

Active Labor Market Programs in Ukraine

Social Protection and Jobs GP

World Bank

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ACTIVE LABOR MARKET PROGRAMS IN UKRAINE

FEBRUARY 2018

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ACTIVE LABOR MARKET POLICIES IN UKRAINE

Draft policy note

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1. Introduction

1. **This note provides a summary of a review of the existing active labor market policies (ALMPs) in Ukraine.** The review, which is presented in the annex in its original format, was conducted in the context of mounting pressure to improve the functioning of the employment services (SES) in the country. Its overall objective was to contribute to deepen the existing knowledge about these programs' design and effectiveness.¹
2. **The note provides a description of programs and a basic analysis of their functioning.** In particular, it aims to address two questions: (1) Is the design of the current ALMPs conducive to more or better quality employment in Ukraine?, and (2) Do these programs target the populations that are most in need of such services?. The note attempts to respond these questions using information drawn from a mix of data analysis, interviews with staff of the SES, visits to offices, and focus group discussions.²
3. **Seven main labor activation programs have been considered.** These include: (1) occupational guidance services, (2) vocational training; (3) vocational training vouchers; (4) public and temporary works; (5) employer's compensation; (6) entrepreneurship and self-employment incentives; and (7) measures targeted at internally displaced persons (IDPs). All these programs are regulated in different articles of the 2013 Law "On Employment of Population" (No. 5067-VI). For further details on the characteristics and normative context of the different ALMPs in Ukraine, please see the annex.

2. Summary and main messages

2.1 Is the design of the current ALMPs conducive to more or better quality employment?

4. **The capacity of the SES to undertake effective monitoring and evaluation of ALMPs based on quantitative and qualitative data is limited.** The UIAS system collects and is able to report on a significant range of administrative data, but has a limited ability to provide information beyond the standard reports. There were

¹ Definitions used in this note are taken from the Law of Ukraine "On Employment of Population" (No. 5067-VI). Unemployed are persons aged 15 to 70 years, which due to the lack of earnings, or other legal sources of income, are ready and able to start work. Registered unemployed are people of working age, registered with the SES as unemployed and willing and able to work. The term Jobseeker is not specifically stated in the law but is taken to mean all people using the services of the SES including those currently in employment.

² This note was developed based on desk research and two missions to Ukraine (24 – 31 March and 24 – 28 April 2017). During the missions meetings were held with the main Ukrainian State Employment Service (SES) Departments and Divisions and field visits were undertaken to four SES offices: Chernigiv City Employment Office; Kiev Regional Employment Office; Desnianskii District Office (Kiev); Pechersk District Office (Kiev)²; Focus group meetings were held in Desnianskii District Office (Kiev with employers, SES staff and registered unemployed.

plans to refine the process of ALMPs monitoring in 2017, mainly by further disaggregating the data obtained and followed up. The most comprehensive data to date is referred to ATOs (anti-terrorist operational) and IDPs (internally displaced people). The SES needs to develop a performance management system that establishes clear indicators and targets for ALMPs, along the lines of those seen in other countries including Germany, Austria, Ireland, Finland, Estonia or Spain.

5. **Some main labor market trends can be highlighted based on the existing data.** Unemployment has declined over the last years in the country, while the share of unemployed people accessing SES has notably increased. In addition, and although the number of reported vacancies has decreased, the share of those that have been filled has grown. However, the budget allocated to ALMPs in the country is very small in international comparison and has been declining, which could limit the impact of such measures. Moreover, the breadth of the ALMPs has been reduced, both in terms of the range of measures and of the eligibility criteria. Regional discrepancies in access to SES also exist, and significant mismatches between the skills demanded and supplied have been identified.
6. **Despite the difficulty to rigorously assess the effectiveness of ALMPs in Ukraine, it is possible to draw some conclusions from the existing data by program.** As detailed below, professional orientation services appear to be particularly effective to favor the employment of job seekers, while vocational training shows a high rate of placement of participants. Entrepreneurship programs seem to be also effective to generate self-employment. On the other hand, public and temporary works, the employer's compensation, vocational training vouchers and special IDP programs do not seem to be as effective.
7. **Professional orientation services appear to be very effective to avoid the unemployment of jobseekers.** Despite their limited budget and low cost – 0.5 USD per beneficiary –, a large share of job seekers did not become unemployed due to the intermediation of SES in the first seven days after being contacted. The share of unemployed that access these services has constantly increased since 2013, reaching 40.5 percent in 2016, although regional variation exists. However, no information on the quality and sustainability of the employment attained through this kind of services is available.
8. **Vocational training appears to be particularly effective to facilitate the labor market inclusion of unemployed people in Ukraine.** Indeed, the rate of placement of beneficiaries has been growing, reaching over 92 percent in 2016. Most of them found a job within three months after completing the training. In addition, the costs of this type of programs are relatively low (around 40 USD per beneficiary). However, the number of participants has been decreasing over time, and, again, no information on the quality and sustainability of employment is available. Employers report a preference to contract directly trained workers – instead of having to wait

for the period of training. In addition, several procedural requirements make the use of this scheme burdensome, including the need to sign contracts with providers, and the load of documentation and requirements for students to be eligible.

9. **The use of vouchers for vocational training offered to certain targeted groups has become residual; since 2015 unemployed people can no longer apply for them.** The use of vouchers for vocational training, which granted specific groups of people the possibility of choosing between certain training providers within defined occupations, has been decreasing. Since 2015 unemployed people are no longer eligible for this program. Vocational training vouchers were comparatively expensive (191.16 USD per beneficiary).
10. **Despite being one of the main ALMPs in Ukraine the use of public and temporary works remains limited.** The budget allocated to this type of measures, which amounts to over 18 percent of the total, has been growing over time, and a large and growing share of the unemployed have participated in such programs – over 18 percent in 2016 –, although important differences exist across oblasts. These measures appear to be relatively inexpensive (around 10 USD per beneficiary), but the limited local financial resources and the requirement to contribute a certain amount to their budget have made their use scarcer.
11. **Employer's compensation is not widely used, is associated with high costs and appears to be ineffective to generate long-term employment.** The share of total unemployed making use of this measure is minimal, while its costs are the highest (234 USD per person). In addition, a large share of the employment contracts incentivized by this measure seems to be terminated over the compensation period. Although the main stated reason is voluntary termination, further insights on what is driving this phenomenon and whether the beneficiaries continue being employed or not would be necessary in order to better understand how effective this program is.
12. **Measures aimed at favoring entrepreneurship show a high degree of success in the creation of self-employment.** The lump-sum payment of unemployment benefits, which is one of the main programs, led to the creation of businesses in 67.4 percent of the cases in 2016; most of the businesses registered as a result of this policy at the end of 2016 had been there for over 5 years, which indicates a high rate of long-term success. In addition, only a minority of graduates of the entrepreneurship and business training continued being registered as unemployed upon completion, which suggests that these programs can be effective for the generation of self-employment.
13. **The participation of IDPs in special and regular programs is increasing.** The high number of IDPs experiencing unemployment in the country has access to special programs – mostly compensation of costs and wages. The budget dedicated to

these measures is still small, although growing. In parallel, the share of IDPs participating in general SES is increasing, although it still remains lower than that of the general unemployed in important programs such as vocational training and public and temporary works.

2.2 Are ALMPs targeting the populations that are most in need?

14. **Many of the unemployed in Ukraine are short term unemployed, mostly urban, young and educated; they also tend to come from quota groups.** Around 36 percent of the total unemployed were under the age of 35 years old in 2016. Over 60 percent had tertiary or vocational education, and 46 percent lived in rural areas. Gender gaps were unnoticeable with the exception of the group 55-59 years old, in which most of the unemployed were men. The share of unemployed people in quota groups has increased substantially – from 17.5 to 36.8 percent. Two groups make up for most of this figure: Persons with 10 years or less to old-age pension and parents/guardians who have a dependent child under 6 years old.
15. **Again, and despite the lack of detailed data on targeting, it is possible to draw certain conclusions with regards to the different programs' targeting.** As detailed in the next sections, it is only vocational training vouchers and employer's compensation that are restricted to certain groups – e.g., IDPs, quota groups. Professional orientation, public and temporary jobs, vocational training and entrepreneurship programs are not specifically targeted. However, most programs tend to reach a large share of young unemployed people –below 35 years old–, and women. Moreover, a majority of beneficiaries of public works are IDPs, although many of them did not register with the SES for a variety of reasons, and reported the inadequacy of these programs.
16. **Professional orientation services are not particularly targeted at the unemployed.** Indeed, the majority of the users of such services, mostly young people and students, are not registered unemployed. However, the unemployed comprise a large share of beneficiaries, and among them, the young and female unemployed account for an important percentage of the total: Over 50 percent of beneficiaries of these services are women, and around 40 percent of them are under 35 years old.
17. **Vocational training programs are not specifically targeted, and their provision very much depends on the profile of the beneficiary.** While priority is given to training the unemployed, the CVTs are able to train individuals who are not registered at the SES, including company employees, with certain restrictions. The specific training and organization providing it depends on the profile of the beneficiary; as an example, young students may be more mobile than mothers, with cost issues playing a role. CVTs are better adapted to an adult audience than other

providers. The SES is seeking to further develop their live virtual classroom and distance learning, which would facilitate access in remote areas.

18. **Vocational training vouchers have been especially directed at specific groups of people; since 2015 the unemployed are no longer eligible.** The majority of vouchers - 97.7 percent - were used by people aged over 45, with at least 15 years of insurance service over the 2013-2016 period. Other groups included IDPs, ATOs with disabilities or former military staff. The occupations for which training was to be eligible were updated every year depending on the labor market demands. In the same period, half of them concentrated in four sectors: Psychology, social work, computer engineering and cooks.
19. **Public and temporary jobs, despite not being targeted, are also especially used by IDPs and quota groups.** This type of schemes is offered to all users. Around half of the beneficiaries are women, and close to 30 percent people under the age of 35 years old. Over half of the participants in these programs are IDPs – although only 11 percent of the total IDP unemployed population were beneficiaries compared to around 19 percent among all unemployed. This group expresses a special interest in these programs; however, they also highlight the insufficiency of the income associated and the fact that they do not address their specific needs. Following IDPs, quota groups represented around 37 percent of users.
20. **Employer compensation is also restricted to certain targeted beneficiaries, and concentrates in a few Oblasts.** Targeted groups include IDPs, quota groups and small businesses employing an unemployed person for over 2 years in priority sectors. In 2016, 35.6 percent of all Employer Compensation USC participants were from just five oblasts (Dnipropetrovsk, Donetsk, Ivano-Frankivsk; Lviv and Kharkiv). With regards to the small business component, most of the jobs came from five sectors, with manufacturing and repair of motor vehicles and motorcycles already accounting for about 40 percent of the total.
21. **Although the entrepreneurship/self-employment programs were not targeted, many of their beneficiaries came from specific socio-demographic groups and concentrated in specific regions.** Most of the beneficiaries of the entrepreneurship/self-employment lump-sum component were under the age of 35 years old, women, from rural areas, and from “quota groups”, and concentrated in two Oblasts and Kiev City. As for the training component, participants were also distributed unevenly across Oblasts: The largest number of graduates (10 percent of total) was recorded in Dnipropetrovsk and the lowest in Zakarpattya (0.8 percent of total).
22. **Many of the IDPs did not register with the SES due to varied reasons.** The most frequent was that the SES offer very low-paid jobs and a limited number of vacancies that would match their profession. IDP jobseekers with specific needs saw

the SES as ineffective, or did not register as they lacked the necessary registration documents. The most frequent reason among IDPs with general secondary or lower levels of education was that they did not know they could register. Others reported the stigma attached to having the status of registered unemployed or a negative experience with the SES. IDPs tended to rely on other sources of employment, while the majority of the employers did not know about the benefits provided to them for hiring IDPs. In 2016, 61 percent of all registered unemployed IDPs were located in just five regions (Dnipropetrovsk, Donetsk, Kharkiv, Luhansk, Zaporizhzhya oblasts) and in Kiev City.

