Double-sided analysis of the labor market in Ukraine: graduates’ and employers’ view

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Abstract. The current state of the labor market in Ukraine is researched. A lot of processes are irregular and uncontrollable as a result of shadow or informal employment at the market nowadays. Different structural and cyclical influences caused high unemployment and a gap between labor market needs and labor force qualification and education. The impact of the political crisis on employment has been related to a large and growing internal flow of people leaving the areas of warfare and looking for new jobs. The migration of the working age population to other countries has accelerated over the last years. Thus it is important to increase the economic activity of young people by reduction of imbalance between supply and demand for labor, reduction of shadow employment, labor migration of young people.

The problems and difficulties for university graduates in the job search and difficulties for employers related to hiring educated young people in the conditions of considerable supply of labor in the Ukrainian labor market are analyzed. The gaps of labor demand and supply are considered from two directions: graduates’ view – challenge of finding jobs for young people; employer’s view – complexity of the employee selection with a high employment potential and an adequate psychological portrait. The measures for preventing and solving the mentioned problems are proposed, among them innovative ways of interviewing and an algorithm for employers for finding highly skilled workers.

It is stressed that the problems of employment in Ukraine can not be addressed in isolation from the global processes on the world labor market. The Association between Ukraine and the EU may have a significant influence, increasing the number of migrant workers and mobility.

Key words: labor market, graduate, employee, employer, employment, labour potential, education, globalisation processes.

INTRODUCTION

Higher education is an important component of social and economic progress and stability of a state, its national security. In Ukraine in the 2014–2015 academic year, there were 489 higher educational institutions of I-II accreditation levels and 334 institutions of III-IV levels. 92.2 and 520.7 thousand professionals graduated from those higher educational institutions respectively [19]. Often university graduates are struggling to find jobs according their qualification, or at least any decent jobs.

The absence of adequate number of job offers leads to a high unemployment among young people. Over the last few years the demand for labor in Ukraine has tended to decrease, and the identical trend applies to the supply. During the past seven years the demand for labor has fallen by 53.9 %. This indicates an increased load on one workplace from 5 people in 2006 to 11 people in 2014–2015 [13].

THE ANALYSIS OF RECENT RESEARCHES AND PUBLICATIONS

Many works of domestic and foreign scientists, various information portals on employment problems, laws and government statistics are devoted to the research on employment.

It was discovered that at the Ukrainian labor market nowadays a lot of processes are irregular and uncontrollable as a result of shadow or informal employment [3]. Different structural and cyclical influences caused high unemployment in Ukraine over different time horizons. Thus labor supply led to growth of unemployment, while in the long run technological development may have a positive impact – an increase in employment, productivity and wages [8]. A huge gap exists between labor market needs and labor force
Unemployment is falling in Japan, the USA and some European countries. In southern Europe unemployment is receding slowly. By contrast, after a period of better performance compared to the global average, the situation is deteriorating in a number of middle-income and developing regions and economies, such as Latin America and the Caribbean, China, the Russian Federation and a number of Arab countries. In most of these countries, underemployment and informal employment are expected to remain stubbornly high over the next five years.

Youth, especially young women, continue to be disproportionately affected by unemployment. Almost 74 million young people (aged 15–24) were looking for work in 2014. The youth unemployment rate is practically three times higher than is the case for their adult counterparts. The heightened youth unemployment situation is common to all regions and is occurring despite the trend improvement in educational attainment, thereby fuelling social discontent [27].

The unemployment rate in Ukraine rose from 7.6 % in the first quarter of 2014 to 9.6 % a year later. It is estimated that up to two million jobs were lost since the start of the crisis. The immediate impact of the crisis on employment has been related to a large and growing internal flow of people leaving the areas of warfare and looking for new jobs. The recent estimates point to at least 1.3 million internally displaced people, one quarter of whom are of working age. In addition, the migration of the working age population to other countries has accelerated since the crisis. The economic recession and the strained relationships with Russia mainly affected heavy industry, while other sectors such as agriculture and light industry have shown a higher level of resilience. As a result, Ukraine is not only struggling with an overall economic recession, but also with an economic transformation. They have led to an imbalance of the labor market resulting in rising unemployment, higher inactivity rates and increasing quantitative and qualitative gaps with regard to supply and demand in the labor market [14].

