



IDPs EMPLOYMENT AND LABOR MARKET CHALLENGES ANALYSIS

Summary report
March - April 2023

Introduction

The Russian invasion has had a devastating impact on Ukraine's economy. A lot of Ukrainians have been forced to flee to safer regions or abroad due to the deteriorating security situation. As a result, employers have been compelled to shut their businesses. The unemployment rate, estimated at 25% in 2022 by the National Bank of Ukraine, could have been even higher if those who left the country were included. Internally displaced persons (IDPs) constitute a significant portion of the unemployed.

The goal of this research is to analyze the causes of unemployment among IDPs and identify the barriers they face when trying to find a job, from the perspective of both employers and IDPs. Based on these findings, we aim to provide effective recommendations to the Ukrainian government, international organizations, and other stakeholders to reduce the unemployment rate among IDPs, as well as improve employment opportunities for them and other unemployed individuals.

To achieve this goal, the study will be conducted in four parts:

- First, we will provide a macroeconomic overview of the labor market, focusing on the unemployment rate, employment trends, and IDPs' registration with the State Employment Service.
- Then, we will analyze the labor market supply and demand, with an emphasis on IDPs' employment opportunities.
- After that, we will conduct in-depth interviews with employers to understand their perception of the existing barriers to employing IDPs.
- Finally, we will survey 1,000 IDPs to explore their views on the obstacles they face when finding a job.

The results of this research will be used to draw conclusions and make recommendations on how to improve the labor market situation and reduce the unemployment rate among IDPs.

List of abbreviations

IDP - Internally displaced person

IOM - International Organization for Migration

SES - State Employment Service

SEC - State Employment Center

NBU - National Bank of Ukraine

UNHCR - United Nations High Commissioner for Refugees

KSE - Kyiv School of Economics

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Executive Summary and Key Takeaways

- After the shock of the first few months of the full-scale invasion and the wave of energy terrorism from the Russian Federation, businesses in Ukraine are showing signs of recovery.
- The 30% decline in the economy and the corresponding reduction in jobs was compensated by the mass exodus of Ukrainians abroad and the mobilization of men, leading to a return to almost pre-war levels of supply and demand balance.
- The affordability of centers of business activity (Lviv, Dnipro, Kyiv, and partly Odesa) is restricted by the high cost of rent. Meanwhile, cities with more affordable rent have limited job offers.
- Remote work could help address this problem, but the quantity of job vacancies with this option is very low. Remote work options are mostly preserved by employers who offered them to their employees before the start of the full-scale invasion or in the IT industry.
- A large number of vacancies in trade, production, and logistics are not attractive to women with higher education, who make up the majority of active job seekers among IDPs.
- In general, employers have high demands for candidates (experience, work schedule, remuneration) and are not willing to invest time in training inexperienced candidates. Consequently, even those job seekers who are willing to be retrained cannot find a job.
- Employers do not differentiate candidates based on their status as displaced or non-displaced persons. Preference is given to candidates who best meet the requirements of the vacancy. The state program to compensate salaries for displaced persons is not a motivating factor for employers, who either do not use it or perceive it as a “pleasant bonus”.
- Employers mention a lack of access to structured information on the labor market offers by IDPs and other vulnerable groups of population.
- The reluctance of displaced men to register at the military registration office restricts their access to the official labor market. This leads to the formation of a shadow labor market and gender disproportion in the official data.
- The expectations of IDPs for a foreseeable de-occupation and return to their pre-war place of residence reduces their activity in the job market as they wait for the opportunity to return.
- The need to take care of children, parents, and other relatives is a factor that restrains IDPs from actively seeking a job as well. Part-time employment or flexible working that could help solve this problem are very rarely offered by employers.
- Educational vouchers from the State Employment Service could be a driving force for requalification and preparing IDPs for the demands of employers.

Approach to Analysis and Methodology

Macroeconomic Analysis

Macroeconomic analysis was conducted based on open data with a focus on the state of the labor market. The analysis included:

- Collecting data from government, international, and commercial organizations that were published for general use (additionally in response to KSE's request, data was obtained from the SES as well),
- Visualizing the information obtained,
- Interpreting the results.

Vacancy Analysis

The vacancy analysis was based on the database of current job vacancies from the SEC web portal as of February 23, 2023. The database was prepared by the SEC specialists and contained 140,968 vacancies from six different job websites:

- Work.ua
- DCS's own job vacancies
- Jooble
- Pidbir.com
- Rabota.ua
- Career.gov.ua

Each job has a set of characteristics used for the analysis. Some of these characteristics were separated in the database (such as salary, city and region, industry, and job title), while others were extracted from the job descriptions (such as educational requirements, ability to work remotely, flexible work schedule, work schedule).