3. Question 1: Is the design of the current ALMPs conducive to more or better quality employment?

3.1 The lack of detailed data and effective monitoring and evaluation

23. **The UIAS system collects and is able to report on a significant range of administrative data, but has a limited ability to provide information beyond the standard reports.** Currently the UAIS system generates 100 standard reports, produced at different intervals and usually prepared overnight. Additional data requests outside of these standard formats cannot be prepared in house, as administrators are not able to select random indicators and generate random reports. For additional data requests a separate Terms of Reference (TOR) has to be provided for the external software developer. This limits the ability of the SES to analyze the information provided by the UAIS system.
24. **Partly as a result of this, ALMPs are currently not monitored or evaluated effectively.** Historically, there have been different sets of monitoring systems, predominantly paper based, which moved to an electronic format. There were plans to refine the process of monitoring ALMPs in 2017, to further disaggregate data by economic activity, educational level, age, vocational training and occupational guidance, etc., but they are limited to quantitative data. Monitoring of IDPs and ATOs are the most comprehensive as all indicators are included.
25. **The SES needs to develop a performance management system that establishes clear indicators and targets for ALMPs.** Currently the system is limited to measuring inputs and immediate outcomes.³ There is no follow-up of participation to assess the medium-long term impacts of programs. Establishing a performance management system, and making it operational, would entail: Developing

³ For example: number of registered unemployed; number issues job placement referrals and positive decisions; current vacancies; number of employers collaborating with the SES; participation in public and temporary works; number of registered unemployed and Jobseekers who found employment without the SES etc.

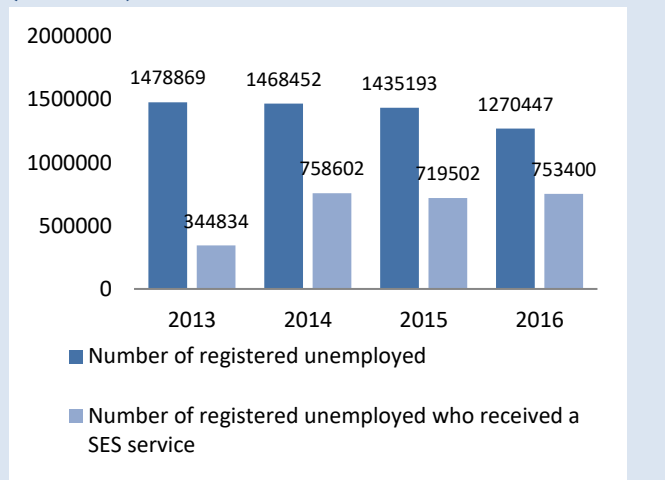
objectives; selecting and determining targets; translating targets into performance indicators, including key performance indicators; following up on performance measurement; and making use of the results of performance management. Germany, Austria, Ireland, Finland, Estonia and Spain are all countries with good experience in the implementation of performance management systems.

3.2 The evolution of unemployment and placement rates

26. Unemployment has decreased over the last three years in Ukraine.

Unemployment has decreased by 14.1 percent over the period 2013-2016. However, and according to the SES, the reduction in the number of registered unemployed people was not due to changes in the labor market or the improved effectiveness of public services, but rather to changes in the size of the informal labor market and migration.

Figure 1: Number of registered unemployed and number of registered unemployed who received a SES service (2013-2016)

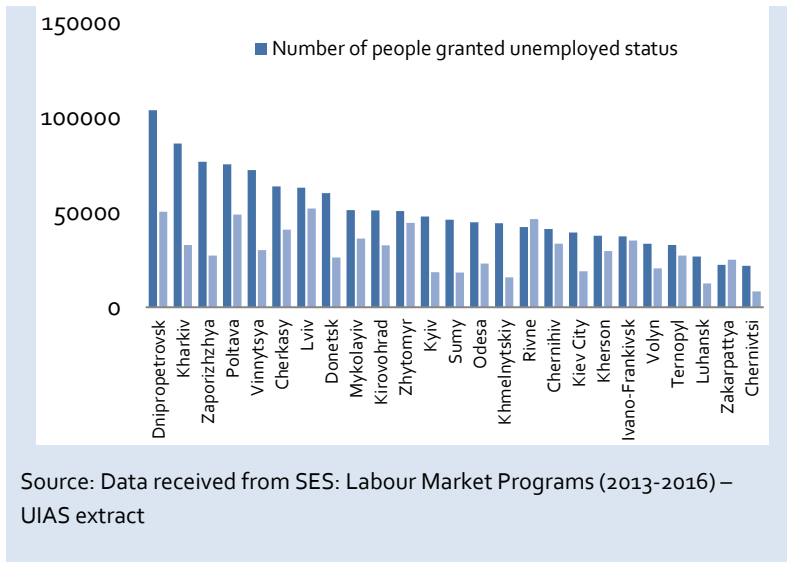


Source: Data received from SES: Labor Market Programs (2013-2016) – UIAS extract

27. The decrease in unemployment has been coupled with a substantial increase in the number of registered unemployed people receiving a service from SES (see Figure 1). The share of registered unemployed people receiving services from SES has grown by as much as 118.5 percent over 2013-2016. To some extent such a change can be attributed to the enactment of the Law "On Employment of Population" (No. 5067-VI) in 2013.

28. A certain degree of geographical inequality in access to SES services exists. Only in two oblasts, Zakarpattia and Rivne, over 100 percent of registered unemployed received a SES service in 2016. On the other end of the spectrum, Zaporizhzhya Oblast, one of the three regions with highest unemployment rates, recorded a minimum 35.5 percent of unemployed receiving services (see Figure 2).

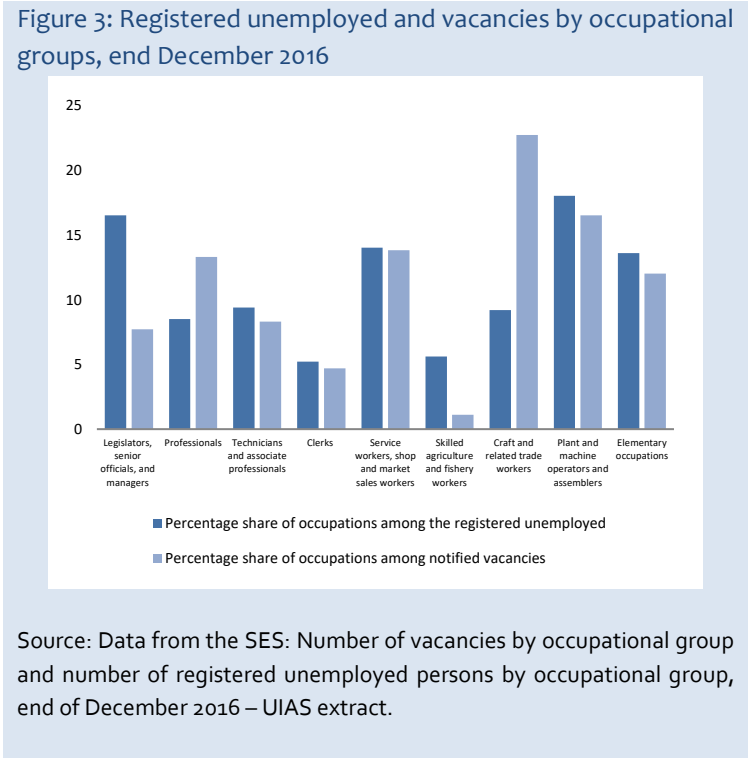
Figure 2: Number of people granted unemployed status and number of people who were registered who received a service, by Oblast, 2016



29. While the number of notified vacancies has decreased since 2012, the share of those that have been filled has increased by about 10 percent. Although it has fluctuated over the period, the number of reported vacancies has shown an overall decreasing trend, from

1,112,867 in 2012 to 919,289 in 2016. This has been accompanied by an increase in the number of vacancies that have been filled in, from 68.1 to 78.8 percent between 2012 and 2016.

30. However, significant mismatches have been found between the skills demanded and supplied in the labor market. As an example, for two of the occupational groups, professionals and craft and related trade workers, a significant demand for labor coexists with a shortage of registered unemployed. Alternatively, 16.5 percent of all those registered, at the end of December 2016, were in the occupational group of legislators, senior officials and managers, while only 7.7 percent of the notified vacancies were in this occupational group (see Figure 3).



3.3 Public expenditure on ALMPs

31. The amount of funding allocated to SES, and in particular to ALMPs, is comparatively small. In 2016, the amount of spending allocated to SES

represented ~0.4 percent of GDP (estimated 90 billion USD), compared to 2 percent in Austria, 1.1 percent in Germany and Slovenia, or 0.5 percent in Poland. The percentage of total funding allocated to ALMPs within the SES total budget is particularly small in international comparison: 4.6 percent compared to between 20 and 46 percent in countries such as Austria, Germany, Slovenia or Poland. Moreover, and considering an inflation rate of more than 40 percent year-on-year in January 2016, these budgets have shrunk considerably in real terms in Ukraine.

32. **Moreover, the share of the SES budget dedicated to ALMPs has experienced a decline in recent years.** Between 2015 and 2017 the planned resources for ALMPs as a share of the overall SES budget has decreased by around 2 percentage points, while that allocated to passive measures (unemployment benefit) has increased - from 74.8 to 77.6 percent - over the same period. The majority of ALMP financial resources are allocated to vocational training and employer compensation (USC), followed by public and temporary works (see Table 1).

