temporary employment for students in their free time. Usually the students' brigades work on some seasonal jobs in construction, agriculture, or perform certain services, such as cleaning. The idea of the labour brigades is derived from the Soviet times when being part of a labour brigade was the only legal opportunity for a student to earn some money in addition to his/her stipend.

9) Youth employment centres provide job search, professional orientation and training services for youth. They are subordinate to local governments but cooperate with the Ministry of Youth and Sports, while the State Employment Service is subordinate to the Ministry of Social Policy. As mentioned above, very small share of young people know about the existence of these centres or use their services.

About 35% of the unemployed youth is registered with the State Employment Service.<sup>13</sup> The State Employment Service (2017) reports that during the first 10 months of 2016 it helped to find a job to over 250 thousand people under the age of 35, while further 63 thousand people took part in public works and 682 thousand received professional orientation services. We could not find an evaluation of the effectiveness of this service. However, since the rate of economic activity and employment remains rather stable for youth aged 25-29 and declines for youth aged 15-24, we can suggest that these policies are not very efficient (or at least that they are neutral to the economic cycle since the youth unemployment moves together with general unemployment level).

## 2.2. Current policy formulation process

In Ukraine, there are three sources of the legislative initiative – the Cabinet of Ministers, the Verkhovna Rada (Parliament) and the President. The Cabinet of Ministers is responsible for drafting and adopting policies that do not need legislative changes (state programs), and for policy implementation. For example, the law "On

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<sup>11</sup> As of beginning of 2017, average subsistence level was UAH 1544, equivalent to EUR 54 (VRU 2016b)

<sup>12</sup> Ministry of Youth and Sports. 2014. Youth labour brigades. Accessed online at <http://dsmsu.gov.ua/index/ua/material/15235> on March 30, 2017.

<sup>13</sup> Note that only about a third of unemployed people is registered with SES.



Promotion of Social Development of Youth in Ukraine"(VRU 1993), stipulates the adoption of five-year state programs of youth development.

Since 2004, three of such programs were adopted by the Cabinet of Ministers but only the last one, for 2016-2020 (CMU 2015b) has a detailed action plan of its implementation (CMU 2016a). On average it will require UAH 100 million (about \$4 million) per year.

In Ukraine the adoption of a state program does not automatically imply its implementation because usually the actual funding provided is lower than that required by a program. And some programs, lacking detailed implementation plans, stay on paper altogether.

Within the government, several ministries in Ukraine are responsible for youth-related policies. The Ministry of Youth and Sports is responsible for the formulation and implementation of youth relevant policies. This Ministry receives about 2% of state budget expenses, and spends only about 1% of these funds on implementation of youth-related policies. The Ministry of Social Policy and the Ministry of Education and Science are jointly responsible for orphanages and boarding schools for children with special needs (under 18). In addition, the Ministry of Social Policy is responsible for all employment-related policies. The Ministry of Regional Development deals with the program of cheap housing loans for youth. The Ministry of Finance has the final say in all the state policies since it defines how much money will each ministry, state agency or state program receive.

The cooperation between these ministries is rather weak (Krzaklewska and Williamson, 2013) - and the communication between government bodies in Ukraine remains an issue. The reasons for poor cooperation within the government are both human factors (ministry employees are low-paid, overwhelmed with current issues and implementation of various instructions) and technical factors (several ministries still do not have electronic document circulation).

At the beginning of 1990s, social services for youth were created at each large administrative unit (oblast), small administrative units (rural raions or large municipalities). These services, although financed from the local budgets, are usually responsible for the implementation of youth-related state-level programs. They work with vulnerable families and with disadvantaged youth, such as drug addicts or homeless. Since 2014 they are providing psychological and legal services to the ATO veterans and IDPs. They also can be called pioneers of volunteer movement in Ukraine because they attract volunteers - high-school and university students - to their activities.

According to the law, the NGOs can receive state funding for implementation of measures within the government youth programs but they have not received this funding since 2011.



### 2.3. Governance of public employment services

The State Employment Service is a centralized public network that includes today centers throughout the country directed and coordinated by the Ministry of Social Policy of Ukraine. The Service was established in 1990 by the Decree of the Cabinet of Ministers of the Ukrainian SSR by reorganizing the existing Soviet employment service. Customers can apply to any employment center and receive the same employment-related social services free of charge, including access to a unified database of vacancies and training opportunities throughout the country. This allows job-seekers to expand the job search not only within their locality or region but the entire state.

The operation of the State Employment Service has been rather stable over time – registered unemployment in Ukraine is about a third of the actual unemployment suggesting that those who register do so for the sake of receiving benefits, while the majority of people use the non-government employment services or look for a job on their own.

Since 2001, local governments can create youth employment centres (CMU 2001) which should be self-sustainable enterprises. According to the Ministry of Youth and Sports,<sup>14</sup> as of August 2015 there were 16 youth employment centres in oblast cities and one in Kyiv.<sup>15</sup> They provide similar services as the State Employment Service – professional orientation, assistance in job search, employment fairs etc, so their efficiency and the need for their existence remains questionable.

The State Employment Service publishes a lot of statistics related to registered unemployment and the services it provides. However, the labour market policies are not formally evaluated, neither is their efficiency assessed.

Kupets (2016) provides an overview of other authors' external assessment of youth policies in Ukraine and concludes that, although Ukrainian legislation foresees a lot of labour market policy measures, those measures mostly remain on paper due to poor financing and implementation. Talking specifically of youth policies, she concludes that those lack targeting – since Ukraine has one of the widest definitions of youth in Europe (14-35), youth policies target very different people with different needs and expectations. This wide coverage results in inefficiency.

