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EXECUTIVE SUMMARY

COMPREHENSIVE ANALYSIS OF THE REGIONAL LABOUR MARKET IN LUHANSK OBLAST

Photo: UNDP / Oleksii Ushakov

The analytical research “Comprehensive analysis of the regional labour market in Luhansk 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 this research is to analyse the current trends and forecast the labour market in Luhansk Oblast, as well as to analyse 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 services for employers and job seekers on the labour market.

I. RESEARCH OBJECTIVES:

- 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.
- Make labour market forecasts in the context of local labour markets of Luhansk Oblast for the maximum possible term.
- Conduct a qualitative study of employers' assessments of barriers to and opportunities for job creation, the needs for skilled personnel, and interactions with Vocational Institutions.
- Conduct a qualitative study of experts' assessments of employment issues regarding any opportunities for the development of the labour market, barriers to and opportunities for increasing the effectiveness of employment promotion services.
- Analyse the labour market of Luhansk Oblast on the basis of Employment Centres' data.
- Analyse employment Centre performance indicators.
- Draw up recommendations for improving the efficiency of Employment Centres' work, and their interactions with Vocational Institutions.

II. RESEARCH METHODOLOGY

Labor market forecasting was done according to the methodological approaches of S.V.Melnyk, based on the Beveridge curves methodology.

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The demand for skilled staff is calculated for both **formal and full labour markets**, based on 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) jobs and their 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 have been 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 (Labour Ratio) 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 2.5-3 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 empirically-generated scales 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 below 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 % of 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 growing and dropping 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 % of 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.

The methods of statistical analysis have been used to analyse labour market trends and to evaluate the Employment Service's performance.

The employer survey used a questionnaire and was carried out by experts from Luhansk Oblast and Local Employment Centres to obtain estimates of future demand for workers, to support the employment of graduates of educational institutions, and to cooperate with educational institutions. For a more thorough assessment of the economic situation of the companies, their challenges with staffing policy, and their development opportunities, in-depth interviews were conducted directly at the companies. Online and telephone interviews with Employment Centre staff were used to obtain expert assessments of the labour market and opportunities for improving the performance of the Employment Service. A more detailed description of the survey methods is presented in the main text of the study.

III. RESEARCH CONSTRAINTS

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 Luhansk Oblast's districts. Luhansk Oblast 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 the non-government-controlled 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.

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

The time and resource constraints of the research, as well as difficulty in 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.

It was impossible to obtain market assessments from non-government agencies that provide employment services. In response to a request, as well as during consultations, experts from the Oblast EC noted that such agencies do not operate in the oblast.

IV. PRIMARY RESEARCH RESULTS

1. LUHANSK OBLAST LABOUR MARKET REVIEW

According to the data provided by the State Statistics Service, the number of economically active persons in Luhansk Oblast was 351,400 in 2018. As shown in Figures 1 and 2, the employed population numbered 298,200 or 56.9%, the unemployed accounted for 53,200 persons or 15.1%. The unemployment rate is almost double the average rate for Ukraine (8.8%) and is evidence of an acute unemployment problem.

It should be emphasized that in comparison to 2017, the number of the employed population grew slightly, from 292,100 in 2017 to 298,200 in 2018, or 2.2% (Figure 1).

The unemployment rate dropped from 58,300 in 2017 to 53,200, or by 1.5% (Figure 2).

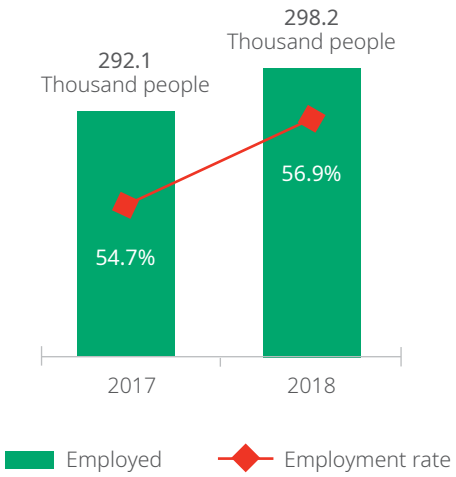

Figure 1. Employed population and employment rate

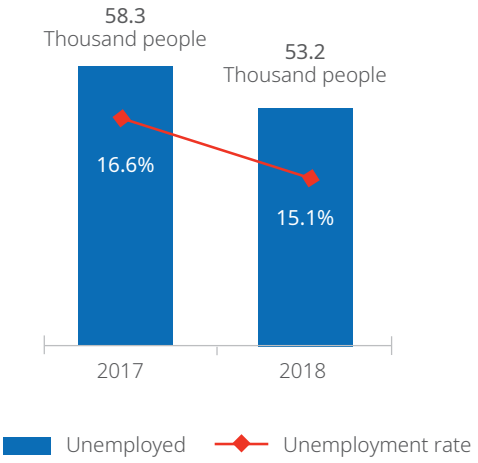

Figure 2. Unemployed population and unemployment rate (according to ILO methodology)

In 2018, the number of persons with unemployment status was 25,079, of which 8,354 were young people under the age of 35, or 33%. As shown in Figure 3, over a five-year period, unemployment saw a positive trend towards a reduction. From 2014 to 2019, the number of unemployed dropped by almost 27%.

