



UKRAINE

EDUCATION, TRAINING AND EMPLOYMENT
DEVELOPMENTS 2017



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KEY EDUCATION, TRAINING AND EMPLOYMENT DEVELOPMENTS IN UKRAINE

Following the 2015 recession driven by the political and economic instability, the Ukrainian economy recovered modestly by 2.3% in 2016, experiencing a pickup in all sectors. Progress with structural reforms is assessed as mixed by the International Monetary Fund, with particular challenges in governance and reforming and privatising state-owned enterprises. However, efforts to improve the business environment are noticeable and the World Bank Doing Business 2017 ranked Ukraine in 20th place out of 190 global economies on the ease of starting a business.¹ The EU-Ukraine Association Agreement, which includes a Deep and Comprehensive Free Trade Area (DCFTA), came into full force on 1 September 2017 as the main tool for bringing Ukraine and the EU closer together by promoting deeper political ties and stronger economic links.

Human capital development (HCD) and vocational education and training (VET) also moved up on the government agenda, following its restructuring in April 2016. The **Medium-Term Priority Action Plan of the Government Until 2020**, approved in April 2017, foresees an overall focus on human capital development. In 2015 and 2016, stakeholders undertook extensive work in the formulation of two new laws – a framework **Law on Education**² and **Law on Vocational Education**³. The Law on Education, which was approved in September 2017, introduces the concept of the ‘**New Ukrainian School**’⁴. The concept is based on a 12 year education system, consisting of nine year basic secondary education, followed by a three year specialisation. The changes will also have an impact on VET reforms. The new **Action Plan for Implementing the NQF 2016-20**, was adopted in December 2016 and the list of professions with State significance has been approved. The Association Agenda foresees a functioning NQF by 2020 and highlights the development of entrepreneurial human capital as a key factor in the economic and social integration of the EU and Ukraine.

VET reform is gradually being shaped by the decentralisation process, which started in 2016 after the adoption of the state budget. It faced serious challenges resulting from the lack of a relevant legislative and regulatory framework and the shortage of financial resources in the regions. In order to resolve the VET financing issues, measures were taken by the Ministry of Education and Science (MoES) in 2016 and the Cabinet of Ministers eventually allocated stabilisation subsidies in 2017.

In line with the Ministry of Social Policy No. 256 “On Approval of the List of Entities Entitled to Validate Non-Formal Vocational Learning Outcomes under Blue-Collar Occupations”, since March 2016, a process of establishing independent **centres for the recognition of non-formal vocational learning outcomes** for the purposes of recognition of the non-formal and informal learning outcomes, as well as ensuring the objective assessment of the quality of the education of VET graduates started.

In December, 2016 a new **Regulation on the State Employment Service** was approved, abolishing the previous one from January 2015. In addition, in June 2017 the Ministry of Social Policy established a multi-stakeholder Working Group, which will be in charge of skills anticipation / labour market forecasting. Activities are yet to start in 2017.

In line with these developments, the ETF is currently actively working with the EU to support the development of a comprehensive EU assistance programme for VET in Ukraine to be part of the 2018-20 EU programming cycle. A feasibility study carry out an appraisal and formulate options for future EU support to reforms in VET and skills development in Ukraine was completed by the end of 2017.

¹ World Bank. 2017. *Doing Business 2017: Equal Opportunity for All*. Washington, DC: World Bank. DOI: 10.1596/978-1-4648-0948-4. License: Creative Commons Attribution CC BY 3.0 IGO

² Verkhovna Rada of Ukraine. 2016a. Draft Law on Ukraine “On Education”. Kyiv. Last accessed January 2017 at: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=57141.

³ Verkhovna Rada of Ukraine. 2016b. Draft Law of Ukraine “On Vocational Education”. Kyiv. Last accessed January 2017 at: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=56697.

⁴ The New Ukraine Schools: Conceptual Principles of Secondary School Reform, MoES, 2016

1. Key demographic and economic characteristics

Ukraine's population is shrinking and stood at 42.7 million in 2016 (approximately 3 million less than in 2011). The World Population Prospects estimates that the population will decline by more than 15 % by 2050.⁵ It ranks among the top 30 oldest countries of the world by share of the population aged 60 years and above. Life expectancy at birth is around 70 years, which is among the lowest in Europe.⁶ The old-age dependency ratio was 22.5% at the end of 2016 while youth (age group 15-24) accounted for only 14.6% of the population in 2016.

As a result of the conflict that started in Eastern Ukraine in April 2014, thousands of people have been forced to flee their homes and become increasingly vulnerable. In January 2017, there were 1,641,895 registered internally displaced persons (IDPs). According to the IOM's National Monitoring Survey (NMS) on the situation of IDPs, as of September 2016, the level of well-being of most IDPs in Ukraine was still low. In particular, 29% of IDPs have to reduce expenses even for food, 42% of IDPs are able to buy only food, 27% satisfy only essential needs, and only 1% of the surveyed IDPs have savings.⁷ The European Union and its Member States have jointly contributed over EUR 399 million in humanitarian and early recovery aid to the most vulnerable since the beginning of the conflict. This includes the European Commission's humanitarian aid of EUR 88.1 million provided to all affected people, including refugees in Russia and Belarus, and delivered according to humanitarian principles of humanity, neutrality, impartiality and independence.⁸

Within the challenging political situation, the economy recovered modestly by 2.3% in 2016, with growth of 3.6% in manufacturing, 16.3% in construction, 4% in domestic trade, and 3% in transport. While some reforms have advanced in 2016, a further acceleration in reforms is needed to boost investor confidence and bolster the economic recovery⁹. The International Monetary Fund (IMF), indicates that the implementation of structural reforms to strengthen the business climate and governance has been mixed. Some progress has been made in setting up new institutions to fight corruption and preparations are underway to reform the State Owned Enterprises. However, there is a delay in actual implementation. The authorities recognise the importance of accelerating the pace of structural reforms and have committed to an ambitious agenda.¹⁰

