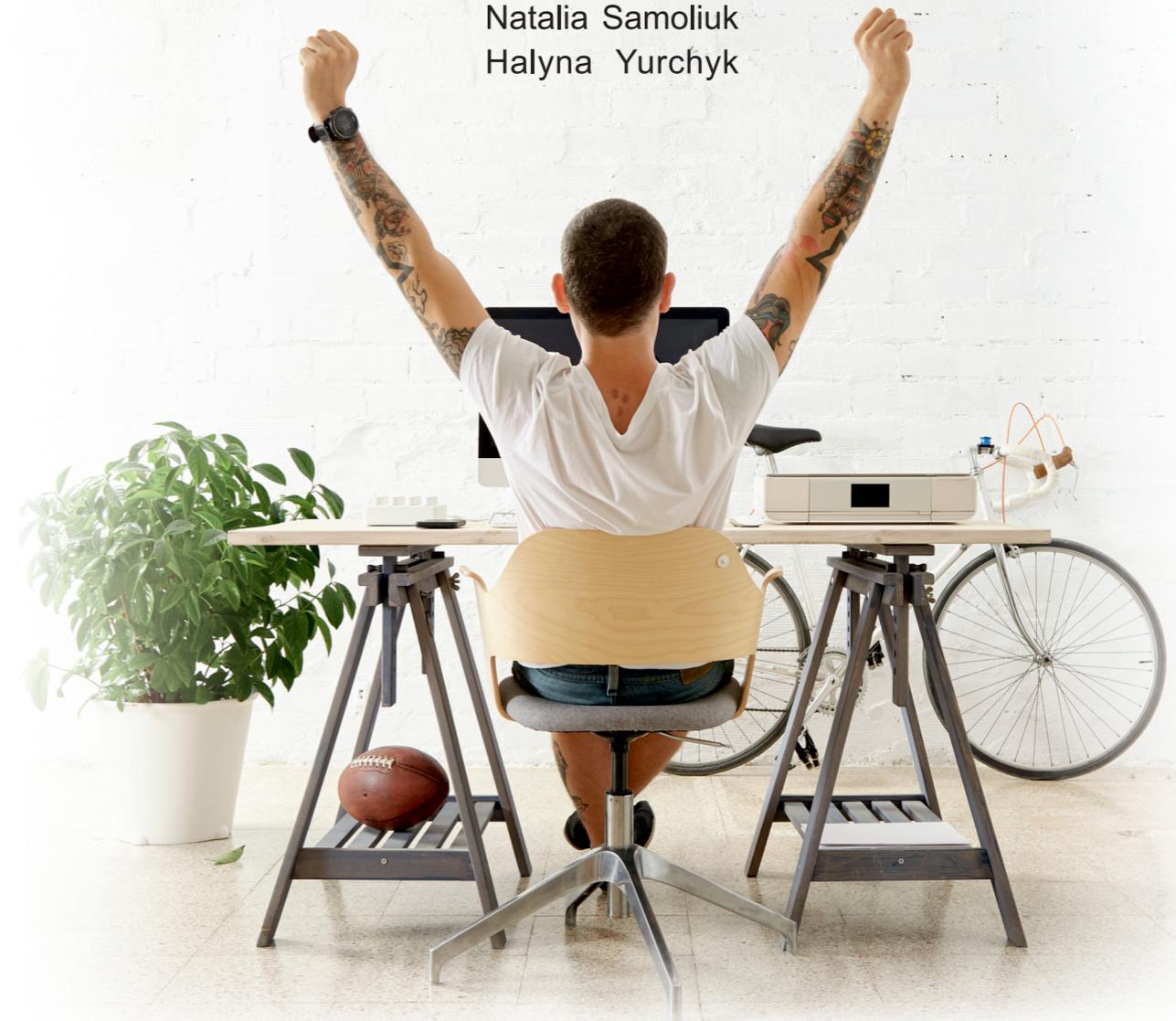


# DECENT WORK:

EVALUATION AND ENSURING  
IN HUMAN CAPITAL MANAGEMENT

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**DECENT WORK:  
EVALUATION AND ENSURING  
IN HUMAN CAPITAL MANAGEMENT**

**Monograph**

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The monograph is devoted to the problems of evaluating and ensuring decent work in human capital management. The methodological principles of the study of human capital management on the basis of the concept of decent work are highlighted; the main areas that need to be supplemented and in-depth study based on a combination of statistical analysis and subjective assessments are identified. The current state and problems of ensuring decent work at the enterprises Ukraine and their macroeconomic consequences are analysed. The monograph reveals the main shortcomings of human capital management in the field of compensation and remuneration policy, social protection, ensuring stable, legal employment, effective social dialogue, the right to equal treatment in social and labour relations. The analysis in the environment of formation and use of human capital allows getting a holistic view of the most pressing problems in providing decent work, the mechanism of economic losses due to imbalance of interests of social partners, as well as the ways to solve problems through social dialogue and mutual social responsibility at all levels.