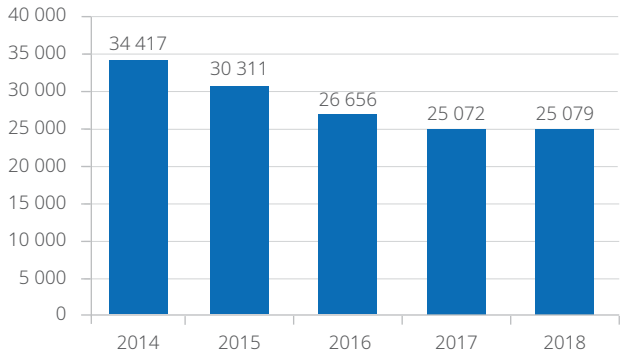

Figure 3. Number of persons with status of unemployed in Luhansk Oblast from January–December in 2014–2018

Over the past five years, the number of unemployed young people has dropped by 1.7 times (see Figures 4 and 5).

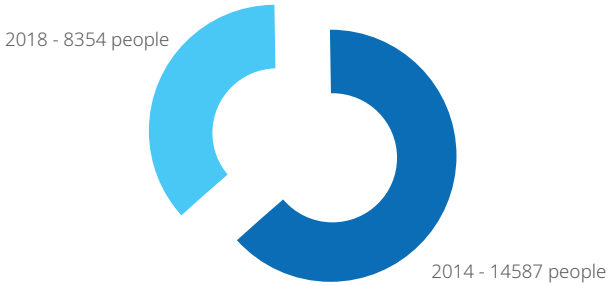

Figure 4. Number of unemployed young people dropped in 2018 compared to 2014

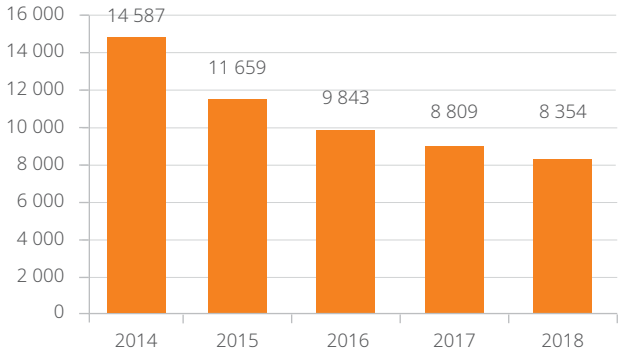

Figure 5. Number of persons under the age of 35 who were unemployed in Luhansk Oblast from January–December in 2014, 2015, 2016, 2017, 2018

The average unemployment benefit was UAH **2,771.60** in 2018 and grew by **43%** from December 2014 to December 2018 (see Figure 6). The average wage amounted to UAH 7,245 UAH in 2018. Accordingly, the unemployment benefit is 38% of the average salary in Luhansk Oblast. This amount can be considered as contributing to the reduction in the motivation of the unemployed to obtain formal employment. Employment Centre experts and employers who were interviewed said that there was a noticeable negative impact from the high unemployment benefit on the motivation to work.

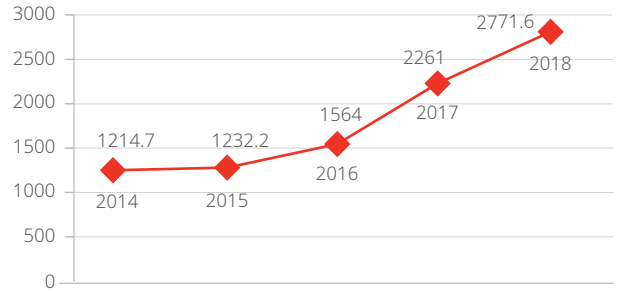

Figure 6. Average unemployment benefit in Luhansk Oblast in 2014, 2015, 2016, 2017, 2018

Another acute challenge is the unemployment of people with vocational training, despite the fact that employers in Luhansk Oblast demonstrate demand predominantly for manual labour jobs (see Figure 7).

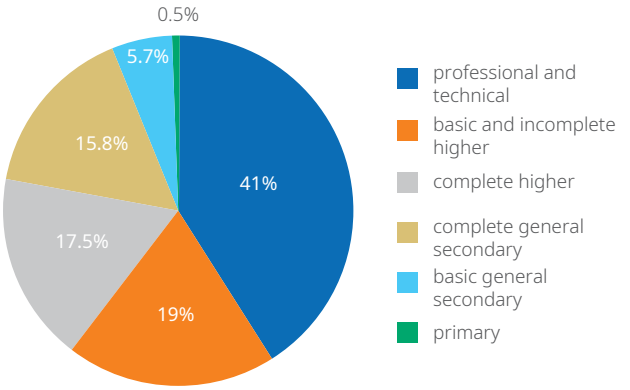

Figure 7. Disaggregation of registered unemployed persons by education level in 2018

In terms of *economic activity*, agricultural companies dominated the field as the former employers of the registered unemployed (see Figure 8).

