

LABOUR AND SOCIAL JUSTICE

IMPACT OF COVID-19 PANDEMIC ON ECONOMIC DEVELOPMENT AND LABOR IN UKRAINE

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In today's socio-economic reality, the labor sector acquires a new format with new challenges and opportunities.



The COVID-19 pandemic has dealt a devastating blow to the economy and labor sector in Ukraine and the world, causing triple consequences for economic growth — a shock of supply, a shock of demand, a shock of international trade.



Under the new socio-economic reality, the institution of decent work for all subjects of social and labor interaction — the state, employers, employees is becoming all the more important.

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FOREWORD

Labor, work, employment, labor income — these and related phenomena have been at the heart of interests and life values of economically active population. Given the highly complex reality of the early 21st century with its ambiguous consequences, which has only become more alarming with the outbreak of the COVID-19 pandemic, it is essential to understand what is happening “behind the scenes” and causing unstable social and labor development dynamics or lack thereof.

The coronavirus has dealt a triple blow to global human development, adversely affecting the health, education and income of people around the world. Therefore, the Global Development Index is expected to show negative values for the first time since the beginning of the monitoring.¹

Assessment of the real state of the social and labor sector and further development of the “roadmap” for the development of labor and employment should begin with an unbiased analysis, to identify the root causes of change and social and labor transformations. This, in turn, should contribute to the formation of new thinking, new world-views and values, a new economic culture, without which it is impossible to embark on the path of sustainable, human-oriented development.

Socio-economic literature, existing forecasts, policy documents of political, governmental structures and institutions are full of contradictory, often polar assessments of the current and future world of labor. Thus, many estimates and forecasts state that with the development of a new (digital) economy and other realities of today, the global society expects nearly a collapse in the field of labor and employment. The commonly known 20 : 80 ratio will inevitably come into play, with economic activity requiring not more than 20% of economically active population, who can become employed. On the opposite side of the spectrum of estimates and forecasts, we find optimistic claims that the new (digital) economy will see mass disappearance of some jobs replaced by the emergence of new ones, which will be able to relieve tension on the labor market.

The “non-viral” factors — demographic, technological, institutional, political, economic and globalization-related ones — have become accompanied by the factor of the pandemic, which is changing the world of labor and employment as we know it.

What awaits Ukraine with the advent of the new socio-economic reality generated by COVID-19? What is the impact of the pandemic on the labor market in Ukraine?

¹ <https://interfax.com.ua/news/general/663660.html> (viewed on 28.06.2020)

1

SOCIAL AND LABOR DEVELOPMENT IN THE SITUATION OF GLOBAL SOCIO-ECONOMIC REALITY OF 2020

2020 shocked the planet with the spread of the new, unseen-before virus. There were no tools that would have prepared us for a global epidemiological threat, which led to every country acting at its own discretion.

The global coronavirus crisis has significantly affected human development and this impact is intensifying. Over the past 30 years, according to Achim Steiner, UNDP Administrator, there have been many crises around the world, including the global financial crisis of 2008-2009. Each of them has significantly affected human development, but, in general, development achievements have accumulated from year to year. COVID-19, with its triple impact — on health, education and income levels — could significantly reverse this trend.²

The current global crisis, which started in February-March 2020, is epidemiological, economic, social, and geopolitical in its nature. This crisis has a number of aspects which make it significantly different from the global financial and economic crisis of 2008-2009. The latter was purely financial in nature and was overcome mainly by financial and economic instruments and, above all, by saturating the leading economies with additional liquidity and measures to strengthen financial markets.

Measures taken since the beginning of the pandemic by national authorities, including Ukraine, to limit the spread of COVID-19 and avoid large-scale population losses, have at least threefold consequences for economic growth.

The first consequence is the supply shock. Legislative and executive bodies and local self-government have administratively suspended economic and business activities in a number of sectors of the economy, including tourism, foodservice industry, transport, sports and entertainment.

The second consequence is the demand shock. The income of economic entities, and thus the income of households connected with suspended, restricted and banned sectors of economy, has rapidly dropped, and this process con-

tinues. The vast majority of households, especially those mentioned above, limit spending due to declining incomes, deteriorating consumer sentiment, and an unpredictable future. For a short period of time, private consumption focused on basic necessities. Demand for other goods has declined sharply, which has a negative impact on all areas of economic activity.