In our opinion, the gaps of labor demand and supply in the framework of the research topic should be considered from two directions:

1) student’s view – challenge of finding jobs for graduates;

2) employer’s view – complexity of the employee selection with a high employment potential and an adequate psychological portrait.

Student’s view. The main factors affecting the level of student’s knowledge and forming his competitiveness at the labor market are:

1. Quality of education (level of state funding for education, the existence of transfer between companies and universities, legislation and government regulation).
2. Students’ motivation and self-education (self-management, time management, ways to encourage students to acquire knowledge, development of high emotional intelligence).

3. Labor market in Ukraine (the level of filling the market by various vacancies, the structure of jobs by occupational sectors).

Let us consider the mentioned factors in details.

1. Quality of education:
   In 2015–2016 in the GCI ranking (Global Competitiveness Index) Ukraine’s place in higher education and training is 79th out of 144 countries. This is due to the following components: high-quality education system (54th place); availability of specialized research and training services – (78 place); quality of teaching Mathematics (38 place); quality of management schools (87 place) [23].

   Article 61 of the Law of Ukraine on Education determines the necessary amount of budget funding for the education sector – not less than 10% of the gross domestic product (GDP). But never since Ukraine got the independence it has been able to reach this level of funding for education. By 2015 this percentage was 3.74% of GDP [19]. The volume of spending has been increasing every year, but it is just nominal growth, caused by inflation.

   In addition, the following issues and problems should be mentioned in the field of education:
   - low competitiveness of the universities;
   - mass character of higher education;
   - transfer of outdated knowledge to students;
   - significant emigration of active, highly promising and qualified youth;
   - discrepancy of equipment in higher institutions and modern standards;
   - universities are not geared to the market needs, but to those of the Ministry of Education, which often changes academic disciplines.

2. Students’ motivation and self-education:
   A minimal living wage in Ukraine as of 1 September 2015 is 1378 UAH for the workforce [13]. The state scholarship, which is paid to students, is 820–1000 UAH [21]. Because of this, many active and intelligent young people are forced to work in low-skilled jobs in difficult conditions. This leads to a decrease in performance and the quality of acquired professional knowledge.

   The virtual absence of an open education system in Ukraine (self-selection of additional educational courses and possibilities to pass exams by a student are absent, which is limiting the students with only a basic education program plan with minimal flexible hours and can generate only low efficient results). At the same time additional study courses though Internet in many leading world universities is free of charge.

   In Ukraine there are special cost items in the state budget for scholarships and grants for students who are actively involved in research or have high performance. In 2015 these costs were about 1877 million UAH and each year they have been growing by an average of 150–200 million UAH, which is a positive indicator [19].

   It is possible to distinguish such reasons of low motivation of students for studying:
   - underestimation of the importance of theoretical knowledge;
   - pragmatic focus on nearby target (passing a test or exam);
   - no possession of rational methods of knowledge;
   - low self-control and emotional intelligence;
   - indiscipline and disorganization;
   - non-systematic self-study;
   - gaps in knowledge;
   - the general physical weakening of the bodies of the young students.

3. Labor Market in Ukraine:
   According to statistics, one of five unemployed in Ukraine has a higher education. Only one of three graduates who were registered as unemployed in 2015 was able to find a job [4]. This creates high competition for jobs, as well as potential unemployment after graduation. The overall level of employment is 67.1% of population which is capable to work. In average there are 11 unemployed Ukrainians applying for 1 job position. More accurate data about labor needs and quantity of applicants is shown at Fig. 1.

   The problems of the labor market in Ukraine:
   - discrimination in the labor market;
   - lack of quality jobs with decent conditions and wages, especially for young people;
   - decline in production and slowdown of economic restructuring.