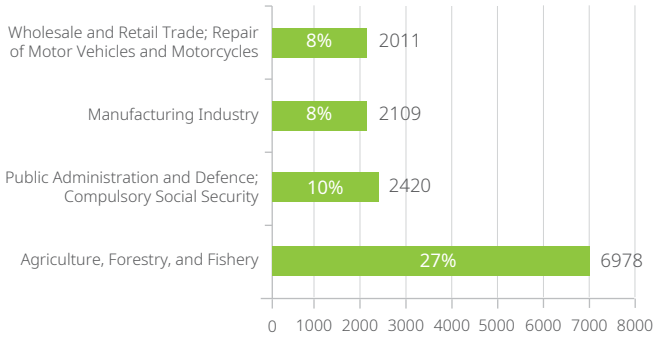

Figure 8. Companies of Luhansk Oblast by economic activity in which currently unemployed people previously worked

A total of 3,306 employers in Luhansk Oblast cooperated with the Employment Centres in 2018. After dropping in 2015, the number of employers has grown steadily, and the growth represents a 41% increase on 2015.

In 2018, employers provided information on **20,029 vacancies** with an average salary of UAH 4,191. The positive growth trend in the number of vacancies resumed in 2016, and the growth amounted to **35%** before 2019. It is worth noting that the proposed wage in the vacancies exceeds the average unemployment benefit by UAH 1,420, or by 1.5 times. The wages in vacancies are also lower than the average salary in Luhansk Oblast by UAH 3,000 or by almost half the average wage, confirming the acuteness of the problem of low motivation among the unemployed to obtain formal employment, as well as the difficulties in filling vacancies.

In 2018, most vacancies were opened by companies in agriculture and the processing industry (see Figure 9).

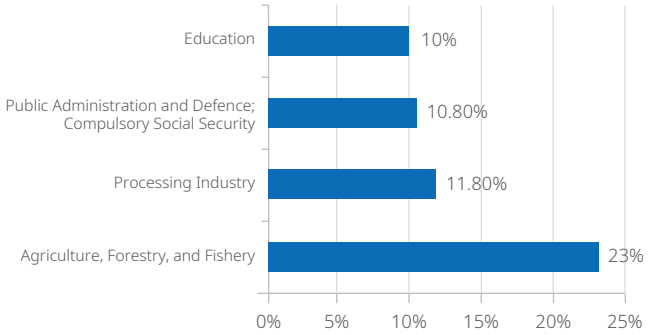

Figure 9. Vacancies by type of economic activity in 2018

The following occupations are mostly in demand in Luhansk Oblast: vehicle driver, tractor driver for agricultural (forestry) farms, maintenance workers, food and non-food salesperson, boiler operator, cook, maintenance technician, social worker, and mineworker.

2. LUHANSK OBLAST LABOUR MARKET FORECAST

According to the labour market forecasting exercise, the annual labour demands in 2019, 2020, and 2021 in Luhansk Oblast will be **13,457 workers** for **314 occupations**.

The summary data on the most in-demand occupations in Luhansk Oblast identifies **13 occupations**, the annual demand for which exceeds 200 persons. The highest demand (almost 2,000 employees) is for ***tractor operator for agricultural (forestry) farms***. It should be noted that according to the survey of employers (Section 3), the candidate is expected to have additional skills and the ability to work with modern tractor technology, specifically Case and New Holland tractors. ***Motor vehicle drivers*** are similarly in high demand.

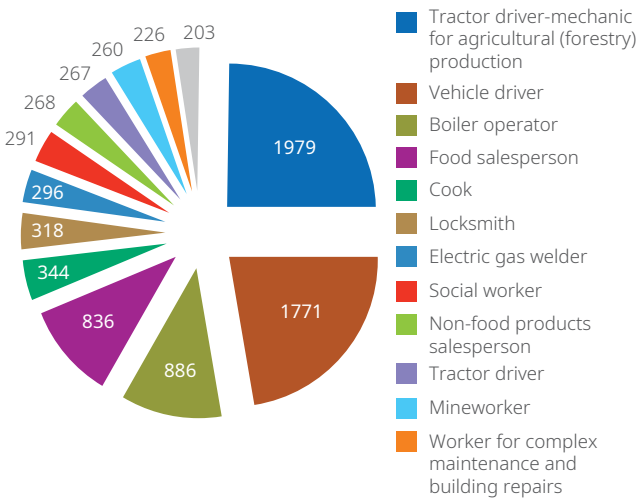

Figure 10. Most in-demand occupations in Luhansk Oblast in 2019, 2020, and 2021

For more detailed information on demand and forecasts of the number of employees by occupation, see **Table D-3.1.**