Table 1: Planned Expenditure on ALMPS 2015-2016 (Thousand UAH)

	2015 ⁴			2017	
	Planned	Actual	%	Planned	%
Vocational Training and Retraining	237,774.6	191,119.60	44.6	219,256.80	46.7
Employer compensation USC	94,302.2	86,688.70	20.2	87,579.50	18.7
Information and consulting services	75,029.7	67,025.20	15.7	29,107.30	6.2
Public and Temporary Work	67,744.4	63,762.60	14.9	87,957.10	18.7
Vocational Training Vouchers	23,545.8	13,738.50	3.2	10,032.70	2.1
Occupational guidance	5,334.5	4,474.70	1.0	4,730.80	1.0
Wage Subsidies for direct job creation	2,925.4	1,101.20	0.3	1,031.70	0.2
Measures for IDPs	21,281.4	287.60	0.1	29,767.30	6.3
TOTAL	527,938.00	428,198.10		469,463.20	

Source: Data supplied by the SES Budget Division

33. **In line with this trend, the breadth of the ALMPs has been reduced, both in terms of the range of measures and eligibility criteria.** As an example, with the

⁴ Report on results of activities of the Fund of compulsory state social unemployment insurance of Ukraine in 2015, approved by resolution of the Board of the Fund of compulsory state social unemployment insurance # 111 at 08.06.2016

<http://www.dcz.gov.ua/file/link/400258/file/%D0%BF%D0%BE%D1%81%D1%82%D0%B0%D0%BD%D0%BE%D0%B2%D0%B0%20111.pdf>

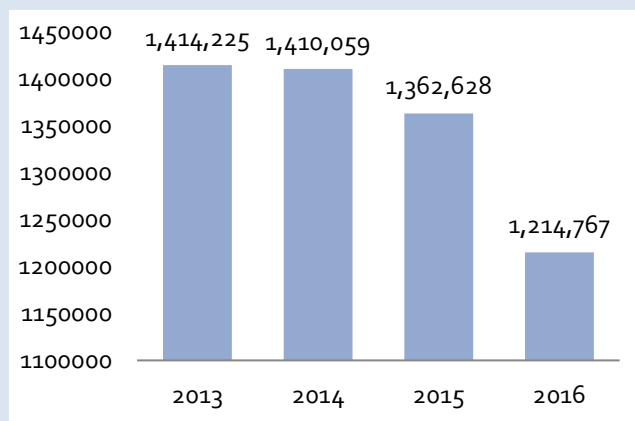
implementation of the Law of Ukraine “On Employment of Population” (No. 5067-VI) in 2013 wage subsidies for direct job creation were suspended.⁵

3.4 The effectiveness of professional orientation services

34. **Professional orientation covers a range of services.** These include occupational information, which can help to form the professional interests, motivations and intentions of beneficiaries, occupational counseling, aimed at optimizing choices based on individual factors, and occupational guidance, which basically refers to the assessment of the person’s compliance with the requirements defined for certain types of activities. In Ukraine, these services are provided on an individual and/or group basis, both within the SES offices and on an outreach basis in public places. There is no limit to the use of these services by unemployed people.

35. **A larger share of the unemployed uses these services today as compared to 2013.** Although the number of unemployed people who accessed occupational guidance services has decreased between 2013 and 2015 (See Figure 4) its share has consistently increased: From 35.4 percent in 2013 to 40.5 percent in 2016.

Figure 4: Number of unemployed people participating in SES vocational guidance services (2013-2016)



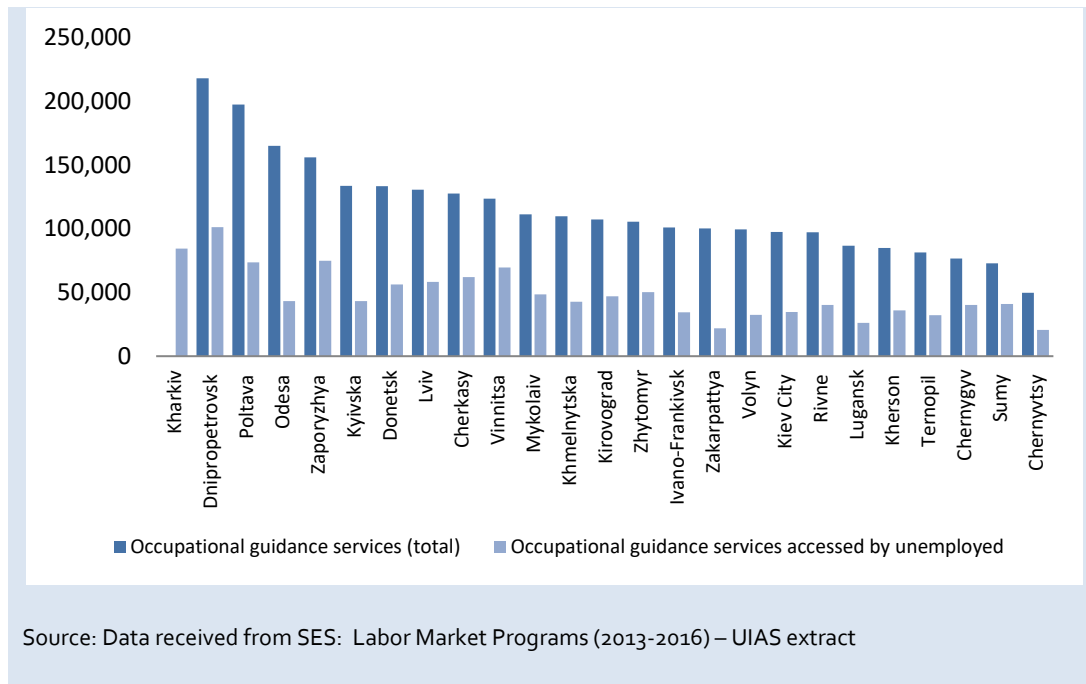
Source: Data received from SES: Labour Market Programs (2013-2016) – UIAS extract

36. **Regional variation exists.**

The highest percentage of vocational guidance services accessed by registered unemployed people was over 50 percent in Dnipropetrovsk Oblast, while the lowest was close to 20 percent in Zakarpattia Oblast (see Figure 5). These figures match the number of unemployed people registered in these regions: While Dnipropetrovsk is the Oblast with the highest number of registered unemployed, Zakarpattia is among those with the lowest.

Figure 5: Oblast distribution of vocational guidance services, including those accessed by the unemployed (2016)

⁵ Current expenditure, on this measure in the budget, relates to on-going commitments from contracts signed prior to 1 January 2013, and mainly covers clients who returned from maternity leave and are concluding the period of subsidy.



37. **Importantly, a significant percentage of job seekers in Ukraine managed not to become unemployed as a result of the SES immediate action.** Around 46.2 percent of jobseekers in 2016 found a job prior to being given unemployed status predominantly as a result of the intermediation work undertaken within the first seven days of contacting the SES.
38. **Moreover, the average cost of occupational guidance services per beneficiary, at 1.4 UAH (0.5 USD), is very low.**⁶ Indeed, and despite its wide accessibility - not only by unemployed people but also by the general population - occupational guidance services only take up a small share - 1 percent - of the total ALMPs budget (see previous section).

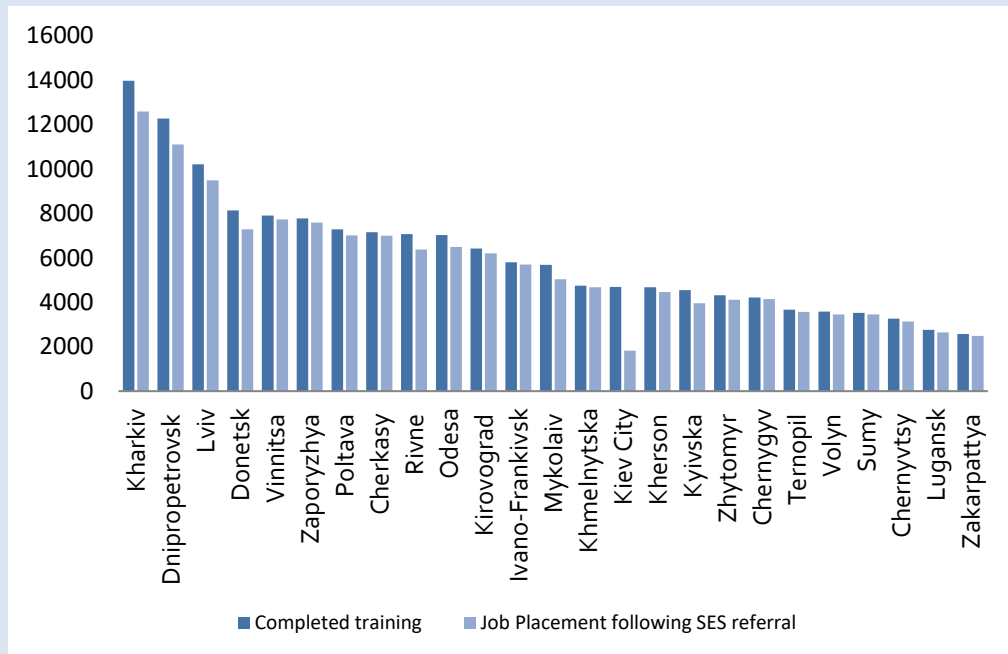
3.5 The effectiveness of vocational training

39. **Vocational training appears to be particularly effective in facilitating employment.** Vocational training, retraining and requalification of the registered unemployed aims to improve their professional knowledge and skills, and is delivered in vocational and higher education institutions (CVTs), enterprises, and other organizations. This category accounts for most (almost half) of the public expenditure on ALMPs. The job placement rates of those completing training are very high and have increased over the period in Ukraine, from 89.8 percent in 2014 to 92.3 percent in 2016 (see Figure 6). Kiev, however, is an exception to this trend (in Kiev City this share is 40.6 percent). The speed of placement is also fast, with the

⁶ Reviewing the actual expenditure in 2015 on vocational guidance services, 4,474.7 thousand UAH, and dividing this by the number of participants in occupational guidance services in 2015, 3,308,999.

vast majority of those placed in a job following SES referral doing it within 3 months of completing training (97.8 percent).

Figure 6: Number of unemployed completing training who received a job placement following SES referral (2016)



Source: Data received from SES: Job placement of unemployed after graduation of vocational training (2014-2016) – UIAS extract.