The third consequence is the shock of international trade. Restrictions on the free movement of goods, people, and the minimization of migratory flows and travel have caused disrupted global logistics chains and shortages of intermediate goods from the countries that have suffered the most from the COVID-19 pandemic.

The above makes significant changes to all components of global and national labor markets, while affecting the demand, supply and price of labor services.

In April, the IMF predicted that unemployment in developed countries will grow from 4.8% to 8.3% in 2020,³ while the decline in the global GDP will constitute 3%, including 5.2% in developing European countries.⁴

The vast majority of countries around the world have responded to the situation of quarantine restrictions with intentions and real actions to increase the scale of state support. Each country has chosen its own mechanisms for long-term and short-term support. The most common tools for supporting economic entities were loans to small and medium-sized businesses, assistance to banks and airlines, and support for startups. Forms of social support to self-employed people and contract workers have increased, including insurance against unemployment, weekly and one-time subsidies.

It should be noted that for developing countries, the negative impact of restrictive measures on the national economy is exacerbated by additional devaluation pressure on the national currency, as international institutions with-

² <https://interfax.com.ua/news/general/663660.html> (viewed on 28.05.2020)

³ World Economic Outlook (April 2020). URL: https://www.imf.org/external/datamapper/LUR@WEO/OEMDC/ADVEC/WEO_WORLD?year=2020 (viewed on 20.05.2020)

⁴ IMF WEO, April 2020.

draw their investment resources from these economies in an effort to protect assets.

According to the forecasts of the Ministry of Economy, in 2020, Ukraine is predicted to see a sharp increase in unemployment from 8.2% in 2019 to 9.4%, and in certain sectors of economy, the level of registered unemployment significantly exceeded the forecast as early as in April 2020.

According to the State Employment Service of Ukraine, in March 2020, the unemployment rate increased by 22% compared to the same period in 2019. And this was only the beginning of the unfavorable trend.

In the first week and a half of May, another 140 thousand people were registered as unemployed, with the total number of the unemployed approaching 600 thousand. However, the real situation may be even more complicated. At the end of March 2020, only 4% of Ukrainians said they had lost their jobs, but 32% admitted having been furloughed. Such "unpaid leaves" became a popular alternative to layoffs.

According to the Chamber of Commerce and Industry, in the first month of the quarantine alone, the total number of the unemployed in Ukraine reached 2.5-2.8 million, and this figure is the highest in the last 15 years.

To reduce unemployment, the Ukrainian government has decided to increase assistance to the unemployed and employers, expand and simplify the conditions for obtaining loans, provide soft loans for micro and small businesses to support business in times of crisis, simplify the conditions for registration of unemployed citizens in the employment service and applications for unemployment benefits.

It should be noted that the sectors of the Ukrainian economy that have suffered the most from the quarantine measures (trade, transport, construction, commercial services) account for about 31% in the structure of Ukraine's GDP.

The Council of the National Bank of Ukraine predicts (based on estimates as of late April 2020) that the overall impact of restrictive measures on GDP production during the quarantine period may be about 20%. In general, according to the results of the year, the direct effect of restrictive measures (provided they last for two months) will affect the reduction of real GDP by 3.3 points. At the same time, experts of the National Bank of Ukraine emphasize that, given the multiplicative impact of quarantine measures, the inertia of economic recovery, and that on the eve of the global "coronavirus" crisis, Ukraine's economy was already stagnant (especially its industrial sector), the effect of quarantine measures will lead to a much higher reduction in real GDP.

Such estimates are consistent with the forecasts of international institutions. Thus, according to the IMF forecast

(WEO April 2020), Ukraine's real GDP will decline by 7.7% in 2020, and inflation will be +7.7% (by December), which is one of the worst indicators among the countries of the Emerging and Developing Europe group.

The COVID-19 pandemic has brought about enormous changes at all levels, from economic development to business and privacy. Business faced unprecedented challenges: how to adapt to new circumstances, save the company and keep customers.