For professionals in economics, social policy, business management and public administration, scientists, teachers and researchers, anyone interested in human capital management.

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## INTRODUCTION

Discomfort at work, the consequences of which are significant for the reproduction of human capital in general, is one of the urgent problems that need to be addressed not only in Ukraine. Risks in the field of labour in the context of long-term prospects for the reproduction of human capital have become one of the most discussed and analysed topics of the 21<sup>st</sup> century. Thus, the problems of ensuring human development in terms of reducing barriers to work have been the subject of UNDP analysis in the thematic report on human development in 2015 (UNDP, 2015a). Among the key risks to human development explored by the World Economic Forum, the risks associated with negative impacts on human resources have consistently been high on the list of global risks. In 2021, the report named several risks associated with the reproduction of human capital as the most likely and significant for humanity. Thus, clear and present dangers in the next two years are youth disillusionment and social cohesion erosion. Existential threats in the form of long-term risks (5-10-year perspective) lead to social security collapse (WEF, 2021b, p.11).

Numerous challenges in the field of labour relations are reflected by the fact that among the goals of sustainable development set by the UN until 2030 there is a separate Goal 8 “Decent work and economic growth” (UNDP, 2015b); and many other goals closely intersect with it, such as “No poverty”, “Gender Equality”, “Reducing Inequality”, “Peace, Justice, and Strong Institutions”, “Partnerships for the Goals”. These goals are interdependent, and progress in achieving them means solving a set of problems to ensure human dignity. Work, among other areas of human resource management, is the basis for ensuring personal well-being, well-being of families and of society as a whole. Thus, it is on the basis of respect for decent working conditions, equality, justice, freedom and respect for human rights that positive living conditions in the country, participation in social processes and an active position in achieving other goals of sustainable development are formed. This is a complex, socio-economic nature of

the results of human capital management on the basis of decent work: increasing economic results is impossible and impractical without ensuring human development, taking into account the needs of the population and forming a sense of dignity on this basis. This promotes involvement in social development through active participation, rather than passive contemplation of attempts to solve local and global problems. In Ukrainian society, the concept of dignity has always been very important; the human capital and their decent work form the subject of research in this monograph. Violations in this area have led to events that have entered the recent history of Ukraine, that can be exemplified by the Revolution of Dignity. Among the violations of human rights in Ukrainian society there are of course not only those important in the field of labour. Yet at a new stage of public, including economic transformations, the demand for change in Ukrainian society is high, and manifestations of inequality, abuse of power and violation of respect for labour rights are actively monitored by representatives of civil society.

Of course, the eradication of negative traditions and formation of a new culture of economic behaviour require time and considerable effort, among which the monitoring of violations is only a fragment of the necessary changes. At the same time, an objective assessment of the provision of decent work standards, analysis of the relationship of relevant efforts with the results of use and opportunities to reproduce qualitative human capital, are necessary to understand the causes and consequences of labour relations. On this basis, adequate levers of regulatory influence on the relations of owners of human and productive capital should be chosen in order to balance their interests and form relations of interaction and development, but not conflict and divergence of interests. Achieving this goal through adherence to decent work standards is theoretically one of the easiest ways to achieve sustainable development. At the same time, its practical provision is very difficult, but such a path should be the basis of civilized social policy at all levels of its formation in society.

Ensuring decent work, on the one hand, is a legal requirement in many respects, and on the other hand, it is directly in the interests of employers in

connection with the possibility of forming long-term positive trends in the participation of employees in economic relations. At the same time, the dominance of sometimes openly selfish motives for rapid enrichment leads to a misunderstanding of the prospects for the development of enterprises through the development of human capital. As a result, complex transformations of the labour market in Ukraine are accompanied by numerous manifestations of injustice in competition for jobs, lack of motivation or outright violations of labour rights of the already employed population, the shameful phenomenon of poverty of the working population. Under these conditions, the preservation and development of human capital is more the responsibility of the state and depends on its active policy in the labour market. The basis of such a policy is an objective assessment of the existing problems and the effectiveness of the relationship that determines the current and future opportunities for the reproduction of human capital, including through the maintenance of decent work standards.

With this in mind, the authors of this monograph aim to assess the existing trends and problems of ensuring decent work in the management of human capital at different hierarchical levels of its reproduction. Thus, the conceptual basis of the study is the concept of decent work of the International Labour Organization (ILO), which the authors adapt to the conditions of the labour market of Ukraine, removing those factors from the study that are inappropriate (forms of labour to be eliminated are forced and child labour) in connection with the absence of known manifestations of such violations. Instead, possible manifestations of violations of labour legislation are thoroughly studied within the set of indicators “Legalisation of employment and labour relations”. In addition, we put special emphasis on the possibilities of using additional levers to ensure decent work by means of compensation and benefits that are not taken into account in the ILO concept. The peculiarity of this monograph is that the assessment of problems and opportunities for decent work is multilevel – we summarize and compare the results of the analysis at the microeconomic level with the relevant trends in their environment, at the level of regions, activities and the national economy.

