EXECUTIVE SUMMARY OF THE REPORT
“Comprehensive analysis of the State Employment Service at national, regional, and local levels (based on the cases of Donetsk, Luhansk, and Zaporizhzhia oblasts)”
The State Employment Service (SES) in Ukraine is one of the essential institutions dedicated to development of employment policy and labour market regulations on the national level as well as dedicated to stimulation of employment in the regions. Consequently, SES capacity-building at national, regional, and local levels is one of the important preconditions for increasing the quality of service provision to job seekers and employers, which should result in improving the employment situation in eastern Ukraine. To determine the best way to reach the goal of a better situation in the labour market, UNDP, within the framework of the United Nations Recovery and Peacebuilding Programme (UN RPP), has selected Civitata Ukraine through the submission of tender proposals to assess the performance of SES. The conducted assessment results in this report, which aims to accelerate the effective operation of the SES system at the national, regional and local levels by strengthening its capacity. Below are presented the major observations and conclusions of the assessment of SES in Ukraine.

**OVERVIEW OF LEGAL AND ORGANIZATIONAL PRINCIPLES OF SES FUNCTIONING**

According to Ukrainian legislation, SES is a centralized system of state institutions, the activities of which since December 2019 are directed and coordinated by the Ministry of Economic Development, Trade and Agriculture. According to Resolution of the Cabinet of Ministers of Ukraine No. 90 dated March 5, 2014, the State Employment Service performs tasks and functions in the field of employment, labour migration and social protection against unemployment, as well as acts as the executive directorate of the Compulsory State Social Unemployment Insurance Fund, and is financed by and within the funds provided in the budget of the Compulsory State Social Unemployment Insurance Fund.

SES organizes its operations and provides services according to its outlined functions and powers. The State Employment Service is an active intermediary in the labour market between employers and jobseekers and provides free services both for finding a suitable job for the population and for selecting the necessary staff for employers. SES also participates in the preparation of proposals for draft state, regional, and other programmes, strategies, and concepts to promote employment and social protection against unemployment.

SES interacts with other central and local executive bodies, local self-government bodies, enterprises, institutions, and organizations in the prescribed manner during the execution of the tasks assigned to it. The nature of their interaction is described at the legislative level. The list of bodies that ensure the formation and implementation of state policy in the field of employment and interact with the State Employment Service is determined by Article 17 of the Law of Ukraine “On Employment of the Population.” There is also active cooperation with international organizations at the regional and local levels to address employment issues.

SES also supervises and controls the activities of business entities that provide employment mediation services in Ukraine and abroad, as well as the activities of business entities that hire employees to continue their work in Ukraine from another employer. SES
maintains a list of such economic entities, ensures the legal activity of economic entities, and monitors and controls the compliance of actions with the Ukrainian legislation on labour and employment. As of February 27, 2020, the list included 1,954 businesses.

Within the SES budgets for 2016–2018, financial assistance (unemployment, lump sum payments, etc.) was the largest cost item (about 75%), the administration of SES was the second largest item (about 20%), and active employment promotion programmes were the smallest cost items among the three main ones and occupy about 5% of the budget. The budget share of active employment promotion programmes in the Ukrainian SES was quite low compared to the respective budget share of similar organizations in other European countries, where it usually constitutes 20–45% of the budget.

In addition to the main areas of activity, SES also plays a significant role in collecting statistical information and preparing analytical materials on the labour market in Ukraine. In particular, the State Employment Service is responsible for preparing a forecast of the labour market in Ukraine.

OVERVIEW OF THE LABOUR MARKET IN UKRAINE

Labour market conditions play a key role both in determining the priorities of the State Employment Service and in forming strategic directions for the development of its operations. That is why the current strategy for the development of SES for 2019–2022 was based on global labour market trends and local challenges specific to Ukraine. Every year the Ukrainian labour market adapts to changes in the demographic composition of the population, growing requirements for employee qualifications, and new forms of employment (such as temporary employment, outsourcing, etc.). All of this is reflected in the main indicators of the labour market: economic activity, formal and informal employment, the structure of employment and unemployment, etc.

Overall, the total number of economically active individuals in Ukraine in recent years has been almost 18 million people (Graph 1). In 2014, this figure was almost 2 million more, but in one year it decreased significantly due to the beginning of the armed conflict in Eastern Ukraine and the loss of control over some parts of the country. A similar situation has been observed with the number of employed people in Ukraine, which decreased significantly for the same reasons in 2014. In the following years, the dynamics of both indicators were much smaller. After reaching its low in 2017, the number of economically active and employed individuals began to grow and in 2019 constituted 18.1 and 16.6 million people, respectively. The negative trends in the labour market until 2017 can be explained by the aging population and increased migration to other countries. The increase in the economically active and employed population, on the contrary, is caused by pension reform launched in 2018 (which provided for an increase in the age threshold for retirement).
After the decrease in Ukraine’s total population in 2014 due to the armed conflict in Eastern Ukraine and the loss of control over some parts of the country, the number of unemployed decreased to approximately 1.6 million in 2015 (Graph 2). In the following years, the dynamics of unemployment was mirroring change in the number of the economically active: first, in 2015-2017 there was an increase in the number of unemployed, reaching almost 1.7 million people, then there was a decrease to less than 1.5 million people in 2019. The same trend was observed with the unemployment rate: after reaching a high of 9.5% in 2017, the unemployment rate began to fall, reaching 8.2% in 2019. Similarly, as in the case of the economically active and employed population, the reason for the U-turn in the indicator’s trend was pension reform, in particular, the increase in the retirement age for women.