The main methodology used was the analysis of the frequency distribution of vacancies with different characteristics. For example, the frequency distribution of vacancies by region, industry, salary, educational requirements, etc. The results obtained were presented in a general form, as well as in the context of the most popular vacancies.

The data obtained through job vacancies analysis was combined with macroeconomic data such as unemployment rate and average housing rental price. This has allowed those regions with the best and worst conditions for IDPs to be identified, taking into account the competition in the labor market and the cost of living.

Analysis of interviews with employers

A team of analysts from the KSE conducted 54 semi-structured interviews with Ukrainian employers representing all regions of Ukraine and varying company sizes, from individual entrepreneurs to the largest employers with thousands of employees.

The survey aimed to identify employers' attitude towards IDPs, their experience with employing IDPs, as well as barriers and incentives for more widespread inclusion of IDPs in the labor market. Employers' responses were structured and codified, with the most commonly mentioned barriers to IDP employment and ways to increase IDP participation in the workforce identified. The final report also includes the most illustrative quotes from employers regarding IDPs employment.

Analysis of a telephone survey with IDPs

A telephone survey was conducted among IDPs by the specialized research company "Region-Business-Service" LLC. The survey was conducted from March 24 to March 31 2023, among 1,000 Ukrainians who have been forced to move to another settlement after February 24 2022.

The responses of the respondents were divided into several groups, each of which was analyzed separately, including:

- all IDPs,
- IDPs who returned home,
- current IDPs, who are employed,
- current IDPs, who are not employed,
- IDPs who had searched for a job in a new place of residence,
- IDPs who had not searched for a job in a new place of residence.

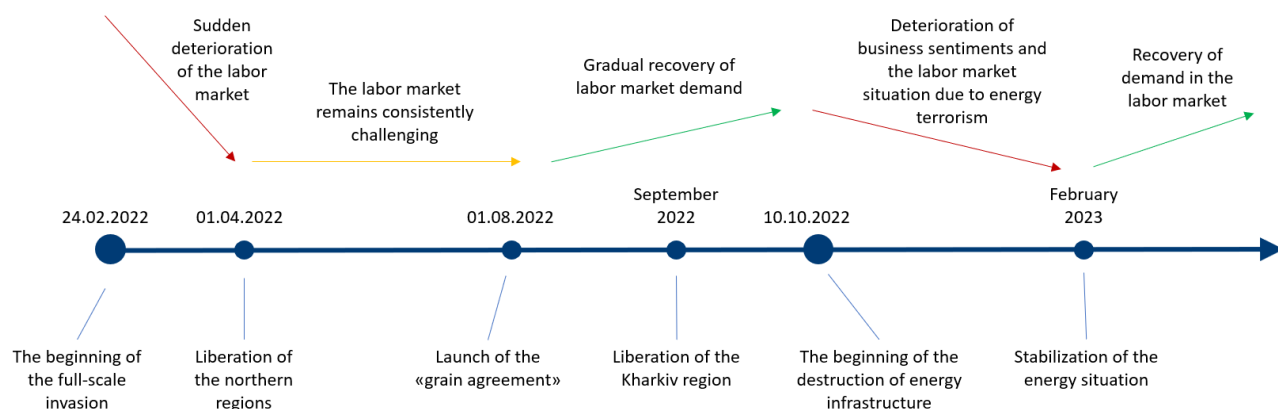
The social-demographic profile of each group and their experience with employment and/or job search as an IDP was identified. The key method of analysis was frequency analysis of responses from each group of respondents to identify the most typical characteristics.

The impact of the war on the economic situation in Ukraine

The full-scale invasion unleashed by the Russian Federation on February 24, 2022, have posed unprecedented challenges for the labor market in Ukraine. Record migration flows (both external and internal), the cessation of business operations, the targeted destruction of the energy sector, infrastructure, and production facilities, as well as the transition of the economy to meet military needs, have created fundamentally new challenges for the labor market in Ukraine. In particular, a sharp increase in the unemployment rate.