Thus, our research gives the reader an idea of the importance and prevalence of problems of decent work at different hierarchical levels of economic relations.

The monograph is prepared by a team of authors engaged in research on the problems of human capital reproduction at the National University of Water and Environmental Engineering, in particular, within the study of the state-funded project “Formation of a comfortable living and working environment to achieve social security in the cross-border space” (State registration number 0119U000080).

The authors’ contribution to the study is as follows: H. Mishchuk – section 1, paragraph 2.4; N. Samoliuk – introduction, paragraphs 2.1, 2.6; H. Yurchyk – paragraphs 2.2, 2.3, 2.5; conclusions based on the results of the study represent the co-authors’ mutual work.

**CHAPTER 1.**  
**THE RESEARCH METHODOLOGY OF HUMAN CAPITAL**  
**MANAGEMENT ON THE BASIS OF THE CONCEPT OF DECENT**  
**WORK**

Studies of human capital have long been quite controversial, and the theory of human capital itself has come a long way to general recognition. Today, key concepts are commonly used, and the goals of human capital management are theoretically clear, although not always supported in practice, especially at the enterprise level. At the same time, the latest challenges of modernity have led to another round of interest in applied research in this area, along with the traditional factors of inequality in the formation of human capital, added significant inequality of opportunities in the use of human capital. This inequality is growing at an unprecedented rate due to the spread of new technologies and opportunities to master them - it is clear that not all owners of human capital will be equally successful in mastering new opportunities in the workplace, especially related to digital skills. Inequality of employment opportunities as the main sphere of human capital use has a synergistic effect on other spheres of human capital reproduction, forming a new research interest in the processes of formation, use and development of human capital.

In scientific terms, the theory of human capital is gaining increasing popularity which can be particularly visible through a large number of scientific publications on relevant topics. For instance, the “human capital” keyword search in a single scientific search engine (Google Scholar) gives more than 4.51 million results in English only. Considering the essence of current scientific research, the papers do become more practical and mostly move away from traditional models of investment feasibility assessment of human capital (hereinafter – HC). Nowadays human capital is not just an abstract set of employee’s abilities. The approach, in which HC is analysed in terms of the allocation of its key elements, is certainly dominant.

This approach to understanding human capital is mostly typical of applied assessments. This can be exemplified by the following interpretations of human capital from sources used for online consulting, including answers and explanations on economic issues. Thus, analysts of one of the consulting sites offer the following definition: “Human capital is the economic value of the abilities and qualities of labour that influence productivity, such as education. Investing in these qualities produces greater economic output” (Amadeo, Boyle, 2021). Such approaches to understanding human capital have become so widespread that one of the popular online resources Investopedia offers an explanation of the following content: “Human capital is an intangible asset or quality not listed on a company’s balance sheet. It can be classified as the economic value of a worker’s experience and skills. This includes assets like education, training, intelligence, skills, health, and other things employers value such as loyalty and punctuality” (Kenton, Sonnenshein, 2020).

However, these elements are given a certain content to be assessed, and it is not limited to the identification of HC with employment or other characteristics of workforce use, as it used to be typical, for example, for economic growth models (Solow, 1957; Romer, 1986). Nevertheless, current trends of economic relations’ socialization require considering the impact of human capital components on the formation of interest for its use to a greater extend. By applying the capital theory methodology to the human capital analysis as one of its forms, one can equate wages or salaries with the interest on human capital.

A continuous trend in the debate regarding the human capital factors, starting from the major fundamental scientific research in this field (Becker, 1962; Mincer, 1958; Schultz, 1962) is to explore the possibilities of its development for its effective use. Given that the foremost way to ensure the emergence of new qualities or improvements of human capital are HC investments, the study of their impact, especially at the enterprise level, is always an urgent matter as entrepreneurs persistently want to optimize their costs.

The cost approach to the human capital assessment and respective return on investment has led numerous scholars, in particular Zakharova & Kratt (2014); Unger et al. (2011), to support similar ideas. In general, table 1.1 contains the most typical examples of studies evaluating HC, which can be used in the regulation of relations arising in various stages of HC restoring.

