



In this issue of Economic Outlook and Indicators in Ukraine, we overview trends in Ukraine’s labor market indicators through the past decade and compare the dynamics of unemployment rates of Eastern Partnership countries over the same period. In addition, we analyze the effects of COVID-19 on the key labor market indicators, as well as on average wages and number of vacancies posted in 2020.

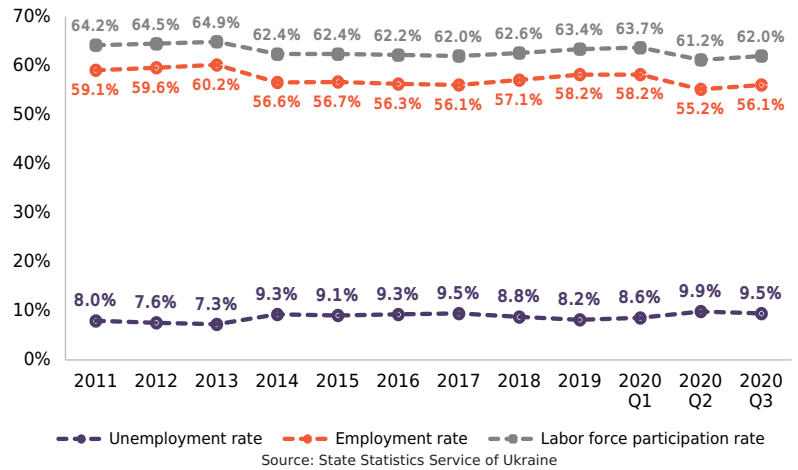
There are three key labor market indicators worth monitoring over time in order to detect changes in the labor market structure over time: labor force participation rate (labor force as a % of population aged between 15 and 70); employment rate (number of employed people as a % of the population aged between 15 and 70); and unemployment rate (number of unemployed people as a % of the labor force).

Ukraine experienced a sharp rise in its unemployment rate between 2013 and 2014, going from 7.3% to 9.3%, with labor force participation and the employment rate falling at the same time. Before 2013, a slight downward trend was observable with respect to Ukraine’s unemployment rate. However, after 2014, the unemployment rate stagnated at an average of 9% over for the rest of the decade. In 2018 and 2019 however, the unemployment rate began to fall, declining by 0.7 and 0.6 percentage points, respectively.

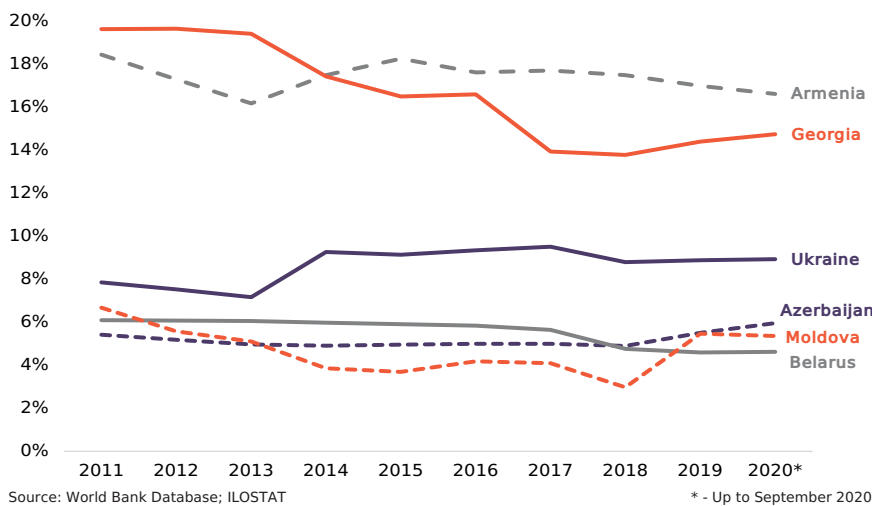
In Q2 of 2020, due to the COVID-19-induced economic crisis and subsequent job losses, the unemployment rate increased by 1.3 percentage points compared to the rate in Q1 of 2020. Moreover, the labor force participation rate and employment rate fell by 2.5% and 3%, respectively. In Q3 of 2020, the situation improved slightly, albeit still matching the relatively high unemployment rate of 2017.

It is interesting to observe how Ukraine has fared compared to its fellow Eastern Partnership (EaP) countries. The comparison here is based on the World Bank Database, which uses modeled International Labor Organization (ILO) unemployment rates. The numbers may differ from the national data, as the methodology ensures comparability across countries. The data were last updated in September 2020.