Lack of efficiency estimates is a common drawback of all state-level programs in Ukraine. As an example, the KPIs of the targeted program "Youth of Ukraine" for 2016-2020 include the number of people attending certain events (seminars, round tables etc) or the number of local government organizations working with youth but no outcome measures such as, for example, smoking or other addiction rates among young people.

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<sup>14</sup> Ministry of Youth and Sports. 2015. Information on the activities and contacts of youth employment centers in Ukraine. (in Ukrainian) Accessed online at <http://dsmsu.gov.ua/index/ua/material/17345> on March 30, 2017

<sup>15</sup> See Kupets (2016) for more details.



There is no requirement in the legislation to conduct evaluations or impact assessments of labour market policies.

There are periodical surveys of youth aimed at finding out youth values and attitudes to certain issues. Among other, young people are asked about their experience with the employment service and/or youth centres. Mainly, they do not want to apply to the State Employment Service since they offer low-paid vacancies, and the majority do not know about the youth employment centres. Local governments sometimes also conduct youth surveys with the purpose of development of youth centres in their regions. We are not aware of any other instances of active involvement of youth into improvement of employment services.



### 3. YOUTH EMPLOYMENT POLICIES: A GENERAL OVERVIEW

The Law on Employment (VRU 2010) defines categories of population that are less competitive on the labour market. Youth is among those "vulnerable categories". However, youth is not the only "vulnerable category". Additional measures aimed at increasing employability of "vulnerable categories" include 5% employment quota and compensation of Single Social Contribution to an employer.

Table below presents the number of people of "vulnerable" categories who were registered with the State Employment Service and found a job through it in 2015. The table shows that the employability rate of the "vulnerable" categories is lower than the average, except for people that have less than 10 years until retirement (the least "vulnerable" category among those listed).

**Table 1. State Employment Service services to vulnerable categories, 2015**

	Number of registered unemployed	# of people who found a job	Share of people who found a job, %
Total	1 435 193	444 693	31,0
of them having additional employment guarantees	419 328	116 323	27,7
of them:	--	--	--
parents of children under 6	71 969	11 929	16,6
single parents of children under 14 or disabled children	11 225	2 242	20,0
orphans or deprived of parental care	7	2	28,6
persons released from prisons or rehab	1 675	292	17,4
high school graduates or dropouts	311	52	16,7
university or professional colleges graduates or dropouts	17 660	4 199	23,8
Young people demobilized from military service who were never employed before	936	230	24,6
people having less than 10 years until retirement age	292 099	90 143	30,9
people aged 15, as an exception	0	0	--
special needs people which have not reached the eligibility age for disability pension	46 105	11 912	25,8

Source: State Employment Service data for 2015.



Pretty much all the vulnerable youth groups are covered by the legislation. Youth currently in jails or rehabs usually receive some professional training and/or do some blue-collar job in those institutions. However, the coverage of youth by the LMPs is rather wide and non-specific, and the services provided to young people are the same as offered for other age categories – professional orientation, training, assistance in job search, public works. There are no specialized labour-market policies for vulnerable youth. Besides, existing policies are not adequately funded.

The dominant type of policy measures is passive labour market policy and the simple provision of unemployment benefits. The Unemployment Insurance Fund budgets for some expenses on the prevention of unemployment but these measures are not implemented every year, and when they are they usually constitute just 0.1% of the Fund's total expenses. The professional orientation services in principle can be viewed as a preventive measure, as well as the "matching" services (providing suitable vacancies). These two services are provided to both the unemployed and the employed, and in the latter case they can be considered preventative.

Regarding the ALMPs, they lack a clear target, are very wide and can be provided to any person. Two main ALMP measures are public works and trainings. According to evaluation (Mikhed, 2007) public works do not increase employability, while trainings have positive short-term effect. Other measures include professional orientation and job search services. The State Employment Service reports show that the professional orientation services reach to the largest number of people. If an unemployed person wants to open own business, the State Employment Service offers information support and various seminars<sup>16</sup>.

The „Youth of Ukraine -2015“ (2015) survey shows that 50% of youth have not heard about any state policies related to youth, and only 10% mention some employment policy. Of the 40 young people interviewed within the framework of EXCEPT project none knew about any proactive labour market policy. Almost all of them were aware of the State Employment Service but only 12 were actively using its services. Two of them were receiving subsidies as single mothers with insufficient income.

There is also a number of private initiatives. For example, some companies contact universities and take students for internships; other companies organize training centers (not only for their staff but for others' employees as well). Some universities organize "vacancy fairs" for their students. As a rule, though, young people look for opportunities on their own or use help of their social networks (friends and relatives). The State Employment Service provides training for youth but as a rule this is not very advanced training.

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<sup>16</sup> In this case, a person can receive the unemployment benefits as a lump sum payment to form a starting capital. The average payment constituted UAH 15.4 thousand (equivalent to EUR 636) in 2015, while overall amount of such payments in different years amounted to only 3-5% of the total unemployment benefits payments.



## 4. YOUTH EMPLOYMENT POLICIES: SELECTED INTERVENTIONS

This section presents a detailed overview of seven labour market programs. We provide a short description, discuss targeting and evaluation as well as program’s focus on youth.

At the current state, no measure seems to effectively address youth unemployment. In terms of relatively successful, we would name professional training and vouchers for training. To some extent these measures are efficient for obtaining low-skilled employment, at least in the short-run, while there is no data on quality and sustainability of their employment after the training. Moreover, it does not address the problems of youth with higher education, which constitutes the highest share of all graduates (Kupets, 2016).

Among the least efficient, we consider employment quota and compensation of social contribution. The definition of vulnerable categories, which are subject to these measures, is broad, therefore these measures do not target youth effectively.

Professional orientation provided by the State Employment Service is not convenient for youth (alternative portal for career guidance <http://mycareer.org.ua/> is targeting youth much better) and does not connect youth to labour market prospects.