Ukrainian society, like humanity on all continents, has faced a new global challenge. We are all witnessing how the COVID-19 coronavirus pandemic is changing the lives of billions of people, and the world economy is plunged into a new crisis that is difficult to predict. Under these conditions, it is vital to master the art of balancing the preservation of human life and recovery, the "launch of the economy"; to remain open to change and to see not only losses, but also new opportunities of development; to look for new, unconventional support of economic and social progress.

According to the authors, the current global crisis will not be V-shaped, when there is a sharp drop down and a rapid recovery to the pre-crisis scale of economic development. At the same time, we believe that the global crisis will not be U-shaped, i.e. when there is a certain time at the bottom ("frozen" period) with the subsequent rapid recovery of economic development.

Even if a vaccine is invented, a crisis that is political, economic, social and epidemiological will, in our view, become stagnant. This means that the government, business structures, and all social partners must focus on the development and implementation of a long-term strategy for economic, social and labor development.

Models of the quarantine stipulated by the COVID-19 pandemic can vary in practice, from extremely rigid to "mild" and liberal. In any case, the authorities must balance between preventing the rapid spread of the virus and mass diseases, on the one hand, and the economic losses from restrictive measures, on the other.

On March 12, 2020, the Ukrainian authorities imposed a rather strict version of the lockdown in response to WHO recommendations. The measures taken by the Ukrainian government have made it possible to prepare the medical system for additional workload and to stretch the peak incidence. As a result of the total lockdown, considerable economic losses have been suffered not only by sectors of economy directly closed (such as hotel and catering business, transportation, tourism, entertainment, some types of trade, etc.), but also those which faced the indirect impact of the quarantine due to the drop of consumption and disruptions in value chains.

Restrictions on the activities of a significant number of business structures through the introduction of quarantine

measures have made significant changes in the field of direct employment and in the scale of employment.

Restrictive measures implemented during the declared quarantine have had a negative impact on the activities of most SMEs.

The Center for Economic Recovery (CER) published the following data in early May 2020, based on surveys of SMEs conducted in late March-early April 2020:

- 11% of SMEs ceased operations;
- 69% of such enterprises expect a drop in income of 20% or more;
- 62% believe that they will survive up to 3 months under quarantine;
- 36% of small and medium enterprises cannot transfer their operations online.

The results of the population survey on the financial situation conducted with the participation of the Center for Economic Recovery on March 25-29, 2020, among 809 respondents were also disappointing. The generalized results of this survey are as follows:

- 10% of respondents said they had lost their jobs;
- 67% have funds for March-April under strict quarantine;
- 77% reported they intended to start thrifting;
- 60% suffered financial losses;
- 24% of respondents had to take a partially or fully unpaid leave.

According to the optimistic UNICEF scenario developed based on the recent macro-forecasts of the Cabinet of Ministers of Ukraine, the poverty rate in Ukraine may grow from 27.2% to 43.6% due to the reduction in incomes.⁵

The UNDP Human Development Report states that COVID-19 is a “magnifying glass of inequality in the world.”⁶ The sphere of labor and employment is not an isolated autonomy; on the contrary, it is closely connected with all the sectors and elements of the economic and social system and actively responds to change happening there. This is proved by tracing how restrictive (quarantine) measures affected both directly adjacent sectors of economy and those which are indirectly linked to them.

Experts of the Center for Economic Recovery estimate that the “epidemiological” economic life in Ukraine will last for over a year, and there are only three possible options for action in this situation.

The authors of this publication share the opinion of those experts who believe that the most acceptable scenario for the Ukrainian realities is the so-called risk-based model of quarantine, which provides for simultaneous tight control over the COVID-19 pandemic and “launch” (opening) of the economy.

⁵ Combating COVID-19 in Ukraine: initial assessment of the impact on poverty. URL: <https://www.unicef.org/ukraine/media/5811/file/COVID%20impact%20on%20poverty%20ukr.pdf> (viewed on 20.05.2020)

⁶ <https://interfax.com.ua/news/general/663660.html> (viewed on 28.05.2020)

2

SEARCH AND IMPLEMENTATION OF ANTI-CRISIS MEASURES

As mentioned before, imposing lockdown measures, as did most countries across the world, including Ukraine, allowed the medical system and medical establishments to take some time to get ready for a spike in the disease incidence, to save the lives of many people, to stabilize and subsequently reduce the spread of the COVID-19 pandemic. Countries that underestimated the scale of the global tragedy in the early stages of the pandemic paid dearly with the lives of their own people. Later, when the situation with the disease stabilized somewhat 1.5-2 months after the quarantine started, the government faced the issue of easing restrictions, restoring confidence in the authorities and starting to introduce another model of the quarantine, which could be described as a risk-recovery quarantine, based on the idea of maintaining safety measures combined with the gradual “launch,” or recovery, of the economic activity.