Table 1.1

Contemporary Approaches to Assessment of Human Capital Components and Possibility of Their Use in Human Resource Management

<i>Author</i>	<i>Object of Study</i>	<i>Methods of Analysis</i>	<i>Components of Assessed Object</i>	<i>Possibilities (Fields) of Results' Use</i>
1	2	3	4	5
Balcerzak, 2016	Quality of Human Capital	Multiple-criteria analysis / taxonomic analysis	HC components according to formation and use stages; key ones: education, R&D, employment, productivity	Regulating human capital reproduction at macroeconomic level
Bechtel, 2007	HC value	Market value method	Market factors of price formation	Alignment of employees' and employers' interests in determining the HC value
Čadil, Petkovová, Blatná, 2014	HC impact on GDP and unemployment	Cluster and regression analysis	Education as a key element of HC	Improving the educational structure of HR in different sectors / clusters of economy
Jakubowska, 2016	HC effectiveness depending on health limitation	Variance analysis	Health level (factor) and results: employment, income	Improving social policy, in particular in the field of employment of disabled people and people with health conditions (limitations)
Jeremic, Slovic, Radojicic, 2012	HC (composite index)	Multivariate I-distance method / cluster and correlation analysis	HC indicators by groups: education, skills, science and technology	Detection of HC reserves by rank comparison with other countries

1	2	3	4	5
Hayton, 2003	Interaction between HC management and strategies of HR management	Correlation analysis, sociological review	Strategic and financial HC management practices	HC management use for sustained competitive advantage
Marvel, Lumpkin, 2007	HC impact on innovation outcomes	Correlation analysis, sociological review	General (education and experience) and specific HC factors (prior knowledge by types)	Managing knowledge that can influence innovation outcomes for technology entrepreneurs
Zakharova, Kratt, 2014	Risk of human capital investment	Multi-criteria ranking	HC investments in the following areas: education, professional development, health care, mobility, motivation; Results: productivity, return on investment	Assessing the feasibility of human capital investment at microeconomic level
Unger, Rauch, Frese, Rosenbusch, 2011	HC impact on entrepreneurial success: size, growth, profitability	Meta-analysis based on correlation	HC investments (education and experience) and outcome of HC investments (knowledge and skills)	Making decisions on HC investment

Empirical work has become more sophisticated and its peculiarity includes testing methodological principles of capital theory and the theory of value. In particular, the use of “market value method” (Bechtel, 2007) provides one of the most comparable assessments of the human and physical or financial capital. This approach, in addition to the objectives stated by the author opens up opportunities not only for acceptable HC value assessment: the continuation of its use leads to reducing the owners' conflicts of interest in the field of determining their rightful share of added value (as a percentage of the corresponding type of capital). The contemporary research is also remarkable for the application of modern mathematical tools to determine the connection of various macro- or microeconomic performance indicators and HC components: health (Jakubowska,

2016); education, knowledge, skills, and other components of human intellectual capital (Čadil et al., 2014; Marvel, Lumpkin, 2007). The studies aiming to identify the level of human capital and the ability to attract reserves, such as (Balcerzak, 2016; Jeremic et al., 2012), suggest methodological principles of integrated parameter “HC / Quality of Human Capital” estimation. This approach allows a researcher to get an idea of the benefits or shortcomings in human capital management strategy. However, contemporary management has moved even further and nowadays it demonstrates at different levels a need not to just improve the human capital, but to consider the HC components and HR management for achieving the goals of the company (Hayton, 2003), identifying mutual influence of factors and results of the human capital use in form of firm performance (Tran, Vo, 2020). Irrespective of how significant the links at a particular level of empirical research are, theoretical capacity of these hypotheses is beyond any doubt.

Nevertheless, the issue of determining the level of pay that would allow objectively taking into account the differences in the characteristics of human capital is still one of the most difficult tasks of modern HR management in the applied aspect. Its solution remains rather ad hoc, and largely depends on the analysis of existing relations between employers and employees, as well as on considering the influence of factors that are most important to both parties.

Having an understanding of the components of human capital, which determines the specifics of this type of capital, along with other varieties, HC, however, can be analysed based on the analysis of common features with the basic concept – the capital. This methodological approach allows generalizing and transferring the features of the reproduction of capital in the usual forms of its existence (production, including fixed, working capital, financial) to human capital. Of course, it is necessary to take into account the peculiarities of human capital, which, in contrast to productive capital, is inseparable from its carrier – the man. However, one can find many common features that are important in human capital management. The methodological approach by which productive

and human capital can be studied, based on analogies in understanding their life cycle and essential characteristics, is useful for overcoming conflicts in matters of investment, management decisions about structural relationships and their changes.

Thus, if we apply the method of analogies, then for most characteristics (the presence of a certain period of use, the possibility of wearout, movement, etc.), human capital has the most in common with fixed capital. Like fixed capital, human capital is used in the production process for a long period, which, other things being equal, is equal to the length of the working period in human life.

Fixed capital is used in production during the period of operation, which is determined by the intensity of wear. Human capital also wears out over time (aging morally and physically); the return in the production process from the employee (labour productivity) becomes lower, with some exceptions, such as scientific, inventive activity, and so on.

By analogy with fixed capital transferring its value to the created products in parts due to wearout that is expressed in the form of depreciation, human capital transfers part of its value to the product in the form of wages.