### 4.1. 5% employment quota

Short description	<p><b>(Primary/Main) aim of the measure:</b> To stimulate employment of persons who are insufficiently competitive in the labour market.</p> <p><b>Intended effects:</b> to increase employment of vulnerable categories of population, increase their social protection, (re)integrate them into the job market.</p> <p><b>Target groups:</b> Vulnerable categories of population</p> <ul style="list-style-type: none"> <li>• A person has a child under 6</li> <li>• A person is single and has a child under 14</li> <li>• A person who supports a disabled person</li> <li>• <b>A persons is a child older than 15 (upon an agreement of his/her parents or caregivers)</b></li> <li>• A person who has been released from prison or rehab</li> <li>• <b>A person is a fresh graduate and this is his/her first workplace</b></li> <li>• A person has less than 10 years until he/she reaches the</li> </ul>
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	<p>pension age</p> <ul style="list-style-type: none"> <li>• Disabled people who do not yet have the right for disability pension</li> <li>• Participants of the “anti-terrorist operation” (ATO) in the East of Ukraine</li> </ul> <p><b>Eligibility criteria for beneficiaries:</b> people of "vulnerable groups" have to submit relevant documents in addition to passport and tax number</p> <p><b>Type of intervention:</b> Employer incentives.</p> <p>In enterprises with more than 20 employees, at least 5% of employees should be from one of the above mentioned categories (not including disabled people). In addition, 4% of workplaces (or 1 workplace if total employment at a firm is 8-25 people) should be provided to people with disabilities.</p> <p><b>Level:</b> state</p> <p><b>Start/ end date:</b> 2001/ongoing</p> <p><b>Are stakeholders involved in the formulation/ implementation of this measure?</b> No</p> <p><b>How/through which institutions is this measure implemented?</b> Enterprises report on the number of their employees from vulnerable categories to the Ministry of Social Policy</p> <p><b>Budget (EUR, thousand) and source:</b> N/A</p>
Achieved results	No reliable data on the effect of this program is available. Though enterprises can be fined if they do not fulfil the quota requirement, there is a probability that firms implement this requirement only formally (fake employment) or prefer to pay fines or “strike a deal” with inspectors for “not noticing” violations
Targeting	While youth is one of vulnerable groups targeted by the measure the list of vulnerable groups is wide, so this policy does not have a clear youth targeting
Youth involvement	No additional special measures for youth are foreseen
Links to EU initiatives	No
Available evaluations	No evaluations are available except some statistics on the number of participants of its programs provided by the State



	Employment Service.
In your view: How would you assess the quality of the intervention?	Since generally in Ukraine the law obedience is rather weak, we do not think that this is an efficient measure. Moreover, we think that a positive stimulus, such as tax allowances for hiring of people from vulnerable categories would be a better alternative (see Compensation of social contribution payments)
Main “success factors”. (Only for interventions assessed as ‘good practice’)	N/A

## 4.2. Compensation of social contribution payments

Short description	<p><b>(Primary/Main) aim of the measure:</b> To stimulate employment of persons who are insufficiently competitive in the labour market.</p> <p><b>Intended effects:</b> To increase employment of vulnerable categories, increase their social protection, (re)integrate them to the job market, develop priority sectors of the economy.</p> <p><b>Target groups:</b></p> <p>1) Vulnerable categories of population</p> <ul style="list-style-type: none"> <li>• A person has a child under 6</li> <li>• A person is single and has a child under 14</li> <li>• A person who supports a disabled person</li> <li>• A person who has been released from prison or rehab</li> <li>• A person is a fresh graduate and this is his/her first workplace</li> <li>• A person has less than 10 years until he/she reaches the pension age</li> <li>• Disabled people who do not yet have the right for disability pension</li> <li>• Participants of the “anti-terrorist operation” (ATO) in the East of Ukraine</li> </ul> <p>2) All unemployed for new jobs in small enterprises in priority</p>
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	<p>sectors of the economy</p> <p><b>Eligibility criteria for beneficiaries:</b> registered unemployed people of "vulnerable groups" have to submit relevant documents confirming their right for this privilege. Employer who employ these people apply for compensation to State Employment Service</p> <p><b>Type of intervention:</b> Employer incentives</p> <p>Employer which employs someone from the above categories for no less than two years is eligible to a refund of the single social contribution for one year.</p> <p><b>Level:</b> state</p> <p><b>Start/ end date:</b> introduced in 2013, replaced similar policy measure of subsidized employment in place from 2001</p> <p><b>Are stakeholders involved in the formulation/ implementation of this measure?</b> No</p> <p><b>How/through which institutions is this measure implemented?</b> The policy is implemented by the local employment centres of the State Employment Service</p> <p><b>Budget (EUR, thousand) and source:</b> The source of all funds – the State Unemployment Insurance Fund. The scale of this compensation program has been quite small – in 2015 expenses for this program were UAH 94 million (about EUR 3 million) or 1.1% of the total Unemployment Insurance Fund expenses, in 2016 expenses planned for this program were UAH 63.5 million (~EUR 2 million) or 0.7% of the Fund total expenses.</p>
Achieved results	Overall in 2016, 12.7 thousand people were employed with compensation of social contribution payment, of them 5.2 thousand from vulnerable categories of population including 216 young persons who were looking for their first job
Targeting	Vulnerable categories of population listed above
Youth involvement	Youth who is looking for the first workplace is among vulnerable groups but the number of people who used this opportunity is very small
Links to EU initiatives	No
Available evaluations	No evaluations are available except some statistics on the number of participants of its programs provided by the State



