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## **PROGRESSIVE GAP OF YOUTH EMPLOYMENT**

Youth unemployment rate is lower in Ukraine than the EU average indicator –15% youth unemployment in Ukraine as compared to 22% EU average. Temporary contracts and part-time employment in Ukraine – which are considered as insecure forms of employment – are also not manifested with high rates in Ukraine, and there is no evidence that insecure employment is observed among the young disproportionately more often than among the old. For instance, temporary contracts constitute about 4,6% among recent school leavers compared to 26% EU average, part-time employment – 5,3% compared to 13,3% EU average. For example, in Poland, Italy, Spain and Portugal, temporary contracts among the young constitute more than one half; part-time jobs are most spread in the Netherlands – about 44% of all recent school leavers' employment. These types of employment arise because the employer is shifting the risk related to the uncertainty of the global market toward the employee. Youth is over-represented in the temporary jobs in the majority of the European countries because the young entrants of the labour market are less experienced and lack professional networks and reputation (OECD 2014). But the situation is different with respect to part-time contracts. Ukrainian youth labour

market also seems to be more robust when it comes to severe recessions. In 2013 Ukraine had a 4% lower real GDP than in 2007 – on par with many other countries like Cyprus, Estonia, Finland, Denmark – but the unemployment rate in Ukraine showed very insignificant response if compared to any other country with negative outcome for the real GDP.

*First, young labour force is a narrower group in Ukraine than in the majority of European countries.* We can see it via comparing the high education attainment rates and comparatively high not in education neither in employment nor training (NEET) rates, which are excluded from the denominator for the unemployment rate calculations. According to the recent Global Competitiveness Index, Ukraine occupies 13th place out of 144 countries in terms of tertiary education enrolment rate – only Greece, Finland and Spain among the EU countries perform better. Ukraine has the highest share of young people (25-29) with tertiary education – 55% (EU average is 38%) and the share of people with only lower secondary education or below is the smallest – 5% (EU average is 15%). This phenomenon has ambiguous relation with the unemployment rate among the young. On the one hand, country with low demand for young professionals creates stimulus to spend more years in education, on the other hand, the more people are studying the lower is the labour market participation rate.

29% of Ukrainians, equal to the EU average, (which is quite a high number) are not in education neither in employment nor training. This phenomenon is partly rooted in culture. The welfare costs of high youth unemployment are frequently lower in cultures where there is widespread social acceptance of children staying with their parents well beyond completion of school. Taking into account large share of students and large share of inactive young, we see that the unemployment rate is indeed low in Ukraine, but this rate refers to a comparatively small group of the young.

*Secondly, more than 15% of the young people do have an informal sector job.* Had the country stronger regulations of the employer-employee relations like in many EU countries (other things being equal) – these people would be unemployed. According to the ESS, Ukraine is one of the leaders in terms of work out of the national legal framework. Only 2 European countries have higher informal employment rates than Ukraine

i.e. Ireland and Cyprus. Work in the informal sector is not only a problem of resulting fiscal deficits for the country or uncontrolled quality of production, but it is a job without protection of the person rights.

Weak institutions in Ukraine and poor workers' rights protection (formal or informal sector) created unhealthy employer practices that help firms to adapt to the economic downturns. In particular, employers in the private sector may recur to wage arrears, forced unpaid leaves for workers, decrease in working hours, etc.

*Thirdly, finding a job in Ukraine may be easier, but less rewarding as compared to the EU.* For example, the average wage in Ukraine is low, currently at about 170 USD per month, and the minimum wage is 60 USD per month, which makes Ukraine the lowest wage country in Europe. Minimum wage, as well as labour regulations overall as research shows, have a negative impact on the employment, especially among the young people. In countries like Ukraine, with comparatively low wage, comparatively weak voice of the labour unions and poor worker rights protection – the cost of hiring is low for the employer, and this increases the employment rate in Ukraine, particularly among the youth.

Youth unemployment is an indication of wasted talents and underused economic resources; it spoils personal lives of the unemployed and leaves scars on their future career, earnings, health and social life. Ukrainian labour market seems to be more favorable for the young than in the EU countries. It is rather robust to the economic downturns. Youth unemployment of 15% rate in 2013 seems to be far less of a problem in Ukraine than it is in the EU where it reaches up to 55% at the extreme (Greece), with much wider gap between the young and 30+ people. But favourable employment data hides low rates of participation in the labour market, insecure working conditions and long years of education which are not being rewarded. Moreover, young Ukrainians who work are getting lower wages than their peers in the EU, which in itself may have detrimental longer term effects.

Traditionally, labour market policies and reforms are on the periphery of the policy-makers attention. In spite of the numerous pre-elections promises of higher remuneration and creation of new workplaces. This phenomenon is to some extent justified because all the efforts to stimulate economic growth, liberalize markets, improve education, deregulate

economy and reduce the tax burden do favour job creation and reduce structural unemployment. But labour market conditions are not only a derivative of economic development. They can also play a significant role either promoting economic development, or pulling it back by damaging human capital and decreasing productivity. For example, the 2016 Index of Economic Freedom puts Ukraine at the 147 place out of 186 by Labour Freedom with the score 47.9 and at the 162 place in the overall world ranking. The measure encompasses various aspects of the legal and regulatory framework of a country's labour market, including regulations concerning minimum wages, laws inhibiting layoffs, severance requirements, and measurable regulatory restraints on hiring and hours worked, plus the labour force participation rate as an indicative measure of employment opportunities in the labour market. To get closer to the successful economies – like Hong Kong, Singapore, United Kingdom, or United States – Ukraine has to speed up its work on the Labor Code, draft of which at the moment seem to be strongly criticised by the workers' unions. However, one must not forget that with weak law enforcement, even the best legislation is worth nothing. So, both improved Labour legislation and properly functioning legal system are key to improving the functioning of the labour markets and create more opportunities both for young and for old.

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