The economic perspective varies across the regions of Ukraine. The relative size of regional economies differs widely: GDP in Kyiv is 10 times that of the Sumy and Khmelnytsky regions and GDP is also high in Dnipropetrovsk. The Government of Ukraine has displayed commitment and readiness to introduce new approaches in the area of regional development. Among the most important aspects of the reform is the voluntary amalgamation of municipalities to form larger units with a minimum recommended population threshold of 5,000 people.¹¹ In September 2016, the Cabinet of Ministers adopted the Action Plan for implementing the Concept of Reform of Local Government and Territorial Organisation of Power in Ukraine (No 688-p).¹² These reforms are aimed at enhancing the capacity of local authorities to perform complex policy making and service delivery functions, notably in healthcare and education; to devise long-term economic development plans; and to enhance revenue-generating capacities of local bodies.¹³

Ukraine has taken several steps to improve the business environment and these reforms helped the country to move up one place in the World Bank Doing Business Report to 80th in 2017.¹⁴ Data collected by Doing Business 2017 showed the 'starting a business' indicator improved, bringing

⁵ World Population Prospects, Key findings and advance tables, Revision 2017, United Nations available at https://esa.un.org/unpd/wpp/Publications/Files/WPP2017_KeyFindings.pdf, retrieved at 17 July 2017.

⁶ World Population Prospects, Key findings and advance tables, Revision 2017, United Nations available at https://esa.un.org/unpd/wpp/Publications/Files/WPP2017_KeyFindings.pdf, retrieved at 17 August 2017.

⁷ International Organization for Migration, IOM UKRAINE 2017 CRISIS RESPONSE PLAN, available at: https://www.iom.int/sites/default/files/country_appeal/file/IOM-Ukraine-2017-Crisis-Response-Plan.pdf, retrieved 17 July 2017.

⁸ European Commission: Humanitarian Aid and Civil Protection UKRAINE:ECHO Factsheet, http://ec.europa.eu/echo/files/aid/countries/factsheets/ukraine_en.pdf, February 2017

⁹ Ukraine Economic Update, World Bank, April 2017

¹⁰ International Monetary Fund, Ukraine Country Report No. 16/319 available at <https://www.imf.org/external/pubs/ft/scr/2016/cr16319.pdf>; retrieved on 17 July 2017.

¹¹ 2017 European Union, European Committee of the Regions, Regional Development in Ukraine: Priority Actions in Terms of Decentralization, Catalogue number: QG-04-17-059-EN-N ISBN: 978-92-895-0910-7 doi:10.2863/872975

¹² The document is available at, <http://www.kmu.gov.ua/control/uk/cardnpd?docid=249350402>; retrieved 18 July 2017.

¹³ Roberts, Sian R., and Oleksandr Fisun. 2014. Local Governance and Decentralization Assessment: Implications of Proposed Reforms in Ukraine Kiev: USAID, Sasse, Gwendolyn. 2016. "Local Change in the Making in Ukraine." Carnegie Europe.

¹⁴ World Bank Group Doing Business 2017 available at <http://www.doingbusiness.org/reports/global-reports/doing-business-2017>; retrieved 17 July 2017

Ukraine to 20th in the ranking of 190 global economies on the ease of starting a business¹⁵. The country also ranks 85th out of 138 countries analysed in the 2016-17 World Economic Forum Global Competitiveness Index (World Economic Forum, 2016).¹⁶ The major reasons commonly cited for the restricted growth of the private sector in Ukraine include: corruption, low diversification of economy and exports, and low productivity levels. Ukraine ranked 131st out of 176 countries in the 2016 Transparency International Corruption Perceptions Index with score 29 out of 100; indicating a very high level of corruption.¹⁷

The Association Agreement between Ukraine and the EU, signed on 1 September 2017, covers most of the reforms undertaken by Ukraine since 2014 and provides the roadmap for Ukraine's reform process. The Agreement is very ambitious and envisages approximating standards and laws in 27 areas of the EU acquis. It should bring benefits in terms of stability and security, and enhance new business opportunities.

2. Education and training

2.1 Trends and challenges

The education and training attainment level of the population is high. In 2016, only 2% of Ukrainians aged over 15 had primary education or lower; 45.5% had secondary education; and 52.6% had completed or were engaged in tertiary education. Gross enrolment rates in secondary education are almost universal, at 99.2% (UNESCO, 2014), which is above the OECD average. The share of enrolment in upper secondary VET stood at 29.4% in 2015 (UNESCO, 2015). Higher education has gained considerable importance in the education system with the vast majority of young people aspiring to obtain a higher education degree. Participation in higher education has increased to the highest levels in Europe, raising concerns about the sustainability, the quality of the system and the employability of graduates.

There are different types of VET provider in Ukraine, and changes in VET provision networks are ongoing. In September 2016, there were 926 institutions in the network of state-owned VET providers. Of these, 922 are under the jurisdiction of the Ministry of Education and Science (MoES) and four are subordinate to other central executive authorities. The consolidated statistical data provide information on only 809 of the 922 VET institutions subordinate to the MoES, as 53 institutions in the Donetsk region and 60 in the Luhansk region are located in the anti-terrorist operation zone. Of these 809 VET institutions that are under the jurisdiction of the MoES, 23 are divisions of higher education institutions, 23 are education institutions of other types that also provide VET, and 71 are training centres within closed penal institutions, vocational schools for social rehabilitation and vocational schools within penal colonies (MoES data, 2016). The Ministry of Social Policy (MoSP) also has significant responsibilities for policies on adult learning and vocational training. Under the State Employment Service, there are 11 vocational training centres – in Dnipropetrovsk, Donetsk, Ivano-Frankivsk, Luhansk, Lviv, Odesa, Poltava, Rivne, Sumy, Kharkiv and Kherson regions. In addition, there are approx. 2,000 private VET providers. Many of these are training centres attached to large companies.