Each country followed its own scenario trying to overcome the COVID-19 pandemic, introducing various measures of economic, financial, social and institutional nature.

The vast variety of measures can be broken down into three primary categories:

1. financial and economic support;
2. monetary;
3. other macro-level financial measures.

The first group is based on a set of tools and measures aimed at supporting business, financial markets, and the population through the public finance system. Such support packages, including tax breaks, targeted financial support to the most vulnerable sectors of economy, financial support for businesses that suffered the biggest consequences of restrictive measures, normally constitute 5–10% of the GDP in developed countries.

Given the limited financial resources available to developing countries, including Ukraine, they use support packages of a smaller scope, which makes them somewhat less effective.

Monetary measures aimed at overcoming the economic consequences of the pandemic are practically manifested in the easing of monetary policy. It should be noted that

in March-April 2020, almost all countries in the world reduced their key interest rates.

Both domestic and foreign practices show that SMEs suffered the greatest losses in the first stage of the quarantine. Therefore, measures of economic and institutional support of entrepreneurship taken by the government must focus primarily on this type of businesses.

SMEs provide over half of the GDP of our country and employ 82% of Ukraine’s employed population. These are companies with up to 250 employees with an annual turnover of no more than 50 million euros. This also includes self-employed persons.

As Ukraine’s strategic and largest trading partner, the EU has been supporting Ukrainian SMEs for over 10 years within the EU’s EU4Business initiatives. During the ongoing coronavirus crisis this cooperation has gained new impetus. To overcome the consequences of the pandemic, the EU mobilized an emergency aid package for Ukraine, amounting to over EUR 190 million. Most of this amount must go to support SMEs.

The EU continues to implement EU4Business support programs in Ukraine, including loans and grants worth more than EUR 300 million. Some of these programs will be adjusted to overcome the effects of the crisis. The EU has also started consultations with potential partners on new business support programs with a total budget of EUR 20 million. The total amount of all current EU programs to support SMEs constitutes EUR 600 million. The results of this EU-Ukraine cooperation are evident: 76% of aid recipients increased their turnover by almost 50%.

In response to the challenges faced by Ukraine, the country currently needs a clear action program on the national level.

During April 2020, the Verkhovna Rada and the Cabinet of Ministers of Ukraine approved a support package for entrepreneurs in quarantine, which provides for a number of temporary measures. They include tax exemptions, business reporting, suspension of certain payments and loans.

Tax measures include abolishing fines and penalties for violation of tax legislation, abolition of the single social

security tax for two months for sole proprietors, farmers, and citizens engaged in independent professional activities (lawyers, notaries, religious leaders, scholars), a moratorium for tax inspections, a delay in submission of tax declarations, delay of the requirement to use cash registers.

Also, rent will not be temporarily charged for land plots that are in national and municipal ownership, nor will be a penalty for late payment of housing and utility services. In April, the government launched an anti-crisis lending program for micro and small businesses, offering interest-free loans to repay corporate debts and 3% loans to pay rent, taxes, utilities and salaries. However, according to surveys, it was not easy to use the program. Most entrepreneurs who need such loans did not apply for them due to restrictions, and half of those who applied were refused.

The state support measures also included official recognition of the legal fact of quarantine as a force majeure circumstance, extension of farmers' access to state programs, partial unemployment benefits for insured officially employed workers. In addition, the government plans to provide child benefits for certain categories of sole proprietors.

According to the Chamber of Commerce and Industry of Ukraine, these anti-crisis measures will cost the state UAH 9.3 billion. The biggest burden will be shouldered by local budgets, which are expected to lose UAH 6.3 billion. Moreover, the Association of Ukrainian Cities has calculated that quarantine restrictions will cost local budgets about UAH 15.6 billion, which will go to the wages of public sector employees (doctors, education workers, utility company workers), subsidies, social assistance to low-income families, and support to the infrastructure.