40. **However, the participation rates in this kind of programs have decreased over time.** The number of registered unemployed attending training fell by 17.6 percent over the period 2014-2016. The number of people completing such training also fell by a similar percentage - from 184,522 trainees in 2014 to 153,260 in 2016. Training of the registered unemployed is organized predominantly upon request of the employer, or for the purpose of self-employment. The “training provider” is selected by the unemployed person. The SES also participates in the recognition of informal training, at the request of the registered unemployed person.⁷ However, the number of people making this request is negligible.
41. **Although the cost of training appears to be low, several obstacles to the adequate functioning of these programs have been identified.** The average actual cost per person for participation in vocational training, at 1,068.08 UAH (40.43 USD) in 2015, is extremely low.⁸ However, the current system requires

⁷ This is governed by the Cabinet of Ministers decree “On approval of the confirmation of informal vocational training for people working professions”, May 15, 2013 No 340.

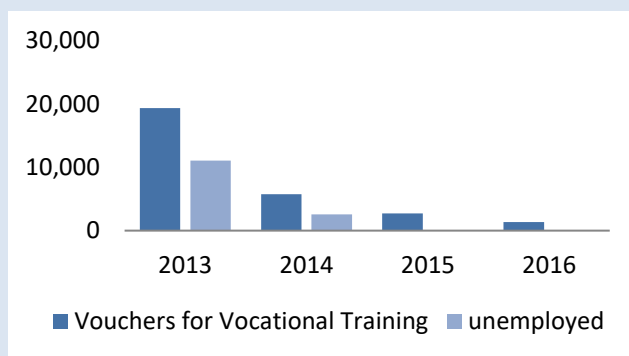
⁸ This figure is determined by taking the actual 2015 expenditure on vocational training, 191,119.6 thousand UAH, and dividing this by the number of participants in vocational training in 2015, 231,110.

individual contracts with each “training provider”, which represents a burden on the SES, the providers and the employers. The procedures are quite prescriptive on the types of training that can be supported, both in terms of the hours of training and of the group size.⁹ The conditions of admission of trainees to vocational schools and mandatory registration documents also result in delays in filling groups. In any case, and as indicated in the focus groups, employers have a strong preference for taking already qualified registered unemployed, and seem unwilling to wait for long periods (6-12 months) for the training to be completed.

3.6 Vouchers for vocational training

42. **Vouchers entail that the user has relative freedom to choose the educational level, institution, and duration and form of the training, including distance learning.** The training must be provided by a vocational or higher education institution, enterprise or organization that is licensed by the MOES, and in one of the areas approved by the Ministry of Social Policy.¹⁰ Although the maximum cost of the voucher is limited, the average cost per voucher is comparatively high: 5,069.56 UAH (191.16 USD).

Figure 7: Participation in Vouchers for Vocational Training (2013-2016)



Source: Data received from SES: Labor Market Programs (2013-2016) – extract UIAS

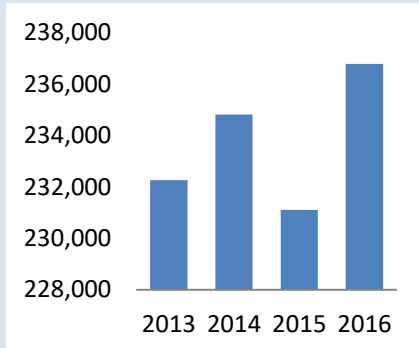
43. **The provision of vouchers for vocational training is almost extinct in Ukraine.** Participation in this program has been limited and has declined by 93.0 percent over the period 2013-2016 (See Figure 7). This is largely due to the exclusion of the registered unemployed and those with higher education. In 2013, 57.2 percent of all vouchers were issued to the unemployed. This share fell to 44.7 percent in 2014. From 2015 the registered unemployed were no longer eligible to apply for the voucher. In 2016, only 1,362 vocational training vouchers were used.

⁹ For example, the period of training cannot exceed 12 months, and 36 hours per week. If the training is carried out in an educational institution groups are between, 7 to 30 people per group⁹. If the registered unemployed person is undertaking vocational training individually and independently e.g. distance learning, then 15 percent of the theoretical training hours must be with a teacher or specialist from an enterprise, institution or organization. In higher education institutions, for advanced training, training is up to 54 hours a week, in groups of 20-30 people.

¹⁰ Information on these licensed institutions is contained on the Ministry of Education website.

3.7 Participation in public works and temporary jobs

Figure 8: Participation in public and temporary works (2013-2016)



Source: Data received from SES: Labour Market Programs 2013-2016 – UIAS extract

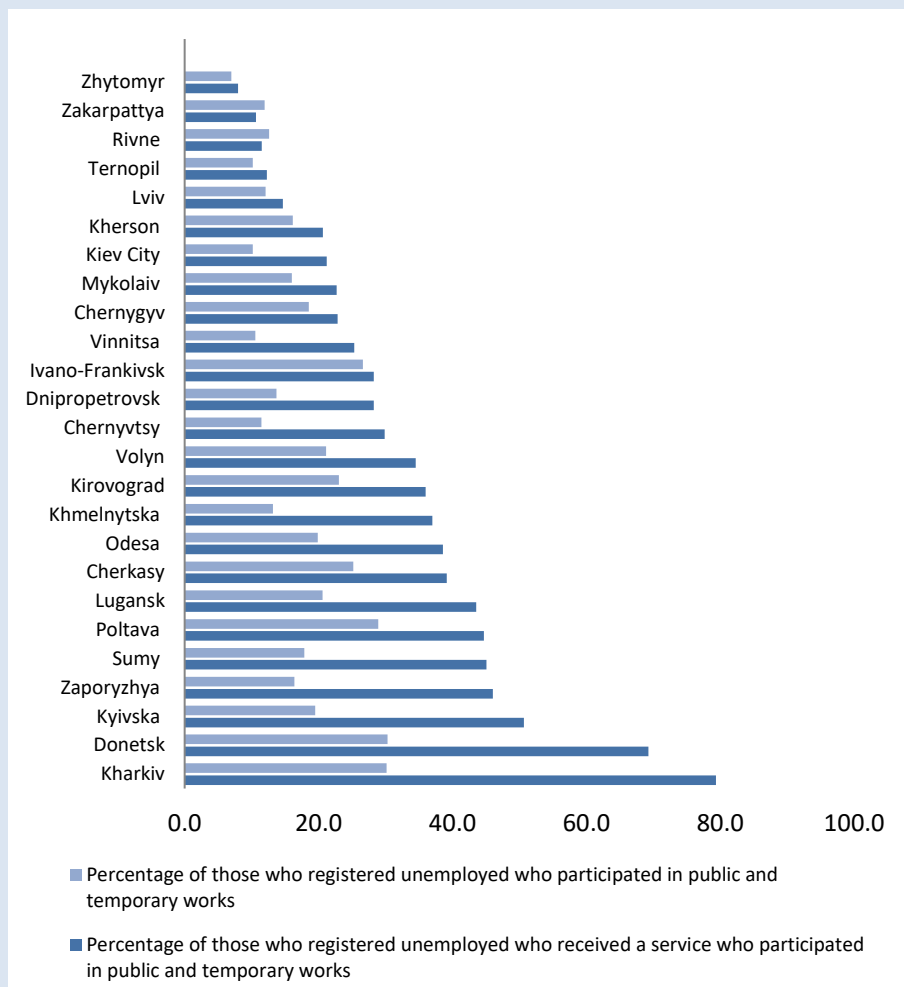
44. **Public and temporary works are one of the main ALMPs in Ukraine, both in terms of budgetary allocation and of number of participants.** The overall aim of public and temporary works is to provide income support while increasing labor market readiness, and to provide those at risk of long-term unemployment with access to on-the-job training and work experience. Temporary works are financed directly by employers. In 2017, 18.7 percent of the total budget was

allocated to this kind of programs, which represented an increase of 4 percentage points relative to 2015.

45. **The number of job seekers participating in this measure stayed almost constant during the period 2013-2016 (see Figure 8), although regional differences are broad (see Figure 9).** The majority of participants in these programs are registered unemployed - approximately 98-99 percent. Between 15 and 16 percent of all registered unemployed accessed public or temporary works programs each year from 2013-2015; this share increased to 18.6 percent in 2016.¹¹ The share of registered unemployed who received a service and participated in these programs is higher, although it has decreased from 67.4 to 31.4 percent between 2013 and 2016. Across Oblasts, the lowest participation rate was reported in Zhytomyr, ranging from 6.2 percent in 2013 to 7.3 percent in 2016. The highest participation rate, in comparison, was recorded in Kharkiv, one of the Oblasts with higher registered unemployment rates, ranging from 25.6 percent in 2014 to 30.3 percent in 2016 (see Figure 9).

¹¹ Data provided in the Joint UNDP/ILO report "Functional Assessment of the State Employment Services in Ukraine", stated that in 2015, 100,000 job seekers participated in public works and 131,000 were placed in temporary work

Figure 9: Participation of registered unemployed in public and temporary work as a percentage of registered unemployed and registered unemployed who received a SES service, by Oblast (2016)



Source: Data received from SES: Labour Market Programs (2013-2016) – UIAS extract.

46. **Although these measures appear to have a comparatively low cost, the limited local authority budgets operate as a constraint to their expansion.** The average actual cost per person for participation in public and temporary works¹² was extremely low in 2015: 275.90 UAH (10 USD).¹³ ¹⁴ However, public works is an approved budget line within the local authorities to which they have to contribute a certain share; in 2013 and 2014 it was 50 percent of the total, although since 2015 the amount is not legally specified. The limited availability of local funding therefore limits their use.

¹² Not including unemployment benefit payments.

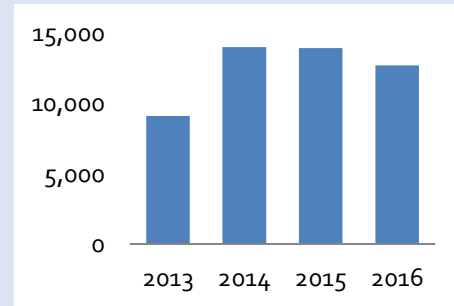
¹³ Currently actual expenditure on ALMPs is only available for 2015

¹⁴ This figure is determined by taking the actual 2015 expenditure on public and temporary works programs, 63,762.6 thousand UAH, and dividing this by the number of participants in the public and temporary works programs in 2015, 231,110.

3.8 The effectiveness of employer compensation

47. **The USC level is the social contribution, which is 22 percent of the salary, from the date of employment.** Eligibility for USC compensation is limited to:¹⁵ (1) Quota groups in the case of a new job, for whom the social contributions are paid for a 1 year period while the contract is for a 2 year period, ¹⁶ (2) IDPs, for whom the contract must be for 1 year and the salary and contributions are paid for 6 months of that period, even when it is not a new job; and (3) small businesses that employ an unemployed person for a period of at least two years in new jobs, and in priority economic activities,¹⁷ in which case social contributions are paid for a 1 year period.