The annual demand in the cities of Severodonetsk, Lysychansk, Rubizhne is forecast to be the highest among the 16 largest local labour markets (see Figure 11):

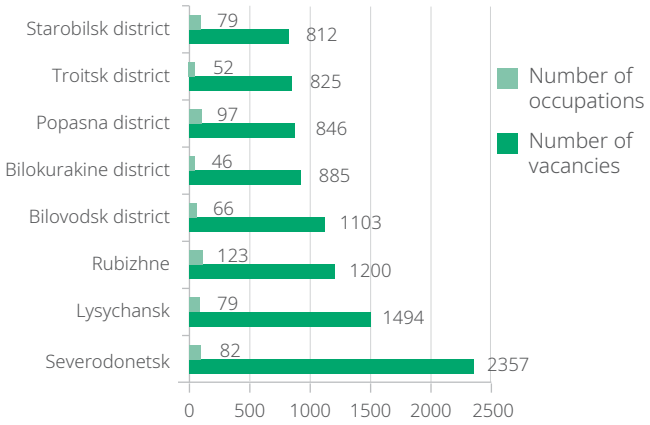

Figure 11. Annual demand in labour markets by the number of vacancies and occupations

It is worth noting the groups of occupations least in demand. It is necessary to cut training for them in 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.

For example, in Group 1, there are 60 occupations the demand for which is forecasted as 1 person per year, or 0.4% of all occupations. Group 2 includes 44 occupations, or 0.3%. Examples of these occupations are listed in Inset 2.

Inset 2. Examples of occupations that will be in the lowest demand

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

- Acid concentrator
- Asphalt and concrete stationary mixer operator
- Asphalt density technician
- Automatic and semiautomatic machine setter
- Barista
- Battery technician
- Cable solderer
- Cashier for commodities (freight)
- Chemical and bacterial lab analyst
- Chimney, fire bar, and furnace cleaner
- Control panel operator
- Conveyor and flow line machine operator
- Corn puff manufacturer
- Costume designer
- Diver
- Extraction technician
- Fermentation process technician
- Firefighter
- Food processor operator (processing of fruits, vegetables, oilseeds, and nuts)
- Food production line operator (bakery and confectionery production)
- Formwork machine operator
- Formworker for reinforced concrete products and structures
- Hammer, press and manipulator operator
- Hoist machine operator
- Horse trainer
- Individual driving instructor
- Layout operator
- Line work manager
- Local telephone operator
- Locomotive operator
- Machine and automatic line setter for production of plastic items
- Manicurist
- Metal and plastic structures assembler
- Metal cutter on scissors and presses
- Offset flat type printing technician
- Oil mill technician
- Operations cashier
- Operator of technological installations
- Overhead power line maintenance technician
- Paper machine dryer
- Parts and materials purchaser for jewellery and art products
- Passport department technician
- Pig farm and mechanized farm operator
- Plastic masses granulation machine operator
- Plastic product assembler
- Product and process quality controller (chemical production)
- Production furnace operator (stoker)
- Production site operator
- Sanitary engineering systems and equipment assembler
- Seismic forecast operator
- Slot machine, amusement rides, and shooting range attendant
- Sour milk and baby dairy product production operator
- Steel and reinforced concrete structures rigger
- String winder
- Tailor
- Teller (bank)
- Tile worker
- Tool technician
- Washing installation operator
- Welding and plasma cutting equipment setter

Group 2 (10–20 persons)

- Archivist
- Athletics coach (sports schools, sections, etc.).
- Boiler plant operator
- Carpenter
- Carrier (rigging work)
- Carrier (servicing of mechanisms)
- Cash register operator
- Cleaning machine operator
- Computer-controlled machine operator
- Concrete worker
- Conveyor operator
- Dispatcher
- Distribution network operation technician
- Dry plant operator
- Electric equipment maintenance technician
- Electronic equipment and device assembler
- Fire lookout
- Fitter
- Forwarder
- Gas station operator
- Grain processing technician
- Guard
- Heating network maintenance technician
- Horse breeder
- Hotel housekeeper
- HR inspector
- Knitter
- Landscaper
- Mason
- Mechanic
- Medical registration clerk
- Milker
- Mixer operator
- Operator of installations for manufacturing fiberglass structures
- Postman
- Press operator (cold stamping)
- Printing and cutting machine operator
- Process installation maintenance technician
- Production training master
- Rail track maintenance technician
- Specialist
- Torch operator
- Underground gas pipeline maintenance technician
- Woodworker on woodworking machines

It is important to emphasize the local labour markets where the demand for certain occupations is rather low. This refers to occupations where demand will not exceed 20 persons per year. The following are local labour markets with the percentage of occupations where annual demand does not exceed 20, as well as the number of such occupations. Appendix 3 includes the complete list of occupations. The largest share of low-demand jobs is forecasted in the following cities and districts (in two groups together, as a percentage of the total number of occupations):

- Kreminna district – 92%, or 68 occupations;
- Starobilsk district – 91%, or 72 occupations;
- Svatove district – 89%, or 52 occupations;
- Rubizhne city – 88%, or 109 occupations;
- Popasna district – 88%, or 86 occupations.