3

DEFICIT OF DECENT WORK IN UKRAINE: LONG-STANDING PROBLEM

Due to the challenges posed by the current global socio-economic reality, the institution of decent work becomes especially important. Even before the onset of the coronavirus crisis, the Ukrainian economy had serious problems in the field of decent work, whose deficit manifested itself through the high rates and threatening nature of unemployment, the spread of vulnerable employment, maintenance of wages at the minimum level, the destruction of collective agreement-based regulation of social and labor relations, the large-scale risks of occupational diseases and injuries.

With the onset of the coronavirus crisis, which is escalating into a full-scale global economic crisis, the deficit of decent work is unfortunately expected to increase.

While implementing quarantine measures, public authorities and social partners at all levels need to make sure they simultaneously take care of recovery and gradual expansion of the decent work segment.

The paramount importance of expanding this segment is that the implementation of the principles of decent work is aimed at achieving both economic and social progress. It is vital for all subjects of social and labor relations. The implementation of decent work programs will provide access to competitive jobs and productive employment. It is fundamentally important that, for an economically active person, decent work should include favorable, safe working conditions, adequate remuneration, observance of human labor rights, development of opportunities in the field of formation and growth of human capital, protection of collective and individual interests, social protection from risks, which are continuously reproduced.

Thus, under conditions of decent work, the period of human activity is filled with natural, essential values — pros-

perity, safety, freedom, security, choice, opportunities. In those areas of economic activity where decent work will dominate, the focus of economic progress will be the wealth of human life, not just the wealth of the economy. For employers, the implementation of the principles of decent work is one of the prerequisites for fulfilling the mission of the organization, gaining competitive advantages, ensuring sustainable economic development. For the state and society, the adoption of the principles of decent work leads to the creation of a strong economic foundation for social development.

The reality of Ukrainian employment demonstrates decent work deficit in the past 10 years, based on the indicators of unemployment, the share of informal employment, wages at the minimum level, the scope of social dialogue, harmful and dangerous working conditions. Inefficient employment, which is characteristic of the Ukrainian labor market, generates high unemployment.

The challenges and threats of creating the prerequisites for the implementation of decent labor principles include, in particular, atypical employment, which reduces the number of full-time staff members. Between 2014 and 2018, the average number of registered personnel reduced from 8,959,000 people to 7,662,000 people, i.e. a drop of 14.5%. This was caused not just by people working under independent contractor agreements, but also by the declining dynamics of the total number of employed people. Seasonality, as a sign of atypical employment, is one of the important causes of unemployment. Its share among the causes of unemployment in the Ukrainian economy is about 10%.

The situation on the Ukrainian labor market as of early 2019 only deteriorated with the onset of the COVID-19 crisis, as mentioned above.

4

THE IMPACT OF PANDEMIC ON LABOR MARKET IN UKRAINE

The COVID-19 pandemic has caused a direct and indirect reduction in the involvement of work force into economic activities. On the one hand, it has been caused by the ban or restriction of certain types of economic activities and suspension or restriction of labor migration from Ukraine abroad (direct impact on the Ukrainian labor market); on the other hand, the demand for goods and services of domestic enterprises is changing in Ukraine and abroad, which subsequently changed (primarily reduced) the need for human labor or services (indirect impact).⁷

Virtually all areas of the Ukrainian economy have been negatively affected by the introduction of quarantine.

Overall, since its start and up to the autumn of 2020, the COVID-19 pandemic has had the following impact on the Ukrainian labor market: rising unemployment rates, actual reduction of employment, reduction of the number of Ukrainian migrant workers, reduced income of the population from the sale of their labor and self-employment due to reduced wages, loss of work and loss of income of sole proprietors.

As of October 1, 2020, the number of the unemployed was 433,000 people, which is 62% more than on October 1, 2019. The number of job openings available with the State Employment Service was 68,000, which is 32% fewer than in the same period last year.⁸ This means that the imbalance between the demand and supply on the labor market remains, since there were 6 unemployed people per 1 job opening in 2020, while in 2019, this ratio was 3:1. In total, since the beginning of quarantine on March 12, 525,000 people have received the status of unemployed in Ukraine. This figure is 53% higher than in the same period last year.