Figure 10: Participation in Employer Compensation Unified Single Contribution (2013-2016)



Source: Data received from SES: Labor Market Programs (2013-2016) – UIAS extract

48. **Participation in this program remains very limited.** Participation in the Employer Compensation USC increased by 57.3 percent from 2013 to 2014, stayed constant in 2015, and then fell by 8.9 percent in 2016; however, overall, a very small percentage of the registered unemployed participate in this ALMP: 0.6 percent in 2013, and 1 percent yearly in 2014, 2015 and 2016. In 2013, a slightly higher share - 2.6 percent - of all the registered unemployed who received a service from the SES participated in the USC. This was reduced to 1.8 percent in 2014, 1.9 percent in 2015, and 1.7 percent in 2016 (see Figure 10 and table 2 below).

Table 2: Employer Compensation USC as a percentage of all registered unemployed and registered unemployed who received a SES service (2013-2016)

	2013	2014	2015	2016
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¹⁵ An additional restriction is that employers must not be arrears with their social insurance contributions and cannot be declared bankrupt or have filed for bankruptcy.

¹⁶ Prior to 2013 compensation also included salary (now limited to IDPs). The SES stated that the reason for the change was not budget pressure, but to encourage employers to pay higher salary levels, hence receive higher levels of social contributions.

¹⁷ Priority economic activities are stipulated in the procedure for implementation of Article 26 and of Article 27 of the Law, Cabinet of Ministers, April 15, 2013 No 347. The priority list includes over 200 priority economic activities. (such as agriculture, food industry, energy sector, water supply, automotive industry and telecom). <http://zakon2.rada.gov.ua/laws/show/347-2013-%D0%BF>.

Employer	Quota Groups ¹⁸	5,391 ¹⁹	4,681 ²⁰	5,217
Compensation USC	In small businesses in priority economic activities	8,639	9,284	7,512
	Total	9,129	14,030	13,965
Registered unemployed		1,478,869 (0.6%)	1,468,452 (1.0%)	1,435,193 (1.0%)
Registered unemployed and received a service		344,834 (2.6%)	758,602 (1.8%)	719,502 (1.9%)
				753,400 (1.7%)

Source: Data received from SES: Labour Market Programs (2013-2016) – UIAS extract

49. **There is a high level of termination of contracts within the compensation period, while the cost of this program is relatively high.** Taking 2015, a total of 5,884 participants were “fired” during the reporting period: 2,433 from “quota groups” and 3,451 from small businesses. The reasons given were: Voluntarily (76.8 percent); by agreement of both parties (7.5 percent); by initiative of the employer (0.3 percent); and for other reasons (15.4 percent). The average cost of the Employer Compensation USC was 6,207.57 UAH (234.08 USD), comparatively much higher than those of other measures.²¹

3.9 The effectiveness of entrepreneurship/self-employment measures

50. **The SES support for entrepreneurship/self-employment consists of:** (1) an annual lump sum amount of the unemployment benefit; (2) vocational training, on referral by the SES; (3) thematic workshops for starting your own business; and (4) individual and group consultations and seminars on issues such as regulatory framework, management and marketing.
51. **The lump-sum payment has helped a large share of beneficiaries to start their own business.** In 2016 a total of 67.4 percent of participants who received a lump sum payment established businesses in just three sectors: 41.0 percent in wholesale and retail trade: repair of motor vehicles and motorcycles; 13.3 percent in agriculture, forestry and fishing; and 13.2 percent in professional, scientific and technical activities. Of the 65,584 who had benefited from the lump-sum payment since its inception and were still registered as entrepreneurs at the end of 2016 51.5

¹⁸ Employment of citizens who have additional safeguards to promote employment, not competitive (Article 14 of the Law "On Employment")

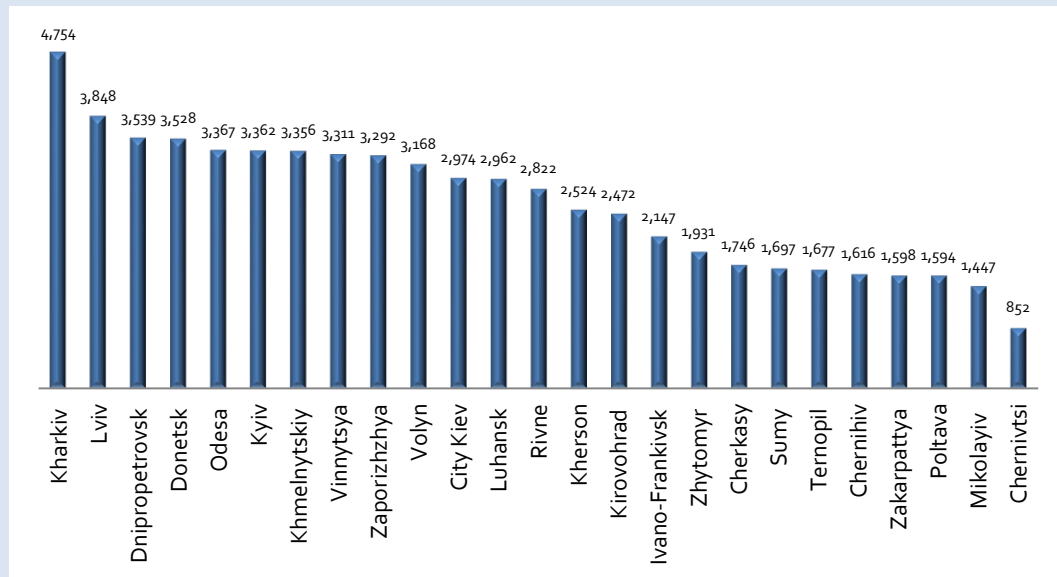
¹⁹ In 2014, 650 participants were young people who graduated or terminated studying in secondary, vocational and higher education and for the first time accepted a job and 16 youth who retired from the regular military or alternative (non-military) service for the first time and accepted a job.

²⁰ In 2015, 298 participants were young people who graduated or terminated studying in secondary, vocational and higher education and for the first time accepted a job and 3 youth who retired from the regular military or alternative (non-military) service for the first time and accepted a job.

²¹ Currently, actual expenditure on ALMPs is only available for 2015. Reviewing the actual expenditure for 2015 on Employer Compensation USC, 86,688.70 thousand UAH, and dividing this by the number of participants in the Employer Compensation USC in 2015, 13,965.

percent had been registered for over 5 years (see Figure 11). During 2016, only 8,512 businesses were terminated.

Figure 11: Distribution of registered entrepreneurs who had received lump-sum unemployment benefit and were still registered at the end of 2016



Source: Data provided by SES: Information to provide unemployed unemployment benefit as a lump sum for business organization 2016 (39) – UIAS extract.

52. **Vocational training also seems to be contributing to facilitate entrepreneurship and self-employment.** In 2016, only 217 registered unemployed out of the total 3,270 who had graduated from the vocational training on entrepreneurship were still registered as unemployed, which indicates a high rate of job placement/business set up following participation in this program.

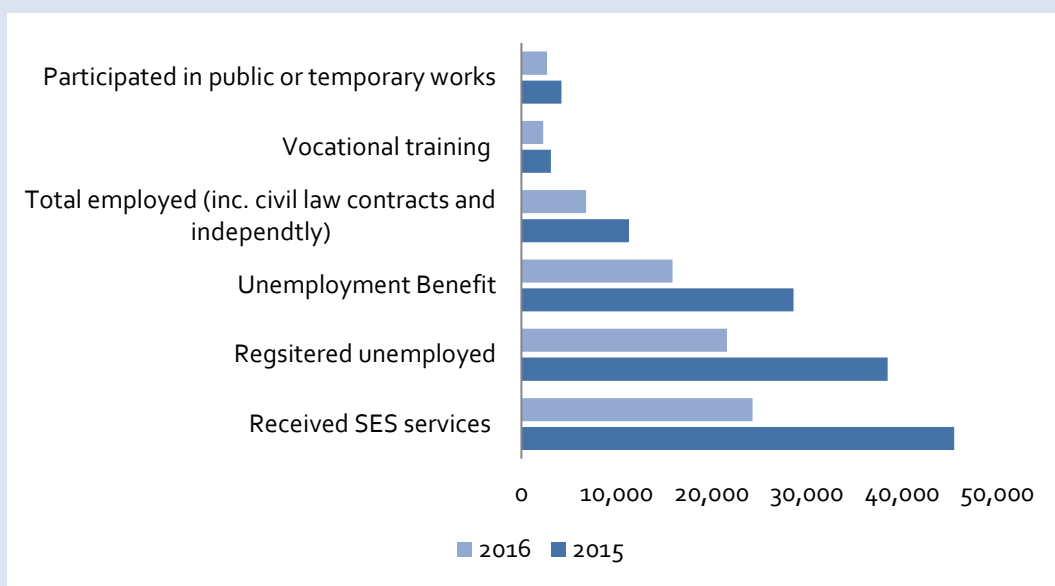
3.10 Measures for Internally Displaced Persons

53. **Approximately 1.6 million people have been displaced within Ukraine as a result of conflict, with a large share of them facing particular obstacles to employment.** According to a recent ILO study, about half of IDPs are in the labor force,²² and the unemployment rate among them is twice as high as that observed for the general population. The ILO study indicates that among those who were employed before displacement, only 46 percent remained employed after it, 22 percent were unemployed (mostly unregistered with the SES) and a large 32 percent left the labor market.

²² ILO, Kyiv International Institute of Sociology. 2015. Employment needs assessment and employability of internally displaced persons in Ukraine: Summary of survey findings and recommendations (Kyiv)

54. **The main measures to promote employment of IDPs are:**²³ (1) compensation of the transportation costs when moving to another administrative-territorial place of employment; (2) compensation of wage and salary costs for no more than six calendar months; (3) the reimbursement of employer costs for more than six months, but no more than twelve months, as determined by the Oblast; and (4) compensation of training, retraining and re-qualification expenses for the employers who employ IDPs for a period over twelve months.
55. **The number of unemployed IDPs has decreased since 2014, while that of IDPs that received services from SES over the period is indeed much higher.** In 2015, 38,500 IDPs received the status of registered unemployed, 21,600 in 2016. During the period March 1, 2014- December 31, 2016, 76,900 IDPs received various types of services from the SES (see Figure 12). Only 9.2 percent of all IDPs who were registered unemployed participated in public or temporary works in 2015, 11.1 percent in 2016 – much lower than the 16.1 and 18.6 percent registered for the general unemployed population. In terms of vocational training 6.8 percent participated in 2015 and 9.5 percent in 2016 – compared to a much higher 12.5 and 13.1 percent among all unemployed.²⁴

Figure 12: SES services provided to IDPs (March 31 2014 – December 31 2016)



Source: Data received from SES: IDPs (March 31 2014 – December 31 2016) – UIAS extract²⁵

²³ Financing is provided through the Fund of Compulsory State Social Insurance and the Fund of Social Protection of the Disabled of Ukraine (in case of job placement of the disabled who are registered as unemployed, and to whom unemployment benefits are intended in accordance Article 22 of the Law of Ukraine "On Compulsory state social insurance in case of unemployment" State fund of compulsory social insurance against unemployment) after job placement of the registered unemployed IDP following referral by the SES.