Just as depreciation is intended to compensate for the physical and moral depreciation of fixed assets, the employee's salary has two components:

✓ compensation for the use of capital in the form of health and physical endurance – this part of earnings should cover the cost of maintaining normal health, including the cost of minimum consumer spending and should theoretically be equal to the minimum wage that is the price of simple, unskilled labour;

✓ reward for intellectual effort is intended to reimburse the cost of updating knowledge and skills due to their aging (wear and tear). Such a component of wages is quantitatively equal to the difference between total earnings and the minimum wage.

In some activities / professions, the second component of wages may have a different meaning; in many creative activities not so much the intellectual

component but the use of other components of human capital are e.g. paid in addition to the minimum wage, which may also be the object of investment – appearance, ability to generate non-standard creative ideas, artistic flair, etc.

In general, in the methodology of human capital analysis, the greatest interest today is the very concept of depreciation and determination of the value of human capital.

Faster rates of moral deterioration of human capital compared to its physiological component are recognized by both domestic and foreign scientists. The intellectual component of human capital is updated from time to time, as is fixed capital: the worker either upgrades his skills or, if his skills have lost demand in the labour market, learns a new profession. The desire to receive a fee for updating knowledge and skills is an incentive for professional development and improvement. If such an increase occurs, it is offset by the difference between the actual wage and its minimum wage.

Thus, human capital, like fixed capital, periodically needs partial or complete modernization due to the development of technology. Therefore, both types of capital are characterized by movement. Mechanical is determined by the need for extensive capital replacements, resulting in different types of reproduction. Qualitative movement is more characteristic of human capital, which in the practice of enterprise management is implemented mainly in the function of “staff development” – improving the skills, professional level, changing the age structure of staff and more.

In addition, the concept of depreciation of physical capital is associated with the concepts of initial and residual value, the life cycle of capital. But the dynamics of the value of human capital is not as predictable as the life cycle of fixed capital.

The initial cost of human capital may be the cost at the beginning of employment (as well as fixed capital – at the beginning of commissioning). The residual value of fixed capital should theoretically decrease over time, gradually approaching the liquidation value (about zero for most assets). Violation of the

pattern of reduction in the value of capital is possible only as a result of revaluations.

Theoretically, human capital should also have a declining trend in value, due to the presence of physical wear and tear, as well as the aging of knowledge, competencies are also typical for most employees.

At the same time, the dynamics of the value of fixed capital is constantly declining. In the value of human capital due to the need to improve the qualification level during employment, which, in particular, is stimulated by the relevant tariff ratios, the dynamics of value is different throughout the life cycle. Applying the methodological foundations of the law of diminishing marginal productivity, we can assume that there is a point at which further growth of the intellectual component of human capital becomes impractical (either employee or employer), so the incentives for such growth are lost, which decline in the value of human capital.

It is possible to regulate the total cost of human capital in some way through investment processes, because human capital, like physical capital, is created and accumulated through investment. In this case, human capital is formed mainly as a result of certain investments in people, but, in addition to investment, requires good will and considerable effort of the “object of investment”.

Comparison of the substantive characteristics of fixed and human capital, identified using the method of analogies, are shown in table 1.2.

In general, in addition to depreciation, usage fees and investment in human capital, the concept of determining its full value also remains difficult today. In contrast to fixed and other types of capital, where the value is first clear, and only then the object of trade is the percentage for use (rent, lease payments, etc.), in the case of human capital on the contrary, its exact initial value is unknown and can only be roughly determined by the amount of investment, life expectancy, etc. All these methods are to some extent inaccurate and do not have a direct link with the possible percentage for the use of human capital, i.e. annual income.

Table 1.2

## Characteristics of human and fixed capital

<i>Characteristics</i>	<i>Types of capital</i>	
	<i>Basic (main)</i>	<i>Human</i>
Shelf life	Service life	Working period
Wearout	Physical and moral aging	
Cost expression of physical wear	Depreciation charges	Minimum wage
Percentage for use	Entrepreneurial profit and depreciation	Remuneration for work
Cost	Initial and residual	Cost at the time of entering the labour market, current value at the time of evaluation
Investment	Investments related to modernization	Investment in education, health, other components as needed (appearance, other) - depends on the profession

Therefore, in this case, similarly to the methodology of fixed capital analysis, this can be e.g. an applied approach, which estimates the value of property and property rights. This approach is quite actively used in the world practice; it is known as a method of direct capitalization of interest. This method is also used in Ukraine, in particular, it is the basis of the National Standard No.1 property valuation (VRU, 2003). The standard is intended for the assessment of tangible and intangible assets of various types. The term “human capital” is not used in this standard, but by analogy with other types of capital, to determine the full value of human capital, knowing the annual income for its use in the form of wages, you can use the formula:

$$HC = \frac{I_y}{\%} \quad (1.1)$$

where  $I_y$  – the amount of annual human income received from the use of own human capital, including wages; % – interest rate for the use of capital in alternative projects (e.g. the rate on a bank deposit).