According to the State Statistics Service of Ukraine, over the period between the I quarter of 2016 to the I quarter of 2020, the unemployment rate among the Ukrainian population of ages 15 to 70 fluctuated from 7.2% to 10.1%. In the I quarter of 2020, which ended in the introduction of quarantine in Ukraine, the unemployment level of the population of ages 15 to 70 constituted 8.6%.

⁷ http://nbuviap.gov.ua/index.php?option=com_content&view=article&id=4941:situatsiya-na-vitchiznyanomu-rinku-pratsi-v-umovakh-pandemiji&catid=8&Itemid=350

⁸ State Employment Service of Ukraine, <http://www.ukrstat.gov.ua>

It can be assumed that the pandemic had an especially negative effect on people employed in the off-the-books economy, i.e. there is hidden unemployment, but no reliable statistical data available. In addition, one of the forms of hidden unemployment is a long-term unpaid leave, since the employee is not officially laid off, but does not receive remuneration.

Furthermore, the reduced number of migrant workers due to quarantine restrictions has affected the amounts of money transfers to Ukraine from abroad. From January to May 2020 alone, the amount of private transfers to Ukraine from abroad dropped by 2.1% compared with the same period last year (from USD 4.64 billion to USD 4.54 billion).⁹ This reduction of private money transfers to Ukraine from abroad effectively means that the income of the population reduces, and this trend is expected to remain at least until the end of this year.

Service industries in Ukraine have suffered most since the beginning of the pandemic, since such services require human labor and are more difficult to automate. Before March 2020, 28%¹⁰ of the total employed population in the Ukrainian economy worked in such sectors as wholesale and retail trade, repair of motor vehicles, catering and food service industry, financial and insurance activities, real estate operations, leisure and entertainment, art, and sports. In March 2020, the activity of a significant segment of service industries was curtailed in Ukraine due to administrative decisions as opposed to economic factors.¹¹

Although economic activity of certain companies in the aforementioned sectors did not completely stop during strict lockdown in Ukraine (such as banking institutions, grocery stores, medical establishments), it was still the service industries that suffered the biggest losses from the quarantine. Even in the health care sector, some medical

⁹ Financial Club, <https://finclub.net/ua/news/hroshovi-perekazy-v-ukrainu-v-travni-vpaly-na-2-5protsent.html>.

¹⁰ Data of the State Statistics Service of Ukraine, <http://www.ukrstat.gov.ua>

¹¹ http://nbuviap.gov.ua/index.php?option=com_content&view=article&id=4941:situatsiya-na-vitchiznyanomu-rinku-pratsi-v-umovakh-pandemiji&catid=8&Itemid=350

institutions partially restricted their activity during the quarantine and furloughed some staff members of their outpatient departments and scientific medical establishments.¹²

Apart from the service industries, the pandemic has negatively affected the sectors of construction and industry in Ukraine, with the reduced demand for the products of these industries; in addition, restrictions in the work of transport made it difficult for workers to reach construction sites. An additional acute problem was the payment of wages; for instance, in the hotel and food service industry (the remuneration was 40% lower in April and May than in the same period last year) and in the sector of transport (significant reduction of wages in March—May).

According to the State Statistics Service of Ukraine, as of June 1, 2020, the total arrears of wages amounted to UAH 3,142.8 million, or 104.9% compared to May 1, 2020. Debts to employees of economically active enterprises as of June 1, 2020, amounted to UAH 1,958.3 million (107.5% compared to May 1, 2020). As of October 1, wage arrears increased to 3,560.9 million, including 2,318.6 million of debt to employees of economically active enterprises.

Despite the lack of statistical data on shadow economy, the changes in the number of officially unemployed people overall reflects the changes in employment in the industries that have been negatively affected by the COVID-19 pandemic in Ukraine. As of June 1, 2020, the number of officially registered unemployed people from the food service industry increased by a multiple of 3.6 compared to the same period of 2019; 2.1 in the real estate sector, and the number doubled in process manufacturing. The total number of people who had the status of unemployed in Ukraine increased by a multiple of 1.7 in a year.

