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EXECUTIVE SUMMARY

COMPREHENSIVE ANALYSIS OF THE REGIONAL LABOUR MARKET IN DONETSK OBLAST

Photo: UNDP / Oleksandr Ratushniak

The analytical research “Comprehensive analysis of the regional labour market in Donetsk Oblast” was produced within the UN Recovery and Peacebuilding Programme.

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The United Nations Recovery and Peacebuilding Programme is being implemented by four United Nations agencies: the United Nations Development Programme (UNDP), the UN Entity for Gender Equality and the Empowerment of Women (UN Women), the United Nations Population Fund (UNFPA) and the Food and Agriculture Organization of the United Nations (FAO).

The Programme is supported by ten international partners: the European Union, the European Investment Bank and the governments of Canada, Denmark, Japan, the Netherlands, Norway, Poland, Sweden and Switzerland.

The main objective of the research is to analyze the trends and forecast the labour market at the level of districts and cities of oblast significance in Donetsk Oblast, as well as to analyze the challenges and needs of oblast, city and district Employment Centres (ECs) in the region, in order to increase the efficiency of employment promotion measures, including vocational education.

I. RESEARCH OBJECTIVES:

- To select a forecasting methodology, which will make it possible to regularly forecast local labour markets based on existing administrative and statistical data using the tools available to employment service staff. The methodology should, first and foremost, meet the criteria of reliability, efficiency and minimum cost.
- To make labour market forecasts in the context of local labour markets of Donetsk Oblast for the maximum possible term.
- To conduct a qualitative study of employers' assessments of barriers and opportunities in terms of job-creation and needs for skilled personnel.
- To conduct a qualitative study of experts' assessments of employment issues regarding opportunities for developing the labour market, and the barriers and opportunities for increasing the efficiency of employment promotion services.
- To analyze the labour market of Donetsk Oblast on the basis of Employment Centres' data.
- To analyze employment centre performance indicators.
- To develop recommendations for improving the efficiency of Employment Centres.

II. RESEARCH METHODOLOGY

The choice of methodology for forecasting the labour markets of the two oblasts was conditional on the restrictions associated with the armed conflict, resulting in missing data in the labour market for the period up to 2014 in some areas of Luhansk and Donetsk Oblasts. The lack of data and the need for simple and effective methods for assessing the perspectives of local labour markets led to the decision to use the methodological approaches of S. V. Melnyk, an expert at the European Training Foundation. These approaches are based on the popular labour market methodology using Beveridge curves, which reflect the relationship between job vacancies and unemployment. The author's approach is to adjust these relationships by using the factors obtained empirically during the development of the methodological approaches (2008–2016), making it possible to take into account trends in supply and demand for certain occupations for the period represented in the formal data (3–5 years), and to project the forecast indicators of the labour demand in the occupational section in the formal labour market, in the entire labour market, etc.

The data on vacancies and registered unemployment in the government-controlled areas has been put together by the regional ECs since 2014 in terms of district ECs. They can serve as a basis for the development of short-term forecasts of the annual need for skilled personnel in local labour markets. However, they can't be used to formulate a forecast at the oblast level, as there are displaced ECs active in both oblasts. They register and provide services to unemployed and employers from non-government controlled areas. This causes significant distortion of the data when aggregated at the oblast level.

The demand for skilled staff is calculated for both **formal and full labour markets** based on the data provided by Employment Centres. *The formal labour market* is a supply and demand of the labour force, which are recorded by the state employment service bodies to be further balanced, as required. *The full labour market* takes into account all numbers of terminations, employment, creation of new jobs (reproduction of frozen), demand, and supply of vacancies (jobs) in the region.

The following indicators and factors are used to calculate the demand for skilled staff in the formal labour market:

NU – the number of unemployed workers in an occupational context who were registered at an employment centre is defined as the arithmetic mean of the last 2–5 years preceding the reporting year, as of December 31 of the relevant year. The longer the sample period, the higher the representation of the forecast.

NV – the number of vacancies or employees in demand by business entities to replace vacancies and/or to fill new jobs (in an occupational context) and is based on the data for the last 2–5 years preceding the calculation, as of December 31 of the relevant year.

LR – the ratio of labour supply to demand for each occupation in the formal labour market, determined by dividing the number of unemployed (NU) by the number of vacancies. LR is to be interpreted as follows:

a) for occupations where the LR index varies from 1.1 to 3.0, it is considered that the ratio of demand and supply is balanced. In that case, the forecasted calculations are driven by constant demand, as the Employment Centres cover the demand for staff with passive and active employment policies (retraining, advanced training, training for a new occupation, including through the provision of a voucher);

b) for occupations for which the LR fluctuates between 3.1 and 10.0, the forecasted calculations are driven by reducing demand by 2.5 to 3 times, and the Employment Centres should initiate measures to prepare proposals to reduce staff training and the regional order for their training for educational institutions;

c) for occupations for which LR exceeds 10.1, the forecasted calculations are driven by a substantial reduction (3–5 times)/closing demand, and the Employment Centres should issue proposals to the regional authorities on closing/suspending any training by educational institutions.

DG – Labour Demand Growth in accordance with the average value of LR expressed in terms of percentage. This figure is reflected in the scales empirically-generated during the 5-year study of the individual regional labour markets.