According to the State Statistics Service. Main indicators of the labour market, 2010–2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of unemployed population, thousand persons</th>
<th>Unemployment level, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,848</td>
<td>9.3</td>
</tr>
<tr>
<td>2015</td>
<td>1,655</td>
<td>9.1</td>
</tr>
<tr>
<td>2016</td>
<td>1,678</td>
<td>9.3</td>
</tr>
<tr>
<td>2017</td>
<td>1,579</td>
<td>9.5</td>
</tr>
<tr>
<td>2018</td>
<td>1,488</td>
<td>8.8</td>
</tr>
<tr>
<td>2019</td>
<td>1,488</td>
<td>8.2</td>
</tr>
</tbody>
</table>

The situation in the oblasts affected by armed conflict is more complicated. In Donetsk and Luhansk oblasts, the situation in the labour market was greatly affected by the armed conflict in Eastern Ukraine, because of which the authorities lost control over part of the oblasts’ territory. This significantly affected the economic and demographic situation in the regions. Many enterprises ceased operations or remained in the non-government controlled areas in these regions in 2014. In Donetsk and Luhansk oblasts, up to 4 million people remained in uncontrolled territories, which was reflected in the number of economically active and employed people. In addition, during the five years of the Anti-Terrorist Operation and the Joint Forces Operation, a significant number of combatants (16,327 and 10,848, respectively in 2018) and internally displaced persons (429,160 and 273,652, respectively in 2019) appeared in the labour market of Donetsk and Luhansk oblasts.

The total number of economically active and employed people of Donetsk and Luhansk oblasts aged 15–70, after a rapid decrease in 2014, continued to decrease gradually until 2017. However, in 2018 both indicators improved slightly. This trend in the number of economically active and employed people in the regions coincides with the general trend for these indicators for the whole country and reflects the trend of an aging population, increasing migration to other countries, and the results of the 2018 pension reform.

At the same time, the labour market of Zaporizhzhia oblast during 2014-2018 mainly reflected the situation in the national labour market and has not undergone significant changes over the past five years. The number of active enterprises in the region during this period was quite stable. Thus, in 2018 the number of active enterprises in the region was 14,900, which is 216 enterprises more than in 2013. Also, as in the case of Donetsk and Luhansk oblasts, during the five years of the Anti-Terrorist Operation and the Joint Forces Operation, a significant number of combatants (13,374 in 2018) and internally displaced persons (55,157 in 2019) appeared in the labour market of Zaporizhzhia oblast.

The structure of the employed population by type of economic activity was quite stable in Ukraine during 2014–2018. The largest shares in the structure of employment are held by the following types of economic activity: “Wholesale and retail trade, repair of motor vehicles and motorcycles” (21.8% on average), “Agriculture, forestry and fisheries” (17.6%) and “Industry” (15.4%). Together, they employ more than half of the employed population. In addition, the share of the employed population is more than 5% in the following areas: “Education” (8.8%), “Health care and social assistance” (6.3%), “Transport, warehousing, post and courier activities” (6.1%), and “Public administration and defence; compulsory social insurance” (5.8%). Together, these economic activities cover more than 80% of the employed population.
Ukraine has seen a decline in the informally employed population in recent years. Over the past six years, the number of informally employed people has decreased by more than one million people and reached a figure of slightly less than 3.5 million people (20.9%) in 2019.

One of the problematic issues of the labour market in Ukraine is the forecasting of labour supply and demand in the labour market in the short and long term. To restore economic potential and identify potential problems or opportunities, it is important to create a system of accessible, complete, reliable, and high-quality information on the state of the labour market in Ukraine. Such a system will allow forecasting of supply and demand in the labour market not only in the short term, but also in the medium and long term. In addition, it will allow the education system to train specialists with higher and vocational education who will be in demand in the labour market at the time of their graduation.

There are already some developments in Ukraine in this direction. For example, since 2012 the Ministry of Economic Development, Trade and Agriculture in close cooperation with the European Training Foundation is working on development of methodology for forecasting professional qualification in Ukraine, which resulted in the analytical report with a description of proposed methodology. However, the current labour market forecasting methodology used by SES provides only short-term forecasting for up to one year. There is virtually no medium-term and long-term labour market forecasting performed on a regular basis.

The development of a methodology for the medium-term and long-term forecast of the labour market is complicated due to the fact that SES is not able to collect all available vacancies in the labour market, as not all employers register them with employment centres. Accordingly, SES data on labour market demand is incomplete. In addition, given the unstable economic and political situation, employers are not able to predict their future staffing needs for more than six months. This is especially true for Donetsk and Luhansk oblasts, where it is currently difficult for enterprises to produce forecasts even for the next few months.