It should be noted that the available statistical data on the total unemployment rates in Ukraine do not fully capture the complex nature of the labor market at the current stage of development of Ukraine's economy, since labor market flexibility is quite weak in the short term. The loss of a permanent job does not always lead to the immediate employment of laid-off workers, even if there are relevant vacancies, due to a number of economic and sociopsychological factors.¹³

Thus, the labor market in Ukraine has undergone significant change under the influence of the COVID-19 pandemic. With the easing of quarantine restrictions, economic activity in many industries is gradually recovering, but some change in the functioning of the labor market is expected to unfold further.

When quarantine restrictions started easing in May-June this year, some industries started resuming their activity, which positively affected the labor market. However, the increased infection rates in the fall of 2020 pose new threats to entrepreneurial activities, which will have negative impact on the labor market in Ukraine again.

¹² http://nbuviap.gov.ua/index.php?option=com_content&view=article&id=4941:situatsiya-na-vitchiznyanomu-rinku-pratsi-v-umovakh-pandemiji&catid=8&Itemid=350

¹³ http://nbuviap.gov.ua/index.php?option=com_content&view=article&id=4941:situatsiya-na-vitchiznyanomu-rinku-pratsi-v-umovakh-pandemiji&catid=8&Itemid=350

5

FINDINGS AND RECOMMENDATIONS

The labor market in Ukraine has undergone significant change under the influence of the COVID-19 pandemic. With the easing of quarantine restrictions, economic activity in many industries is gradually recovering, but some change in the functioning of the labor market is expected to unfold further.

Positive trends in the field of labor and social relations can be achieved by overcoming the deficit of decent work, which is a strategic baseline for consolidating competitive positions in the framework of socialized society, creating new foundations for sustainable social and labor development, and achieving an acceptable level of social quality on this basis.

The vectors of social and labor development which should form an entirely different social and economic policy in Ukraine in the future and to engage innovation-oriented mechanisms for overcoming the deficit of decent work should be as follows:

- introducing the model of an innovative type of employment, based on increasing the scale of the tertiary sector and the innovation sphere, on increasing the competitiveness of jobs, and on the use of highly competent workforce;
- improvement of labor income policy based on modernization and increased efficiency of social standards, restructuring the current mechanisms of income regulation (first of all, the system of personal income taxation) and supplementing them with new tools, improvement of collective agreement-based regulation of wages, dissemination of individualization of wages;
- reforming the social protection system through changing the format of the government's tasks, development of the institutional environment, and implementation of a number of measures at the macro level;
- improvement of the regulatory framework, information measures, and social responsibility at all levels, as well as of agreement-based regulation of ensuring labor security and hygiene and professional health of personnel based on the preventative approach;
- introduction of specific practical tools of the broad approach to social dialogue by public authorities, trade unions, and employer organizations, which facilitates joint decision-making and achieving agreements that

will serve as the basis of the governmental social and economic policy for introducing the elements of decent work;

- building a new model of the welfare state based on the formation of socio-economic preconditions for decent work, not just providing social support to economically active persons;
- development of action policy in the sector of corporate social responsibility for brand development, ensuring competitiveness, growing capitalization, an increase in stability and greater effectiveness in the interaction with stakeholders;
- modernization of practical aspects of agreement-based regulation of social and labor relations in terms of adding qualitatively new meaning to collective bargaining at the national, industry and regional levels.

It is necessary to rethink the development keynotes of labor in general and decent work, in particular, within the new concept "Labor 4.0" and the global socio-economic reality of 2020, which in the long run should form a new economic thinking, a new economic culture; use innovation-oriented mechanisms for overcoming the deficit of decent work and ensuring a high level of social quality.

When the problems that already existed in the Ukrainian labor market in the previous years became much more acute due to the spread of the COVID-19 pandemic, the institution of decent work faced a new challenge.