The two adjustment factor scales for the Labour Demand Growth (DG) are given in ***Inset 1***.

Inset 1. Examples of using Labour Demand Growth scales

The scale ranges and the growth values are calculated on the basis of statistical data for 2008-2016 in Ukraine for 50 occupations for which the LR was under 1.0.

EXAMPLE 1. DOWNWARD TREND IN THE LABOUR RATIO

If the LR for a certain occupation has an annual downward trend, for example, in 2011 – 0.75, in 2012 – 0.7, in 2013 – 0.65, in 2014 – 0.5, then the forecast of demand growth for the short-term perspective is as follows:

LR (mean)	Demand Growth (DG) in % to NV
under 0,2	over 10.0
0.21–0.4	8.0
0.41–0.6	5.0
0.61–0.8	3.0
0.81–0.9	1.0
0.91–0.99	0.5

EXAMPLE 2. UPWARD TREND IN THE LABOUR RATIO

If the LR for a certain occupation has increased or fluctuated both in terms of growth and drop for the years preceding the reporting period, for example, in 2011 – 0.7, in 2012 – 0.6, in 2013 – 0.8, in 2014 – 0.7, then the forecast of demand growth for the short-term perspective is as follows:

LR (mean)	DG in % to NV
less than 0.2	8.0
0.21–0.5	5.0
0.51–0.8	2.0
0.81–0.99	0.5

The demand forecast for a short-term perspective (DF) is determined separately for each occupation using the formula:

$$DF\ (LR < 1.0) = NV \times (1 + \frac{DG}{100})$$

To interpret the forecast indicators by individual occupations in the formal labour market to the demands of the full labour market, **Adjustment Factors (Q) are used**, which have also been developed empirically:

- Administrative districts – 1.43;
- Cities of regional significance – 1.67;
- Oblast centres – 2.0.

Statistical analysis methods were used to analyze labour market trends and to evaluate the Employment Service's performance.

The employer survey methodology was used to obtain an assessment of the employer's ability to put together a forward-looking request for skilled staff, business development perspectives, and job creation in the future. The main method of the survey is an online questionnaire and telephone interview. Similar research methods were also used to obtain expert assessments of the labour market and the perspectives for increasing Employment Service performance. A more detailed description of the survey methods is presented in the main text of the study.

III. RESEARCH CONSTRAINTS

The forecast of the labour market was based predominantly on the administrative data of Donetsk Oblast Employment Centres, as they most fully reflect the situation in Donetsk Oblast's local labour markets.

At present, it is only possible to develop an extremely short-term forecast with a three-year horizon due to the lack of historical data of the labour market of Donetsk Oblast's districts. The Employment Centre was able to provide information for the period 2014–2018, as the data for previous periods was left behind on servers that could not be removed from non-government control areas. In addition, according to the estimates of the Employment Centres' experts, the labour market in government controlled areas, and especially at the local level, has undergone significant changes. As a result, there is no opportunity for building trends that would be sufficient for long-term forecasting.

Another constraint for carrying out a forecast based on forward-looking assessments was the lack of data on investment projects that are ongoing or are planned to be implemented in Donetsk Oblast. The Economics Department of the Donetsk Military and Civilian Administration is unable to provide information on jobs that would be created by such investment projects.

The time and resource constraints of the research, as well as difficulty accessing respondents, did not allow an effective sample to be put together to survey employers. Any quality data on the demand for skilled professionals is mainly used for an additional estimation of the basic forecast's reliability.

IV. PRIMARY RESEARCH RESULTS

1. DONETSK OBLAST LABOUR MARKET TRENDS

According to the data provided by the State Statistics Service, for the past two years, there has been a trend towards growing employment and a falling unemployment rate. The number of employed persons was 734,300 in 2017 and grew to 741,000 persons in 2018, which represents growth of 0.6%. The employment rate in 2018 was 50% (Figure 1).

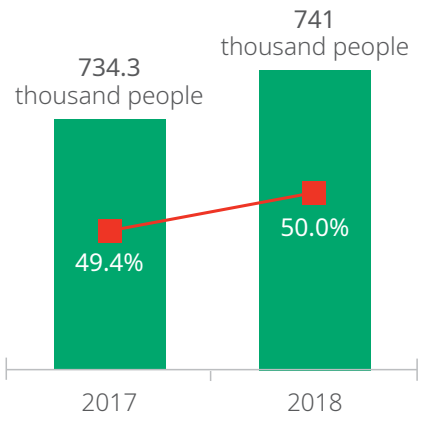

Figure 1. Employed population and employment rate

According to ILO methodology, in 2018, *the unemployment* rate reached 14% of the economically active population, and in comparison with the previous year dropped by 0.6%, from 125,300 persons in 2017 to 120,400 persons in 2018. The number of employed citizens in the *informal economy* dropped from 99,800 to 92,600 persons, or by 1.1%.

Over the three years, the number of persons with unemployment status dropped from 60,000 to 43,400 persons, or by almost **30%**. The decline in the number of unemployed persons is progressive and recorded annually. Falling numbers of unemployed persons are observed in almost all districts (Figure 2).