According to the NBU's estimates, Ukraine's economy declined by a record 30.3% in 2022. The economy experienced the greatest shock at the beginning of the full-scale invasion (-37.2% YoY in Q2 2022) and during the winter, when the aggressor began to destroy the energy system (-31.4% YoY in Q4 2022, according to the State Statistics Service). At the same time, it should be noted that timely regulatory decisions, the readiness of the private sector to continue its activities despite security risks, and the support of partner countries allowed Ukraine's economy to maintain its stability.

The recovery of the economy in the foreseeable future will depend on the intensity and success of Ukraine's military operations, as well as the strengthening of logistics capabilities for exporting Ukrainian products. Last year showed that both the sentiments of businesses and the labor market are very sensitive to the situation on the front (see timeline below).



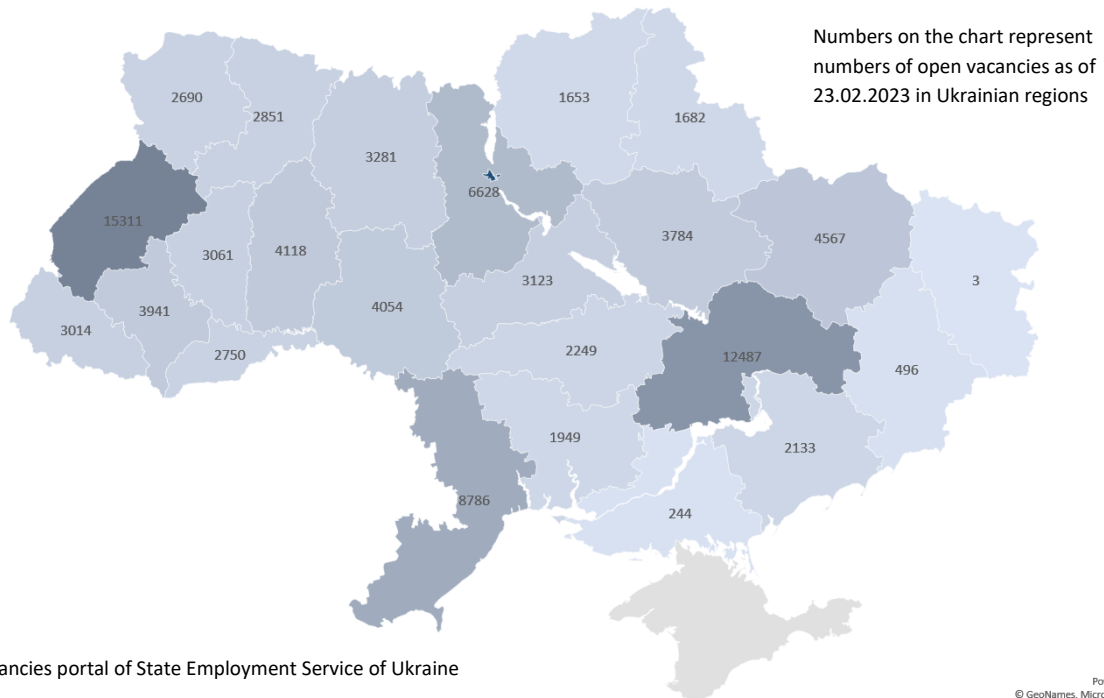
According to the latest forecast from the NBU, the unemployment rate is expected to remain at peak levels of 25-26% in 2023. However, under favorable conditions, it will decrease: from next year - first to 20%, and then to 17.6% in 2025. The main reasons for the significant duration of the process of returning to a normal level of unemployment include the need to restore production capacity and increase the throughput capacity of logistical corridors.

It should be noted that there is likely to be a potentially significant error in the estimation of the unemployment rate, as a lot of men avoid registering with the SEC due to the need to provide their proof of military registration. This also leads to gender disparities in statistical data.