The methodology for forecasting labour supply and demand in Ukraine, developed with the support of the European Education Fund, focuses exclusively on the use of quantitative data and statistical analysis of trends. This approach has a limited level of accuracy and makes it impossible to consider future demand for professions which would emerge due to technological development. Typically, to improve forecasting accuracy, agencies use qualitative data which can be provided by industry experts and industry union representatives.

It is recommended to consider the structure of the labour market forecasting model in Ukraine, which consists of two parts: labour market forecasting at the national and regional levels. In particular, the national (macro-level) labour market forecast for which institutions at the national level are responsible (for example, the Ministry of Finance, the Central Bank, the Ministry of Economic Development, Trade and Agriculture, or another specially created institution) should include the following elements:

- statistical analysis of economic indicators at the national level and by region (from the national point of view);
- statistical analysis of indicators of the national labour market and regional labour markets (from the national point of view);
- expert assessment from the Commission for Economic Development and Innovation (it is important to form such a commission, which will consist of experts from different industries). Its main task is to assess the adequacy of forecasts based on statistical analysis of historical data and global, national, and regional trends in the labour market, and an additional task is to assess the impact of government-planned investments, reforms, and innovations;
- use of employers’ expertise in accordance with the field in which they operate (at the Ministry of Economic Development, Trade and Agriculture. It is advisable to form 10-15 working groups that will represent employers and experts in various economic activities; based on the statistical analysis and expert assessment of the Commission, they should assess the need for new jobs and the dynamics of the labour market in the future);
- conducting interviews with graduates of universities, colleges, and vocational schools (such a survey may be conducted by the Ministry of Education and Science, universities, and other educational institutions or research institutes) or monitoring graduates in the labour market using a social insurance database.

The next step is to perform regional labour market forecasting in order to bring more accuracy to the national level and to better assess the situation in the regional labour market. The methodology for labour market forecasting at the regional level should include:

- creation of the Commission for Economic Development and Innovation at the regional level (or the presence of a separate representative from the Commission at the national level), which receives a forecast of the region’s economy from the national level and, based on
information available to local businesses and local SES, adapts national economic forecasts for the region;

- use of employers’ expertise. It is advisable to form 7-10 working groups at the regional level that will represent employers and experts in various industries in the region. They will expertly assess the need for new jobs and the dynamics of the regional labour market in the future (based on personal experience in the region and knowledge of the local market). Such commissions are especially important for regions where SES does not have complete information on available vacancies;

- conducting a survey of regional universities and vocational schools or analysis of secondary data of graduates in the labour market. If it is not possible to analyse the secondary data of graduates, it is advisable to conduct regular surveys of students during the last year. The purpose of such research is to find out how many graduates plan to work in the region, how many graduates plan to leave it, how they assess their professional training, etc.

A deeper understanding of the needs of the labour market in the future will help to organize the operations of SES in a more efficient way, properly allocate available resources, and respond to requests from employers and the public. Below are described aspects of the current functioning of SES in Ukraine.

**ORGANIZATIONAL AND FUNCTIONAL STRUCTURE OF SES**

To improve the quality and efficiency of services, the State Employment Service was reformed in 2017. The current organizational structure of SES is presented in Graph 3. In general, the reform had four objectives: modernize services, optimize the structure, adopt a service-oriented approach, and reduce the bureaucratic burden. In particular, modernization of the services, as well as reduction of bureaucratic workload, was implemented with the help of modern information technologies: a new SES portal was created, which provides electronic services, such as electronic queue, employer’s electronic account, electronic account of the unemployed, etc. At the same time, SES adopted a service-oriented approach that implies an individual approach to service provision to all clients (case management), the use of recruitment principles in the provision of services to employers, and ensuring of a wide availability of services, in particular through the use of information and communication technologies.

**GRAPH 3. STATE EMPLOYMENT SERVICE ORGANIZATIONAL STRUCTURE**

- **State Employment Service (SES)**
  - Regional employment centres: 25
  - Institute of human resources development of SES: 1
- **Basic employment centres**: 95
  - Branches of regional employment centres: 429
  - SES vocational education centres: 11

<table>
<thead>
<tr>
<th>Oblast</th>
<th>Basic EC</th>
<th>Branches of Regional EC</th>
<th>SES vocational education centre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luhansk Oblast</td>
<td>15</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Donetsk Oblast</td>
<td>21</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Zaporizhzhia Oblast</td>
<td>3</td>
<td>17</td>
<td>0</td>
</tr>
</tbody>
</table>
The structure was optimized by reorganized SES centres at the local level, which involved the transfer of administrative and economic functions from the local to the regional level and the transformation of local employment centres to branches of regional employment centres. In particular, when creating branches, the functions of financing, accounting, and procurement are transferred from reorganized local employment centres to the regional employment centres. Such actions were primarily aimed at reducing the number of administrative and economic staff and increasing the number of employees in local employment centres who directly interact with clients and provide services to them. At the beginning of 2020, all oblasts, except Donetsk and Luhansk, which are currently not subject to SES reform due to armed conflict in their territories, have gone through the process of reorganization of the employment service centres.