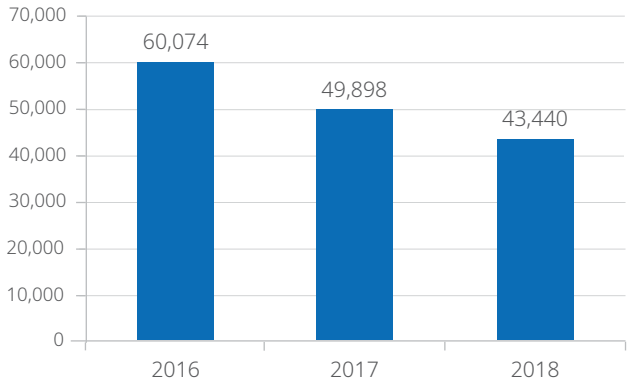

Figure 2. Number of persons with "unemployed" status during the year in Donetsk Oblast in January–December 2016, 2017, and 2018

The reduction of youth unemployment in the region varied from 25,241 persons in 2016 to 15,900 persons in 2018, or by almost **40%**, and this is a positive trend. A trend for a fall in youth unemployment is observed in all districts of the oblast. The share of youth unemployment was only 37% in 2018, although this is still rather high, despite the overall positive trend (Figure 3).

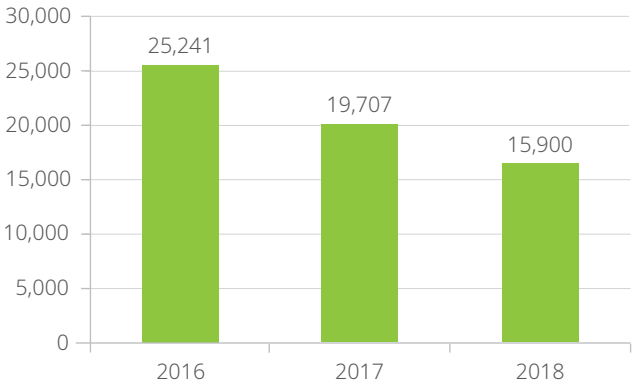

Figure 3. Number of persons under 35 who were unemployed during the year in Donetsk Oblast in January–December 2016, 2017, and 2018

The average unemployment benefit grew from UAH **1999.86** in 2016 to UAH **3,041** in 2018, or by **35%**. That is equivalent to 32% of the average wage in the region, which was UAH 9,941 (Figure 4) in 2018, and can negatively impact the social protection of the unemployed and their motivation to seek formal employment. As will be shown below, many experts and employers note the negative impact of high unemployment benefits on the willingness of the unemployed to work.

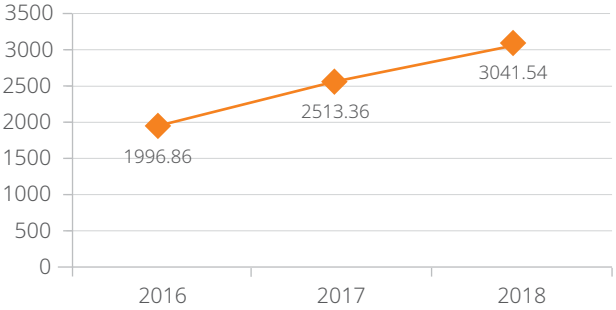

Figure 4. Average unemployment benefit in Donetsk Oblast in 2016, 2017, 2018

A disaggregation of the unemployed by occupational groups is presented in Figure 5. Most unemployed persons belong to a group of workers in service, operating and monitoring the operation of process equipment, as well as the assembly of equipment and machinery.

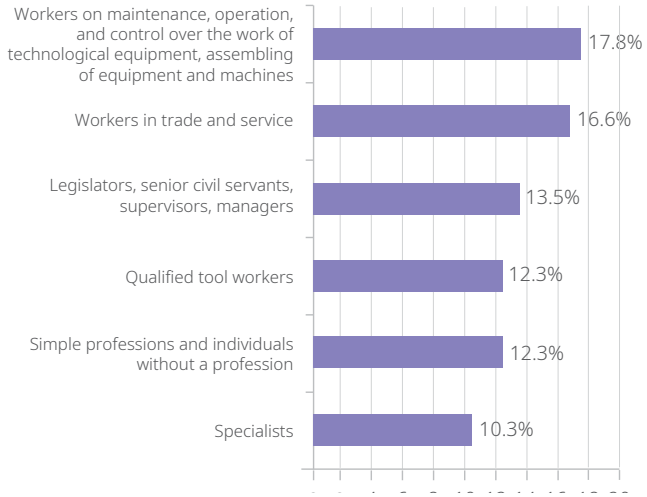

Figure 5. Disaggregation of unemployed in Donetsk oblast by occupational groups

A disaggregation of unemployed persons by the sector in which the unemployed person worked previously is presented in Figure 6. The unemployed primarily worked in the processing industry, and in wholesale and retail trade.