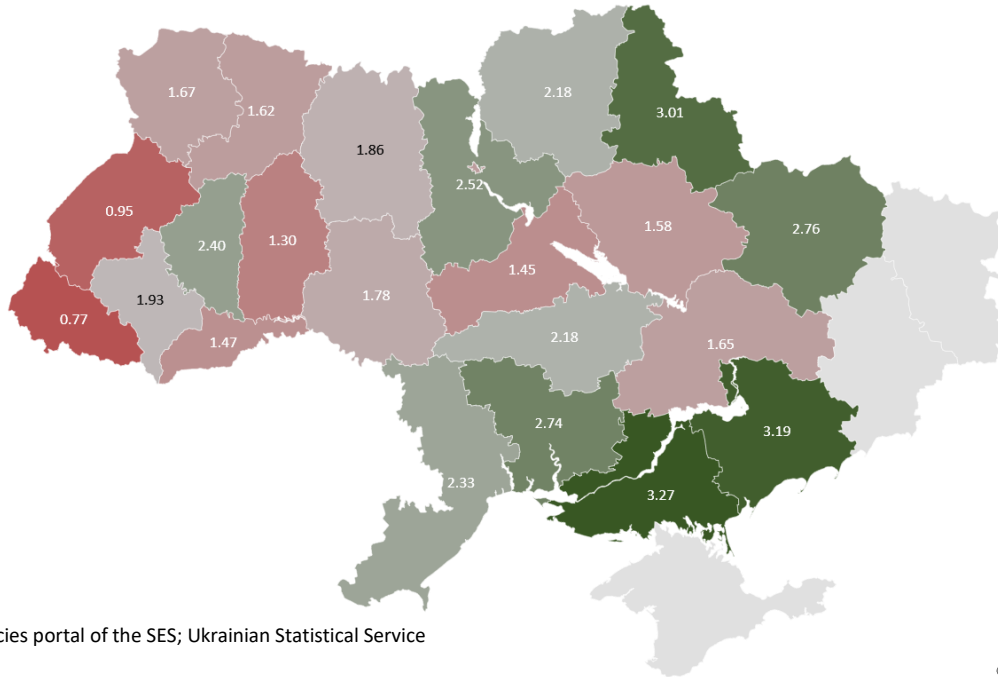
The decrease in demand in the labor market is balanced by a decrease in supply due to external and internal migration. According to the UNHCR data, more than 8 million Ukrainians continue to stay abroad, while the number of IDPs, according to IOM data, is over 5 million. Albeit there is a downward trend.

State of the labor market

The state of the labor market is unevenly represented across all regions. Business activity and, accordingly, the number of vacancies is concentrated in certain regions, with Kyiv, Lviv, Dnipro, and Odesa being the main centers of business activity during the war.



The cities mentioned above are the most attractive for active job seekers who are looking for a safe place to work. However, the cost of rent varies significantly across different regions of Ukraine, creating an imbalance when compared to the average salaries in those regions. The western and central regions, as well as Kyiv, which have become a haven for most job seekers, do not allow them to consider these regions as a place for long-term stay due to the high cost of living.



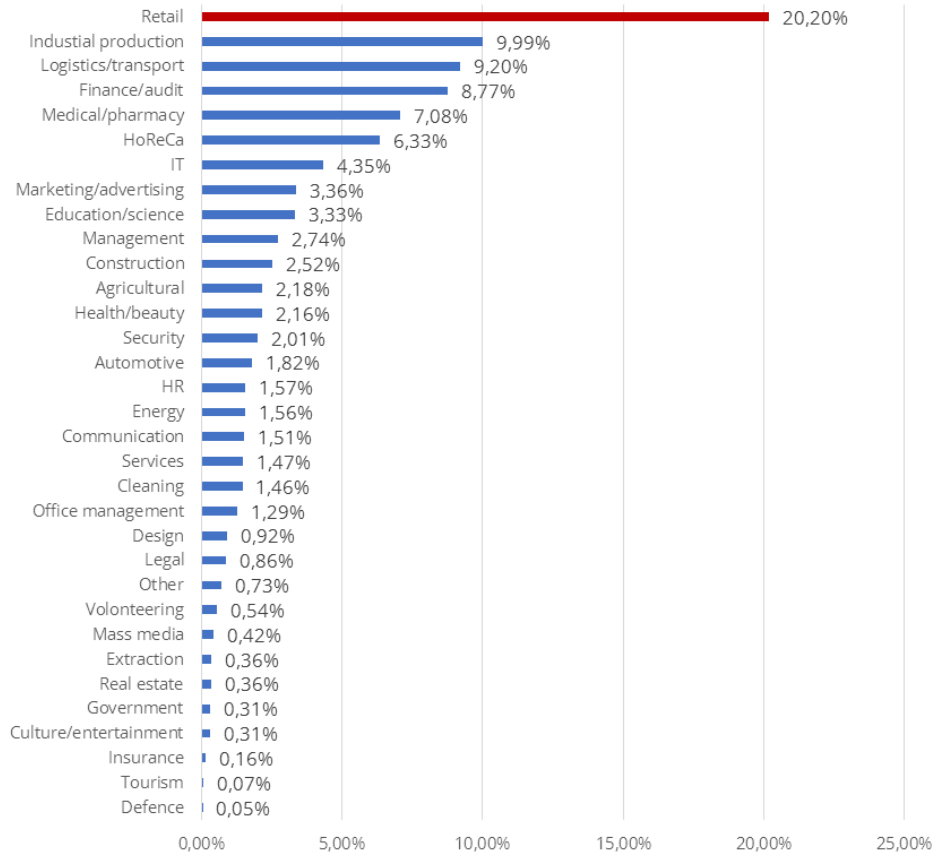
Source: vacancies portal of the SES; Ukrainian Statistical Service