Both the structure and the maximum number of SES employees are approved by the ministry in charge of the employment service and approved by the director of the State Employment Centre. The number of staff in the employment centres of Donetsk, Luhansk, and Zaporizhzhia oblasts differs greatly. The size of employment centres depends on the number of people in a settlement and, consequently, the number of unemployed covered by the employment centre with its services. For instance, Manhush District Employment Centre in Donetsk oblast employs 17 people, and Mariupol City Employment Centre in Donetsk oblast employs 135 people. In Zaporizhzhia oblast, which has already undergone employment centre reorganization, branches have a relatively small number of employees — approximately 20 people per centre. Zaporizhzhia city and city-district employment centres are large and formed after the merger of several basic centres. The latter employ up to 120 people each.

The ratio of the number of unemployed per SES institution employee varies in all oblasts from 32 to 206, while the average number of unemployed per employee in the three oblasts in question also differs significantly. This indicates the lack of a clear criterion for the workload of employees and staffing without considering current information about the labour market.

At the same time, the distribution of employees in the front office (employees who are in direct contact with the client) and the back office (management and administration) is relatively even in employment centres. Thus, the number of front office employees in the three oblasts ranges from 65% to 81% of the total staff. This indicates that the focus of the employment service is the client.

In terms of the workload of staff in employment support departments, in most cases, career counsellors have from 80 to 150 unemployed people assigned to them. The experience of various employment centres shows that the optimal rate for effective work is 100–120 unemployed people per career counsellor. The situation in the departments of employer relations is somewhat different. The number of enterprises assigned to one employer adviser is quite uneven: specialists have from 60 to 500+ assigned employers, depending on the size of the city and its economic activity. In the case of a large workload on the specialist, active interaction occurs only with some employers, while work with the rest is suspended.

The activities of employees of employment centres are based on clearly defined procedures and processes. Some processes are described in the manuals (for example, Profiling and case management in the sphere of employment), but most processes are not described. Due to the lack of duly outlined processes, each employee of the employment centre may have a different idea of the following process elements: the purpose of the process, the person responsible for the process, duration, and expected results. Therefore, there is often duplication of functions and roles within departments and there is no clear personal responsibility for the outcome of a particular process. For example, the whole department could be responsible for a vacancy to be filled or finding a position for job seeker, which implies there is no individual responsibility for the achieved results. The lack of prescribed processes does not allow one to assess which elements are important to achieve the result and which create an additional burden on the employee. There is no monitoring mechanism and quality control of procedures and processes.

In terms of the system for internal reporting and measuring the effectiveness of work, it is important to note that SES does not have a single unified system, and employment centres independently determine the reporting formats within the organization. Most employment centres hold weekly meetings of the director with the heads of departments to discuss the results for the previous week and the agenda for the next week, as well as daily meetings to address current issues. Meetings in departments are rarely held because the exchange of information takes place during day-to-day communication. Meetings of directors of all basic centres of the oblast usually take place once per quarter.
Some employment centres have developed tables with key performance indicators that department heads fill out to review and analyze the current situation (for example, the Sievierodonetsk city employment centre). Other employment centres monitor only statistical indicators such as level of employment and the average duration of unemployment benefits. These indicators do not take into account the effectiveness of many areas of activity of employment centres, focusing only on measuring the effectiveness of employment activities, reducing unemployment benefits.

In addition, employment centres do not have a unified system for quantitative and qualitative evaluation of employee performance. Typically, employee performance is measured on the basis of quantitative indicators generated in the Single Information and Analytics System and does not take into account the qualitative indicators of service delivery. This is a particularly important element of the work of employment centres, as one of the components of wages is bonuses, which in most cases are based on the results of regional employment centre performance, not on the results of each employee. When visiting employment centres, some managers noted that the introduction of a single performance appraisal system is necessary and will improve the functioning of the service.

Thus, one of the biggest shortcomings that currently exists in SES of Ukraine and hinders the more efficient functioning of the organization is the lack of performance and efficiency management systems for monitoring and evaluating the activities of SES departments and the organization as a whole.

In addition to the introduction of performance and efficiency management systems, it is also necessary to find the best ways to implement services. The rapid pace of digitalization of social and other services necessary for the population encourages organizations and departments to transition to electronic format of operations. Moreover, the digitalization of the public sector creates opportunities to engage users through new channels of communication and enables the provision of new services that better meet the needs of users or customers.

It is strategically important for SES to expand the number of its e-services for both the population and employers. In addition, the application of new technologies provides increased efficiency of processes, which would require fewer employees to carry them out. The use of digitalization or information and communication technologies can also be a tool or technique to increase the efficiency of service providers. By introducing different types of digital channels for communication and information exchange with customers, SES can expand the range of ways to provide services to customers, while freeing up resources, automating services, and allowing information to be more accessible to the customer. At the same time, SES must carefully balance the number of online services and their channels to ensure that they can provide the right level of service for all customer groups, taking into account the availability of online channels and the digital literacy of job seekers and staff.

An important aspect of digitalization is also the simplification and digitization of internal processes carried out by SES employees in the provision of services (like signing documents, receiving approval, etc.). After collecting a detailed description of all SES processes, it is necessary to determine the elements of each process which can be digitized. For instance, SES could avoid additional duplication of electronic materials in hard copy (as such materials mainly contain client-related information).