In this way, certain subjective errors related to valuations are also possible. After all, the annual income of the employee is also determined in the process of bargaining (negotiations) of the employee and the employer. But these errors are

smaller, and the essence of evaluation corresponds to the basic idea of human capital evaluation – such assessments of both parties involved in the negotiations should reflect the factors characteristic of the theory of value: supply and demand, including scarcity of resources. The subjective assessments of both parties and the willingness to make concessions make it possible to take into account the self-assessment of the efforts made in the formation of human capital of a certain quality and, accordingly, the subjective assessment of the need for it.

Thus, combining existing approaches to understanding human capital and the possibility of its analysis in the management process, the most accurate essence of human capital can be expressed in the following sense:

***human capital** is the value of labour opportunities acquired by a person and that can bring them income.*

Based on this concept, you can compare and use comparable values of human and productive capital in economic justifications at different hierarchical levels of government, as well as draw sound conclusions about the feasibility of structural changes in the capital of the organization or activity, region, country.

Since the biggest conflict of all the processes of human capital reproduction lies in the issue of reconciling the cost of human capital and the choice of appropriate management levers, the management of human capital must implement principles that are more important from the perspective of the state and because of the trends necessary for human capital reproduction. Such interests should dominate the entrepreneurial motives of enrichment through the use of modern advantages, rather than the formation of long-term prerequisites for development through continuous improvement of the quality of human capital. Such economic behaviour of businesses with a focus on short-term incentives is known to be more common in developing countries.

The position of social partners at all levels should reflect the transformation of approaches to human capital management from traditional (in which people are a cheap resource that does not require significant additional time and money) to those in which the links of enterprise development based on the development of

human capital. For business owners who are not ready for independent transformations of their own human capital management systems, it is especially important to monitor compliance with decent work standards.

Therefore, the concept and criteria for assessing decent work is an important modern vector of human capital management. Their use opens up new possibilities for monitoring compliance with the basic minimum standards of dignity in labour relations, and also allows analysing additional efforts and comparing the progress made in the dynamics of reproduction of human capital, including the environment in which comparisons are made.

The concept of decent work of the International Labour Organization (hereinafter the ILO) first gained international recognition after the report of the Director General of the International Labour Office at the International Conference of Labour Statistics in 1999 (Somavia, 1999). The main challenges in ensuring decent work have become a regular subject of ILO analysis (ILO, 2001; ILO, 2008a; ILO, 2016), and the statistical basis for their monitoring is the guide approved by the ILO in 2012, which details the definition and main criteria for analysis of decent work indicators – Decent work indicators: concepts and definitions: ILO manual (ILO, 2012).

The fundamental thesis that characterizes the essence of decent work is employment in conditions of freedom, equality, security and human dignity. The provisions of the concept and the relevant policy document developed by the ILO for Ukraine (ILO Decent Work Agenda for Ukraine for 2020-2024) provide for three priorities with nine outcomes, namely: 1) Improved social dialogue, 2) Inclusive and productive employment, 3) Improved working conditions and social protection (ILO, 2020).

Priorities for Ukraine reflect the conditions identified by ILO experts that mostly need to be regulated. At the same time, the assessment of the set of actions within the framework of compliance with the standards of decent work is carried out in all ten identified areas of the ILO.

The Framework on the Measurement of Decent Work covers four strategic pillars of the Decent Work Agenda, i.e.:

- (i) International labour standards and fundamental principles and rights at work;
- (ii) Employment creation;
- (iii) Social protection;
- (iv) Social dialogue and tripartism.

Within these pillars, ten substantive elements to be assessed are defined:

- (i) employment opportunities;
- (ii) adequate earnings and productive work;
- (iii) decent working time;
- (iv) combining work, family and personal life;
- (v) work that should be abolished;
- (vi) stability and security of work;
- (vii) equal opportunity and treatment in employment;
- (viii) safe work environment;
- (ix) social security; and
- (x) social dialogue, employers' and workers' representation (ILO, 2012, p. 12).

According to the authors of the monograph, who initiated their own study of compliance with standards of decent work in enterprises, ensuring decent working conditions, especially for the priorities identified for Ukraine, is impossible only on the basis of declared intentions and progress towards achieving them, as the level of social responsibility remains weak in Ukraine. The effective use of the principles of decent work requires coordinated action by the subjects of labour relations, especially at the micro level.

Given this, the methodology of our own research in terms of ensuring decent work in enterprises, adapted to the real conditions of the use of human capital in Ukrainian business. In addition, some of the ILO indicators, in particular in the “Combining work, family and personal life” section, belong to those for which

only a statistical base for monitoring has to be developed at the international level. Accordingly, in our own study, we based only on those areas of analysis that the ILO recommended to study on a set of main indicators (ILO, 2012, p. 12).