	Employment Service
In your view: How would you assess the quality of the intervention?	In 2016, only about 2% of beneficiaries of this program were young people looking for their first workplace. Generally, less than 2% of people employed with the help of the State Employment Service were employed through this program. Hence, its impact is very small.
Main “success factors” (only for interventions assessed as ‘good practice’)	N/A

### 4.3. Youth employment centres

Short description	<p><b>(Primary/Main) aim of the measure:</b> The purpose of the centre is to address issues of youth employment, provide job search, professional orientation and training services for youth</p> <p><b>Intended effects:</b> Increase in youth employment, provide work experience, part-time employment, promote youth initiatives in employment retraining and advanced training of youth.</p> <p><b>Target groups:</b> Youth 14-35</p> <p><b>Eligibility criteria for beneficiaries:</b> age 14-35</p> <p><b>Type of intervention:</b> orientation courses, preparation for training or employment, vocational guidance, career counseling, training</p> <p><b>Level:</b> regional, but coordinated by the Ministry of Youth and Sports.</p> <p><b>Start/ end date:</b> since mid-1990s (in different regions start dates differ)</p> <p><b>Are stakeholders involved in the formulation/ implementation of this measure?</b> No</p> <p><b>How/through which institutions is this measure implemented?</b> Youth employment centres</p>
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	<b>Budget (EUR, thousand) and source:</b> NA
Achieved results	Statistics on the activities of the youth employment centres is not available but we can make inference based on the survey “Youth of Ukraine – 2015”. According to the survey, 19% of young people know something about these centres, of them 21% used their services, which suggests that centres cover about 4% of Ukrainian youth
Targeting	Youth aged 14-35
Youth involvement	Only 19% of youth do know about Youth employment centres, while only 4% of youth actually approached them.
Links to EU initiatives	No
Available evaluations	No evaluations are available
In your view: How would you assess the quality of the intervention?	Youth employment centres exist in 17 out of 25 oblast centres of Ukraine. Youth employment centres are created and founded by the regional state administrations, while the central government supported the creation of these centres: The scope of work and measures of youth centres varies across regions. By design, the tasks and goals of Youth employment centres and the State employment service overlap At the local level, these organization try to cooperate, though they lack synergy and coordination.
Main “success factors” (only for interventions assessed as ‘good practice’)	N/A

#### 4.4. Youth labour brigades

Short description	<p><b>(Primary/Main) aim of the measure:</b> To provide temporary employment for students in their free time (e.g. on vacations). Usually labour brigades perform some seasonal jobs in construction, education, agriculture, or provide certain services, such as cleaning.</p> <p><b>Intended effects:</b> Development and improvement of professional orientation of young people, providing them with some work experience while still in education or even at</p>
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	<p>school.</p> <p><b>Target groups:</b> Youth aged 14-35</p> <p><b>Eligibility criteria for beneficiaries:</b> everyone aged 14-35 can apply</p> <p><b>Type of intervention:</b> preparation for employment, direct job creation</p> <p><b>Level:</b> state</p> <p><b>Start/ end date:</b> 2002</p> <p><b>Are stakeholders involved in the formulation/ implementation of this measure?</b> No</p> <p><b>How/through which institutions is this measure implemented?</b> Youth employment centres</p> <p><b>Budget (EUR, thousand) and source:</b> Budget varies depending on the region. Some regions abandoned labour brigades as an unpromising direction.</p>
Achieved results	<p>Statistics available is limited to the rare news publication of the Ministry of Youth and Sports. Thus, the latest available publication provides the data that during the first half of 2014, 873 youth labour brigades were created, and 17397 of people took part in them.</p>
Targeting	<p>Youth – high school and university students</p>
Youth involvement	<p>The program is of a small scale.</p>
Links to EU initiatives	<p>No</p>
Available evaluations	<p>No evaluations are available</p>
In your view: How would you assess the quality of the intervention?	<p>This program provides only temporary low-skilled job – so we would expect it to be used by people who urgently need money. Youth labour brigades have become less popular in recent years; some of the regions even stopped it as not promising.</p>
Main “success factors” (only for interventions assessed as ‘good practice’)	<p>N/A</p>



#### 4.5. Professional training/vouchers for training

Short description	<p><b>(Primary/Main) aim of the measure:</b> vocational training or retraining at the State Employment Service training centres or at professional education institutions designated by the State Employment Service.</p> <p><b>Intended effects:</b> reduced unemployment, better labour market match.</p> <p><b>Target groups:</b> Unemployed people registered with the State Employment Service.</p> <p><b>Eligibility criteria for beneficiaries:</b> everyone can apply</p> <p><b>Type of intervention:</b> Training</p> <p>The State Employment Service can assign a person to a professional training which he/she passes at a designated institution, or the State Employment Service can provide a voucher for training (for not more than 10 subsistence levels<sup>17</sup>)</p> <p><b>Level:</b> state</p> <p><b>Start/ end date:</b> 1990</p> <p><b>Are stakeholders involved in the formulation/implementation of this measure?</b> Partially. In case of vouchers people can chose scpecialization and educational institution.</p> <p><b>How/through which institutions is this measure implemented?</b> The policy is implemented by the local employment centers of the State Employment Service</p> <p><b>Budget (EUR, thousand) and source:</b> The source of all funds – the State Unemployment Insurance Fund. In 2016, about EUR 7.6 million (2.7% of SUIF expenses) were spent on training, and about EUR 0.5 million (0.2%) – on training vouchers.</p>
Achieved results	166.6 thousand people received training in 2016 (approximately 10% of all unemployed according to the ILO methodology). The most demanded professions were hairdresser, tractor-driver, cook, electrical/gas welder, boiler etc. The employment rate among the participants after the