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According to the data from the SEC's job portal, the largest number of vacancies is currently observed in the following industries: trade, production, logistics, finance, pharmaceuticals, restaurants, and information technology. However, available vacancies are not always acceptable for the unemployed due to high requirements for experience/education, work schedule, and salary level. Remote work opportunities account for less than 1% of all vacancies.

Therefore, creating conditions for improving skills and mastering a new profession will be mutually beneficial for candidates and employers.

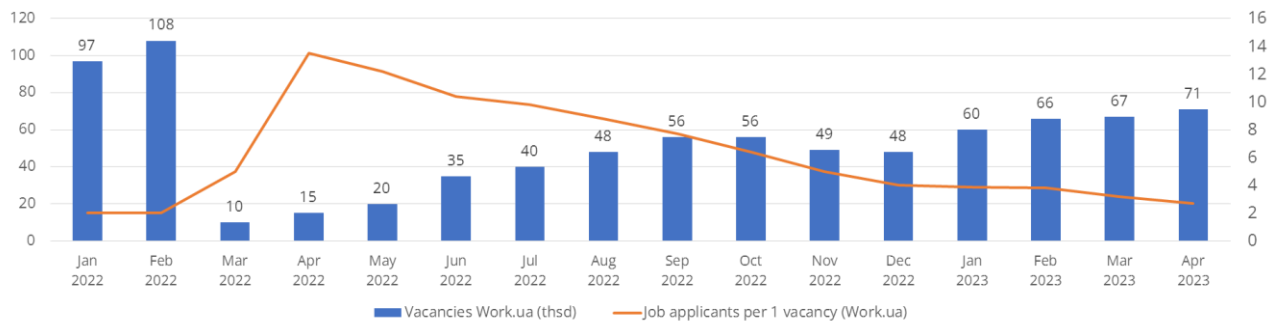
Split of vacancies by industries



Source: vacancies portal of State Employment Service of Ukraine

It should be noted that after the shock of the first two months of the full-scale war, the number of open vacancies gradually increases and by the beginning of April 2023 reached 70% of the pre-war level. At the same time, the supply in the labor market decreases due to migration processes and mobilization. This leads to a situation where the number of job seekers per vacancy gradually returns to the pre-war levels, and it becomes increasingly difficult for employers to fill job openings.

Number of vacancies and job applicants



The government support programs for employment of IDPs

Given the challenges in the labor market caused by the full-scale invasion, providing employment opportunities for IDPs is currently one of the key priorities for Ukrainian state. It is important that conditions for resuming work are created not only in new places of residence but also in the liberated territories. At the same time, the state should also ensure decent work conditions for war veterans and persons with disabilities resulting from military operations. Comprehensive assistance may include financial and psychological support for IDPs and veterans, as well as compensation or partial assistance in providing necessary work conditions by employers.

As of April 2023, the following employment support programs for IDPs were in place:

1. Compensation to employers for labor costs for employing IDPs. Employers are reimbursed 6,700 hryvnias per month for each employed person for whom they pay a single contribution to the mandatory state social insurance. The total duration of cost reimbursement cannot exceed two months from the date of employment of an IDP.
2. "My own business" program. Ukrainian citizens who are business entities (individual entrepreneurs or legal entities), as well as Ukrainian citizens who are only planning to become business entities, have the opportunity to receive a microgrant to start their own business or develop an existing one. The maximum amount of assistance is 250,000 hryvnias.
3. Training vouchers from the SES. A document that gives IDPs the right to retrain for a new profession, prepare for a specialty to obtain a master's degree based on a bachelor's or master's degree obtained in another specialty, prepare for the next level of education, as well as specialization and qualification improvement in educational institutions.
4. "Army of Recovery" program. As part of the project to rebuild the liberated territories, the "Army of Recovery" program is being implemented to provide jobs and support the local economy by hiring IDPs to work on infrastructure projects and reconstruction efforts.