The largest share of occupations in Group 1 (10 or fewer people per city/region) is forecasted in the following districts:

- Kreminna district – 84%, or 62 occupations;
- Svatove district – 84%, or 49 occupations;
- Starobilsk district – 80%, or 63 occupations;
- Stanychno-Luhansk district – 78%, or 29 occupations;
- Milove district – 78%, or 22 occupations.

In planning vocational and vocational/technical education, these areas should be taken into account as the most difficult to meet the recruitment needs for most of the in-demand occupations.

More detailed information about the forecasts is given in Section I.

3. ASSESSMENT OF ACTIVITIES AND NEEDS OF THE EMPLOYMENT CENTRES OF LUHANSK OBLAST

In order to assess the performance and needs of the ECs of Luhansk Oblast, (1) the quantitative performance indicators of EC services have been analysed; (2) Four specialists from Luhansk Oblast ECs and 11 district and city EC directors were interviewed.

The performance review of Luhansk Oblast ECs shows there have been significant achievements and progress made since 2016.

The number of employed persons who used EC services from 2015 to 2019 grew by **30%**. **17,944 people** in Luhansk Oblast who applied to the EC in 2018 found employment.

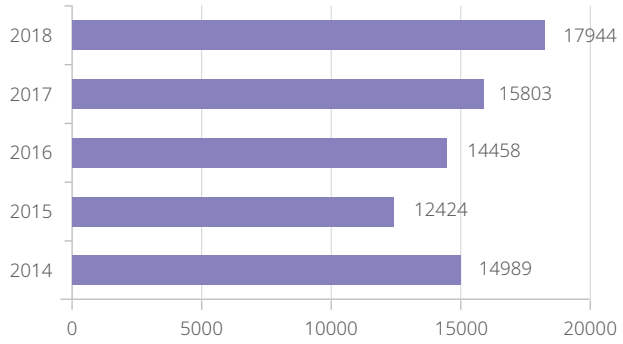

Figure 12. Number of people employed through ECs in Luhansk Oblast (including before gaining unemployed status, independently and by concluding civil agreements)

A total of **7,339 persons** were employed before *acquiring unemployment status* in 2018, which is **40%** of the total number of employed. The indicator's dynamic from 2015 shows steady growth of **45%** (see Figure 13).

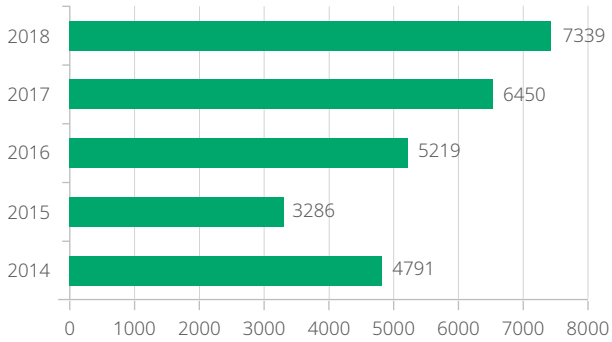

Figure 13. Number of people employed through ECs in Luhansk Oblas before obtaining unemployed status (including independently and by concluding civil agreements)

602 unemployed persons were recruited for new jobs with the help of the tool for compensating employers for the cost of the Single Social Contribution (SCC) when employing the unemployed in 2018. Since 2016 this figure has grown rapidly, from 218 people to 602 people, or by almost three times (see Figure 14).

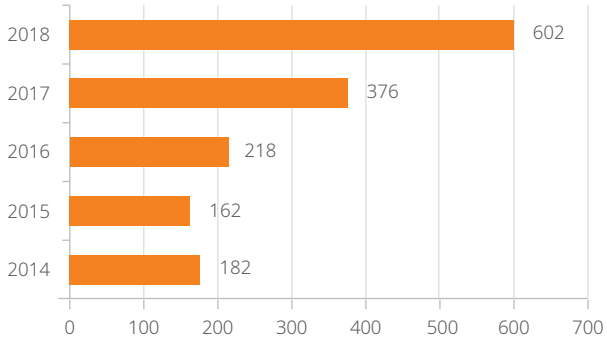

Figure 14. Number of unemployed persons recruited for new jobs with compensation given to employers for SCC expenses

The number of *unemployed persons who received occupational training* in 2016 increased annually and reached 3,958 in 2018 (see Figure 15), which is 35% growth compared to 2015.