In this regard, within the defined ILO indicators of decent work, we transformed the evaluation criteria in accordance with the objectives of our own research in the form of detailed blocks of questions in the following areas:

- ✓ decent pay;
- ✓ legalization of employment and labour relations;
- ✓ stability and confidence in keeping work;
- ✓ equal opportunities and attitudes in the work process;
- ✓ safe working conditions;
- ✓ time of work and rest;
- ✓ social protection;
- ✓ social dialogue.

Such a criterion for assessing decent work as “Forms of labour to be abolished” is analysed according to the ILO approach in the form of shadow employment and forced and child labour. The last two types of work at the enterprises of the region, on the example of which the study was conducted, were not recorded by any human rights organization, and therefore information on such violations was not expected in our study. Regarding shadow employment, we included the relevant assessments in the block “Legalization of employment and labour relations” and extended them not only to the monitoring of informal employment, but also to its manifestation in the form of informal wages – full or partial, including officially created jobs.

In order to achieve greater objectivity in the assessment of human capital management, it is important to compare the positions of both parties – employees and employers – according to the main evaluation criteria. Differences in assessments can help to identify employers’ ignorance of the real working conditions at enterprises or their lack of attention to the needs of employees and their level of satisfaction in areas of relationships that characterise work as decent

and, as a result, can significantly change the motivation and efficiency of human capital.

With this in mind, our survey is structured in the form of a comparison of the assessments of two parties: business owners and/or their representatives, as well as employees. Therefore, at least two questionnaires were received from each enterprise whose representatives took part in the survey, which reflected the subjective assessments of the social partners on compliance with the criteria of decent work. In addition to bilateral assessments of these groups of criteria for decent work, we also conducted research only on the basis of assessments of business owners and their representatives on the effectiveness of their own efforts in motivating and managing staff movement (mechanical and quality), which creates appropriate prerequisites for job satisfaction in the field of decent work and effective human capital management.

Since the main purpose of surveys is to fill in the gaps that arise in the case of the use of reporting statistical information, subjective assessments of compliance with decent work standards in human capital management should take into account less objective values and their ratios (e.g. minimum wage, subsistence minimum, statistical indicators of labour income differentiation, etc.) as a subjective perception of basic standards. Of course, the very thresholds and compliance with legal requirements (e.g. the availability and duration of leave, the availability of other statutory social guarantees) should also be analysed to identify violations that are not always officially recorded and sometimes voluntarily supported by employees under certain conditions of informal incentives.

Given these limitations, we adapted the indicators for assessing decent work at enterprises to the conditions of human capital management at enterprises, limitations in the understanding of economic terminology by respondents and possible subjective barriers to the availability of information on personnel management. In particular, the authors understand that not all pay ratios may be

known to employees, but the subjective perception of existing differentiation can be a source of conflict and discomfort. Instead, the perception of decent working conditions and the employer's efforts to support them may have another manifestation of subjective comparisons – in a competitive environment. Such assessments, forming appropriate positive or negative incentives for economic activity, are a valuable information base for understanding the reserves in human capital management. The question of business owners' awareness of the existence of such comparisons, regardless of the formal surveys, and of the formation of appropriate behavioural determinants is only a question of whether employers are willing to accept unbiased assessments and understand the real problems in managing their work.

The latter aspect is already reflected in the gradual changes in the orientation of employers in matters of remuneration. Thus, if the sharp rise in the minimum wage as one of the basic social standards in 2017 caused a sharp condemnation of employers and some analysts' fears about the growth of shadow relations, the situation has changed today in a positive direction. Of course, the understanding of the need to increase the minimum wage is not due to moral or other non-economic factors. But the labour market situation has reached such a critical state in recent years that some employers have consciously welcomed the move, realizing that further laundering of skilled labour under the influence of external migration could be detrimental to business. These estimates can be confirmed by a study conducted by E. Libanova, a leading scientist in the field of social economy in Ukraine: "Changing the balance of supply and demand forces employers to increase wages, and even if not all increases are legal, workers' incomes increase working population" (Libanova, 2020, p. 317).

Therefore, taking into account the available information and subjective limitations, as well as the goals of our own research, we conducted the assessment of decent work at enterprises on the basis of comparing the judgments of owners/their representatives and employees according to such criteria (table 1.3).

Table 1.3

Criteria and directions for assessing the provision of decent work at enterprises  
in a survey of owners and employees