The higher education system in Ukraine includes two types of studies: academic studies carried out at universities, academies and institutes, and applied studies carried out primarily at colleges and occasionally at universities, academies, institutes as well. Higher education in Ukraine is provided by universities, academies, institutes, and colleges that are either public (state or community) or private. In the academic year 2014/15, there were 664 higher education institutions, of which 520 were public and 144 private.¹⁸ According to the Law on Higher Education (2014), the tuition fees correspond to the costs of studies for one academic year (i.e. for acquiring 60 ECTS credits). Students at public higher education institutions are either funded by the state or self-funded. During the academic year 2014/15, the overall percentage of self-funded students at public higher education institutions amounted to 50%. Tuition fees for self-paying students vary from 250 EUR to 2,500 EUR per academic year. The highest tuition fees at public higher education institutions are at the Taras Shevchenko National University of Kyiv (Faculty of Law and International Relations Institute –

¹⁵ World Bank. 2017. *Doing Business 2017: Equal Opportunity for All*. Washington, DC: World Bank. DOI: 10.1596/978-1-4648-0948-4. License: Creative Commons Attribution CC BY 3.0 IGO

¹⁶ World Economic Forum; Insight Report The Global Competitiveness Report 2016-2017; available at <https://www.weforum.org/reports/the-global-competitiveness-report-2016-2017-1>; retrieved 17 July 2017

¹⁷ Transparency International Corruption Perceptions index 2016 available at https://www.transparency.org/news/feature/corruption_perceptions_index_2016, retrieved 11 July 2017

¹⁸ ERASMUS + Overview of the Higher Education System in Ukraine, February 2017, European Union 2017, ISBN : 978-92-9492-396-7, doi : 10.2797/083670

approximately 2,500 EUR). During the academic year 2014/15, the percentage of budget and self-financed students in all higher education institutions was 49.4 and 50.0% respectively (the additional 0.6% being financed by the state authority and other organisations).¹⁹

Ukraine is scheduled to participate for the first time in PISA 2018 cycle to assess the quality of the education outcomes. Policy makers use PISA results to gauge the knowledge and skills of students in their own countries in comparison with those in other countries, set policy targets against measurable goals achieved by other education systems, and learn from policies and practices applied elsewhere. An OECD review was undertaken to identify integrity challenges and policy options for further reforms in education. Drawing upon consultations with stakeholders from government and civil society, the review identified nine integrity challenges: access to pre-school education through informal transactions; misappropriation of parental contributions to schools and pre-schools; access to school education through informal transactions; undue recognition of learning achievements in primary and secondary education; private supplementary tutoring; corrupt influence in textbook procurement; corrupt access to higher education; academic dishonesty in higher education; and undue recognition of academic achievement in higher education. Adopting policies that reduce incentives and opportunities for educational malpractice is a first step towards the long-term goal of building an education system that is marked by trust, openness, and transparency.²⁰ The OECD review also indicates that, in the second half of 2016, the starting and mid-career salaries of teachers in primary and secondary schools in Ukraine were 30% and 40% of the average income of workers in finance, insurance, scientific and technical professions respectively. The statutory income of new teachers was 60% lower than the average income in the civil service and that of mid-career teachers was only half the average income.²¹ The starting salary in higher education is about 1.3 times higher than that of a mid-career schoolteacher, and at the top of the salary scale, earnings are 1.2 times higher than at the beginning of the academic career. However, these salaries are still considerably less than those of full-time, full-year workers with tertiary education who are employed outside higher education. Newcomers to academia earn just 40% of the average pay in the finance and insurance sector, half of the average monthly earnings of professionals in scientific and technical professions, and 30% less than civil servants.²²

Since 2014, the number of teaching staff has contracted from 47,500 (as of 1 September 2014) to 37,900 (as of September 2016), including 16,900 workshop trainers and 13,600 teachers. This downward trend can be explained by the shrinking vocational student population due to the demographic crisis, but the key contributing factors are unattractive working conditions and poor social protection. As a result, the current average teacher supply rate is 86.2% of the demand (MOs, 2016). The shortage of workshop trainers for some occupations is particularly acute due to lower salaries in VET institutions compared to those in industry. The vocational teaching profession remains unattractive to young people. This results in challenges, such as an ageing teacher workforce, low professional mobility, and poor motivation to master innovative teaching and production technologies.

The key reform agenda in Ukraine has been associated with the decentralisation of power. The objective is to break away from the centralised model of management, ensure the capacity of local self-governments, and build an efficient system of territorial power. The aforementioned challenges in the country have acted as a catalyst for change in the education sector aimed at 'Europeanisation' and approximation to the standards of developed countries under the motto 'Quality Education and Fair Access to It'. In this context, the VET sector is also undergoing extensive changes. This involves not just minor adjustments, but a drastic restructuring of the VET system, including rearrangements of responsibilities for VET at regional level.

2.2 Education and training policy and institutional setting

The Government of Ukraine (GoU) recognises education as a fundamental right and is committed to providing access to lifelong learning opportunities to every citizen and improving its quality. With the most recent government restructuring in April 2016, human capital development (HCD) and vocational education and training (VET) in particular moved up the agenda. The Medium-Term Priority Action

¹⁹ ERASMUS + Overview of the Higher Education System in Ukraine, February 2017, European Union 2017, ISBN : 978-92-9492-396-7, doi : 10.2797/083670

²⁰ OECD (2017), *OECD Reviews of Integrity in Education: Ukraine 2017*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264270664-en>

²¹ OECD (2017), *OECD Reviews of Integrity in Education: Ukraine 2017*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264270664-en>

²² OECD (2017), *OECD Reviews of Integrity in Education: Ukraine 2017*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264270664-en>

Plan of the Government until 2020, which was approved in April 2017, focuses on human capital development. The emphasis is placed on ensuring high quality and affordable secondary education, development of vocational training, ensuring quality in higher education and providing new opportunities for science financing. Modernisation of VET, promoting the quality and relevance of a competitive labour force, capable of responding to the challenges of the regional labour market and ensuring equal access to VET are key priorities. The core aspects of VET modernisation include: new education and training standards to meet labour market demand, increasing access to vocational schools, as well as modernising and equipping workshops in VET training centres.