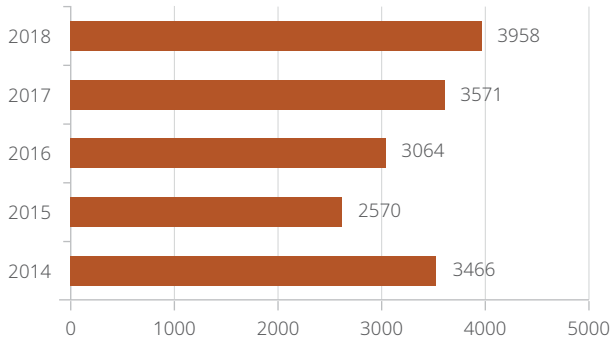

Figure 15. Number of unemployed persons in Luhansk Oblast who received vocational training

One of the indicators of the vocational training's performance *is the employment rate of unemployed persons* who received training. This was **3,610 persons**, or **91%** (see Figure 16) in Luhansk Oblast in 2018.

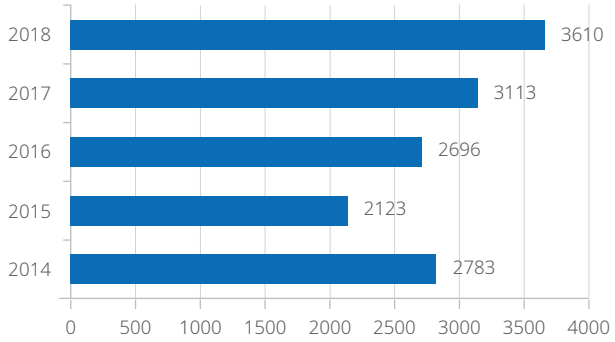

Figure 16. Number of unemployed persons who were employed after completing vocational training in Luhansk Oblast

A total of **114,932 persons** were covered by *career guidance services* in 2018, of which 24,703 or 21% were persons with unemployment status, and 42,662 persons, or 37%, studying at educational institutions,. Thus, vocational guidance focuses mainly on children and young people who are students. Among those with unemployment status, the share of young people under the age of 35 was 33%, and internally displaced persons (IDPs) accounted for 1.3%.

Service coverage over these five years was unstable. A significant drop in coverage occurred in 2016, when it fell nearly 14% year-on-year. Significant growth of 35% (see Figure 17) occurred later, from 2017 to 2018.

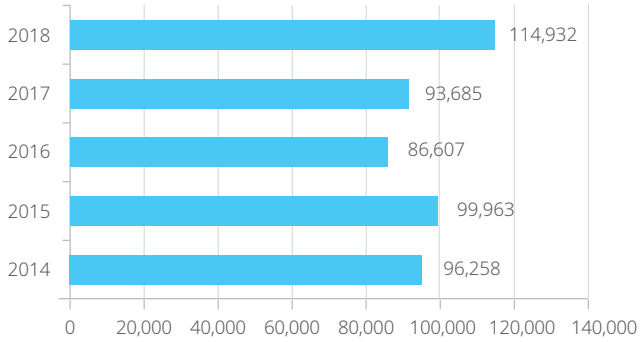

Figure 17. Number of persons covered by occupational guidance services in Luhansk Oblast

A total of 7,045 persons were covered by *public and other temporary work* in 2018, of which 1,667 persons, or 23%, were young people under the age of 35, while 121 persons were IDPs. The extent of coverage steadily increased, from 3,672 in 2014 to 7,045 in 2018, or by two times (see Figure 18).

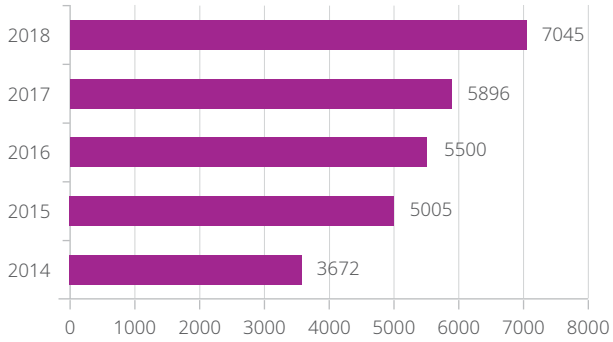

Figure 18. Number of persons in Luhansk Oblast who participated in public and other temporary work

A survey of Employment Centres was conducted in order to obtain expert assessments of labour market trends, implemented changes and innovations at the Employment Centres, as well as the requirements for supporting the further organizational development of the ECs.

Four respondents were interviewed at the oblast EC, in particular, management (deputy director) and staff in charge of basic employment services: Employment Department, Recruitment and Career Guidance Department. Eleven respondents were interviewed at local ECs. There were thus a total of 15 respondents.

The interviewed staff noted a number of challenges with the development of the economy and the labour market of Luhansk Oblast. As a result of the armed conflict, the economy and labour market in Luhansk Oblast has radically changed. The deterioration of the economic situation of large companies reduces their role as large employers and restricts employment opportunities for workers, primarily in the chemical industry. For most districts of Luhansk Oblast, the agricultural sector has become a priority in government-controlled areas.

The typical phenomena in the labour market have been the outflow of young people and skilled workers and the aging of the workforce. Of particular concern is uncontrolled labour migration. Employers cannot offer competitive wages, forcing qualified people and other employees to look for work in other regions or abroad. Another acute problem is "shadow" employment, which, according to specialists of the National Bank of Ukraine, could account for up to 75% of the able-bodied population of the region.