   Key trends at the labor market in the crucial period for the country according to the 9th Wave of Western Ukraine Labor Market Index conducted in July 2015 [25] are:
   - 70% of businesses were affected, as some employees were mobilized into the army. Mobilization affected both manufacturing and service companies, in almost all industries: assembly operations, machinery, agriculture, sales and retail.
   - Only 5% of companies will reduce staff.
   - Demand for qualified workers with 3+ years of experience increased twofold. Mechanics, electricians, welders, locksmiths, cashiers, seamstresses are most desirable target employees.
   - 13% of respondents, mostly the retail and hospitality businesses has not reviewed pay levels and do not plan to do it at present.
Fig. 1. Labor market needs in Ukraine in 2015 [adapted from 24]

- Average pay levels of semi-skilled workers increased by 5–20 %, skilled workers are paid 10–30 % more.
- Employers actively seek new employees in the market – 80 % respondents are involved in external recruitment.

Labor Market Index in July, 2015 has sharply declined by 0.68 point compared to March, 2015 and equals to 2.78. The market is not favorable for employers for the following reasons: shortage of qualified manpower; increasing competition for talents, caused by companies relocating businesses from Eastern and Southern regions to Western Ukraine; increased personnel related costs (military tax, increased payroll payments, hiring of contingent workforce to replace mobilized employers) [25].

The most popular among Ukrainian employers are graduates from:
- Polytechnic institutions – 97.8 %.
- Economic universities – 93 %.
- Technological universities – 92.7 %.
- Transport academies – 92.6 %.
- Construction and art – 91 % [16].

The least popular graduates among employers are from:
- Humanitarian universities – 77.3 %.
- Pedagogical universities – 80.4 %.
- Machinery building academies – 86.3 %.

The study revealed major trends in the employment system of Ukraine in 2014–2016:
1. Long-term domination of employers at the labor market, which results in lower starting salary and slower growth.
2. Aging of the laboratory equipment and low quality of education in technical universities worsen positions of Ukrainian students among graduates from other countries in hi-tech industries.
3. Low level of secondary and high school education in mathematical and economical subjects which affects further education.
4. Bankruptcy of non-modern industries is provoking new businesses to appear which creates new possibilities for young professionals.
5. Ukraine is expected to move in line with global trends in developing private educational courses. This will lead to development of companies with professional services, self-employment, growth of small businesses and growth of economic consciousness of graduates in general.
6. Developing trends of the political processes and geopolitical situation in Ukraine will increase militarization of the country which will create career opportunities for university graduates and also will create new job positions in military-industrial complex.
7. Gradual deceleration of active employment of 40-50’s generation people which will create new possibilities for young professionals.
8. The number of graduates in 2014–2016 has been constantly decreasing which raises tensions in the labor market.
9. The “battle” between employers for talented youth will intensify which may create a new form of cooperation between business and universities in Ukraine. This will improve the quality of higher education and competitiveness in the labor market in general [16].

It should also be emphasized that the labor market in Ukraine is structured slightly different comparing to developed countries (Table 1) [9].
In developed countries though the labor markets are structured as follows: 1) Small, but highly stable segment of executives with high social status; 2) Staff and office workers, who compete in the labor market but have secure jobs; 3) Manual workers who as a result of restructuring suffer from production decline; 4) Workers of labor consuming sectors with low productivity whose occupations are excessive in the labor market; 5) The most vulnerable categories of workers: young people, the elderly, people with physical and mental disabilities, the chronically unemployed [9].

The problem of employment in Ukraine can not be addressed in isolation from the global processes on the labor market. The entry of Ukraine into the world market could mitigate the impact of unemployment in it, and exchange of human resources between Ukraine and other countries can be an effective way of lifting the country to the level of the most developed countries. However, joining the global labor market needs to overcome a kind of "entry barrier" to make Ukrainian workers competitive in the global labor market. But it will have to form a full labor market within the country itself, which will provide the necessary labor mobility. It should be tailored to suit effects of European integration processes in Ukraine.