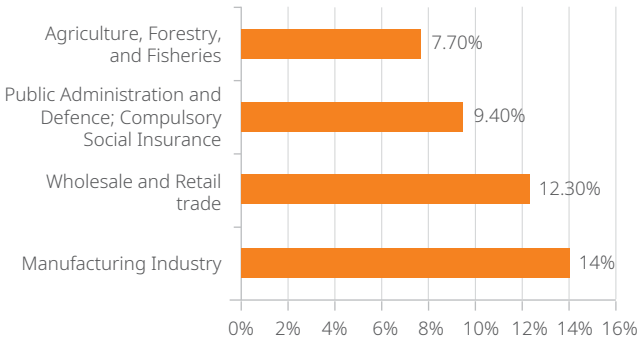

Figure 6. Enterprises of Donetsk Oblast by types of economic activity where people who are now unemployed previously worked

The chart in Figure 7 demonstrates that the number of employers in Donetsk Oblast who provided information on vacancies has been steadily growing, from 5,394 persons in 2016 to 7,898 persons in 2018, or by 32%..

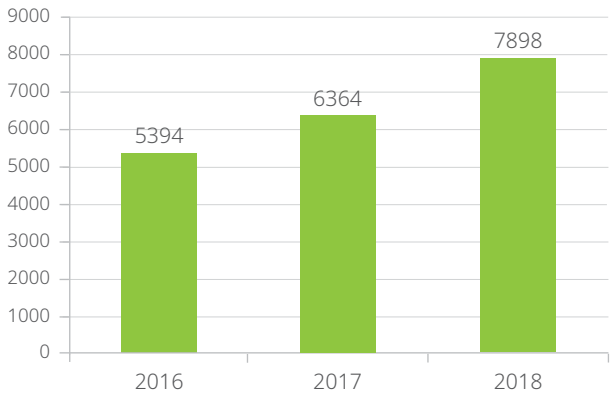

Figure 7. Number of employers in Donetsk Oblast who submitted information on vacancies in 2016-2018

Figure 8 shows the dynamics of the number of vacancies in Donetsk oblast. The number of vacancies over the past three years also increased significantly, from 30,671 in 2016 to 40,483 in 2018, or by **25%**.

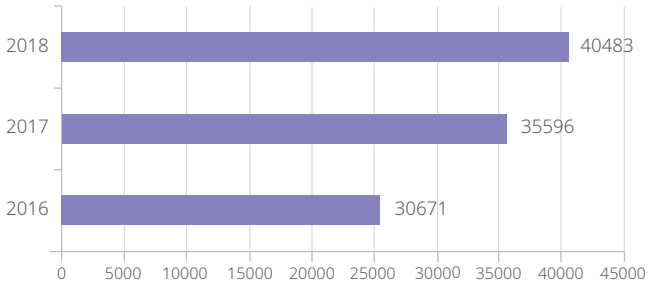

Figure 8. Number of vacancies in Donetsk Oblast in 2016–2018

Table 1 shows the disaggregation of vacancies by occupation. The most in-demand jobs are food and non-food salesperson, and sales consultants.

Table 1
Most in-demand jobs in 2018

Jobs	Number of vacancies, persons	Vacancy deficit (-)
Food salesperson	135	- 279
Non-food salesperson	49	- 216
Sales consultant	30	- 53
Driver	22	- 393
Administrator	22	- 70
Maintenance worker	21	-399
Cook	15	- 137
Mineworker	14	- 15

Almost all vacancies show a deficit, that is, the demand (the number of unemployed persons) exceeds supply. The most in-demand jobs are as follows: maintenance worker, driver, food salesperson, non-food salesperson, and cook.

As is shown in Figure 9, the average wage for the available vacancies is gradually growing, but, according to the social standard of the minimum wage, it is rather low. In just over three years, the average wage for the vacancies grew from UAH 3,514 in 2016 to UAH 5,013 in 2018, or by **30%** (Figure 9). The average wage for the vacancies is only 52% of the average wage in Donetsk Oblast and exceeds the average unemployment benefit by only UAH 2,000. This can be explained by two negative phenomena: high staff turnover due to the relatively low wages for the vacancies, and low motivation to seek formal employment. These two challenges for the labour market were particularly emphasized by the Employment Centres and employers during the survey.

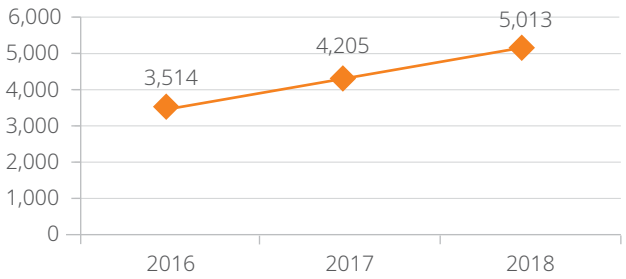

Figure 9. Average wage for available vacancies in December 2016, 2017 and 2018, UAH

As shown in Figure 10, one out of four vacancies are offered at companies and institutions of the processing sector, in the wholesale and retail trades (17.0%), in education (7.6%), agriculture, forestry and fishery (7.1%), healthcare (6.0%), in public administration and defence, and mining and quarries (5.1%).