The digitalization of internal processes changes the internal organization of SES and requires additional competencies needed by employees to use these new technologies. Therefore, the costs of training and adapting SES staff to new technologies should be taken into account. It is especially important to introduce a system for evaluating and monitoring the effectiveness of various channels, the use of electronic services, and their impact on results. Such actions will be able to improve the quality of implementation of the main activities of SES.

**SES ACTIVITIES**

SES provides a wide range of services to both employers and job seekers. The main areas of activity of the SES in Ukraine include employment services for the population, unemployment benefits, active employment measures, services for the employer, vocational guidance, educational services, and the preparation of analytical and statistical materials.

- **Employment services for the population.** In SES, the model for providing employment services to the population is well developed. The process provides for interaction with the client both at the job seeker stage and the unemployed stage. During the first visit to the employment centre, the client goes to the administrator or registrar, who registers the job seeker, enters the basic necessary information, and conducts initial profiling of the job.
The model for services for the employer involves both career guidance services and education programmes. Career guidance services in employment centres are about SES services, educational programmes, and training facilities through which SES can train employees with the skills needed for employment. For employers, there is information about the labour market, employers' requirements for job applicants, rules and regulations, and statistical materials published by SES. The interaction with the employer, who independently expressed a desire to cooperate with an employment centre, and cold contact with an employer in the first case, the employer's consultant provides the employer with all necessary services and is assigned to it in case of repeated requests in the future. In the second case, an employment centre initiates cooperation with an employer immediately after the registration of a new legal entity or individual entrepreneur, and also regularly (on average once every six months) contacts all companies with whom cooperation has not yet been established. In addition, the practice of recruitment has been introduced in employment centres in the last few years, and some of the centres even have specialized recruitment departments. The work of specialists is designed to expand the range of resumes to fill registered vacancies and to expand the range of vacancies for employment of registered unemployed by searching for them on external resources. This practice promotes employment and improves cooperation with employers but is often not reflected in the Single Information and Analytics System and, consequently, in employment centre statistics. Apart from the above, compensation programmes are also offered to employers in order to provide extra incentives for them to create new jobs.

- **Providing unemployment benefits.** Unemployment benefits are provided to insured unemployed persons with insurance experience of six months during the last 12 months (calculated on the basis of length of service, duration of unemployment, and salary at the previous place of employment). At the beginning of 2020, the amount of unemployment benefits ranged from UAH 650 to UAH 8,408 (the maximum threshold is set at four times the subsistence level for an able-bodied person). The average amount of unemployment benefits in Ukraine was UAH 2,311 in 2017, UAH 2,876 in 2018, and UAH 3,673 in 2019.

- **Active measures to promote employment.** SES offers various active employment support programmes for the population: community and temporary work, internships, a voucher system, and a business development programme and active employers support programme (reimbursement to the employer of the state social insurance, salary costs for IDPs, etc.). Within the SES budget, among the three main expenditure items (financial assistance, SES administration, and active employment promotion programmes), active employment promotion programmes are the smallest, accounting for approximately 5%. This cost for active programmes is low compared to European countries, where it is usually 20–45% of the budget.

- **Services for employers.** The model for services for the employer involves both interaction with the employer, who independently expressed a desire to cooperate with an employment centre, and cold contact with an employer. In the first case, the employer’s consultant provides the employer with all necessary services and is assigned to it in case of repeated requests in the future. In the second case, an employment centre initiates cooperation with an employer immediately after the registration of a new legal entity or individual entrepreneur, and also regularly (on average once every six months) contacts all companies with whom cooperation has not yet been established. In addition, the practice of recruitment has been introduced in employment centres in the last few years, and some of the centres even have specialized recruitment departments. The work of specialists is designed to expand the range of resumes to fill registered vacancies and to expand the range of vacancies for employment of registered unemployed by searching for them on external resources. This practice promotes employment and improves cooperation with employers but is often not reflected in the Single Information and Analytics System and, consequently, in employment centre statistics. Apart from the above, compensation programmes are also offered to employers in order to provide extra incentives for them to create new jobs.

- **Career guidance services.** Career guidance services in employment centres are focused on the implementation of priority tasks defined by the Programme of Activities of the Cabinet of Ministers of Ukraine, the components of which are: orientation of the unemployed to acquire additional competencies; mastering modern methods of job searching and employment, including the use of information technology; vocational guidance of students on the choice of a future profession, development of skills in demand in the labour market.

- **Preparation of analytical and statistical materials.** SES publishes an analysis of data on the registered labour market and the services provided by SES on a monthly basis and a forecast of supply and demand in the registered labour market on an annual basis. Analytical and statistical materials published by SES are used by both state authorities (Ministry of Social Policy, Ministry of Economic Development, Trade and Agriculture, Ministry of Education and Science, the State Statistics Service, etc.) and international institutions (International Labour Organization, United Nations Development Programme, World Bank, International Monetary Fund, etc.), as well as the common public (public organizations, research institutions, the media, and individuals).