The current political instability in Ukraine may cause an increase in work migration, including domestic. Significant cross-border emigration flows have been present in Ukraine for years. However, the causes of migration have been gradually changing. After the collapse of the Soviet Union in the mid-1990s and 2000s the ethnic factors mainly determined migration. The main factors that pushed people to migrate were poverty and unemployment. According to recent surveys 1,2–2,0 mln. Ukrainians work abroad. Today Ukraine in the international markets mainly acts as a state – exporter of labor, although there is a tendency to increase the number of foreigners working in Ukraine. Their number is about 10 times less than the number of Ukrainians working abroad. Migration flows are directed mainly to the neighboring countries – Russia (43 %), Poland (14 %), Czech Republic (13 %), and to countries with more attractive conditions – Italy (13 %), Spain (5 %), and Germany (2 %) [9, 22].

The Association between Ukraine and the EU will increase the number of migrant workers and mobility [14]. On one hand, further "brain drain" and inappropriate use of knowledge and depletion of the workforce are undesirable potential tendencies for Ukraine. On the other hand, the higher quantity of Ukrainians in the EU will increase the pressure on its labor markets, which is already quite high. According to [15] the major risks of further migration from Ukraine are not just the "brain drain" but so-called "brain loss", when talented and skilled workers are employed in unskilled work that does not match their level of education or skills. In addition, this leads to a depletion of the workforce, especially taking to consideration the aging and shrinking of Ukrainian population. Experts expect a modest increase in migration flows following the liberalization of the visa regime. Migration can "get younger" by increasing the share of Ukrainian youth going to study in EU countries, where the access to the labor markets in other countries will be open. At the same time, migration outlook indicates that the migration flows may reduce to some extent in 2026–2028 [15]. This requires from the Ukrainian government economic and social reforms aimed at ensuring sustainable economic development in the country.

**Employer’s view.** Top four priorities, which affect process of recruitment, are:

1. The requirements of an employer to the level of training of young people (level of higher education, training and internship, knowledge of foreign languages, personal qualities).

2. Professional growth and qualification of employees (the cost of workers’ training, the benefits of young specialists’ training, the possibility of international business trips, willingness to work round the clock).

3. Availability of business development (ease of entry into business, national and foreign investments, the level of taxation, legal framework).

4. Interviewing (costs, time and resources for interviewing, online questionnaires, competitive selection).

    1. The requirements of the employer to the employment potential of youth:

### Table 1. Labor market segmentation in a transition economy

<table>
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<tr>
<th>Sectors</th>
<th>Description of the sector</th>
<th>Segments</th>
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<tbody>
<tr>
<td>First</td>
<td>Employed at the official (formal) economy</td>
<td>Entrepreneurs, managers, representatives of scarce occupations related to services</td>
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<td></td>
<td>Highly qualified specialists in professions that are in demand in manufacturing</td>
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<td></td>
<td></td>
<td>Representatives of various professions with various qualification, educational backgrounds, who, because of economic, organizational, structural adjustment, proved to be excessive</td>
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<td></td>
<td></td>
<td>Employees who are unable to find stable jobs for various reasons – marginal groups of population</td>
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<tr>
<td>Second</td>
<td>Employed both in formal and informal economy</td>
<td>People who work part time in the informal sector because of the insufficient income from formal employment; employees who use their positions in the formal economy in order to obtain illegal income and benefits</td>
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<tr>
<td></td>
<td></td>
<td>Employed in profitable illegal business mainly of criminal nature</td>
</tr>
<tr>
<td>Third</td>
<td>Employed in informal economy</td>
<td>Employed in profitable illegal business mainly of criminal nature</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Representatives of various types of self-employment</td>
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</table>
Experts of the Employment Center published the most common problems and requirements of most employers concerning young professional graduates [24]:

- there is a need for personnel with profound professional knowledge and skills, but only for those who really want to work and seek self-improvement;
- graduates lack a sense of community, – they cannot and do not want to work in a team. This creates additional problems for the manager;
- high quality and brief CV.

2. Professional growth and qualification of employees:

The possibility of formal and informal education of staff provides a wide range of varieties of learning (correspondence learning, day or evening attendance), and the services of both public and private educational institutions can be used. For employees, who combine work with study or training, current legislation provides a number of compensation, benefits and guarantees (saving an average wage of main job during training, payment for the travel to the training and back, payment of per diem for each day in way prescribed by the law for business trips, etc.) [17].