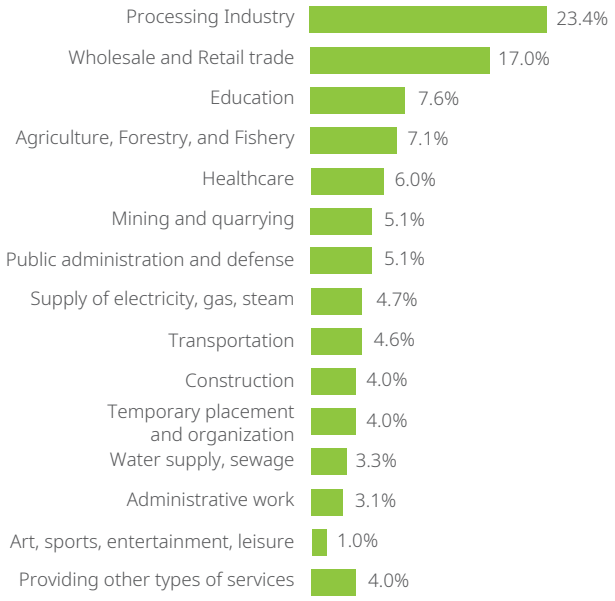

Figure 10. Vacancies by type of economic activity in 2018, in %

Figure 11 shows that the greatest demand is for workers in services, equipment operating, and for skilled tool workers.

Figure 11. Vacancies in 2018 disaggregated by occupational groups, in %

2. FINDINGS OF SHORT-TERM FORECASTING OF THE LABOUR MARKET IN DONETSK OBLAST

The annual demand for skilled personnel is expected to be **26,978 for 315 professions** in Donetsk Oblast. In general, the following occupations will be the greatest in demand annually in 2019–2021:

- Driver – 2,334;
- Food salesperson – 2,161;
- Locksmith – 1,447;
- Non-food salesperson – 1,320;
- Cook – 962;
- Guard – 868;
- Electric equipment maintenance technician – 755;
- Boiler engineer – 746;
- Junior nurse – 636.

It is worth noting the groups of occupations where demand is the lowest. It is necessary to cut training for them in the vocational schools and other educational institutions, as it will not be possible to form an effective number of training groups. Accordingly, there are two risk groups: 1) *Group 1 – 10 or fewer people* – for adult course attendees; 2) *Group 2 – from 20 to 10 people* – for secondary and post-secondary students.

In general, 176 occupations can be noted for the two risk groups, or 55% of all forecasted occupations in Donetsk Oblast:

- Group 1 – 46% or 147 occupations;
- Group 2 – 9% or 29 occupations.

Inset 2. Examples of occupations in the risk groups for the lowest demand occupations

Group 1 (under 10/occupations) Occupations for which 1 person/occupation is forecasted

- Operator/walking inspector of turbine equipment
- Maintenance technician for vapor/gas turbine equipment
- Foreman at the primary production sites (dairy production)
- Shepherd
- Cook
- Operator/walking inspector for boiler equipment
- Screener
- Electrician for servicing electrical installations
- Dough mixer operator
- Data entry technician for PCs
- Construction technician
- Compound cattle feed production technician

Group 2 (10–20 persons/occupation)

- Remover and packager for porcelain, faience, and ceramic products
- Pipe and workpiece cutter
- Mining excavation machine operator
- Press operator for fireproof products
- Machine wash operator and mending technician for uniforms
- Loader for the furnace and tunnel cars
- Trolleybus driver
- Jewellery assembler
- Remover and packager for porcelain, faience, and ceramic products on minecarts
- Poultry technician
- Tool technician

- Sanitary equipment installer
- Nurse
- Florist
- Archivist
- Power plant I&C electrical technician
- Washing installation operator
- Operator of livestock complexes and mechanized cattle farms
- Nurse/supply manager
- Syrup, juice, and extract maker
- Security guard
- Passport department technician
- Cable line maintenance and installation technician
- Foreman for primary production sites (other agricultural workers and fishermen)
- Dosimetrist
- Welder
- Make-up artist
- Motor grader operator
- Telecommunications operator
- File clerk
- Floor maid (hotel, camping, boarding house)
- Kiln operator for porcelain and faience products
- Quality controller
- Steelworker assistant for the extra-furnace steel processing
- Marker
- Sorter for raw materials, porcelain, faience, and ceramic products
- Technician for automatic and semiautomatic machines
- Quality controller for porcelain, faience, and ceramic products
- Dough maker
- Roofing technician
- Milker
- Door technician
- Smith for hammers and presses
- Firefighter & rescuer
- Ticket controller
- Furniture fitter
- Underground mining assembler
- Accountant for recording accounting data

Thus, it is possible to form sufficiently large groups of students in vocational schools for most occupations. Training curricula for 147 occupations can be reduced.

Based on the data from the 24 ECs, the largest annual demand is forecasted for the following local labour markets:

- Mariupol LEC – 6,661 employees for 72 occupations;
- Kramatorsk LEC – 3,925 employees for 74 occupations;
- Slovyansk LEC – 2,482 employees for 121 occupations;
- Bakhmut LEC – 1,589 employees for 49 occupations;
- Druzhkivka LEC – 1,561 employees for 47 occupations;
- Volnovakha DEC (District) – 1,404 employees for 107 occupations;
- Kostyantynivka LEC – 1,244 employees for 57 occupations.

It is important to note the local labour markets where the demand for certain occupations is not large. These are occupations the demand for which will not exceed 20 persons per year. The following are the local labour markets with the percentage of occupations where annual demand does not exceed 20 persons, as well as the number of such occupations. Appendix 3 includes the complete list of occupations.