<sup>17</sup> About EUR 600 at the beginning of 2017



	training is 95%. The number of the vouchers' recipients is much lower, in 2015 vouchers were given to 2.7 thousand people.
Targeting	All unemployed, but trainings are focused on vocational education.
Youth involvement	Of 166,6 thousand people who received vocational training at the State Employment Service training centres or at professional education institutions designated by the State Employment Service, 56.1 were aged under 35, which is around 6% of all unemployed in this age group.
Links to EU initiatives	No
Available evaluations	Mikhed (2007) using regional Kyiv Micro Level Data from the Unemployment Registries (2001-2003) found significant short-term positive effect of training on outflow from unemployment.
In your view: How would you assess the quality of the intervention?	Though employment rate after such trainings is high, on average only 13% of registered unemployed people take part in them – since both training and employment are mostly for low-paid blue-collar professions. This would be a good practice if it offered trainings in more modern specialties
Main “success factors” (only for interventions assessed as ‘good practice’)	N/A

#### 4.6. Professional orientation services

Short description	<p><b>(Primary/Main) aim of the measure:</b> helping an individual to find profession suitable for his/her knowledge and character</p> <p><b>Intended effects:</b> achieving a balance between professional skills, preferences of individual and labour market needs</p> <p><b>Target groups:</b> all social groups and age categories of persons</p> <p><b>Eligibility criteria for beneficiaries:</b> Eligible are all who</p>
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	<p>applied to the State Employment Centres, as well as groups in need of professional guidance, upon written request of their representatives. The State Employment Service representatives often conduct professional orientation sessions in high schools or universities</p> <p><b>Type of intervention:</b> career guidance</p> <p>Group and individual information and consulting services to help a person in choosing a (new) profession and/or education. They include lectures and seminars on the current state of the labour market, insights into professions, psychological career tests.</p> <p><b>Level:</b> state</p> <p><b>Start/ end date:</b> 1990</p> <p><b>Are stakeholders involved in the formulation/ implementation of this measure?</b> No</p> <p><b>How/through which institutions is this measure implemented?</b> The policy is implemented by the regional employment centers.</p> <p><b>Budget (EUR, thousand) and source:</b> The source of all funds – the State Unemployment Insurance Fund. In 2016 the State Employment Service spent on professional orientation services 151 thousand EUR or 0.05% of the SUIF budget.</p>
Achieved results	The number of people who used this service is about 3-4 million per year. For example, in 2016 3 million people received professional orientation services, of them 1.2 unemployed and about one million – students of high school (about 90%) and universities
Targeting	All people who need professional orientation.
Youth involvement	Youth and school graduates are the priority target groups of the program
Links to EU initiatives	No
Available evaluations	No evaluations are available except some statistics on the number of participants of its programs provided by the State Employment Service
In your view: How	This intervention is not very efficient – every year several



would you assess the quality of the intervention?	million people receive this service and still there is high incidence of skills mismatch (cited above). Besides, a person can easily pass a professional orientation test online
Main “success factors” (only for interventions assessed as ‘good practice’)	N/A

#### 4.7. Portal of guidance and career development for youth <http://mycareer.org.ua/>

Short description	<p><b>(Primary/Main) aim of the measure:</b> Provide advice and guidance on student interests and aptitudes, help choose profession and educational institution, to introduce young people to the principles of career development.</p> <p><b>Intended effects:</b> better match of labour market demand and supply, increased youth employment, more rational choice of profession</p> <p><b>Target groups:</b> Youth, school graduates and their parents</p> <p><b>Eligibility criteria for beneficiaries:</b> None. Free professional orientation test and other information is available online</p> <p><b>Type of intervention:</b> career guidance</p> <p>The site will help young people to choose their future profession according to their interests and skills. It is specially adapted to the needs of young people and provides an opportunity to pass the professional orientation test.</p> <p>Section for parents provides tips for better understanding their child, her needs, and helping her make a career choice.</p> <p><b>Level:</b> state</p> <p><b>Start/ end date:</b> 2012-2016, website is operating</p> <p><b>Are stakeholders involved in the formulation/ implementation of this measure?</b> The Ministry of Youth and Sports is involved. Youth and parents are not involved in the formulation/implementation</p>
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	<b>How/through which institutions is this measure implemented?</b> The Ministry of Youth and Sports, the Ministry of Social Policy, UNDP, Swiss cooperation office <b>Budget (EUR, thousand) and source:</b> n/d
Achieved results	Google report <sup>18</sup> shows that several dozens of educational institutions have links to this web-site from their own web-sites. Statistics on the number of visits or number of people who passed the test is not available. Its FB page has 746 “likes” but there are only two new publications since January 2017.
Targeting	Youth 14-25, and school graduates.
Youth involvement	Youth is the target group of this intervention
Links to EU initiatives	No
Available evaluations	No evaluations are available
In your view: How would you assess the quality of the intervention?	Overall the web-site looks good and contains a lot of useful information. However, we do not know statistics on views or visitors. The key risk of the portal is dependence on financing of international donors.
Main “success factors” (only for interventions assessed as ‘good practice’)	This intervention could become a good practice if it were better promoted in social networks and among students

<sup>18</sup> Domain overview <http://mycareer.org.ua/>. SEMrush. Accessed online at <https://www.semrush.com/info/http%3A%2F%2Fmycareer.org.ua%2F?db=us> on March 30, 2017



## 5. DIFFUSION OF EU YOUTH EMPLOYMENT INITIATIVES

There are five main inclusion policies for youth across Europe: Youth Guarantee Scheme, Youth Employment Initiative, Quality traineeships and apprenticeships, Eures Job, and Supported young entrepreneurs. To the best of our knowledge, Ukraine does not participate in any of these initiatives. The only relevant European initiative that is also developing in Ukraine is European Pact for Youth.