The New Ukrainian School²³ policy introduces a new 12 year education system, consisting of a basic nine year secondary education, followed by a profiled three year specialisation, bringing Ukrainian education closer to common modern practices. As such, the New Ukraine School becomes a basis for reform of VET schools as well. The New Ukraine School that Ministry of Education and Science launched in 2016, aims to produce sustainable change across the education and training system, and features eight main elements: 1. New educational content based on enabling the competencies necessary for success in society; 2. Motivated teaching staff who enjoy freedom of creativity and professional development; 3. Leading-edge educational processes that engender values; 4. Decentralization and effective administration that will bring real autonomy to schools; 5. Teaching based on partnerships between the pupil, the teacher and parents; 6. A focus on pupil's needs in the educational process, i.e. child-centred education; 7. A new structure for schools that allows the mastering of new content and the acquisition of life competencies; 8. Fair allocation of public funds that ensures equal access to quality education for all children. If introduced in the education system as planned, the New Ukrainian School will have significant impact on the curriculum, programmes and teaching practices in the VET system as well.

The development of the national qualifications framework is proving to be a lengthy and complicated process. One recent achievement is the adoption of a new Action Plan for Implementing the NQF 2016-20 (adopted in December 2016). The list of professions with State significance has been also approved. The Association Agenda foresees a functioning NQF by 2020 and highlights the development of entrepreneurial human capital as a key factor in the economic and social integration of the EU and Ukraine. There is also a reference to comparability with the EQF. The country is part of Bologna Process and it is establishing a Quality Assurance Agency for Higher Education, which has still to self-certify itself against the international QFEHEA. A new list of specialisations foresees fewer higher education qualifications. Ukraine also aims to implement a competence based approach to education and will continue pilot actions to adapt the learning outcomes of the European Entrepreneurship Competence Framework to the local context.

There have been developments to improve the system of further training for vocational teachers and trainers through drafting relevant legislation. The MoES of Ukraine approved the Procedure for Further Training of VET Teachers and Trainers in 2014 and the Ministry of Social Policy of Ukraine – ‘On Approving the List of VET Institutions for Internships of Workshop Trainers, Teachers of Vocational Training, and Teachers of Special Vocational Subjects’ in 2016. Significant efforts for ensuring the continuing professional development of vocational teachers and trainers have been made by VET training and methodology centres are available in every region. These centres provide course-based further training and internship services.²⁴

The first steps towards VET decentralisation (started in 2016 after the adoption of the State Budget) faced serious challenges resulting from the lack of the relevant legislative and regulatory framework and the shortage of financial resources. In order to resolve the VET financing issues, the MoES took measures in 2016, and the Cabinet of Ministers eventually allocated stabilisation subsidies. The State Budget for 2017 closed the gaps within VET financing in the light of the problems that emerged in 2016. It guaranteed a subvention from the state budget (an amount of UAH 2 billion (approx. EUR 56 million) for delivering full secondary education to students, and subvention (an amount of UAH 119.6 million (around EUR 3.5 million) to students training for occupations of national significance (which are defined by the Resolution of the Cabinet of Ministers of Ukraine as of 16 November 2016 No 818, where 19 such occupations are listed). In addition, the MoES is launching a pilot project for the modernisation of skills training in the occupations of which there is a shortage, to be funded from the state budget. The project involves three occupations of national significance, and

²³ The New Ukraine Schools: Conceptual Principles of Secondary School Reform, MoES, 2016

²⁴ Ministry of Social Policy of Ukraine. 2016. “On Approving the List of VET Institutions for Internships of Workshop Trainers, Teachers of Vocational Training, and Teachers of Special Vocational Subjects”. Kyiv. Last accessed July 2017 at: <http://zakon5.rada.gov.ua/laws/show/z0455-16>.

there are plans to allocate state funding for these occupations. UAH 50 million (EUR 1.4 million) was allocated in the State Budget 2017 for creating training centres within this initiative. At the same time, the regions must ensure the financing of VET institutions from regional (oblasts, or cities of oblast significance) budgets and thus define trends in regional VET development using the regional order for skills training.

At national level, in the light of the changed political and economic conditions, a new strategic, legislative and regulatory base for the education and training sector is being drafted. In 2015 and 2016, the stakeholders undertook extensive work in formulation of two new laws – a framework Law on Education²⁵ and Law on Vocational Education²⁶. The Law on Education, which was approved in September 2017, introduced the concept of the New Ukrainian School²⁷ with four main components: development of new modern education standards in secondary education that have a competence-based approach; revision of the national curriculum according to new education standards; introduction of a teachers' certification procedure and new certified programmes for enhancing professional qualifications; systemic de-bureaucratization of education management and introduction of a transparent and effective governance system. The Law on Education and the draft Law on Vocational Education, brought the NQF back onto the table. It is considered an instrument to support lifelong learning, put stronger focus on competences and more relevant qualifications. The draft Law on Vocational Education is still to be discussed in the Parliament.