- Donetsk LEC – 100%, or 19 occupations;
- Makiyivka LEC – 100%, or 42 occupations;
- Avdiyivka LEC – 95%, or 22 occupations;
- Maryinka DEC – 92%, or 78 occupations;
- Nikolsk DEC – 92%, or 47 occupations;
- Novogrodivka LEC – 92%, or 23 occupations;
- Mangush DEC – 91%, or 50 occupations;
- Vuhledar LEC – 91%, or 44 occupations;
- Lyman LEC – 91%, or 52 occupations.

The largest share of occupations in Risk Group 1 (10 or fewer people per city/district) is forecast in the following local labour markets:

- Makiyivka LEC – 95%, or 40 occupations;
- Donetsk LEC – 90%, or 17 occupations;
- Maryinka DEC – 88%, or 74 occupations;
- Oleksandrivka LEC – 85%, or 34 occupations;
- Avdiyivka LEC – 82%, or 19 occupations;
- Mangush DEC – 82%, or 45 occupations.

In planning vocational education, these areas should be taken into account and should be considered those where it is the most difficult to meet the recruitment needs for most of the in-demand occupations. Vocational training by dozens of occupations that do not have significant demand will be phased out at the regional level, and there may be additional difficulties in attracting the necessary specialists from neighbouring regions.

3. ASSESSMENT OF ACTIVITY AND NEEDS OF EMPLOYMENT CENTRES IN DONETSK OBLAST

The assessment of the activity and needs of Employment Centres in Donetsk Oblast included:

- a review of quantitative indicators of the Employment Centres' activities;
- interviews of the experts of the Donetsk Oblast and local (city and district) ECs.

The activity's assessment of Donetsk Oblast EC showed significant achievements and progress in developing the formal labour market.

The Donetsk Oblast Employment Centre shows positive dynamics in terms of providing employment opportunities for the unemployed population and other candidates in the labour market. As shown in Figure 12, for the last three years, the employment rate improved from 28,044 to **32,013** people, or by nearly **13%** from 2016 to 2019.

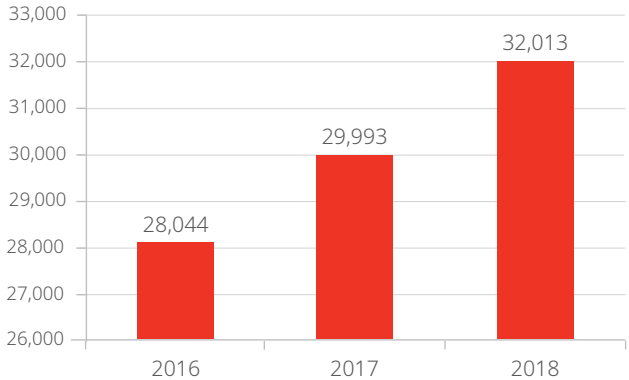

Figure 12. Number of people employed in Donetsk Oblast (including the people prior obtaining an unemployed status)

Employment before obtaining unemployment status is also of importance, as it opens up the opportunity for quick employment without involving an additional set of services and social protection. As is shown in Figure 13, the number of employed grew from 7,721 to **13,146 persons**, or by almost **42%** within three years.

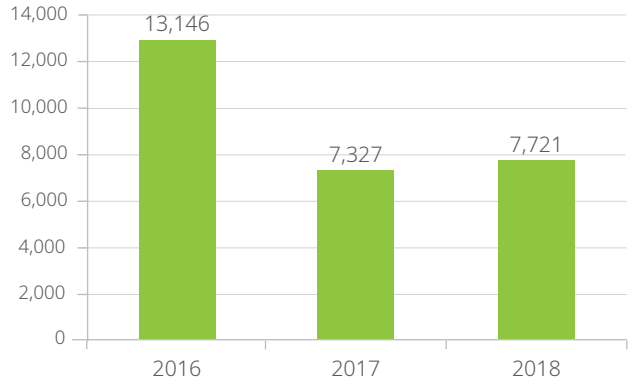

Figure 13. Number of people employed through the Employment Centre in Donetsk Oblast (before obtaining unemployment status)

Figure 14 reflects the disaggregation by occupation groups of employed persons before obtaining unemployment status. Those employed mainly belong to the groups of simplest occupations and persons without occupations, qualified tool and maintenance workers, operation and control technicians for processing equipment, and equipment and machinery assembly workers.

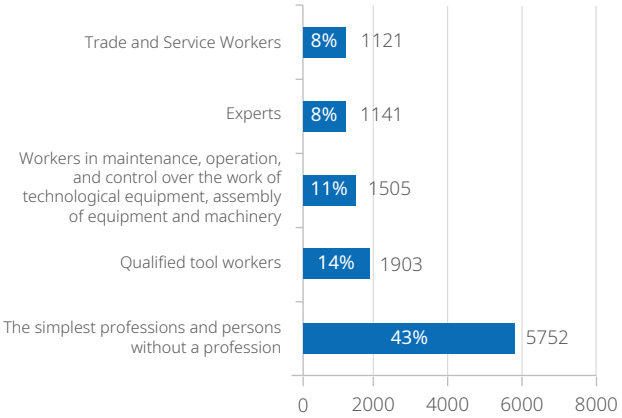

Figure 14. Number of people employed through Donetsk Oblast EC, by occupation groups in 2018

As shown in Figure 15, within the three years, the number of people who took vocational training grew from 9,179 in 2016 to 12,449 in 2017, but dropped to 11,988 in 2018. More important is the employment rate of persons who have completed vocational training, which in 2016 was 7,710 persons, or 83% of the total who were referred for training. The share was 79% in 2017 and **81% in 2018**.