## 6. CONSISTENCY OF THE POLICIES FOR YOUTH INCLUSION

### 6.1. Youth employment policies and universal labour market policies

As discussed in part 4, very few labour market policies specifically target youth (youth employment centres and labour brigades). Young people are entitled to the same set of services as other people (career guidance, training, assistance in job search, public works).

Some groups of young people (including recent graduates) fall into "vulnerable" categories (Article 14 of the Law on Employment [VRU 2012]) and are provided additional guarantees in facilitating employment. These additional measures include 5% employment quota for all "vulnerable" categories and possible compensation of social contribution payments. However, young people comprise a very small share of participants of these programs.

There exist regional youth employment centres that focus on youth aged 14-35. Not all regions have such youth centres, and the quality of their services varies significantly, depending on the financing from local budgets. They provide job search, professional orientation and training services for youth. At the local level they cooperate with the State Employment Service but we document lack of synergy between them.

Given low levels of awareness and participation of young people we can conclude that current labour market policies do not target youth very efficiently, despite the fact that some of their events are of good quality. Only 19% of young people do know about youth employment centres, and a fifth of those who know actually use their services. At the same time, 20% of unemployed youth is registered with the State Employment Service (Youth of Ukraine – 2015, 2015).

### 6.2. Youth employment policies and educational policies

As discussed in section 1.1, there are significant imbalances between educational content and the labour market needs in Ukraine. Increase in the number of tertiary-educated people was accompanied by deterioration of education quality. An addition, the problem is aggravated by the low demand for university graduates since low-skilled jobs dominate in the economy.



Several policy measures are aimed at smoothing school to work transition. According to the Law on Employment (Article 29 [VRU 2012]), students have the right to undertake an internship in a profession which is linked to their degree in their free time, although quite often it is implemented only formally. There are also additional measures to promote employment of "youth that just graduated or quitted studies" (Article 14 of the Law on Employment) – employment quota and compensation of social contribution payments discussed earlier.

For a long time one of the remnants of the Soviet education system was mandatory employment of students who received state financing to workplaces. This system was implemented only formally – in most cases students just had to bring some (often fake) notice stating that some firm employs them. For all the majors except for medical students this system was cancelled in 2015 (CMU 2015a).

With professional and vocational education the situation is somewhat better. On the one hand, this education is not considered prestigious and is typically chosen by low-skilled schooled graduates. On the other hand, some technical and vocational schools introduce joint studying programs with enterprises – so that their graduates are automatically employed upon training. In addition to their regular courses, technical and vocational schools provide short-term trainings for unemployed people of all ages channeled to them by the State Employment Service. Thus, the training component of the unemployment policies is aligned with professional and vocational education.

### **6.3. Youth employment policies and other components of social policies**

In Ukraine, the number of categories of people entitled to some form of social assistance is rather large, however, the size of the assistance they receive is small, often in non-monetary form and often not means tested. In 2015, over 800 thousand poor families received some social assistance (VRU 2000) – slightly more than UAH 2000 (EUR 70) per family per year. The most generous form of social assistance is child allowances – UAH 41 thousand (approximately EUR 1450) disbursed over the period of three years. Provision of some other benefits is also tied to the employment status - for instance, social assistance is not provided if working-age and able members of a household are neither working (and not registered as unemployed) nor studying.

All employees and self-employed are subject to compulsory state social insurance, which includes insurance due to temporary disability, insurance against accidents at work and occupational diseases, unemployment insurance. Since provision of unemployment benefits is based on the insurance scheme, the size of benefits is related to the work experience and previous salary of a person. Young people with little or no work experience are entitled to the lowest unemployment benefit tied to the subsistence level.



Despite the small size of unemployment benefits, in some cases we can still observe “welfare trap”, i.e. situations when a person is discouraged from employment because upon employment she will lose social benefits and her free time in exchange for a low-paid job (thus her overall well-being will deteriorate).

#### **6.4. Coordination and synergy to improve employment and social inclusion of young people**

In Ukraine, several state bodies are responsible for policies for youth. Educational policy is coordinated by the Ministry of Education and Science, social policy and general unemployment policies are under the control of the Ministry of Social Policy. The Ministry of Youth and Sports is responsible for youth policy, and together with the Ministry of Social Policy they coordinate youth employment policies. Weak communication between different government bodies is a common issue in Ukraine, and coordination of youth policies is no exception.

Several mechanisms for policy cooperation are in place, such as joint discussions in parliamentary committees or inter-ministry working groups. However, in reality cooperation between organizations is based on personal relations of officials from different government bodies. During our communication with these ministries, the State Employment Service and the youth employment centres we noted very different degree of openness of government agencies, their responsiveness and willingness to cooperate with each other and with non-governmental initiatives. Moreover, sometimes communication within a ministry is a problem too – each department is responsible for its particular piece of work, and they not interested in developments in adjacent departments.

Targeted 5-year programs “Youth of Ukraine” foresee joint implementation by different central government agencies and local governments but they are rarely fully financed. The last available program for 2016-2020 (CMU 2016a) contains mainly various public events (round tables, discussions etc.) rather than joint policy development.

We see vast opportunities for synergy between the policies. First of all, improvement in professional orientation may decrease the level of education-job mismatch. At the moment career guidance is only partial – through psychological tests to identify abilities of young people and to suggest a list of „most suitable“ professions. In addition to that, career guidance should provide school graduates with a list of educational institutions where these professions can be obtained and labour market prospects of these professions (e.g. number of vacancies available, number of applicants per vacancy, expected wage etc). Implementing such career guidance system requires close cooperation between government bodies responsible for employment, educational and youth policies.

Another example of synergy would be internship programs that would provide high quality first work experience for young people and smooth school to work transitions.



These require cooperation between the State Employment Service, educational institutions and employers.