Each Euro, invested in employees’ training, brings the company in average 13 Euros. Investments in training are returned usually in 3 months [12]. An example of the above is one of the sampled enterprises: the annual expenditures on training per employee were doubled – from 145 to 290 Euros. This allowed increasing the productivity of each worker in average of 1,900 Euros during the first year. The study found that training courses, conducted directly by the company, have more positive effects than those offered by specialized organization. However, out of additional earnings, owing to trainings, staff gets only a small portion – 15 percent [12].

3. Availability of business development:

In the “Doing Business” rating in 2015 Ukraine has not only improved its position by 16 points (up to 96th place from 185 countries) (Table 2), but also joined the list of 23 countries – the greatest reformers of business conditions in 2014–2015 [26].

This rating allows objective assessing the legal framework, related to the regulation of business, and its use in 185 countries. Table 1 shows the positions of some countries in the ranking according to the ease of doing business on their territory. This indicates a potential revival of private businesses, new working places creation and increase of the investment attractiveness of Ukraine. It should be noted that the duration of the procedure of opening a new business in Ukraine is 22 days, which is much lower than the world average of 30 days [26]. The duration of the procedure is decreasing every year, which also motivates people to create new businesses and make Ukraine more attractive for investments.

As to the protection of investors’ rights, – according to a sub-index Ukraine decreased its position by 3 points (117th place). The integral index of investors’ protection is only 4.7 points, at the level of Russia, but is much lower than in the U.S. (8.3 points), Georgia (7 points) and Poland (6 points) [20]. This negatively effects foreign investments into Ukrainian economy, preventing the creation of new businesses, and therefore new working places, including for graduates.

4. Effective interviewing:

Lots of questions which are asked during the interview for a position are crucial, and the answers give the necessary information about the applicant. Someone may think that interviewers are interested primarily in education and experience, but this is not always the case. Sometimes just a few words of a potential employee are enough for the employer to form an opinion about him or her. Everything is important: a manner of conversation, a kind of purity of language, and the sincerity of the applicant. The content of the response is secondary.

The problem of hiring candidates using interviews is actually outdated methods of interviewing. The method of conducting a survey on the basis of the same questions at many businesses allows applicants to prepare for the interview in advance and hide personal failures, lack of deep knowledge in an appropriate field.

Table 2. Dynamics of the position of some countries in the “Doing Business” rating [adapted from 26]

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<td>Hong Kong</td>
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<td>USA</td>
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<td>4</td>
<td>7</td>
<td>-3</td>
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<tr>
<td>Georgia</td>
<td>9</td>
<td>8</td>
<td>15</td>
<td>-7</td>
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<td>Germany</td>
<td>20</td>
<td>21</td>
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<td>Japan</td>
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<tr>
<td>Belarus</td>
<td>91</td>
<td>60</td>
<td>58</td>
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<td>Krgyzstan</td>
<td>49</td>
<td>50</td>
<td>77</td>
<td>-27</td>
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<tr>
<td>Moldova</td>
<td>83</td>
<td>78</td>
<td>63</td>
<td>15</td>
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<tr>
<td>Russia</td>
<td>112</td>
<td>92</td>
<td>62</td>
<td>30</td>
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<tr>
<td>Ukraine</td>
<td>137</td>
<td>112</td>
<td>96</td>
<td>16</td>
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</table>
The challenges faced by employers in the Ukrainian labor market:

- low investment attractiveness of doing business in Ukraine,
- high level of taxation,
- low employment potential of the workforce,
- poor self-giving, lack of desire to improve and work in a team,
- biased selection of candidates for interviewing,
- outdated methods of interviewing.

Modern employers in the Ukrainian labor market consider a large number of applicants for a position as the most common problem. According to statistics, one of four graduates adds to his resume false information about professional and work experience, which leads to ineffective work and layoffs [15]. This happens because of the outdated technology of the job interviewing that has remained largely unchanged for many years, allowing the applicant examine the response before the interview.