²⁴ The data provided did not cover the number of IDPs benefiting from the Employers Compensation USC and did not provide a breakdown of vocational training and vocational training vouchers.

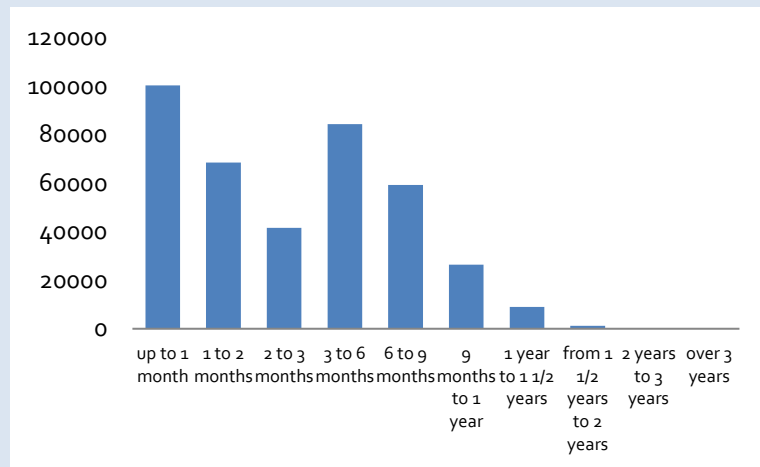
56. As seen before, public spending on this type of measures is minimum compared to other programs, although it has substantially increased in the last years. In 2015 21,281.4 thousand UAH were allocated for IDP measures, although only 287,6 thousand UAH (108,701.63 USD) were actually spent. In 2016 the planned expenditure was increased to 43,274.9 thousand UAH, although it declined again in 2017 to 29,767.30 thousand UAH – still a much higher amount than in 2015.

4. Do ALMPs target the populations that require such services?

4.1 The profile of unemployed people in Ukraine

57. Unemployment in Ukraine tends to be largely short-term, and concentrates among the young and quota groups. At the end of 2016 only 2.7 percent of the unemployed had been registered for longer than 1 year; this appears to indicate that most of the unemployed do not remain registered after the period of

Figure 13: Distribution of registered unemployed by duration of unemployment (end December 2016)

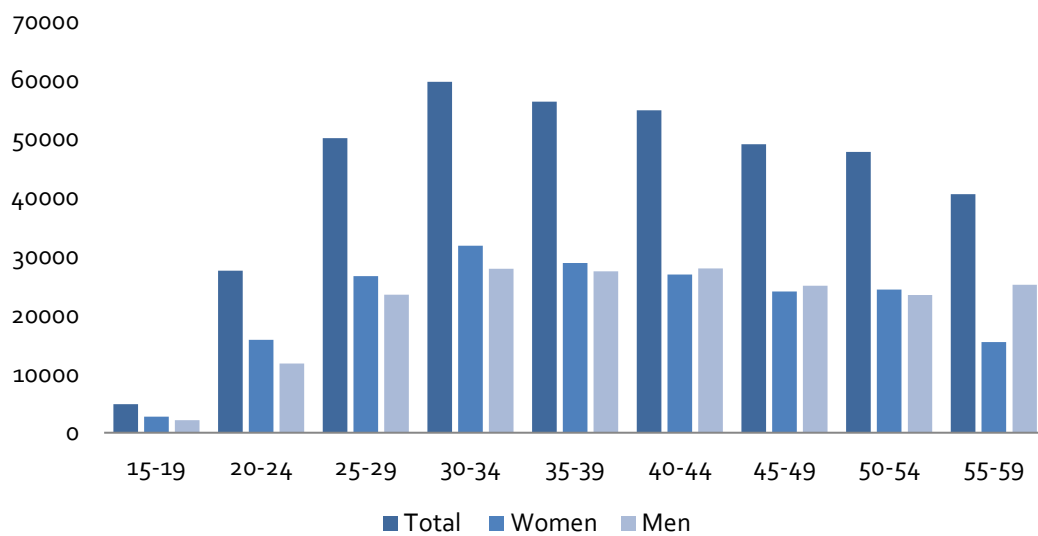


Source: Data received from SES: Distribution of unemployed by duration of unemployment and reasons of ending of unemployment benefits payment (2_PH section 5) (end December 2016) – UIAS extract

unemployment benefit expires (see Figure 13). Although the share of unemployed people below the age of 35 years old has decreased – from 4.28 to 36.4 percent between 2013 and 2016 -, most of the unemployed continue to be in this age group (see Figure 14). In addition, the share of unemployed people in quota groups has increased substantially – from 17.5 to 36.8 percent. Two groups make up for most of this: Persons with 10 years or less to old-age pension and parents/guardians who have a dependent child under 6 years old.

²⁵ The data provided did not cover the number of IDPs benefiting from the Employers Compensation USC and did not provide a breakdown of vocational training and vocational training vouchers, or separate public and temporary work.

Figure 14: The number of registered unemployed persons by age and sex (end December 2016)



Source: Data received from SES: Distribution of registered unemployed by age and sex (end December 2016) – UIAS extract

58. **A large share of the unemployed appears to be educated and from rural areas, while no substantial gender gaps can be observed.** Around 60 percent of the unemployed had completed tertiary or vocational training compared to only 40 percent who had basic secondary or primary education. Although gender differences are unnoticeable for most age groups, more men than women were unemployed in the age range 55-59. The share of unemployed people living in rural areas in 2016 was 46.2 percent.

4.2 Professional orientation services

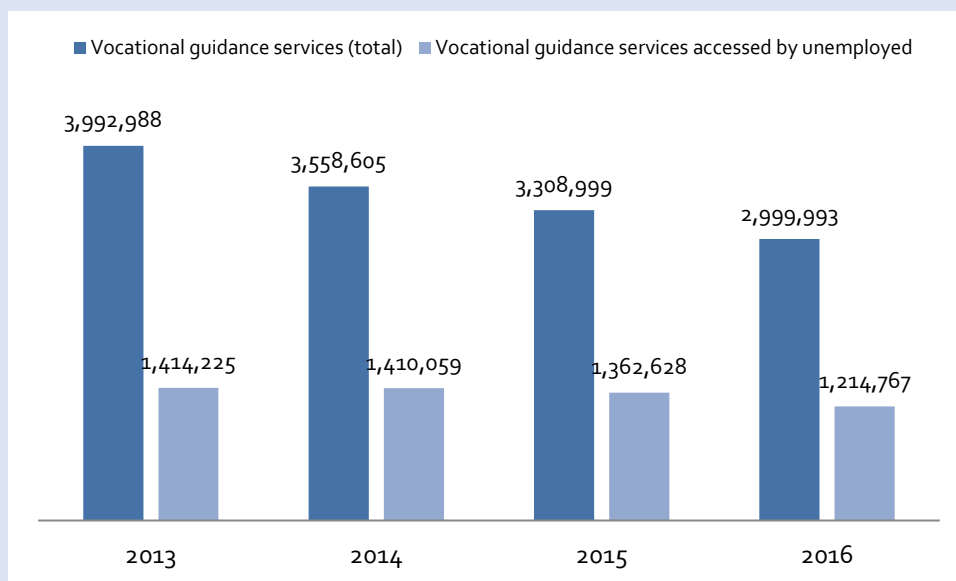
59. **The majority of people accessing occupational guidance services of the SES are not registered unemployed (see Figure 15).** The provision of these services is open to a wide range of individuals, including those already employed as well as school and university students. However, the main categories of clients for professional orientation are the unemployed (40.5 percent), young people (school children and university students) and people from “quota groups”.²⁶ In 2016, for instance,

²⁶ As stipulated in the Procedure of occupational guidance provision by SES’s territorial bodies, approved by Order of the Ministry of Social Policy of Ukraine at January 03, 2013 (<http://zakon3.rada.gov.ua/laws/show/z0131-13/paran14#n14>), occupational guidance services are available to all persons who applied to SES, regardless of their age, sex, race, status in the labor market, social status, etc.²⁶. The Procedure also stipulates that professional orientation services are also provided to any group of persons in need of professional orientation on written request of their representatives. The Action plan on implementation of the “Concept of the state system of occupational guidance of population”, approved by Resolution of the Cabinet of Ministers of Ukraine at January 27, 2010 # 150-p (<http://zakon.rada.gov.ua/go/150-2010-%D1%80>), also states that the main priority groups for occupational guidance services are: disabled; young people who are not working and not studying

958,795 students (including 852,242 from secondary schools) received occupational guidance services, accounting for 32 percent of total beneficiaries.

60. **A large share of the unemployed accessing these services was women young, from rural areas and from vulnerable groups.** Out of the 1.2 million unemployed who received occupational guidance services 52 percent were women (636,699); 40 percent were under the age of 35 (489,298); 42 percent were from rural areas (508,291); 4.2 percent were ATOs (51,014); and 3.5 percent were people with disabilities (42,903).

Figure 15: Number of people participating in SES vocational guidance services (2013-2016)



Source: Data received from SES: Labour Market Programs (2013-2016) – UIAS extract

4.3 Targeting of public work and temporary jobs

61. **Most of the participants in public and temporary works programs are IDPs and from quota groups.** In 2016, for instance, 52.2 percent (121,222) of all participants in public and temporary works were IDPs. In addition 37.4 percent (88,651) were from quota groups; 50.1 percent (119,716) were women; and 29.0 percent (68,753) were young people under the age of 35.
62. **However, no specific targeting appears to be applied in the delivery of this service.** Personal Counselors at job placement services reported that they offer public and temporary work programs to all clients, even though it is recognized that not all of them find this type of programs suited to their needs. They also reported difficulties in attracting clients into temporary work due to its short-term nature.

(including graduates of schools); persons over 45 years of age; persons who are serving prison sentences; unemployed; and dismissed workers.

63. **Recent research by the ILO has shown that IDPs were particularly interested in public or temporary works.** However IDPs felt this work should be better paid and more aligned with their specific needs in order to address short-term economic hardship and promote longer-term employment.²⁷ Only 9.2 percent of all IDPs who were registered unemployed participated in public or temporary works in 2015, 11.1 percent in 2016 – a much lower share than the 16.1 and 18.6 percent registered for the general unemployed population.

4.4 Delivery and targeting of vocational training

64. **While priority is given to training the unemployed, the CVTs are able to train individuals who are not registered with the SES, including company employees.** This is usually done by filling free spaces on existing training programs. Training can also be delivered on an individual basis, depending on the program. CVTs, which are registered as non-for-profit organizations, are only able to charge operating costs (salaries, materials, utilities etc.) plus a maximum ten percent.