The most promising areas for employment are agriculture, services, trade, healthcare, construction, in which small businesses usually prevail and opportunities for creating a large number of jobs are quite limited.

Changes in the labour market require the oblast EC to be particularly active in establishing connections with employers. The Coordination Committee for Employment Promotion has been established to enhance useful collaboration and dialogue with employers, to provide advisory services, and to ensure employers are actively informed about new business opportunities, as well as to satisfy the demand for a skilled workforce. Recruiting services tailored to the individual needs of employers are in constant demand. The Employment Service can offer registered unemployed persons, as well as candidates who do not intend to obtain unemployed status, to fill the vacancies. At the same time, employers are offered modern employment services, which significantly reduce the time spent on recruitment. As such, job seekers can submit a video CV and be interviewed via a Skype conference format.

A client-centric approach has also been actively implemented in the services sector for the unemployed. Profiling and creating an individual employment plan makes it possible to offer employment promotion services that best suit the needs of employers.

Any further effective work of the EC requires the finding of solutions to a number of significant challenges. The top priority is the problem of low motivation among unemployed persons to work and participate in active employment promotion programs. To address this, EC staff should be trained on motivating the unemployed to work. It is necessary to increase the qualification of recruiting specialists and to optimize the workload in view of the increasing demand for this service.

The issue of providing timely and good-quality vocational education, training, and retraining to the unemployed is acute in Luhansk Oblast. The vocational education system, the expansion of adult learning opportunities in the Vocational Education system, in particular with regard to targeting the needs of employers in the faster and timely preparation of in-demand workers, needs reform. ECs need support with forecasting the labour market and the demand for skilled personnel, without which it is impossible to develop a regional training regime that meets the expectations of employers.

The introduction of innovations and the testing of new methods of work requires a balanced system for monitoring and evaluating the effectiveness and quality of services. The current legislation does not include a balanced system of appropriate evaluation criteria and indicators. The leadership of the Luhansk EC independently creates requirements for accounting and performance evaluation, and most of its approaches are quite productive. At the same time, there are issues with logistics and adequate staffing for promising services, which testifies to the lack of consideration in planning the resource and budget support indicators. It is also rather difficult to determine the performance and impact indicators for occupational guidance. It is necessary to clearly define approaches to assess the adequacy of the formation of recruitment measures and services by profile client groups, and define quantitative and qualitative indicators to track the effectiveness of the implementation of individual employment programs. In planning the activities of the district ECs in the distribution of workload, logistical, and personnel support in particular, the specifics of activities and working with clients in remote rural communities should be considered.

The interviews with district and city EC managers showed that it is difficult to locate promising areas of the economy where jobs can be created at the local level. The largest sectors in which a steady demand for labour exists are as follows: agriculture, processing and the food industry, services and trade, education, healthcare, and social welfare. Accordingly, the occupations most in demand were the following:

- Tractor driver;
- Driver;
- Food salesperson;
- Accountant;
- Cook;
- Doctor (of various specializations).

The implementation of innovative methods of work at the level of district and city ECs has been quite successful. Customer profiling, recruiting, and the use of the Internet to set up communications between unemployed persons and employers have already significantly influenced the ECs' performance.

The following are often referred to as being among the logistical needs of local ECs (branches): the acquisition of mobile computer technology (laptops), high-speed Internet access, upgrading motor transportation, and facility renovations.

Recommendations for improving the performance of Luhansk Oblast ECs

- Develop a balanced system of performance indicators and quality standards for activities and services, based on the standard model of services. The focus should be on ensuring the consistency of resources, business process and productivity of services, the satisfaction of

the needs of beneficiaries, and influencing the labour market and the economy of the community/district/oblast. Determine a unified approach to planning, including for the budget, monitoring, and the evaluation of the services of the EC, based on a balanced system of performance indicators;

- With the participation of EC staff, develop and implement service quality standards that will ensure that the needs, interests and legal rights of service recipients are taken into account, given the regional specifics and conditions of the armed conflict;

- Approve the methodology for forecasting the needs for skilled personnel at the district and city level, and create the necessary software for annual planning and the adjustment of forecasts;

- Introduce a training program to teach the psychological skills of communication and motivating unemployed persons to gain employment, by studying the best practices of recruiting.

4. EMPLOYER SURVEY FINDINGS

Key survey questions:

- Identification of vacancies that are currently open and most in-demand;
- Identification of future needs for skilled labour;
- Collaboration with ECs and vocational schools;
- Employment for graduates of vocational schools.

The conclusions presented below have been made according to the results of a survey of 128 employers in nine districts of Luhansk Oblast.

The vast majority of employers are trying to maintain the current levels of business and employment at their companies. About 10% are considering the possibility of expanding their business and about 5% are thinking about increasing the number of their employees. The conclusion requires the implementation of large-scale programs supporting the development of entrepreneurship in Luhansk Oblast to stimulate the demand for skilled personnel.