To overcome the identified problems it is appropriate to consider modern innovative ways of interviewing used in foreign practice. Innovators in developing new methods are companies in so-called Silicon Valley, California. The latest technique is called «Open-Ended Logic-Problem Screening Tools» (outdoor logical selection system tools). The main objective of the method is not to get a response to a question, but observe and analyze the applicant, who is trying to answer. There aren‘t correct and incorrect answers, the main emphasis is on creativity, innovative thinking, and deep analysis of the solution of the problem. The questions are formulated in such a way that the answers cannot be prepared in advance in order to help employers easily distinguish a professional applicant.

IT-industry is growing quite rapidly in Ukraine and is a leader in recruiting young professionals and post-graduates, thus requiring careful selection. An effective method would be an introduction of «hidden questionnaires» – a technique of recruitment by placing complex mathematical problems on billboards, magazines and so on. Importantly, the response to the challenge might be an Internet link which contains more challenging tasks. If the applicant resolves it correctly, he would be informed about the appointment. This technique is used by some U.S. IT companies, which report their earnings in the first year grew by an average of 15–20 % [11].

We propose an algorithm for finding highly skilled workers:

1) creation of job vacancies in the company for the necessary criteria (age group, skills, experience, references and personal characteristics, etc.),
2) distribution of the questionnaires (through search web sites, newspapers, magazines, etc.),
3) accepting CVs from applicants (initial screening due to non-compliance with the criteria of vacancies),
4) the first round of interviews (typical interview to identify professional and personal qualities of applicants; secondary screening after interviewing). Rated at 50 points,
5) the second round of interviews (using the method “Open-Ended Logic-Problem Screening Tools” to test the ability of applicants to think creatively, solve atypical problems during the workflow; tertiary screening). Rated at 50 points,
6) summarizing the results of two rounds of interviews and hiring an applicant with a maximum number of points.

To improve the competitiveness of Ukrainian graduates the following advices are offered:

1. An important stimulus to achieve goals should be realistic and active promotion of the best graduates by high-education institutions. Especially because direct contacts with entrepreneurs are helpful for making necessary changes to the curriculum and training programs in order to meet the needs of the market, to ensure the development of teaching and practical base and conduct training of teaching staff, and, as a result, to contributes to the competitiveness of the graduates at the labor market.

2. Among the criteria for market competitiveness an important role is played by communication skills. It is important in guiding graduates for success to develop their skills of communication with potential employers, including CV writing. As almost all employers review resumes digitally, we suggest some useful tips, which may have a significant impact on the first impression of the applicant, introducing his psychological and aesthetic portrait:

   - use fonts for CV headlines, designed for reading off a screen. For example, the most common font – Times New Roman – was designed for reading text on a printed paper, while the font Georgia for digital documents reading.
   - innovative and creative CV in most cases is encouraged. In developed countries video-cards (short video presentations) have become popular. This method can be transferred to create a CV: an oral narrative about a person using mounting may catch attention of the employer and distinguish him among other applicants. This method is effective in marketing, IT and other business spheres which prefer creative and innovative thinking.

CONCLUSIONS

Despite the difficult situation on the Ukrainian labor market (high unemployment, mass higher education etc.), there is a good chance for a young professional or a university graduate to get a good job accordingly to his specialty. On the other hand, despite the low average professionalism, motivation and willingness of workers,
a Ukrainian entrepreneur has a chance to find a skilled and promising worker among young people.

Discovered objective reasons of the present crisis of the Ukrainian labor market and proposed measures may be used for further research of youth employment, which will help not only to reduce unemployment and stop the outflow of young personnel abroad, but also to improve the Ukrainian economy.

The problem of employment in Ukraine cannot be addressed in isolation from the global processes on the labor market. While joining the global labor market Ukraine needs to overcome a kind of "entry barrier" to make Ukrainian workers competitive in the global labor market. But it will have to form an effective labor market within the country itself. And it should be tailored to suit effects of European integration processes in Ukraine.

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