State of the labor market. Results of employers' survey

The survey of employers included 54 interviews with employers representing all regions, company sizes, and the most common industries. During the interviews, employers noted that after some initial migration, the situation has stabilized, and the presence of IDPs in the labor market has become almost imperceptible.

Only 15% of the employers offer additional support for an IDP (housing, child care, financial assistance) after hiring. The vast majority of the employers stated that the presence of the state support programs for IDPs did not affect their decision to hire. The decision was made solely based on the candidate's qualifications matching the vacancy requirements. Compensation from the state is seen as an "extra bonus". At the same time, 90% of the surveyed employers who hired IDPs are satisfied with their work.

Among the key problems for employing IDPs, employers noted:

- Low motivation of IDPs for active job search due to plans to return and the availability of state and international financial support programs.
- Inappropriate skills of job seekers comparing to the expected salary level.
- Inappropriate skills/education/qualifications comparing to the job requirements.
- IDPs are not ready for retraining and want to find the same job they had before the war.
- Large number of "shadow IDPs" (men who do not want to get military registration). Employers can't hire such "shadow IDPs".
- Lack of own housing among IDPs and high rental costs.
- Need for child/relative care.

Less than 15% of the employers mentioned knowledge of the Ukrainian language as a possible obstacle to employment.

Some employers have shared their proposals to improve the situation with employment of IDPs. The most frequently mentioned and proposals are:

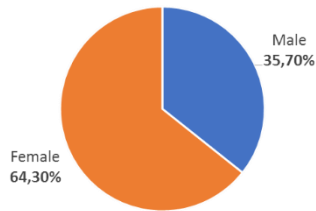
1. The state should address the issue of providing housing for IDPs, such as dormitories or other forms of accommodation.
2. There should be an (anonymous) registry of IDPs categorized by their skills, which employers can use to seek potential candidates and offer them vacancies through the SEC.
3. Improvement of informing IDPs about available vacancies, as well as specialized training courses.
4. At the level of territorial communities, programs should be developed to adapt IDPs to the city/district in which they live. This includes explaining where things are located, where to undergo a medical examination, what job vacancies are available on the local labor market, and what salary levels are offered.
5. Targeted training courses to improve skills of IDPs.

Results of the survey of IDPs

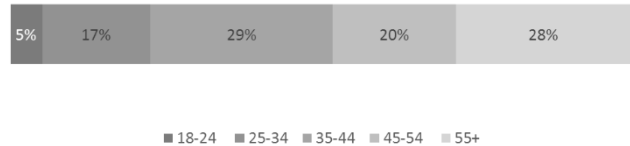
A total of 1,000 IDPs (including those who were IDP and had already returned to their place of residence) participated in the phone survey.

64% of respondents were women. 41% of respondents either do not speak Ukrainian or have difficulty using the language.

Gender



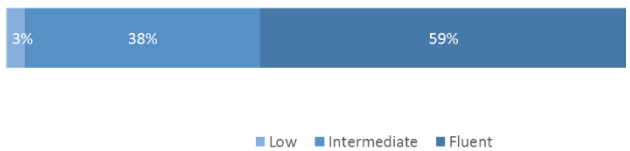
Age group



Interview language



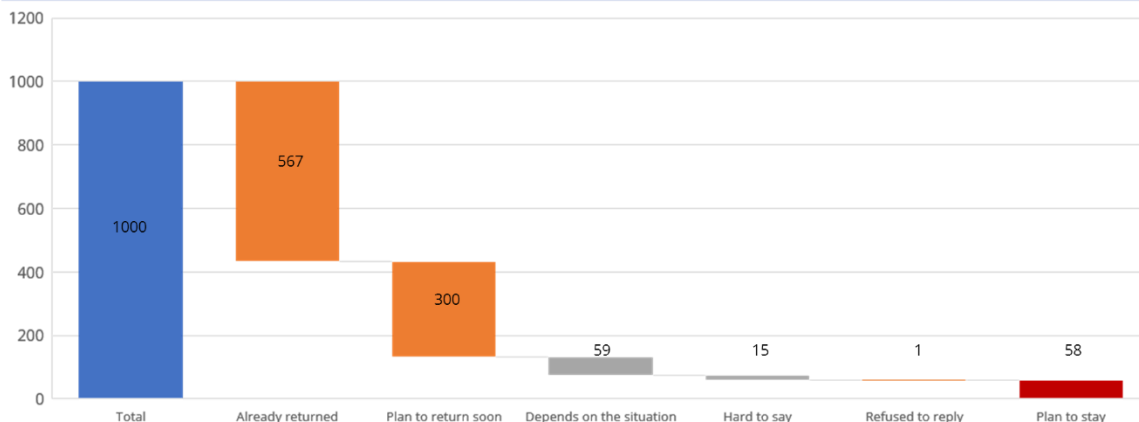
Fluency in Ukrainian



Nearly 30% of IDPs indicated that their current income either does not allow or barely allows them to finance their current expenses. However, nearly 60% of the surveyed IDPs do not have to bear the cost of supporting children.