VET decentralisation is recognised as a prerequisite for the adaptation of skills, competences and vocational qualifications to the needs of the local economy. However, it is also very important to focus on VET content and quality of provision. Reaching these goals also requires broader forms of VET reform. However, progress remains slow. This is mainly due to the lack of good coordination mechanisms among state actors in building a vision for the new system, in implementing new VET policies, and in failing to ensure consistency and efficiency of the decentralization process. The image and reputation of the VET system in Ukraine requires urgent attention. The solution lies in a multi-faceted approach including the adoption of a good performance management system, improving cooperation with employers, adopting a demand driven approach, and improving conditions for students and teachers, and further alignment of policies.

3. Labour market and employment

3.1 Trends and challenges

Ukraine's labour market faces multiple challenges, such as low internal labour mobility, high informal employment and different types of skills mismatch, in particular high levels of over-qualification. It is characterised by structural deficiencies, regional disparities and a low activity rate. The latter fell from 64.2% in 2011 to 62.2% in 2016 (69.1% for males and 55.9% for females). The employment rate (15-70 years old) also decreased: dropping from 59.2% in 2011 to 56.3% in 2016 (61.6 % for males and 51.6% for females). The employment rate decreased faster among men than women. Over the same period, the overall unemployment rate increased from 8% to 9.3%, with a greater increase among men (reaching 10.8% in 2016). The total long-term unemployment rate increased from 1.5% to 2.2% in 2015. The proportion of long-term unemployment stood at 30.5% of the total unemployed in 2015; showing a slight increase from 29.2% in 2011.

The youth unemployment rate increased from 18.6% in 2011 to 23.4% in 2016 and 17.6% of young 15-24 years old were not in employment education or training (NEETs) in 2015 (14.9% of boys and 20.5% girls). The biggest challenge within youth employment in Ukraine is the phenomenon of 'over-qualification' when compared to the level of qualifications required for the jobs being carried out. In these circumstances, overqualified youth is likely to earn less than they otherwise could and they are clearly not making the most of their productive potential. On the other hand, over qualification of youth can be a temporary situation for the workers concerned. The worse scenario appears when over-qualification is combined with underskilling, whereby the young worker is less productive due to the inadequacy of practical skills for the jobs. At the same time, the less-educated groups of young people at the bottom of the educational pyramid are being crowded out, finding themselves at the back of the queue even for those jobs for which they are best qualified. More analysis of the types of skills

²⁵ Verkhovna Rada of Ukraine. 2016a. Draft Law on Ukraine "On Education". Kyiv. Last accessed January 2017 at: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=57141.

²⁶ Verkhovna Rada of Ukraine. 2016b. Draft Law of Ukraine "On Vocational Education". Kyiv. Last accessed January 2017 at: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=56697.

²⁷ The New Ukraine Schools: Conceptual Principles of Secondary School Reform, MoES, 2016

mismatch and their incidence on individual and the economy is necessary to support better targeted policies and measures. Ukraine does possess the capacity and robust labour market statistics indispensable for such analytical work, but labour market research is fragmented in different institutes. As a result, decision-making bodies do not necessarily benefit from the insights of the newest labour market research and skills forecasting.

Based on State Employment Service (SES) records, the number of employed people 15-70 years old in the second quarter of 2017 year was 15.9 million. The highest level of employment is observed in the city of Kyiv (60.5%). Based on registered employment, significant regional differences can be noted, with the highest level of employment observed in Kharkiv (59.3%), Kyiv (58.0%) and Dnipro (57.8%), while the lowest – in Donetsk (49.2%), Ternopil (49.0%) and Volyn (48.0%) region.²⁸ The number of vacancies dropped from 35.3 thousand (January 2015) to 25.9 thousand (January 2016). Training activities were provided on a small scale due to the limited financial capacities of enterprises and lower demand for skills.

The restructuring of the economy has implications on changing the distribution of the employed by sector of the economy. In 2014, services accounted for the majority of the labour force (62.7%), followed by industry (20.2%) and agriculture (17.1%) According to national data, in 2016 the largest share (21.6%) of the employed were in the wholesale and retail trades, repair of motor vehicles and motorcycles. Another significant share (17.6%) is employed in agriculture, hunting, forestry and fisheries, while the industry absorbs 15.3% of the employed. There is also a strong growth of employment in the public administration and defence sectors (14.7%), as well as in information and communication, education (4.4%) and health activities. On the other hand, employment decreased in the sectors of financial and insurance activities, construction (8.8%), manufacturing and real estate activities.

Changes also occurred in the distribution of the employed in nine occupational groups (ISCO 08), with a visible increase in the share of the occupational group *professionals* (from 13% in 2008 to 17.9% in 2016), and a shrinking proportion of the employed in the occupational group of the simplest professions (from 23.25% in 2008 to 18.9% in 2016). This trend is forecast to continue in the coming years and is in line with trends in other countries.

The degree of mismatch between skills demand and supply remains substantial, which can be explained by poor coordination and feedback links between the labour market and the education system, as well as by the lack of interest of employers and education institutions in establishing systematic cooperation. According to results of the OECD project 'Sector Competitiveness Strategy for Ukraine',²⁹ more than half of the surveyed agribusiness food processor companies, a third of agribusiness cultivation companies and one-fifth of renewable energy companies experience a significant gap between their employees' skills and the skills required to meet their business objectives. It mainly concerns SMEs (nearly 89% of agribusiness cultivation companies (with less than 200 employees) were characterised by a skills gap; 79% and 100% respectively for agribusiness food processors and renewable energy companies. This is clear sign that there is a disconnection between the education and training system and the labour market as there are sectors which could create jobs, but skilled professionals are not available. This is also an indication that SES training is probably of limited effectiveness and relevance.