Only a limited number of the above services are provided to the clients of an employment centre in electronic form. For example, the SES website contains up-to-date information for the population and employers about SES services, contacts, and legal regulation. In addition, there are specific electronic services for job seekers and employers. In 2020, the SES educational portal (skills.dcz.gov.ua) was created, designed to provide users with information about the labour market, employers' requirements for job applicants, rules and regulations for compiling up-to-date documents accompanying the search for and obtaining of work, and courses to obtain the skills needed for employment. For employers there is information about SES services, educational programmes, and training facilities through which SES can train employees with the skills needed by the employer.
After an SES activities analysis was performed, it was determined that the model for providing SES services to the population is well-thought-out and relevant to the situation in the labour market. There are clear initiatives to improve interaction with the employer (introduction of an employer consultant position) and with the job seekers (introduction of a career advisor position). Yet, SES would benefit from a strategy of interaction with employers developed at the national level and adapted to local needs. It can be part of the overall development strategy of SES.

Given the recommendation for centralized interaction with exceptionally large employers, it is recommended that the state employment centre expand the functions of the department specialized in cooperation with employers. In addition to fulfilling the coordination role of the regional departments which interact with employers, this department could also work directly with very large companies operating nationwide. It is important that the central HR departments of such large companies (employers) have a single contact person in SES and use the same services for all of their branches or offices.

In order to establish effective cooperation with employers, it is necessary to introduce a system for monitoring the progress of employer involvement, with clearly describe goals and key performance indicators. Ideally, such goals and indicators should be linked to strategic goals and defined and distributed to different organizational levels for individual SES consultants, if possible. For example, Slovenia has goals and indicators set at the national level, which are then distributed between regional and local SES offices. Accordingly, each SES employee in Slovenia receives personal goals and activities to be performed. Improving SES’s work with employers can have a significant, positive impact on the overall labour market in Ukraine.

PECCULARITIES OF SES FUNCTIONING IN DONETSK, LUHANSK AND ZAPORIZHZHIA OBLASTS

To identify the peculiarities of the functioning of employment centres in different regions, in January-February 2020, CIVITTA expert visits were conducted at regional and local employment centres in Donetsk, Luhansk, and Zaporizhzhia oblasts. In addition to the three targeted oblasts, visits were made to the regional employment centres of Lviv and Odessa oblasts and to the Lviv and Odessa city employment centres in order to collect information on best practices and perform comparative analysis of activities.

During the visits, experts held meetings with directors and heads of HR departments, conducted interviews with employees of HR departments, and met employers with which local employment centres are cooperating. Based on visits to the employment centres of the three target oblasts, it was discovered that the employment centres in Donetsk, Luhansk, and Zaporizhzhia oblasts were experiencing difficulties in functioning due to the decline in economic activity, the cessation of large enterprises, or reduced production. Each region has its peculiarities that also affect the labour market and, consequently, the activities of employment centres: significant number of seasonally unemployed people in the southern part of Zaporizhzhia oblast, dependence on market-forming enterprises in Donetsk and Luhansk oblasts, and others.

The peculiarities of the functioning of employment centres in Donetsk oblast are primarily due to the political and economic situation in the region, which developed in 2014. First, some employment centres were forced to temporarily suspend their activities and move to other cities, to territory controlled by the Ukrainian authorities (as it was done at one point in time by the Mariinka employment centre, Horlivka employment centre, and Donetsk regional employment centre). This has led to significant personnel changes in employment centres and the need to adapt to new conditions. Moreover, this situation has delayed the reorganization of both the Donetsk and Luhansk employment service centres, which has not yet taken place. A significant part of the settlements of the oblast are close to the contact line, which complicates the possibilities for population movement between settlements. Second, employment opportunities in the region have decreased significantly due to a sharp decline in the number of market-forming industrial enterprises, as some of them (such as Tochmash or Topaz) have remained in non-government-controlled areas. Enterprises operating in government-controlled areas are currently operating in unstable conditions and are experiencing a decline due to the loss of major exporting markets. This, in turn, had a negative impact on employment. Delays in the payment of wages and the transfer of workers to part-time employment have become common practices. For example, in Bakhmut district 15% of enterprises practice part-time employment at enterprises. At the same time, most of
the investment projects that have taken place in the region are related to the social sphere (for example, energy saving programmes in social structures, construction of administrative service centres, etc.) and do not involve the creation of new jobs.

In the last few years, there have been simultaneous mass layoffs of workers from large enterprises: Metinvest, Druzhkivka Refractory Plant, Kurakhove TPP, and Bakhmut Furniture Factory. Moreover, in the next one or two years, mass dismissals of employees from local state administrative bodies are expected in connection with the reorganization of district administrations and decentralization. In addition, according to the information received from local employment centres in Donetsk oblast, there has been an imbalance between the professional qualifications of the registered unemployed and the requirements for available vacancies.

Employees of the Donetsk Employment Service were forced to respond to changes in the labour market in the region in the most uncertain conditions. Thus, for SES in Donetsk oblast, the main areas of work were cooperation with employers to resolve the labour market imbalance between supply and demand (trainings, meetings, consultations, surveys, and advisory councils), initiatives for small business development, including self-employment, and work with the unemployed from vulnerable groups, especially internally displaced persons, who have been the most registered client group in the Donetsk Employment Service in the last three years. Online applications, electronic platforms, and remote ways of providing services have become important tools for working with employment centre clients.