65. **The decision on the training provider or type of training is largely dependent on the type of beneficiary.** Young people may be prepared to travel to other Oblasts to be trained, while women with children will need to participate in training closer to their place of residence. Cost issues also play a factor; for example, the Pechersk District Employment Office stated that they refer registered unemployed to local vocational schools. There is no CVT in Kiev, so the cost of sending registered unemployed from Pechersk District Employment Office to a CVT would also need to include the cost of accommodation.

66. **The majority - 98.1 percent- of contracts with “training providers” were signed with enterprises and organizations, although CVTs appear to offer special advantages.** CVTs show particular strengths related to the focus on adult education, the provision of shorter term training, better addressing skill training needs of employers, and providing modern premises and equipment.²⁸ A significant constraint of the CVTs, which affects all “training providers”, is the length of time it takes for new programs to be certified by the MOES. The SES Educational Institutions Division reported this process could take over 1 year.

67. **The SES is seeking to further develop CVTs live virtual classroom training and distance learning, to ensure a more cost effective delivery of training, access to training in remote areas, and access to the best trainers.** One of the major hurdles

²⁷ “Employment Needs Assessment and Employability of IDPs in Ukraine – Summary of Survey Findings and Recommendation”, ILO, 2016 http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_457535.pdf

²⁸ As the cost of modern equipment can be prohibitive the CVTs do cooperate with employers who already have some of the required equipment, to develop and deliver specific training programs using the employer premises and equipment, but with the CVT providing the trainers, or a mixture of CVT and the employer’s own trainers.

to these developments is the existing law, which still prohibits distance learning for the unemployed. The SES overcomes this restriction by calling these initiatives “elements of distance learning in education”; however, the legislation needs to be changed to recognize and encourage the further development of distance learning.

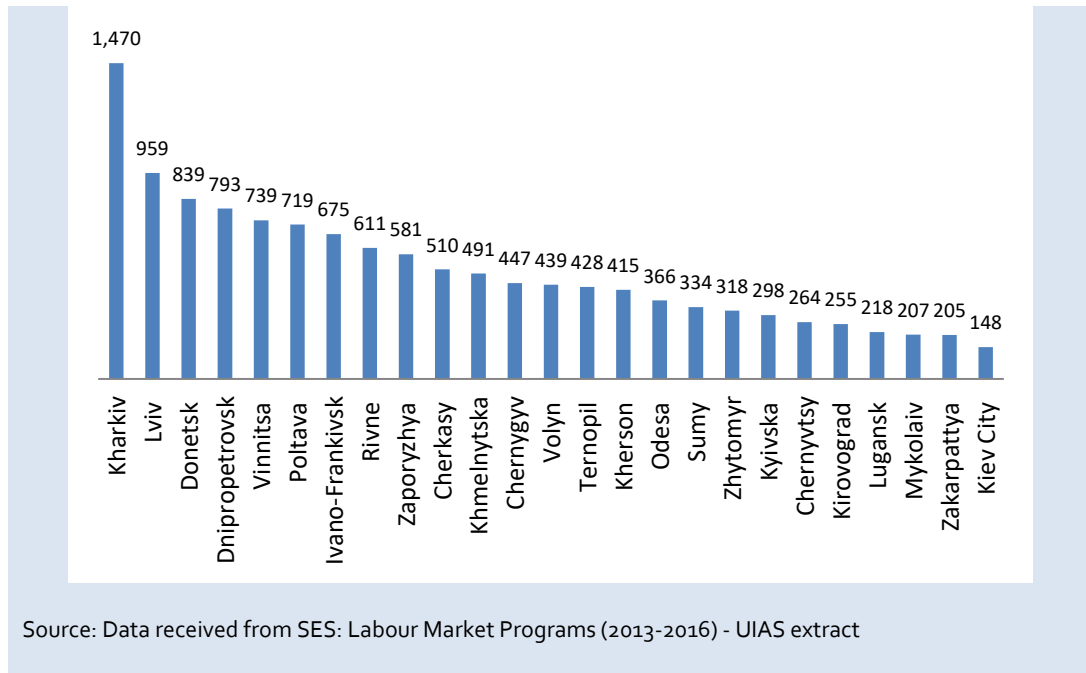
4.5 Targeting of vocational training vouchers and professions

68. **Eligibility of vocational training vouchers is limited to certain groups of people.** These included people who were over 45 with at least 15 years of insurance service; people of working age with at least ten years of military service; disabled ATOs (anti-terrorist operational); and IDPs without an offer of a suitable job. The majority of vouchers -97.7 percent - were used by people aged over 45 years old with at least 15 years of insurance service over the 2013-2016 period. Applicants must also have post-secondary education. As highlighted in question 1, since 2015 unemployed people are no longer eligible for the program.
69. **The list of approved professions is restricted.** The procedure stipulates that every year the Ministry of Social Policy should present to the Ministry of Economy Development and Trade the medium-term forecast of demand for specialists and workforce in the labor market and submit to the Council of Ministers any proposed amendments to the list of professions. Over the 2013-2016 period, almost half of the vouchers (46.7 percent) were issued for just four occupations: Psychology (13.4 percent); social work (13.2 percent); computer engineering (10.7 percent); and cooks (9.3 percent).

4.6 Targeting of employer compensation and main occupations

70. **Employer compensation is restricted to specific groups of targeted beneficiaries, and it concentrates in certain Oblasts.** Targeted groups include IDPs, quota groups and small businesses employing an unemployed person for over 2 years in priority sectors. In 2015, the last year for which data is available, the majority - 67.8 percent - of “quota group” participants were persons with 10 years or less before retirement pension age, 12.7 percent were a parent or carer of a disabled person without a spouse, and 8 percent were people with disabilities. In 2016, 35.6 percent of all Employer Compensation USC participants were from just five oblasts (Dnipropetrovsk, Donetsk, Ivano-Frankivsk, Lviv and Kharkiv).

Figure 16: Oblast distribution of Employer Compensation USC, 2016

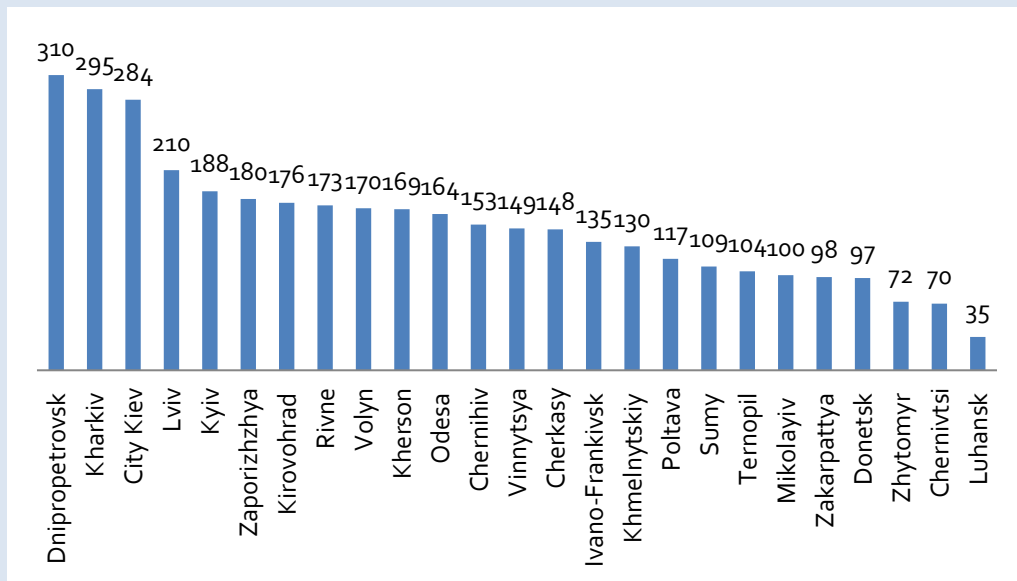


71. **With regards to the small business component, most of the jobs came from five sectors.** When reviewing the small businesses that employed unemployed persons for a period of at least two years in new jobs in priority economic activities in 2016 (7,512), over 73.8 percent of all new jobs were in just five sectors: Manufacturing (28.4 percent); wholesale and retail trade; repair of motor vehicles and motorcycles (20.5 percent); agriculture, forestry and fishing (12.9 percent); and transportation and storage (11.9 percent).

4.7 Entrepreneurship – self-employment measures

72. **Most of the beneficiaries of the entrepreneurship/self-employment lump-sum component were under the age of 35 years old, men, from urban areas, not from quota groups, and concentrated in two Oblasts and Kiev City.** In 2016, 46.7 of the 3,836 people who had received lump-sum unemployment benefit were young people under the age of 35. In addition: 37.1 percent were women; 24.0 percent lived in rural areas; 22.8 percent lived in small cities and towns; and 24 percent were from “quota groups”, of which 22.9 percent were disabled. In addition, 23.2 percent of them were in just two Oblasts, Dnipropetrovsk and Kharkiv, and Kiev City (See Figure 17).

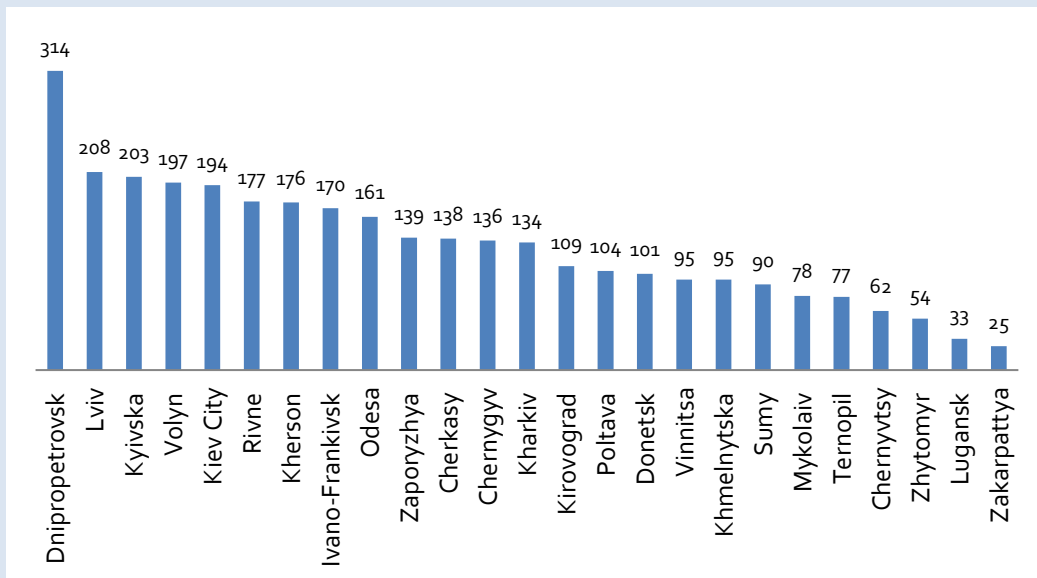
Figure 17: Distribution of lump-sum unemployment benefit by Oblast (2016)



Source: Data provided by SES: Information to provide unemployed unemployment benefit as a lump sum for business organization 2016 (39) – UIAS extract.