### **6.5. Major changes, reforms or policy innovations planned aiming at quality of jobs for youth**

We see attempts to improve cooperation between educational institutions, employers and authorities. Ukraine takes part in The European Pact for Youth<sup>19</sup> and has also adopted the „Ukrainian Pact for Youth-2020“<sup>20</sup>. The Ukrainian Pact focuses on partnerships between business and educational sector and provision of new internships and first job places for youth, development of the National Action Plan – a program of joint actions for youth employment, monthly companies’ meetings regarding their work with youth, etc. The problem of many initiatives in Ukraine is that their implementation may differ dramatically from the designed/expected one, and it is hard to evaluate whether real changes take place and how efficient initiatives are.

Another initiative is introduction of dual education<sup>21</sup> promoted by Office of Friedrich Ebert Foundation (FES) in Ukraine in partnership with the Ukrainian Marketing Association since 2013. Dual education is discussed in relation to the higher education reform. The Ministry of Education and Science working group was created on March 2, 2017 to draft a concept of introduction of dual education into higher education system. The aim of the working group is to remove administrative and legislative barriers for dual education. However, legislation is not the only obstacle. Much work is required to bring employers and educational institutions to common understanding of possible win-win cooperation strategies. At the moment 10 Universities are implementing pilot projects within the framework of the FES project "Development and Implementation of the Dual Education in Ukrainian Universities"

The State Employment Service makes attempts to implement several digital innovations. For instance, this year it offers video resume recording, webinars, on-line testing etc. The usual problem of the implementation of these measures is poor financing. Some of the measures are aimed at better targeting unemployed youth - for example, the State Employment Service introduced a series of cartoons with tips on how to find a job.

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<sup>19</sup> The European Pact for Youth. The European Business Network for Corporate Social Responsibility (CSR Europe). Accessed online at <http://www.csreurope.org/pactforyouth> on March 30, 2017

<sup>20</sup> The Ukrainian Pact For Youth-2020. Center „Corporate Social Responsibility“ in Ukraine. Accessed online at <http://csr-ukraine.org/en/education/pact-for-youth-2020/> on March 30, 2017

<sup>21</sup> Dual education system combines studying in educational institution and the apprenticeship in a company.



## 7. EFFECTIVENESS OF POLICY MEASURES

### 7.1. Dominant causes of youth unemployment and social exclusion

Youth unemployment causes are mostly structural – poor secondary education, flawed system of higher education which provides diplomas rather than skills, insufficient career guidance and poor internship programs that do not allow smoothing school to work transition, and low general mobility of population.

In our view, important reasons for youth unemployment are the following (Kupets, 2016, Libanova et al., 2016).

- Educational institutions do not provide graduates with skills relevant for the labour market, and generally the quality of education is rather low. The quality of education substantially differs between urban and rural areas.
- There is abundant number of graduates with higher education diplomas, while the employment structure is biased to mid- and low-skilled jobs
- According to the School-to-Work Transition Survey 23.1% of young people named lack of work experience as an obstacle to find a good job (Libanova et al., 2016). Since higher education does not perform its signaling function, employees are reluctant to hire young people without work experience. So usually the first job is obtained via informal relations (family and friends).
- Irrational choice of profession. There is no comprehensive career guidance in Ukraine. Testing young people's abilities and vocations is just one side of the coin, on the other side, young people should be provided with estimates of demand for certain professions and professional requirements of certain knowledge and skills. Even if young people choose profession according to their abilities, they may face poor labour market prospects afterwards. Many young people make their choice based on misleading perception of "prestige" of certain jobs. As a result, they may end up with profession which is neither interesting for them nor demanded by employers.
- Wage expectations. 19.4% of unemployed youth aged 15-29 and 26.3% of those aged 25-29 name low wages as an obstacle to find a good job (this obstacle is in the third place). (Libanova et al., 2016)

There are several causes of general unemployment, which we see as an important obstacle for youth employment as well. This is first of all poor business climate, and, as a result, a low share of SMEs and startups in the economy. In particular, the SME's



share in employment is only about 20%,<sup>22</sup> compared to 60-70% in OECD countries. SME regulation, although simplified in 2015, remains burdensome.

Second, Ukrainian labour legislation is overprotective of an employee. In reality overprotection results in numerous violations of workers' rights, which outweigh the risk of fines, and stimulates unofficial employment. Additional protective measures (such as reduced workweek) are foreseen for young people aged 15-17 as well as for people who combine work and education or maternity leave, which further reduces their employability.

Finally, Ukrainians are rather immobile – they rarely move to other regions to find a better job. Thus, in 2015, 27.5% of young people indicated that they could not find a job because there were not enough jobs available, and this share reached 33.8% in rural areas (Libanova et al., 2016). Still, these people were not going to move to other regions. Internal migration of population in Ukraine is low compared to other countries (Kottl et al. 2014, World bank 2012) – mostly because of underdeveloped housing and credit market.

Additionally, the survey performed within the framework of EXCEPT project reveals that besides structural reasons, unemployment and social exclusion also have individual underpinning. During the in-depth interviews a rather high level of frustration was observed among unemployed young people and people not satisfied with their current job. Many of them did not know what they would like to do in their lives. Others knew but lacked courage, effort and determinacy to make a first step towards their goal. There were even instances when people did not want to lose their free time.

## **7.2. Involvement of the targeted youth**

In Ukraine, the practice of involvement of affected groups into policy drafting is not very developed, and generally policy-making process is rather non-transparent. The government agencies differ significantly in their "willingness to cooperate", which is often based on personal factors. Thus, the government bodies with more "new" people who came there after 2014 are much more open and cooperative.

In most cases, a lot of information is published on ministries' web-sites and thus easily accessible. The Ministry of Youth and Sports regularly takes part in regional discussions of youth-related policies with young people. And finally, there are discussions organized at local level by youth centres and youth organisations.