Labour force ageing remains an acute problem, especially in rural areas. In addition, very low labour productivity in Ukraine affects the competitiveness of the economy. According to the ILO, Ukraine ranked 132 out of 192 countries in output per worker in 2015, at USD 15,837. A number of reasons can explain low labour productivity, including the production of commodities with low added value, the obsolete industrial structure, skills mismatch and low internal labour mobility. The size of the informal economy is also a contributory factor, which also affects the overall efficiency of the labour and product market. The State Statistics Service of Ukraine estimates that informal employment represented about 4.3 million people in 2015, equivalent to 26.2% of the total employed population of 16.4 million. Informal employment was concentrated in the agricultural sector (38.6%) and in the wholesale and retail trade and in construction sectors (22.1% and 16.1%, respectively). Men are more inclined to work informally (58.8). The informal sector or shadow economy affects labour and market efficiency negatively while also having an effect on labour productivity.

²⁸ Information available at <http://www.dcz.gov.ua/statdatacatalog/document?id=401365>, retrieved 25 July 2017.

²⁹ Sector Competitiveness Strategy for Ukraine, OECD 2015

3.2 Employment policy and institutional setting

The Ministry of Social Policy, in coordination with the SES, is engaged in drafting a new labour law³⁰, aiming to: introduce measures to stimulate employment for the integration of various groups of job-seekers and unemployed in the labour market; strengthen the underlying insurance principles relating to the payment of unemployment compensations, and; reorganise the SES and establish the National Employment Agency as an active intermediary in the labour market. One particular aspect of the new Law will be the introduction of new mechanisms to stimulate subsidised employment. These will compensate employers for expenditure on salaries and the most vulnerable unemployed (the ageing jobless, former Anti-Terrorist Operation staff from the east of the country, orphans, etc.). Employability among the young will also be targeted by placing university graduates in internship programmes, allowing employers to recover expenses for qualification upgrades and the retraining of young people.

In line with the measure of the Ministry of Social Policy No. 256 'On Approval of the List of Entities Entitled to Validate Non-Formal Vocational Learning Outcomes under Blue-Collar Occupations', of March 2016, a process of establishing independent centres for recognition of non-formal vocational learning outcomes for the purpose of both recognition of the non-formal and informal learning outcomes, and ensuring the objective assessment of VET graduates' vocational education quality, started. In May 2017, the Cabinet of Ministers adopted a procedure for the development of occupational standards, providing a legal basis for them. Work on a consolidated methodology for occupational standards is expected to start in the second half of 2017. The Ministry of Social Policy is expected to establish a register for occupational standards. It is expected that apart from the Federation of Employers, professional bodies could join the development of occupational standards to cover the skills needs of SMEs and the self-employed.

The current policy framework for active labour market measures in Ukraine is defined by the government at national level and measures are implemented across the country by the SES in cooperation with Department for Employment of the Ministry of Social Policy. Some positive trends indicate an upgrading of the employment services in recent years. Before the recent rise of unemployment driven by the crisis, there had been a shift in the balance between passive and active labour market policies (ALMPs) in favour of the latter. Greater emphasis was placed on demand-side measures in the form of wage subsidies and the stimulation of self-employment. The SES improved its operations and increased staffing, which resulted in higher job placement ratios and reduction in the average period of unemployment. Resources for ALMPs are, however, quite limited. Ukraine spends about 0.1% of GDP on labour market measures (both active and passive), a level comparable to that of Armenia, Azerbaijan and Belarus, but far below average 2% spent by the EU member states.³¹

In December 2016, a new Regulation on the State Employment Service was approved, abolishing the one from January 2015. According to it, the State Employment Service is a centralised system of public agencies, the activity of which is directed and coordinated by the Ministry of Social Policy of Ukraine. The Service consist of the State Employment Service (Central Office), regional employment centres, and rayon and city district employment centres (called 'basic employment centres'). Additionally, Personnel Training Institute of the State Employment Service of Ukraine, vocational training institutions of the State Employment Service, other education and training institutions of the State Employment Service, as well as enterprises, agencies, and organisations established by the Service, are also part of the State Employment Service.

The SES monitors the labour market to identify job vacancies and unemployed job-seekers, and also analyses employment data by occupational sector. However, it has access only to around 30 to 35% of labour market vacancies, and these are mainly low-paid jobs. In the first half of 2016, the SES helped 387,400 people to find a job. Almost 16% of these belonged to socially vulnerable groups, such as people with disabilities and IDPs. During the same period the SES provided services to a total of 868,700 registered unemployed including services such as: career guidance, launching a business, training and retraining in high-demand occupations. Other lines of action included the involvement of 132 200 unemployed people in community services and other temporary work, while 104,000 more took up vocational training in 'in demand' occupations for the Ukrainian labour market.

The SES also provides support in relation to business start ups and entrepreneurial activities. The laws 'On Compulsory State Social Unemployment Insurance' and 'On Employment' provide for an

³⁰ Working title of the draft law as of May 2016: 'Law on amending certain legislative acts of Ukraine concerning the reforming of state governance in the field of employment and social unemployment insurance'.

³¹ Flexibility and the role of lifelong learning in Ukraine, Oleksandra Betty and Lizzi Feiler, January, 2011, ETF publication

unemployment compensation in one-off allowance for the entrepreneurial activities of unemployed people aged 18 years and older. They must be registered as unemployed with the SES and they need to have been waiting for a suitable job for more than one month. Guidance services for entrepreneurship and self-employment are also provided. In the first six months of 2016, 1,600 young people started their own enterprises using the non-recurrent unemployment allowance)³².

³² According to the State Statistics Service. Information available at http://www.dcz.gov.ua/control/uk/publish/article?art_id=401586&cat_id=364661; retrieved 25 July 2016.

ANNEXES

Statistical annex Ukraine

This annex reports annual data from 2011 and 2016 or the last available year.