73. As for the training component, participants were distributed unevenly across Oblasts. The largest number of graduates (10 percent of total) was recorded in Dnipropetrovsk and the lowest in Zakarpattya (0.8 percent of total). Of the 217 who remained on the register who had graduated prior to 2016, 60.4 percent were from just three oblasts (Dnipropetrovsk, Volyn, and Kyivska) (See Figure 18).

Figure 18: Distribution of registered unemployed graduates from vocational training for entrepreneurship (2016)



Source: Data supplied by SES: Vocational training unemployed through qualification growth (for organization of entrepreneurship) – UIAS extract

4.8 Measures for Internally Displaced Persons

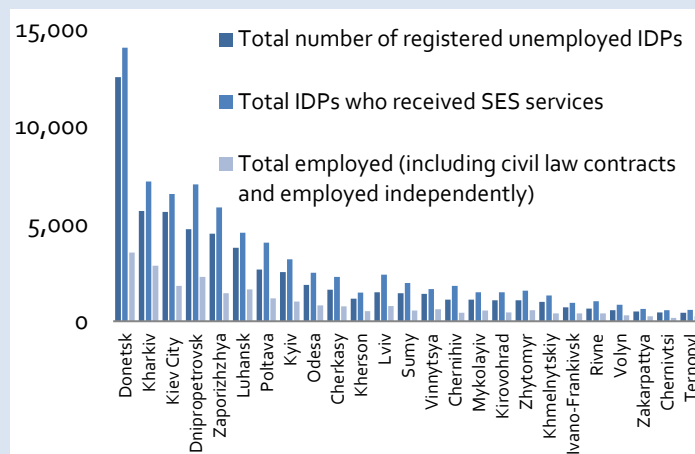
74. **IPDs report various reasons for not registering with SES.**²⁹ The most frequent response was that the SES offers very low-paid jobs and that a limited number of vacancies would match their profile. Particularly IDP jobseekers with specific needs saw the SES as ineffective; they also did not register as they lacked the necessary registration documents – local registration “propiska” or labor book. However, problems with documents were not seen as a major barrier in hiring IDPs by employers. The most frequent reason among IDPs with general secondary or lower level of education was that they did not know they could register. Others reported the stigma attached to having the status of registered unemployed in the labor book, or a negative experience with the SES.

75. **IPDs tended to rely on other sources of employment, while the majority of the employers did not know about the benefits provided.**

IDPs relied instead on relatives, friends, former colleagues, independent job search, or direct contact with employers or subsidiaries of the previous employer, as well as automatic transfers of employees within an enterprise/organization from conflict-affected areas to other parts of Ukraine. The

overwhelming majority of surveyed employers did not know about any benefits in hiring IDPs provided by the state.

Figure 19: Total number of IDPs: registered unemployed; received services from the SES; and gained employment (March 31, 2014 to December 31, 2016)



Source: Data received from SES: IDPs (March 31 2014 – December 31 2016) – UIAS extract

²⁹ The report highlighted five priority areas to overcome employment-related problems of IDPs: (i) Improvement of the labour market information system in Ukraine, better access of job seeking IDPs to SES services and effective profiling of job seekers; (ii) Better match of job seeking IDPs to available vacancies; (iii) More training (including on job search skills) and apprenticeship opportunities for IDPs who do not strictly follow all requirements for the registered unemployed; (iv) Organization of high-skilled public and temporary works with active involvement of the private sector and more opportunities for subsidized employment; and (v) Flexible work arrangements and affirmative actions to tackle existing labour market discrimination towards some categories of job-seekers (women with children, older people, workers with disabilities).

76. **There is substantial regional concentration of unemployed IDPs.** In 2016, 61.0 percent of all registered unemployed IDPs were located in just five regions (Dnipropetrovsk, Donetsk, Kharkiv, Luhansk and Zaporizhzhya oblasts) and in Kiev City. The Oblast distribution of registered unemployed IDPs, registered unemployed IDPs who received SES services, and number of IDPs who gained employment, including civil law contracts and independent job search, during the period March 31, 2014 to December 31 2016, is shown in Figure 19 below.

5. Conclusions and recommendations

77. **As seen in previous sections, and despite the lack of detailed data and rigorous analysis on the effectiveness of ALMPs in Ukraine, some main conclusions can be drawn from the existing information.**
1. **Data and capacity issues for the proper evaluation and monitoring of ALMPs exist.** Currently the UAIS system generates 100 standard reports. Additional data requests, outside of these standard formats, cannot be carried out in house. In addition, a proper system for monitoring and evaluation that includes the assessment of program effectiveness, performance monitoring and the cost effectiveness of programs does not exist. Finally, there is no adequate performance management system in place that establishes clear indicators and targets for ALMPs.
 2. **A critical consideration in determining the targeting, effectiveness and efficiency of the provision of ALMPs is the motivation of the unemployed to register with the SES.** As seen above, unemployment has decreased in recent years in Ukraine, and is mostly short term. At the same time, the number of users of SES and the number of vacancies filled by the system have been increasing. Although the factors contributing to these trends remain unclear, they could be related to some extent to an improvement in the functioning of this type of services. In particular, it is necessary to understand the extent to which entitlements to unemployment benefits are the driving factor for registration and the main explanation for the limited number of registered long term unemployed.
 3. **Some general central challenges to the system can be highlighted.** Public spending on ALMPs remains very limited in international comparison, and has been declining, skills mismatches between the demand and supply exist, and there is wide regional variation in access to SES and ALMPs. For instance, the number of graduates from entrepreneurship training ranges from 10 percent of

the total in Dnipropetrovsk to 0.8 percent in Zakarpattya. Around 35.6 percent of all Employer Compensation USC participants were also from just five oblasts.

4. **Certain general ALMPs offer special promise to promote and facilitate the labor market inclusion of both job-seekers and the unemployed.** Professional orientation and mediation services seem to lead to the placement of a large share of job-seekers over the first seven days of access to SES. Vocational training also leads to job placement for most of beneficiaries over the three months following participation. In addition, both these programs are associated with comparatively low costs. Entrepreneurship/self employment measures prove to be similarly effective. The lump-sum payment of unemployment benefits leads to the creation of a substantial share of businesses, and many of them last for longer than 5 years. The training scheme also appears to lead a large share of participants out of unemployment.
5. **For some other ALMPs effectiveness is not so clear.** It is the case of vocational training vouchers, public and temporary works, or the 22 percent employer's compensation USC. Vocational training vouchers are comparatively expensive, and reach a very limited audience. Indeed, since 2015 unemployed people are no longer eligible for them. Public works, although one of the largest programs in terms of funding and participation, are undermined by factors such as the lack of resources of local authorities that need to contribute to their budget.
6. **In particular, incentives provided to employers are limited and have been reduced over time by the SES due to budget constraints.** It is doubtful that the current 22 percent Employer Compensation USC level provides much of an incentive to employers to participate in this program, which may explain the low level of participation in this ALMP. In addition, further evaluation would be necessary with regards to the observed high level of termination of contracts within the compensation period.
7. **Even for apparently more successful programs, certain obstacles remain.** First, key information on the quality and duration of the employment attained through these programs is not available. In addition, there is a high level of bureaucracy involved in the delivery and participation in ALMPs, specifically in the contracting of vocational training, admission of students to training, and mandatory registration documents, the procedure for dismissal from training due to employment and the registration and financing of public works.
8. **Programs appear to be no or ill-adjusted to the different needs of categories of unemployed people.** A large share of the unemployed in the country is below 35 years old, live in rural areas, or belong to "quota groups". Although some of the ALMPs target "quota groups", and many end up serving the young population, no specific targeting or adaptation mechanisms for young people or

the rural unemployed appears to exist. In addition, both IDPs and “quota groups” have specific needs that would need to be addressed in a differentiated manner. Many IDPs for instance decide not to register with SES due to the lack of employment opportunities that meet their needs and profiles, stigma, or lack of information.

9. **Finally, local needs are to be considered too.** Unemployment rates tend to be higher in certain regions such as Dnipropetrovsk, Donetsk, and Kharkiv. The profile of the unemployed, their needs and the opportunities for employment may differ across oblasts. As an example, most of the unemployed IDPs live in certain regions: Dnipropetrovsk, Donetsk, Kharkiv, Luhansk, Zaporizhzhya and in Kiev City.

78. In this context some recommendations can be outlined moving forward.

1. Data, monitoring and evaluation:

- The SES should develop an effective program and system for monitoring, evaluation, and impact assessment of ALMPs and build capacity within the SES to undertake quantitative and qualitative research and analysis.
- As part of the development of a more effective system of monitoring and evaluation of the ALMPs the SES should re-evaluate what information is required in standard format from the UIAS system to support more effective monitoring of the implementation of ALMPs.
- The SES should develop a performance management system that establishes clear indicators and targets for ALMPs.
- Further research into what factors drive unemployment registration would be required to better understand the dynamics at play.
- The SES should also undertake further research into the possible inequality in access to SES and ALMPs across Oblasts and the explanatory factors of such regional gaps.

2. General program design:

- While it is recognized that budgets are constrained due to limited social contributions, the low level of funding provided to ALMPs is an issue that needs to be addressed.
- ALMPs need to be better oriented to the needs of the labor market and to meet the skill requirements of employers. The World Bank has already started to assist the SES to address this major issue.
- The SES should consider developing more targeted ALMPs that better address the specific needs of priority client groups, including youth, quota

groups, persons living in rural areas, and IDPs, who make up the majority of the registered unemployed, and that take into account the high educational level of the registered unemployed, and local specificities.

3. Specific programs:

- Based on international best practices, the SES should review the incentives provided to employers for the employment of vulnerable groups, including wage subsidies for first time employment.
- Given the low participation in the vocational training voucher, in part as a result of the strict eligibility criteria, the SES should assess the value in continuing to administer this ALMP and should seek to either again expand the eligible groups or discontinue the program.
- The SES is already aware that that the administrative requirements and procedures involved in the current delivery of ALMPs need to be simplified.

4. Additional issues (not under the direct control of the SES):

- The system for accreditation and licensing of training programs is long and complex and needs to be improved by the MOES, possibly through the decentralization of this responsibility to the Oblast level;
- The legislation needs to be amended to enable the further development of open and distance learning, including for the unemployed; and
- The system of adult education should focus on short-term training delivered to nationally recognized standards and curricula.