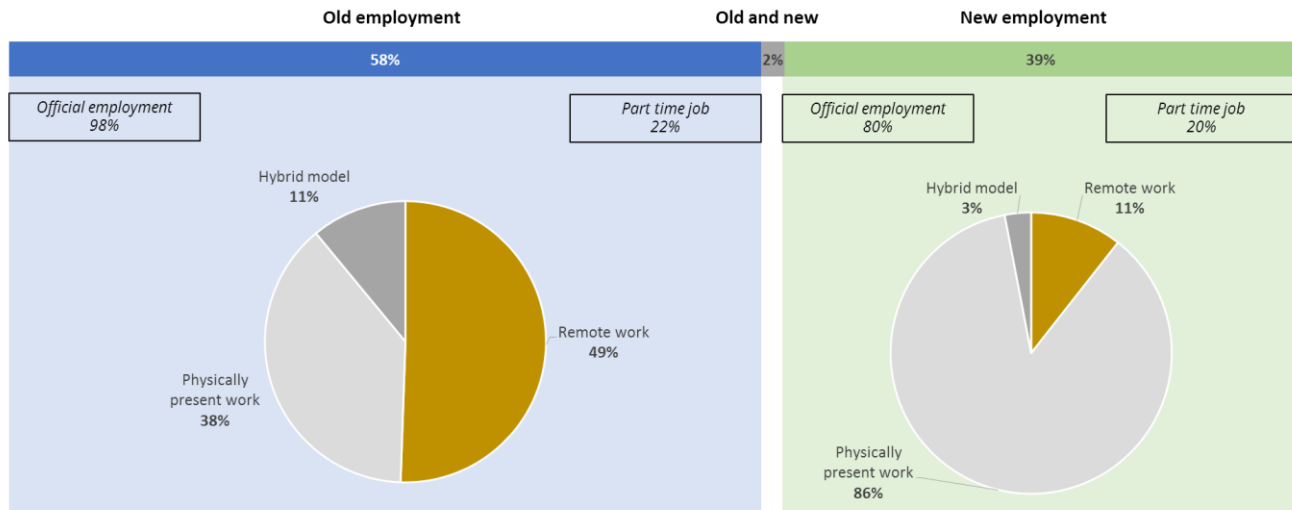
The survey showed that only 6% of IDPs plan to integrate into the communities where they have moved. Almost 90% plan to return or have already returned to the places where they lived before the full-scale invasion. This means that people do not want to seek a job in a new place and are living in anticipation of returning home.