Indicator		2011	2016	
1	Total Population (000)	45598.2	42590.9 ⁽²⁾	
2	Relative size of youth population (age group 15-24) (%)	18.2	14.6 ⁽²⁾	
3	Youth Dependency ratio (%)	20.2	21.9	
4	Old-age Dependency ratio (%)	22.6	22.5	
5	Global Competitive Index	Rank	82	85
		Score	4.0	4.0
6	GDP growth rate (%)	5.5	2.3	
7	GDP per capita (PPP) (current international \$)	8281.9	8271.8	
8	GDP by sector (%)	Agriculture added value	9.5	13.7
		Industry added value	29.1	27.1
		Services added value	61.4	59.2
9	Poverty headcount ratio at \$3.10 a day (2011 PPP) (% of population) ⁽⁸⁾	0.2	0.1(2014)	
10	Gini index (%) ⁽⁸⁾	24.6	24.1 (2014)	
11	Educational attainment of adult population (aged 15+) (%) ⁽³⁾ ⁽⁵⁾	Low ⁽⁴⁾	6.6	2.0 ⁽²⁾
		Medium	45.3	45.5 ⁽²⁾
		High	48.1	52.6 ⁽²⁾
12	Gross enrolment rates in secondary education (%)	93.2	99.2 (2014)	
13	Share of VET students in secondary education (%)	8.8	8.1 (2015)	
14	Gross enrolment rates in upper secondary education (%)	81.8	92.6 (2014)	
15	Share of VET students in upper secondary education (%)	31.3	29.4 (2015)	
16	Low achievement in reading, mathematics and science – PISA (%)	Reading	N.A.	N.A.
		Mathematics	N.A.	N.A.
		Science	N.A.	N.A.
17	Participation in training/lifelong learning (age group 25-64) by sex (%)	Total	M.D.	M.D.
		Male	M.D.	M.D.
		Female	M.D.	M.D.
18	Early leavers from education and training (age group 18-24) by sex (%)	Total	M.D.	M.D.
		Male	M.D.	M.D.
		Female	M.D.	M.D.
19	Activity rates by sex (aged 15+) (%) ⁽¹⁾	Total	64.3	62.2 ⁽²⁾
		Male	70.7	69.1 ⁽²⁾
		Female	58.5	55.9 ⁽²⁾
20	Employment rates by sex (aged 15+) (%) ⁽¹⁾	Total	59.2	56.3 ⁽²⁾
		Male	64.4	61.6 ⁽²⁾
		Female	54.5	51.6 ⁽²⁾
21	Unemployment rates by sex (aged 15+) (%) ⁽¹⁾	Total	7.9	9.3 ⁽²⁾
		Male	8.8	10.8 ⁽²⁾
		Female	6.8	7.7 ⁽²⁾

22	Unemployment rates by educational attainment (aged 15+) (%) ^{(1) (3)}	Low ⁽⁴⁾	6.6	7.8 ⁽²⁾
		Medium	8.8	10.7 ⁽²⁾
		High	7.1	8.2 ⁽²⁾
		Total	18.6	23.0 ⁽²⁾
23	Youth unemployment rates by sex (aged 15-24) (%)	Male	18.6	24.0 ⁽²⁾
		Female	18.7	21.5 ⁽²⁾
24	Proportion of long-term unemployed out of the total unemployed (aged 15+) (%) ⁽¹⁾		19.5	25.3 ⁽²⁾
25	Long-term unemployment rate (aged 15+) (%)		1.5	2.3 ⁽²⁾
26	Incidence of self-employment (%)		19.3	16.0 (2015) ⁽²⁾
28	Employment by sector (%) ⁽¹⁾	Agriculture	M.D.	M.D.
		Industry	20.3	15.3 (2015) ⁽²⁾
		Services	25.6	24.7 (2015) ⁽²⁾
			53.8	60.1 (2015) ⁽²⁾
29	Employment in the informal sector ⁽¹⁾		23.1	24.3 ⁽²⁾
30	Proportion of people aged 15–24 not in employment, education or training (NEETs), by sex (%) ⁽²⁾⁽⁶⁾	Total	M.D.	17.6
		Male	M.D.	14.9
		Female	M.D.	20.5
31	Public expenditure on education (as % of GDP)		6.16	5.86 (2014)
32	Public expenditure on education (as % of total public expenditure)		13.48	13.12 (2014)
33	Skill gaps (%)		N.A.	7.5 (2013)
34	The share of SMEs in GDP (%)		M.D.	M.D.
35	The share of SMEs in employment (%) <i>(excluding bank and budgetary institutions)</i> ^{(2) (3) (7)}		75.9	78.2 (2014)

Sources:

3, 4, 6, 7, 8, 9, 10 - *The World Bank, World Development Indicators database*

5 - *World Economic Forum*

1, 2, 11, 19, 20, 21, 22, 23, 24, 25, 29, 35 - *State Statistics Service of Ukraine*

33 - *OECD Statistical database*

26, 28, 30 - *ILOSTAT*

12, 13, 14, 15, 31, 32 - *UNESCO, Institute for Statistics*

Legend:

N.A. = Not Applicable

M.D. = Missing Data

Note:

⁽¹⁾ Age range 15-70

⁽²⁾ Data without the population of Autonomous Republic of Crimea, Sevastopol and part of the conflict zone (2015-2016).

⁽³⁾ ETF calculation

⁽⁴⁾ Low = General basic or less; Medium = General secondary, professional-technical; High = Incomplete tertiary, tertiary.

⁽⁵⁾ Data refer to the active population aged 15-70.

⁽⁶⁾ Data refer to the share of people aged 15-24 not in employment and education.

⁽⁷⁾ Data related to SMEs include enterprises below 250 employees as well as individual entrepreneurs.

⁽⁸⁾ Estimated from individual consumption data.