Labor force indicators in Ukraine, 2011-2020Q3 (for population aged 15-70)



Unemployment rates in EaP countries, 2011-2020



As of September 2020, Armenia and Georgia had the highest unemployment rates of EaP countries (16.6% and 14.7%, respectively). At that point in time, Ukraine was performing considerably better, with an unemployment rate of 8.9%. Meanwhile, Belarus (4.6%), Moldova (5.4%), and Azerbaijan (6%) had the lowest unemployment rates among the six EaP countries.

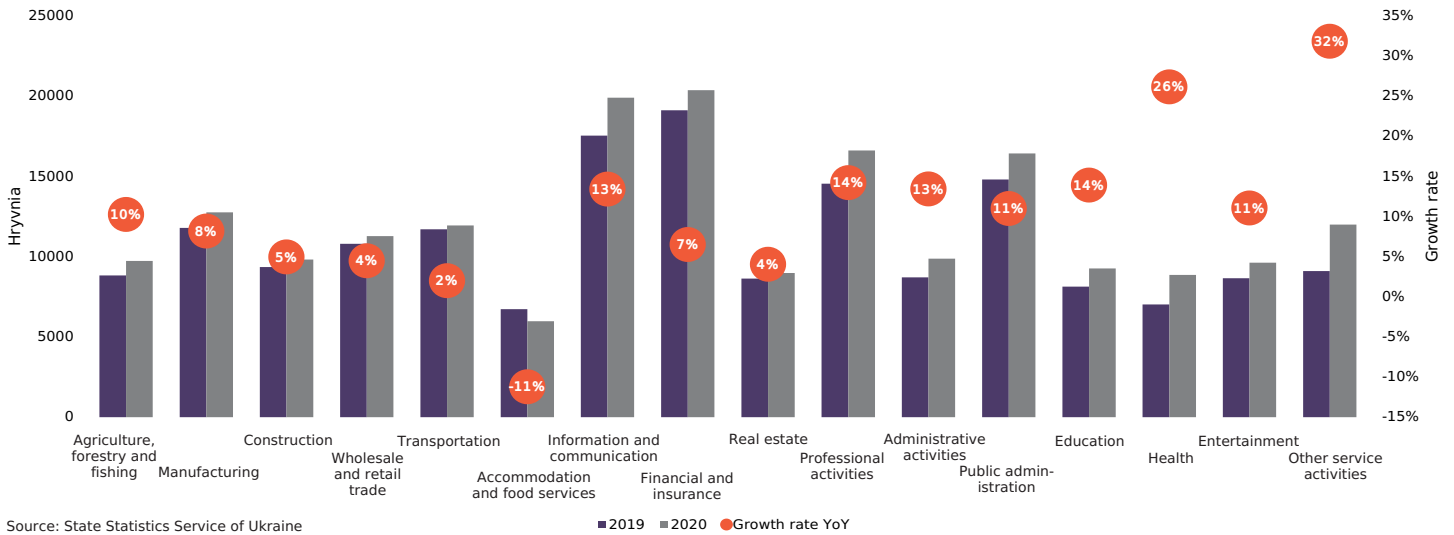
Between 2011 and 2018, Georgia and Moldova saw their unemployment rates fall considerably (from 19.6% to 13.8% for Georgia, and from 6.7% to 3% for Moldova). Both countries saw an uptick in their unemployment rates in 2019 though, which continued into 2020. Elsewhere, Azerbaijan experienced increases in unemployment in 2019 and 2020, after a somewhat stable period from 2011 to 2018, while Armenia and Belarus started to see falls in their unemployment rates as of 2015.

In addition to longer-term dynamics in key employment indicators, it is worth considering more immediate changes in the Ukrainian labor market caused by the COVID-19 pandemic and the subsequent economic crisis. In order to do so, we look at average monthly earnings of employees per economic activity in comparison with the corresponding period of the previous year. Interestingly, the total monthly average earnings increased by 10% in 2020, compared to 2019, and amounted to UAH 11 597 (USD 430).

“Financial and insurance activities” is the highest-paid category and its monthly average earnings increased by 7%, compared to 2019. In 2020, the average monthly earnings of employees in the sector amounted to UAH 20 379 (USD 750). Conversely, “accommodation and food service activities” was the lowest-paid category in both 2019 and 2020, and decreased by 11% in 2020 compared to the previous year. In 2020, the average monthly earnings of employees in “accommodation and food service activities” amounted to UAH 5 978 (USD 220).

The largest drop in earnings in 2020, compared to 2019, was also recorded in “accommodation and food service activities” (-11%). Surprisingly, it was also the only category of economic activities with a negative growth rate in 2020. Thus, average monthly wages saw greater resilience to the crisis. Meanwhile, the largest increases were recorded in “human health and social work activities” (26%) and “other service activities” (32%).