Nevertheless, the survey "Youth of Ukraine-2015" revealed that only 5% of respondents took part in discussions of draft laws or budgets over the last twelve

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<sup>22</sup> Another 27% are registered as individual entrepreneurs, although this registration does not mean that a person is actually an entrepreneur – often, this registration is used by firms for tax minimization purposes.



months, while 49% would be interested in doing this. Thus, the involvement of youth into policy formulation and discussion could be considerably increased.

### **7.3. Do existing policy interventions address the main causes for unemployment and social exclusion of young people?**

Some of existing policy interventions are designed to address the abovementioned problems of youth unemployment but even in these cases their implementation is far from the initial idea. For instance, students have the right for [paid] internship (Article 29 of the Law on Employment [VRU 2012]). In reality they often end up in informal employment which provides a higher pay and less security for a worker as well as more flexibility and lower transaction cost for employer (Libanova et al., 2016).

Public financing of higher education is determined by the state order, which is based on five-year forecast of labour market demand. However, the volume of public financing of universities and colleges is a highly politicized issue resolved from a very short-term perspective.

The ongoing reform of education system in Ukraine both in higher and secondary education<sup>23</sup> should improve skills of young people. It has been gradually implemented since 2014 and aims at reducing the number of higher educational institutions, increasing their autonomy, raising competition between them and between the students and improving the efficiency of public financing. The effect (if any) will be visible only with time.

Overall, we conclude that existing policies are insufficient in addressing the main causes of youth unemployment and social exclusion. Moreover, poor coordination of education, youth, social and employment policies undermines even positive effects which could have been achieved. The lack of awareness about the existing youth employment policies further reduces their effectiveness. We determine the following gaps in policies:

- Weak coordination of educational and youth employment policies. Existing career guidance is mostly limited to determining abilities of young people, without balancing them with education opportunities and labour market prospects.
- Poor cooperation of educational institutions with employers prolongs school to work transition.
- The State Employment Service provides mostly low-skilled low-paid vacancies and thus is not attractive for people with higher education.

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<sup>23</sup> A recent study of the results of 2016 external testing (Samokhin, 2016) shows not only poor math skills among school graduates but also quite high inequality between urban and rural schools and between "regular" schools and "elite" schools (i.e. schools that can select students and charge money for education).



- The ALMPs are quite generous on paper but in reality their financing is very scarce.
- Insufficient attention to rural/urban discrepancies in youth employment. We think that there should be policies targeting specifically rural youth – for example, internships linked to building or renovation of infrastructure in villages, recent decentralization or medical reforms. Such labour market policies should be a responsibility of local communities but recommendations on how to organize them should be provided by the central government.

Interviewed state officials (from the ministry of Youth and Sports and of Social Policy) seemed to be well aware of the school to work transition problems. We also noticed that quite a few officials in the ministries are open to new ideas, including suggestions of international organizations but their willingness to cooperate varies substantially across the ministries.

On the other hand, the coordination of youth-related policies and general cooperation of government agencies between themselves remains an issue. Youth-related policies, as many other policies in Ukraine, are viewed by officials as an everyday routine rather than as projects that should lead to certain results (possible KPIs could be youth labour force participation, average wage among young people, incidence of drinking, smoking etc).

The inefficiency of the state bureaucracy is a considerable obstacle for policy implementation. Policy intervention itself may be effective and well-designed but in the process of implementation it can lose all its modern and progressive features. It is very hard to predict which of the initiatives will actually be implemented, and the quality of implementation often defines policy efficiency. Financing of policy interventions is another issue – a good example is [partial] compensation of social contribution to employers. Only about 1% of the unemployed who found a job in a given year did this using this scheme, and among them about 2% were young people.

To summarize, despite the existence of „targeted programs“ for youth, in practice there is no comprehensive youth development roadmap and very poor cooperation between different state agencies dealing with youth problems.



## 8. LESSONS LEARNED AND RECOMMENDATIONS FOR FURTHER ACTION

No labour market policies in Ukraine have a quantified target and/or rigorous evaluation. Thus, we cannot identify any of the current ALMPs as 'good practices'. Thus the following recommendations on the analysis of problems with the current ALMPs and the process of policy development:

1. Rather than targeting „youth groups“ within other, wider, social groups (such as unemployed, families, special needs people etc), the state policy should focus on youth in general (perhaps, the definition of youth should be narrowed to 15-29, as in the EU). This comprehensive youth-related policy should be developed by the joint effort of authorities responsible for education, labour and social policies, youth policies, public finance. Then more specific policies can be designed for different groups of youth.
2. Each policy should have the following elements (1) a clearly defined target group; (2) a problem to solve; (3) resources needed to implement the policy; (4) quantitative target indicators and methods for policy evaluation; (5) communication component;
3. Policy development and evaluation should involve all possible groups of stakeholders – e.g. employers, youth representatives, employees of educational institutions etc. The 'top-down' communication of policies and available services for youth results in very low awareness among the targeted young about the opportunities that state policies provide for them, and even if they know, these opportunities don't look attractive to youth. At the same time, lack of evaluation and feedback of youth on state policies makes these policies very persistent.

There is a positive impact of international cooperation with Ukrainian authorities regarding youth policies. Many good initiatives are actually based on international cooperation – e.g. career guidance portal [mycareer.org.ua](http://mycareer.org.ua). Further cooperation within the projects "Pact for Youth – 2020" and introduction of dual education in Ukraine may be efficient solutions to help young people find their first workplace and reduce education-job mismatch a bit.

Another promising way of cooperation is considerable extension of career guidance that should connect abilities of high school graduates with further education and labour market prospects. Such activity has been supported by the World Bank as a part of technical support on labour market issues and skills.



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