In general, the Donetsk Oblast Employment Service is larger than the average-sized Oblast Employment Service in Ukraine, which in 2019 had about 510 employees. The total number of SES staff in Donetsk oblast in 2019 is 803 employees.

**The peculiarities of the functioning of employment centres in Luhansk oblast are also mainly caused by the political and economic situation in the region, which developed in 2014.** As in Donetsk oblast, some employment centres were moved to other locations in government-controlled areas, which led to significant personnel changes and the need for rapid adaptation to new conditions. This situation has caused a delay in the reorganization of the Luhansk Regional Employment Service, which has not yet taken place. A significant part of the settlements of the region are close to the contact line, which complicates both the possibilities for movement of the population of those regions and employment opportunities within the place of residence.

A significant number of industrial enterprises, such as Metinvest, Alchevsk Metallurgical Plant, Donets, etc., which were the largest and, accordingly, market-forming for the region, remained in the non-government controlled areas. In addition, there are 42 mines left in the non-government controlled areas of the oblast. A certain share of enterprises in such industries as the coal industry, construction materials production, and food and light industry remained in the territory controlled by the Ukrainian government. However, they have suffered significantly from the loss of the export market, so many of them are in crisis and have limited ability to pay wages to employees. The wage bill has not increased at operating enterprises in the last few years, so the average salary in Luhansk oblast is much lower than, for example, in the neighbouring Donetsk oblast, which also suffers from the armed conflict.

The regional labour market is greatly affected by supply dominance over demand, and there is a significant imbalance between the professional qualifications of the registered unemployed and the requirements for vacancies. As a result, a significant number of the working age population sought employment opportunities in other oblasts and neighbouring countries. Luhansk Oblast Employment Service is smaller than the average-sized Oblast Employment Service in Ukraine (about 510 employees in 2019). The total number of SES staff in Luhansk oblast in 2019 was 434 employees.

**Like the rest of Ukraine, Zaporizhzhia oblast has experienced a difficult political and economic situation over the past five years, accompanied by a decline in entrepreneurial activity.** The largest employers in the oblast are market-forming enterprises such as the Zaporizhzhia Iron Ore Plant, Motor Sich, Zaporizhstal, Dneprospetsstal, Dniproenergo, and others. At the same time, smaller enterprises, especially in light industry, remained highly dependent on export markets, and therefore they did not carry out significant staff expansion.

For some districts in the oblast, especially located in the south of the region, the seasonality of the labour market is typical, caused by a significant share of enterprises in such industries as tourism, agriculture, etc. This leads to the regular release of employees of such enterprises for the winter period. Therefore, accordingly, in some employment centres of Zaporizhzhia Oblast such seasonal unemployment makes up a significant share.

In addition, Zaporizhzhia Employment Service had great difficulties in communicating and interacting with employers, who not only do not take the initiative, but were often unwilling to cooperate with the employment service at all. Over the last few years, this situa-
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OVERVIEW OF THE CURRENT STRATEGY OF SES FUNCTIONING AND RECOMMENDATIONS FOR ITS IMPROVEMENT

To implement new approaches in the work of SES, in 2019 the State Employment Service presented its Development Strategy for 2019-2022. The prerequisites for the development of this strategy were the existing challenges in the Ukrainian labour market, such as high unemployment, shortage of workers with the knowledge and skills required by employers, shift of the labour market towards more mobile and flexible types of work, digitalization of processes, etc. At the same time, the strategy considered current challenges which SES faces: low level of use of employment services, low average wages in vacancies, difficulties in interacting with employers, and so on. As the listed challenges in the labour market and the functioning of SES have been relevant to Ukraine for a long time, the previous strategy of SES development (for 2016-2020) was based on virtually the same preconditions. Both strategies aimed at improving the quality of services, applying an individual approach to service provision, and rational use of financial resources. However, the main difference between the two strategies is the tools for their implementation.

The SES strategy for 2019–2022 envisages that the unemployed and employers will be able to receive services that are tailored to their needs. Thus, considerable emphasis is placed on increasing the level of customer orientation of the Employment Service. This is reflected in the consolidation of efforts to help the unemployed in a more effective search for legal work and in improving the effectiveness of the interaction of the employment service with employers. Based on this, the main elements of the SES strategy for 2019–2022 were outlined.

SES plans to achieve its goals through the development of institutional capacity. Thus, in 2019, the positions of career counsellor and employer consultant were introduced in SES. A career counsellor provides services to job seekers, applies an individual approach, and considers the specific knowledge, skills, and needs of each person to find employment as soon as possible. In addition, it is planned to introduce the position of specialized career counsellor, who will work with psychologically sensitive clients. An employer consultant provides services to employers with consideration for the individual needs of the employer, the specifics of the local economic situation, and the labour market. Special emphasis will be placed on servicing large enterprises. Accordingly, employer consultants who will serve such enterprises should specialize in the specifics of the economy in which each such enterprise operates.