Internal notes on the differences in reported data between the Employability fiche 2016 and 2017 (where relevant):

1. Data update by UKRSTAT: 1 (2016)

2. Data source changed: 2, 24

3. Data update by the World Bank: 6

4. Data update by UNESCO: 12

5. Inclusion of Crimea and Sevastopol for 2011 data: 19, 20, 21, 23

6. Definition changed (active population used which is part of KIESE): 11

Annex: Indicator definitions

	Description	Definition
1	Total population (000)	The total population is estimated as the number of persons having their usual residence in a country on 1 January of the respective year. When information on the usually resident population is not available, legal or registered residents can be considered.
2	Relative size of youth population (age group 15-24) (%)	The ratio of the youth population (aged 15–24) to the working-age population (usually aged 15–64 or 15–74).
3	Youth Dependency ratio (%)	The ratio of younger dependents (people younger than 15) to the working-age population (those in the 15–64 age group).
4	Old-age Dependency ratio (%)	The ratio of older dependents (people older than 64) to the working-age population (those in the 15–64 age group).
5	Global Competitiveness Index	The Global Competitiveness Index assesses the competitiveness landscape providing inside into the drivers of countries' productivity and prosperity. It expressed as scores on a 1 to 7 scale, with 7 being the most desirable outcome.
6	GDP growth rate (%)	The annual percentage growth rate of GDP at market prices based on constant local currency.
7	GDP per capita (PPP) (current international \$)	The market value of all final goods and services produced within a country in a given period of time (GDP), divided by the total population, and converted to international dollars using purchasing power parity (PPP) rates.
8	GDP by sector (%)	The share of value added from Agriculture, Industry and Services.
9	Poverty headcount ratio at \$2 a day (PPP) (%)	The percentage of the population living on less than \$2.00 a day at 2005 international prices.
10	Gini index (%)	Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.
11	Educational attainment of adult population (25-64 or aged 15+) (%)	Educational attainment refers to the highest educational level achieved by individuals expressed as a percentage of all persons in that age group.
12	Gross enrolment rates in secondary education (%)	Number of students enrolled in a given level of education, regardless of age, expressed as a percentage of the official school-age population corresponding to the same level of education.
13	Share of VET students in secondary (%)	The proportion of VET students in secondary education out of the total number of pupils and students in secondary education (general + VET)
14	Gross enrolment rates in upper secondary education (%)	Number of students enrolled in a given level of education, regardless of age, expressed as a percentage of the official school-age population corresponding to the same level of education.
15	Share of VET students in upper secondary education (%)	The proportion of VET students in upper secondary education out of the total number of pupils and students in upper secondary education (general education + VET)
16	Low achievement in reading, maths and science – PISA (%)	The share of 15-years-olds falling to reach level 2 in reading, mathematics and science.
17	Participation in training/lifelong learning (age group 25-64) by sex (%)	The share of persons aged 25–64 who stated that they received education or training in the four weeks preceding the (LFS) survey.
18	Early leavers from education and training (age group 18-24) by sex (%)	The percentage of the population aged 18–24 with at most lower secondary education who were not in further education or training during the four weeks preceding the (LFS) survey. Lower secondary education refers to ISCED 1997 level 0–3C short for data up to 2013 and to ISCED 2011 level 0–2 for data from 2014 onwards.
19	Activity rates by sex (aged 15+) (%)	Activity rates represent the labour force as a percentage of the population of working age.
20	Employment rates by sex (aged 15+) (%)	Employment rate represents persons in employment as a percentage of the population of working age.
21	Unemployment rates by sex (aged 15+) (%)	Unemployment rate represents unemployed persons as a percentage of the labour force.
22	Unemployment rates by educational attainment (aged 15+) (%)	Educational levels refer to the highest educational level successfully completed. Three levels are consider: Low (ISCED level 0-2), Medium (ISCED level 3-4) and High (ISCED 1997 level 5–6, and ISCED 2011 level

Description	Definition
	5–8)
23 Youth unemployment rates by sex (aged 15-24) (%)	Youth unemployment rate represents young unemployed persons aged (15-24) as a percentage of the labour force (15-24).
24 Proportion of long-term unemployed out of the total unemployed (aged 15+) (%)	Number of unemployed persons aged 15+ who are long-term unemployed (12 months or more) as a percentage of unemployed persons aged 15+.
25 Long-term unemployment rate (age 15+) (%)	Number of unemployed persons aged 15+ who are long-term unemployed (12 months or more) as a percentage of the labour force aged 15+.
26 Incidence of self-employment (%)	The share of self-employed as a proportion of total employment. Self-employment includes employers, own-account workers, members of producers' cooperatives and contributing family workers.
27 Share of the employed in a public sector (%)	The share of employed in a public sector as a proportion of total employment.
28 Employment by sector (%)	The share of employed in Agriculture, Industry and Services.
29 Employment in the informal sector	Share of persons employed in the informal sector in total non-agricultural employment.
30 Proportion of people aged 15–24 not in employment, education or training (NEETs) (%)	The percentage of the population of a given age group and sex who is not employed and not involved in further education or training.
31 Public expenditure on education (as % of GDP)	Public expenditure on education expressed as a percentage of GDP. Generally, the public sector funds education either by directly bearing the current and capital expenses of educational institutions, or by supporting students and their families with scholarships and public loans as well as by transferring public subsidies for educational activities to private firms or non-profit organisations. Both types of transactions together are reported as total public expenditure on education.
32 Public expenditure on education (as % of total public expenditure)	Public expenditure on education expressed as a of total public expenditure. Generally, the public sector funds education either by directly bearing the current and capital expenses of educational institutions, or by supporting students and their families with scholarships and public loans as well as by transferring public subsidies for educational activities to private firms or non-profit organisations. Both types of transactions together are reported as total public expenditure on education.
33 Skill gaps (%)	The percentage of firms identifying an inadequately educated workforce as a major constraint.
34 The share of SMEs in GDP (%)	The share of value added from small and medium sized businesses (SMEs).
35 The share of SMEs in employment (%)	The share of persons employed in small and medium sized businesses.

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