Return intentions of internally displaced people

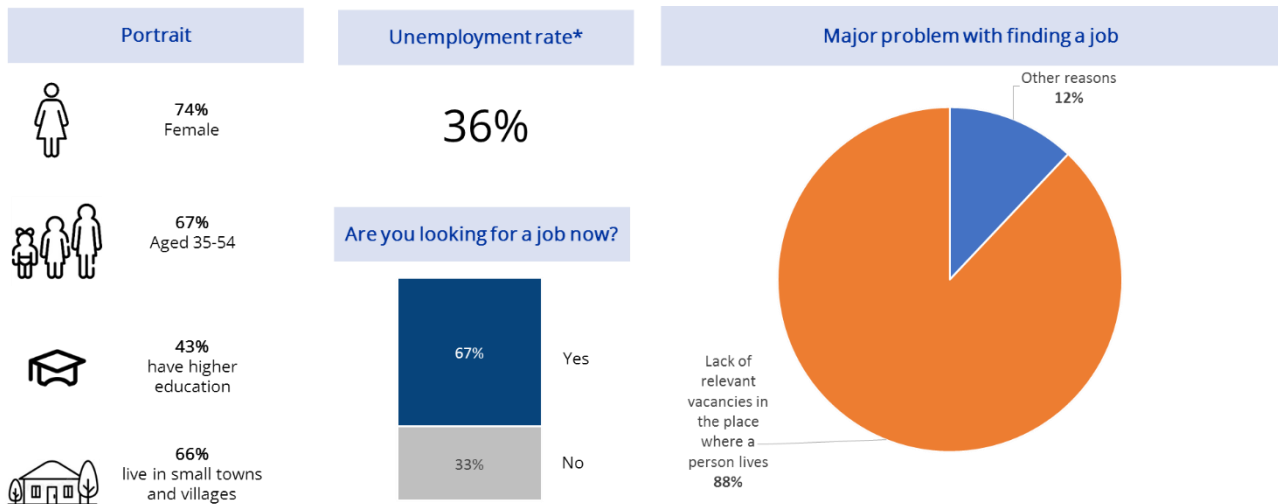


Less than 6% of internally displaced Ukrainians plan to stay in the new place of living; 57% of the interviewed have already returned home

The possibility of remote work with a former employer remains one of the effective strategies for preserving IDPs in the labor market. 58% of current IDPs continue to work for their former employer, half of them in a remote format. At the same time, in case of loss of connection with the former employer, only 11% were able to find a new remote job. The inability to find a suitable job in their new place of residence is the main barrier to employment.



More than half of the internally displaced employed people continue to work for their old employers (half of them work remotely); only 11% of those who work for the new employer have remote positions and fewer of them work officially



The key problem for unemployed internally displaced people is lack of relevant vacancies in places where they currently live. Most of the unemployed internally displaced live in small towns and villages

* Calculated from total number of current number of internally displaced people who are not on pension, parental leave or are not students.

Key barriers to employment for displaced persons and recommendations to overcome them

Barrier #1. An IDP cannot find suitable job in their new place of residence. Limited job opportunities in their current location and/or job requirements that do not match their skills and expectations leave them unemployed.

Recommendations:

- Retraining and acquisition of the most in-demand professions. Development of the "training vouchers" program by the SES, which should incentivize not only training but also subsequent employment (cooperation with employers needed).
- A separate training program on "how to find a job" (tips on where and how to search for a job, how to write a CV, how to handle interviews, etc.).
- A separate training program on "how to work remotely" (explanation of how to set up a workspace for remote work and what job opportunities become available when one is ready to work remotely).
- Pilot projects in small towns to create working spaces (e.g., based on libraries), where people could search for a job, attend interviews, and work (a "public open space»).
- Courses of the Ukrainian language.
- Encouraging the creation of jobs in the de-occupied territories.
- Awareness-raising work among employers on the benefits of a remote work (and how to make it effective), as well as a flexible working schedule.

Barrier #2: IDPs do not see the need to integrate into the new community and do not seek a job because they hope to return to the place where they lived before the full-scale invasion.

Recommendations:

- Launch a communication campaign with the main message that even after occupied territories will be de-occupied, rapid return to the places of previous residence will not be possible due to the destruction of the houses and apartments, mines, and limited job opportunities in the region.
- Work at the community level on integrating IDPs (including identifying the largest enterprises, the history of the community, customs, and invitations to community events).
- Provide legal counseling (e.g., document restoration).

Barrier #3: The cost of living in the new location comparing to the level of salary does not allow IDPs to provide decent conditions for their families.

Recommendations:

- Government compensation programs for the cost of living, food for children, etc.
- Information campaigns attracting to the communities where the income level allows a decent standard of living (which will become more and more relevant with increased competition on the labor market).

Barrier #4: Men are unwilling to get military registration.

No recommendations.

Barrier #5: The traumatic experience prevents IDPs from returning to normal life.

Recommendations:

- Psychological support for IDPs.

Barrier #6: Employers do not have information about IDPs actively seeking work, so they cannot make targeted offers.

Recommendations:

- Facilitate communication between IDPs and employers through the SES:
 - anonymous databases of IDPs looking for a job with the ability to quickly search by skills/previous experience,
 - job fairs,
 - etc.

Barrier #7: The need for care for children/parents/ other family members.

Recommendations:

- Training programs on "how to work remotely" (explanations on how to organize your space to work remotely, what vacancies become available if you are ready to work remotely).

Other recommendations:

- According to the majority of employers, the "Compensation to employers for labor costs for employment of IDPs" program has a very limited impact on their decision to give preference to IDP when filling vacancies. Therefore, we recommend either changing the positioning of this program (for example, obliging employers to use the received funds to support IDPs) or redirecting these funds to other programs.
- IDPs assistance programs might and should be extended to other vulnerable categories (war veterans, their families, people with special needs, etc.). This is already happening with programs for women, war veterans, and people with war-related disabilities.