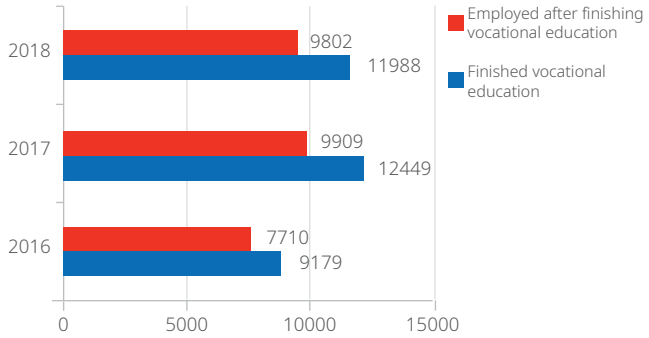

Figure 15. Number of the registered unemployed persons in Donetsk Oblast who took training and were employed after vocational training in 2016–2018

The dynamics of the number of unemployed involved in public works is not stable and often depends on the activity of employers. 18,200 people were involved in public works in 2016, 23,373 persons in 2017 and **21,375 persons in 2018** (Figure 16).

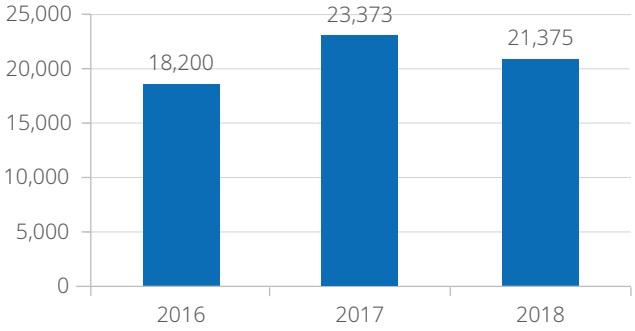

Figure 16. Number of persons who participated in public and other temporary work in Donetsk Oblast in 2016–2018

Support for the entrepreneurial activity of unemployed persons is important in the districts and cities where employment opportunities are quite limited. Commonly, the one-off unemployment benefit payment to support an individual business does not cover a significant number of unemployed persons. Nevertheless, the number of unemployed people who became entrepreneurs grew rapidly from 85 to **210 in 2018** compared to 2017 (Figure 17).

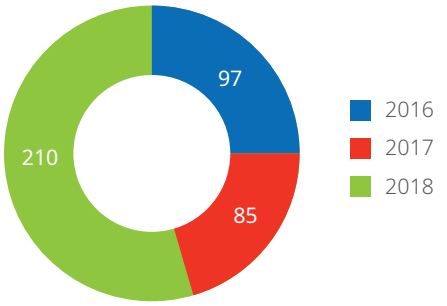

Figure 17. Number of persons in the Donetsk Oblast who received a one-off unemployment benefit payment for starting their own business in 2016–2018

Employment Centres and non-government employment agencies has been interviewed in order to determine labour market trends, the effectiveness of the implemented innovations in Employment Centre activities, and the support needs for further organizational development of the Employment Centres. Twenty-eight respondents were interviewed: five persons from the oblast EC, 18 heads of city and district ECs, and five heads of non-governmental employment agencies.

The management and experts of the Oblast EC emphasized the complexity of the situation in the labour market in Donetsk Oblast associated with the unstable economic situation of traditional employers, i.e. large companies of coal mining, engineering, metallurgy, and other sectors. These companies are often unable to pay competitive wages, they work part-time and, ultimately, lose human capital. On the other hand, the challenge of low motivation for seeking employment among workers and the unemployed became aggravated. The high rate of youth unemployment stands out. Small businesses show active growth, having gained support from the government and international programs. The services sector, processing of agricultural products, and motor transport have become promising areas of economic activity.

Recognizing all the challenges in developing the oblast labour market, the Employment Centre initiated the active implementation of strategy to modernize its activities, seeking new approaches to providing services to employers and candidates in the labour market, including:

- The transition to a client-oriented service delivery model, with an emphasis on the needs and interests of employers and job seekers, and the application of an individual approach to the provision of services;
- The implementation of new services in terms of recruitment and career counseling, which make it possible to coordinate as much as possible the needs and interests of employers and job seekers;
- The active provision of e-services to ensure prompt access to labour market information, which simplifies and accelerates contacts between employers and job seekers, and makes it possible to provide remote services.

The changes have been implemented rather intensively and consistently, which ensured the national leadership of the oblast EC were able to target groups and apply electronic services. At the same time, intensive modernization requires considerable resources. The introduction of new services requires the provision of up-to-date mobile computing (laptops, tablets, smartphones) and multimedia equipment for public events, as well as online communications (multimedia projectors, interactive whiteboards, video cameras, etc.). The Integrated Information and Analytical System (IIAS) of the State Employment Service needs a drastic upgrade, in particular, in terms of prompt online communications with resources which contain large volumes of data in the labour market.