The use of EU experience in the development of labor and increasing the segment of decent work is especially important for Ukraine now. Ukraine can make use of both the experience accumulated in the pre-coronavirus time and the experience gained since March 2020. To implement a number of political directives,¹⁴ in January 2020, the European Commission adopted a general action program A Strong Social Europe for Just Transitions, wherein five sections pertain to the regulation of the labor sector and the development of social and labor relations. The program is meant to continue

¹⁴ Von der Leyen U. Union that strives for more. My agenda for Europe: political guidelines for the next European Commission 2019-2024. P. 7-11 https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf (дата звернення 28.05.2020)

until 2024, and the activities in its sections “Reinforcing Social Europe,” “Equal Opportunities and Jobs for All,” “Fair Working Conditions,” “Social Protection and Inclusion,” and “Promoting European Values in the World” are designed to reduce imbalances in the field of labor and provide social support to the employed and the unemployed.¹⁵

At the same time, the European Commission has approved anti-crisis measures in the labor sector, which are meant to protect employees from unemployment and from losing labor income, which include active implementation of short-term employment schemes, as well as training and retraining programs — these are tools that have already proven effective in the previous experience of the EU.

For the State Employment Service of Ukraine, it would make sense to use measures implemented by national employment agencies of EU member states, which have transformed their activity in a way to continue providing services in the employment sector even in the situation of a strict lockdown due to the COVID-19 pandemic.

The implementation of EU experience with the development of labor and employment in the Ukrainian practice should contribute to the implementation of principles of decent work and improvement of social quality. At the same time, this would be part of the continued movement towards the European integration, awareness of the European values of economic and social development.

We can predict that one trend of political and economic nature during the coronavirus times would be the increased role of the government in the life of society and its institutions.

The authors believe that, on the global scale, the formation of the new model of welfare state will accelerate, presenting itself as a symbiosis of the neo-paternalistic political platform and the ideological foundations of a social investment state.

The concept of the welfare state followed by the authors stipulates that new priorities of the state-organized society should be proclaimed and implemented, including the importance of:

- a. integration of social and economic policies;
- b. drift from the redistributive state to the stimulating state;
- c. intensification of innovative economic development on the basis of intensive growth and efficient use of human capital;
- d. increasing the role of the state in providing social services and support in extreme conditions.

The transformation of government functions will take place in the triad “market — state — business” with the emergence of the new interaction format of the aforementioned institutions within the new economy.¹⁶

Overall, regarding the economy of the future, the authors propose taking a closer look at the following vectors of social development, which should transform the neoliberal, human-(non-)centric capitalism that was functioning at the beginning of the new millennium:

- First, increasing the role of the state and forming a new model of the welfare state, as discussed above.
- Secondly, the end of the era of hyperglobalization, which should give way to national production, economic, and institutional autonomy and lead to the reformatting of value chains.
- Third, the revision of established attitudes to economic growth, the realization that humanity has come close to the limits of this growth and there is a need to revise, rethink the very concept of “economic growth,” its philosophy.

¹⁵ A Strong Social Europe for Just Transitions. COM (2020) 14 final/ Brussels, European Commission, 14.01.2020. 15 p. URL: https://www.eapn.eu/wp-content/uploads/2020/01/EAPN-Strong_Social_Europe_Communication_and_Annex-4034.pdf (viewed on 30.05.2020)

¹⁶ A. Kolot, O. Herasymenko. Market, state and business in coordinates of the new economy. Problems and Perspectives in Management. 2017. No.15 (3), pp. 76–97

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IMPACT OF COVID-19 PANDEMIC ON ECONOMIC DEVELOPMENT AND LABOR IN UKRAINE



Transformation in the field of labor under the influence of new factors is a complete, comprehensive transformation of values, motivational guidelines, hierarchies, and primary sources of development, supply and demand in the labor market, forms of employment, and its scale. Through the prism of social and labor development, the emergence of new opportunities for economically active people and the emergence of new challenges, risks, and threats can be seen.



The art of management at all levels — from the household to the national economy is manifested in the real ability to organize activities, which must take place in conditions dictated by quarantine measures and restrictions, and at the same time focused on business recovery, social development aimed at ensuring acceptable social quality. That is why the authors of this publication insist on the implementation of the risk-renewal model of economic and social and labor development.



The new challenges posed by the current socio-economic reality make us realize the true role of decent work in the life of every economically active person. Positive trends in the field of labor, social and labor relations can be achieved by overcoming the deficit of decent work, which is a strategic guideline for consolidating competitive positions within a socialized society, formation of new pillars to ensure the sustainability of social and labor development and achieve a socially acceptable level of social quality on this basis.