Most employers (about 60%) have a shortage of staff, while others solve the problem of staff shortages with their own workplace education. At the same time, the respondents gave practically no indication in the questionnaires about training at their enterprises.

The following are the most *in-demand occupations* among employers of Luhansk Oblast in 2019:

- Motor vehicle driver;
- Tractor operator;
- Electric/gas welder;
- Accountant;
- Doctor (over 10 specializations);
- Maintenance technician.

About 50% of respondents are undecided about their *future plans for opening vacancies in the medium term*. The future needs are determined with most confidence by employers of the public sector. The most in-demand occupations in the period from 2020 to 2025 are as follows:

- Doctor (12 specializations);
- Tractor operator;
- Electric/gas welder;
- Accountant;
- Teacher (speech therapist, math teacher, nursery teacher, etc.);
- Maintenance worker;
- Food salesperson.

The interviewed employers prefer the following ways of solving staffing shortage issues (in order of priority):

- Increasing the quality of training by educational institutions through the use of modern equipment and technologies;

- Expanding the system of personnel workplace education through mentoring; creating/ increasing the efficiency of educational and industrial schools;

- Improving cooperation between employers and educational institutions on preparing vocational-oriented educational programs;

- Recognizing non-formal training, creating a network of centres outside of educational institutions for independent assessment and awarding occupational qualifications;

- Providing advanced training to teachers;

- Introducing (where possible) a dual form of education;

- Providing housing for workers.

The proposed paths relate mainly to areas of vocational education and training, but the results of the survey showed that the vast majority of employers (70% on average) did not cooperate with educational institutions. The best levels of cooperation with educational institutions are seen in industrial cities.

Most of the interviewed employers employ practically no graduates of educational institutions, assessing deficiencies in their level of training as follows (in order of priority):

- Lack of practical skills;
- No initiative, poor communication skills;
- Low motivation for career growth/workplace education.

The **in-depth interviews** were conducted with 11 employers in order to obtain their views on the business development outlook and the personnel policies of companies.

Most of the respondents feel negative about their economic situation, despite the fact that their activity and economic performance has been on the rise since late 2016. Entrepreneurs associate the main risks to the recovery of their businesses with rising prices for energy, fuel and lubricants, shortages of skilled personnel, limited access to financing, a lack of quality roads, the remoteness of the region from the main product markets, and the near-complete absence of a processing sector in the region. With the exception of businesses in the trade sector, entrepreneurs are in dire need of attracting investment resources and grant support to maintain and sustain their businesses.

The issue of the shortage of personnel is acute for all surveyed employers. Among the causes of the deficit are migration, the aging of personnel, and the low quality of vocational education. To address the shortage of personnel, employers organize workplace education or invest in measures to improve their employees' skills. Respondents have a negative experience with vocational schools and complained of the extremely poor quality of training, resulting in the refusal of trainees to work at the enterprise.

Occupations for which employers have identified specific requirements:

- *Tractor operator for agricultural (forestry) production*: the ability to work on modern tractor technology, in particular on Case and New Holland brand tractors;
- *Accountant:* with skills to monitor and adapt practically to the frequent and numerous changes in tax legislation.

RECOMMENDATIONS FOR ESTABLISHING COOPERATION BETWEEN EMPLOYERS AND VOCATIONAL INSTITUTIONS

The results of the survey of employers show an extremely low level of confidence in the Vocational Institutions and dissatisfaction with the duration of training and qualification levels of graduates. First of all, employers note the need for a radical upgrade of the learning infrastructure, training of instructors, curricula, and improving the qualifications of primary school graduates. Employers who cooperate with Vocational Institutions noted bureaucratic barriers to attracting students for internship programs ,and risks of giving interns access to modern and costly technology. Another factor that must be considered in the process of establishing effective cooperation with educational institutions is the experience of a significant part of employers in the organization of vocational workplace education.

Taking these factors into account, the following measures to improve the effectiveness of cooperation with Vocational Institutions are recommended:

- In developing a policy on dual education, there is a need to intensively study the experience of employers in organizing non-formal workplace education, in particular, to analyse costs, training methods, and risks. The results of this review, as well as the results of consultations with employers, should be presented in an individual analytical policy brief in a green- or white-paper format.
- It is advisable to use the new qualification policy more actively at the regional level. The curricula of Vocational Institutions should be based on occupational standards, the development process of which is already in place and which is quite intensive. Employers need to be informed about existing standards and involved in the development of new occupational standards and the relevant educational programs. Enhancing the confidence of employers will also help accelerate the process of establishing centres for assessing workers' qualifications, which will guarantee the employer a certain level of qualifications and reduce the losses of vocational training in the workplace.
- Within the framework of the regional program for the development of Vocational Training, it is expedient to envisage large-scale investments in upgrading the learning infrastructure of educational institutions. At a minimum, the investments should cover modern simulators and modern equipment, as well as training for teachers and mentors.