The oblast EC needs to solve the challenge of a lack of information on future labour market trends, which does not allow a prompt response to employers' requests or making any pre-selection and occupational training of candidates. Although the Employment Centre systematically conducts a survey of employers, it is necessary to introduce reliable and effective tools for forecasting the labour market.

There is a need to improve the skills of staff, in particular, in terms of motivating the unemployed to seek employment and to communicate with employers. The respondents did not mention any other topics.

At the level of city and district ECs, their managers noted the following challenges and needs:

- The need for mobile technology to support public events and other remote services: tablets, laptops, smartphones;
- The need to upgrade the stationary computer technology used by unemployed persons to train, and to search for information (open access computers);
- The need for multimedia equipment for presentations and educational events (multimedia and interactive whiteboards, multimedia projectors);
- The individual ECs need renovations and furniture to support educational and public events;
- The need for additional training to gain the skills to motivate the unemployed to seek employment and to prevent burnout. ECs in the cities with major employer companies are in particular need of entrepreneurship training programs.

Generally, non-government employment agencies negatively assess the situation in the labour market in Donetsk Oblast. At the same time, both a shortage of vacancies (low demand) and a lack of candidates in the labour market are observed. The economic situation of most employers does not allow them to pay competitive wages. Job seekers have virtually no motivation to work because there are opportunities to receive decent social assistance and to engage in undeclared employment. In order to harmonize the labour market, it is recommended to take measures to restrict the undeclared labour market and to align social protection tools with the needs to provide motivation to work.

According to the results of the survey, the recommendations for further developing the ECs are as follows:

- To prepare policy proposals to overcome the challenge of undeclared employment in order to harmonize the tools of social protection of unemployed persons, and employment promotion services, in order to increase the motivation of the unemployed to seek permanent employment;

- To implement a project on the introduction of an automated system for forecasting the needs of employers at the level of local ECs;

- To develop proposals on a system for forecasting the labour market at the regional level, which will ensure interactions with data managers and the creation of the databases required for various forecasting methods. Particular emphasis should be placed on the collection of data on planned and completed investment projects;

- To develop a standard model of services of oblast, city, and district Employment Centres, taking into account the required resources, performance, and quality of services, coordination, efficiency, and complexity criteria. The model will make it possible to monitor and evaluate EC services more efficiently and effectively to then gradually introduce an electronic system of effective management;

- To develop quality standards for services and gradually introduce a quality management system at the level of local ECs based on best international practice;

- At the national and regional levels, it is necessary to develop a policy of introducing innovations on the basis of project management, which will allow the necessary budget planning to be implemented, and to monitor the innovation progress;

- To introduce a training program to teach the psychological skills of communication and motivation to unemployed persons so that they can gain employment;

- To establish interaction with state authorities and services that implement the policy of developing small- and medium-sized enterprises, especially in areas with major employer companies. This will allow the efficient use of all available resources to support the entrepreneurial initiatives of unemployed persons.

4. EMPLOYER SURVEY RESULTS

Seventy-eight enterprises participated in the survey. Sixty-four of them were interviewed by phone and 14 through in-depth interviews. The interviewed employers were drawn from **12 districts** of Donetsk Oblast. The sample included businesses from sectors that were considered by experts as promising: engineering, agriculture, light industry, and services.

Key survey questions:

- The current need for personnel;
- The future need for personnel (2–3 years);
- The shortage of occupations for which it is difficult to find workers in the long term;

Causes of the deficit.

Employers identified the following occupations as in-demand over the next 2–3 years:

- Seamstress
- Sales manager
- Maintenance worker
- Loader
- Maintenance technician

Currently in-demand occupations include:

- Seamstress
- Maintenance technician
- Sales manager

The following were identified as reasons for the shortage of skilled workers:

- Labour migration;
- Closure of vocational schools, curriculum reduction, inadequate material and technical resources, lack of training licenses and experienced teachers;
- High unemployment benefit, which eliminates the motivation to seek employment;
- Low prestige of manual worker occupations;
- Absence of motivation for vocational training.

The following **new and existing occupations require additional skills**:

- Multipoint welding line operator skilled with the appropriate PC software;
- Engineer/designer skilled with vector computer programs and with writing programs for numerical control machines;
- Social Media Manager (SMM).

Most employers who took part in the **in-depth interviews** negatively assess their economic situation, despite the fact that they started to resume their activities in late 2016. Entrepreneurs see the main risks for restoring their business as being rises in energy prices, shortages of skilled personnel, and limited access to financing.

Almost all employers face a shortage of personnel and associate this mainly with labour migration, aging of skilled personnel, and the low quality of educational services at vocational schools.

In order to address the shortage of personnel, entrepreneurs make their own investments in developing human capital, mainly in the form of workplace training, which lasts from one month to a year.

Most of the interviewed employers have experience in cooperating with vocational education institutions and work with them, but remain dissatisfied with the quality of training.

RECOMMENDATIONS FOR EMPLOYERS ON ESTABLISHING COOPERATION WITH VOCATIONAL INSTITUTIONS:

- Regularly assess the needs of employers for young workers, expanding staffing, for example, using recruitment opportunities offered by the Employment Centres services;
- Engage a wider range of employers in developing educational programs;
- Expand the adult training programs at Vocational Institutions according to the needs of employers;
- Engage a broader range of employers to assess the qualifications of graduates.