Average monthly earnings by economic activity and growth rates YoY



Source: State Statistics Service of Ukraine

The number of new vacancies posted can be considered a proxy for the demand for employment. Thus, data about the number of new vacancies posted per month in 2019 and 2020 were obtained from one of the leading websites for job postings in Ukraine, work.ua, and then analyzed accordingly.

According to the data gleaned from work.ua, in 2020, compared to 2019, the total number of vacancies published decreased by 27.2%. The number of published vacancies decreased year-on-year in every month of 2020, hitting its lowest point in May when the number of vacancies decreased by 57% compared to the corresponding month of 2019.

In 2020, compared to 2019, the number of published vacancies decreased in all sectors. The highest decreases were recorded in the following sectors: "hotels, restaurants and tourism" (by 46%), "services" (by 39%), and "retail" (by 36%). Meanwhile, the number of published vacancies decreased the least in "medical industry, and pharmacy" (by 11%), in "real estate" (by 11%), and in "agriculture" (by 13%).

It is worth noting that despite these drastic decreases in 2020 as a whole, it seems that demand for labor recovered to some extent in the latter months of 2020. More specifically, the total number of vacancies in December 2020 decreased by just 3% YoY.

Table 1 : Growth rates of number of vacancies published on work.ua in 2020 compared to 2019

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	-16%	-8%	-8%	-51%	-46%	-35%	-21%	-22%	-15%	-12%	-7%	7%
Production	-27%	-22%	-21%	-52%	-57%	-48%	-32%	-30%	-24%	-17%	-12%	17%
Services	-13%	-13%	-16%	-66%	-78%	-59%	-47%	-38%	-30%	-24%	-26%	-29%
Retail	-14%	-5%	-15%	-59%	-70%	-53%	-44%	-34%	-34%	-32%	-28%	-31%
Administration	-10%	-7%	0%	-48%	-45%	-35%	-24%	-20%	-19%	-15%	-15%	-8%
IT, computers, internet	-19%	-13%	-9%	-45%	-41%	-34%	-27%	-24%	-15%	-12%	-7%	18%
Supply chain	-22%	-19%	-21%	-53%	-59%	-50%	-37%	-35%	-28%	-24%	-15%	-6%
Auditing	-19%	-9%	0%	-48%	-54%	-46%	-38%	-34%	-31%	-31%	-24%	-18%
Transport	-26%	-24%	-29%	-51%	-58%	-46%	-31%	-29%	-20%	-19%	-7%	12%
Hotels, restaurants, tourism	-13%	-13%	-17%	-74%	-86%	-69%	-54%	-45%	-32%	-28%	-35%	-50%
Office work	-18%	-10%	4%	-47%	-58%	-44%	-36%	-33%	-29%	-24%	-17%	-10%
Architecture, construction	-27%	-22%	-17%	-52%	-50%	-43%	-26%	-25%	-21%	-12%	-8%	27%
Marketing, advertising, PR	-19%	-8%	-7%	-49%	-48%	-39%	-27%	-21%	-18%	-9%	-8%	6%
Telecommunications	-19%	-16%	-13%	-47%	-50%	-43%	-31%	-28%	-24%	-23%	-16%	-1%
Medical industry, Pharmacy	7%	4%	6%	-34%	-46%	-35%	-22%	-17%	-12%	-3%	9%	23%
Other	-16%	-11%	-4%	-48%	-51%	-41%	-32%	-30%	-26%	-22%	-21%	-7%
Total	-17%	-12%	-10%	-52%	-57%	-45%	-33%	-29%	-24%	-19%	-16%	-3%

By looking at various proxies for employment, it is clear that throughout 2020 the demand for labor has decreased, and the number of unemployed people has increased. On the positive side, despite the shock being severe, it seems to have been temporary in most sectors, as evidenced by the average wage and vacancy statistics. However, it is too early to assume a full recovery of the employment situation, and it is of paramount importance to keep monitoring employment trends accordingly.

Basic Economic Indicators	2017	2018	2019	2020 Q1	2020 Q2	2020 Q3
Nominal GDP (bln hryvnia)	2 984	3 561	3 975	846	868	1 157
GDP per Capita (USD, PPP)	11 871	12 629	13 341	-	-	-
GDP Real Growth (%)	2.5%	3.4%	3.2%	-1.3%	-11.4%	-3.5%
Yearly inflation (%)	14.4%	10.9%	7.9%	2.9%	2.4%	2.4%
Exchange rate (hryvnia/USD)	26.7	27.3	25.7	25.8	26.9	27.8
FDI (BOP net inflows) (bln USD)	3.7	4.5	5.9	-1.5	1.3	0
Unemployment Rate (%)	9.5%	8.8%	8.2%	8.6%	9.9%	9.5%
Gross external Debt (bln USD)	115.5	114.7	121.7	120.0	122.6	122.8

* preliminary data