A special role in the SES strategy for 2019–2022 is given to the digitalization of SES services, which is implemented through the introduction of e-services for the unemployed and for employers. For example, in 2019, SES planned to install a chatbot for the initial consultation of unemployed individuals. Some employment centres have succeeded in this direction and already have functioning chatbots on Telegram (for example, Donetsk Oblast Employment Centre — @DonOczBot, Luhansk Oblast Employment Centre — @locz_bot, and Zaporizhzhia Oblast Employment Centre — @centrzocz_bot). Additionally, some employment centres have their own information channels on Telegram (for example, Mariupol City Employment Centre — @rekruting_mariupol, Volnovakha Raion Employment Centre — @volnovahc, and Izmail City Employment Centre — @izmaliz).

In addition, in 2019, the functions of the electronic accounts of the unemployed and the employer introduced in 2018 as part of the previous strategy for SES development were expanded. An unemployed person in his/her e-account can now create their
own resume, select a job, get information about temporary employment, get information on unemployment benefits, etc. In turn, the employer can now submit reports in various forms in its own e-account, receive services for compensation of a single contribution to compulsory state social insurance, review the status of vacancies, review the number of referrals by the employment centre, select employees by reviewing resumes, etc.

However, the SES Strategy for 2019–2022 can be improved by revising and updating certain elements of it. In particular, the current SES strategy places a strong emphasis on the provision of services to the unemployed, while the services provided to employers are rather limited and often involve bureaucratic processes. It is recommended to review the list of new e-services that are planned to be introduced in 2020–2022 in favour of services for employers. A special role in the strategy should be given to the development of the relationship between SES and employers.

In addition to analysing the situation and challenges in the SES Development Strategy for 2019–2022, it is recommended to review and outline more clearly the activities of SES to achieve its mission and objectives. To conduct an interim and final evaluation of the effectiveness and efficiency of the strategy, it is necessary to determine clear indicators of the success of the achieved goals.

Moreover, it is recommended to add goals related to customer focus and the use of an individual approach to service delivery (for example, the use of an individual customer service model, taking into account the special needs of the unemployed by case managers, etc.). Separately, it is necessary to define goals aimed at improving the quality of SES services and increasing the effectiveness of active labour market policy measures.

The SES Development Strategy for 2019–2022 pays due attention to the development of electronic services and the provision of SES services through various information channels. Therefore, within the planned SES communication strategy, it is recommended to further prepare a service delivery strategy through such channels.

In addition to the SES Development Strategy for 2019–2022, it is recommended to develop a long-term SES development strategy that would take into account the current and future situation in the labour market, as well as other factors that will affect SES in the coming years. In particular, an important factor is the development of new technologies that increase globalisation, digitalisation, and economic atomisation. These factors are relevant for many countries in the world (especially developed) and over time will become extremely relevant for Ukraine. As technological change and globalization develop, the key challenge will be to help people affected by global trends adapt to the current situation. Accordingly, SES should not only inform the public about such global trends in a timely manner, but also help them to take advantage of new labour market opportunities.

In addition, many countries are constantly developing new forms of work and non-standard employment (for example, working on an online platform), which is very difficult to classify under current legislation. This necessitates a review of labour market regulation to ensure the protection of vulnerable workers, reassess their capabilities, and reduce risks for workers.

Another global trend is job polarization, i.e., a significant reduction in the share of jobs for middle-skilled workers relative to the number of jobs for low- and high-skilled workers. In most countries, the decline in the number of jobs for middle-skilled workers is offset by an increase in the number of jobs that require higher-skilled workers. Accordingly, the Employment Service must be prepared for the ever-increasing demand for highly qualified workers.

In general, the SES Development Strategy should consider the expected national challenges and new ones based on global trends, as well as offer realistic mechanisms for solving them.

### CHALLENGES OF SES FUNCTIONING AND DEVELOPMENT AND RECOMMENDATIONS FOR ITS SOLUTION

The current stage of socio-economic development of Ukraine necessitates significant improvement in the performance of SES, as it is the most important institution that regulates the labour market. To increase the efficiency of labour market management, it is necessary to revise the principles and reorient the activities of SES, improve employment promotion, improve the quality of services provided by SES, meet the needs of the unemployed, and achieve the maximum impact on unemployment. It is also necessary to take measures to ensure the further development of SES, using the experience of EU countries. In particular, it is necessary to carry out structural reforms, improve the system of planning and management of SES, improve the quality of services provided by SES to its clients, increase the efficiency of SES activities, and modernize its functioning.
Also, SES must work more carefully with innovations. There is no clear and transparent process for innovation implementation in the Ukrainian SES, which would otherwise allow planning the budget and monitoring the effectiveness of these innovations. All SES in the EU use an evidence-based approach to any change. The research and development of tools for this approach is the foundation for effective and relevant innovation, as it makes it possible to improve the design of SES services and activities, take into account the client’s opinion, and properly allocate the SES budget.

In general, aiming to build the capacity of the State Employment Service at the national, regional, and local levels, it is recommended to start in the following areas:

- development of a SES strategy that would include a long-term SES development strategy (for example, for 10 years), a communication strategy, a detailed plan for the implementation of a short-term development strategy, and a system for monitoring and evaluating SES activities;
- ensuring the professional development of staff through trainings and study tours;
- development of documentation with a detailed description of internal processes;
- contribution to the discussion on improving the methodology for long-term labour market forecasting.

A detailed list of initiatives and recommendations is provided in the full version of the report.
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