<i>Criteria</i>	<i>Evaluation of employees</i>	<i>Evaluation of owners</i>
1	2	3
<i>Pay</i>	<ul style="list-style-type: none"> <li>✓ compliance of wages at the enterprise with payment for similar work at other enterprises;</li> <li>✓ active search for opportunities for additional earnings to meet their needs</li> </ul>	<ul style="list-style-type: none"> <li>✓ compliance of wages at the enterprise with payment for similar work at other enterprises;</li> <li>✓ the level of compliance of wages with the interests of both employees and the owner;</li> <li>✓ problems in ensuring optimal wage ratios;</li> <li>✓ the ratio of the maximum and minimum wages at the enterprise</li> </ul>
<i>Legalisation of employment and social and labour relations</i>	<ul style="list-style-type: none"> <li>✓ compliance of labour relations with the official requirements of their employment;</li> <li>✓ share of wages paid informally;</li> <li>✓ the level of compliance of social and labour relations with the employer to labour law</li> </ul>	<ul style="list-style-type: none"> <li>✓ the level of transparency of employment at the enterprise, including the presence of employees with whom the employment relationship is unregistered, as well as informal payments of wages</li> </ul>
<i>Stability and confidence in keeping work</i>	<ul style="list-style-type: none"> <li>✓ the presence of situations of work in the mode of forced underemployment;</li> <li>✓ use of unpaid leave at the initiative of the administration;</li> <li>✓ intentions to find a new job;</li> <li>✓ subjective perception of the level of stability and confidence in keeping the job</li> </ul>	<ul style="list-style-type: none"> <li>✓ dismissal from the company due to staff reductions;</li> <li>✓ dismissal due to fluidity</li> </ul>
<i>Equal opportunities and attitudes in the process of work</i>	<ul style="list-style-type: none"> <li>✓ the presence of discrimination at the enterprise (including age, gender, language, religion, politics, ethnicity, property);</li> <li>✓ manifestations of discrimination (if any) in the following areas: career advancement, salary level, working conditions, etc.</li> </ul>	<ul style="list-style-type: none"> <li>✓ the presence of manifestations of discrimination in the process of work at the enterprise;</li> <li>✓ share of women in management positions;</li> </ul>
<i>Time for work and rest</i>	<ul style="list-style-type: none"> <li>✓ the level of compliance with the requirements of the legislation on the organization of working time;</li> <li>compliance with the requirements for rest time</li> </ul>	<ul style="list-style-type: none"> <li>level of compliance with legal requirements regarding work and rest time</li> </ul>

1	2	3
<i>Safe working conditions</i>	<ul style="list-style-type: none"> <li>✓ compliance of working conditions with sanitary and hygienic requirements;</li> <li>✓ probability of injury at the enterprise</li> </ul>	<ul style="list-style-type: none"> <li>✓ availability of employment in conditions of exceeding the maximum permissible levels of harmful substances and in other conditions that do not meet sanitary and hygienic standards;</li> <li>✓ the presence of injuries for the last year</li> </ul>
<i>Social protection</i>	<ul style="list-style-type: none"> <li>✓ compliance with the requirements for the availability of social protection instruments (payment of wages not lower than the minimum amount), guarantees of wages (payment of annual leave, business trips, in case of training), norms of wages (at night, weekends and holidays, overtime time, etc.), indexation of wages, granting of annual leave not less than its minimum duration, social tax benefit in the taxation of wages, compulsory state social insurance with appropriate payments;</li> <li>✓ self-assessment of the general level of social protection;</li> <li>✓ availability and accessibility of compensations and benefits in addition to mandatory social guarantees (voluntary social insurance at the expense of the employer, payment of vocational training, compensation of transport costs, food, housing, communication costs, health and fitness activities, gifts, discount on goods of the enterprise)</li> </ul>	<ul style="list-style-type: none"> <li>✓ self-assessment of the impact of social protection factors on the filling of vacancies at the enterprise;</li> <li>✓ self-assessment of the effectiveness of actions for social protection of workers</li> </ul>
<i>Social dialogue</i>	<ul style="list-style-type: none"> <li>✓ availability of a collective agreement;</li> <li>✓ level of the implementation of the collective agreement (if any);</li> <li>✓ formed opportunities for contacts between the administration and employees</li> </ul>	<ul style="list-style-type: none"> <li>✓ self-assessment of the impact of the current internal environment and reputational factors on the effectiveness of attracting and retaining skilled workers</li> </ul>

According to the indicators of decent work, the relevant questions of the questionnaire were formed with mostly closed answer options. Most of the

answers had a percentage scale to determine the level of a certain feature, some questions (for example, comparisons in the environment – wages in other companies, etc.) were evaluated with answer options “yes, equals”, “no, it is higher”, “no, it is lower”, etc. Their processing was carried out with the transfer to the binary rating scale on the principle: 1 point – the presence of an assessment for a particular answer, 0 points – no assessment. The generalization of such estimates is carried out according to the standard statistical rules for determining the percentage of answers of a certain type and the percentage of different answers to questions.

Given that the state of compliance with labour laws, and further more the offer of additional rewards and benefits, are worse in small and medium-sized enterprises, our study was conducted in this group. The labour market on the example of which the study was conducted is the labour market of the regional centre (Rivne) of the cross-border region, where subjective assessments of decent work are especially important in connection with higher opportunities for potential labour migration, as well as higher opportunities for comparison of its results on the subjective experience of other migrants.

The sample was formed using the procedure of stratified random sampling. As a result, the sample for the survey was formed of 170 small and medium-sized enterprises in Rivne, which is 6.19% of their total number (2746 enterprises at the time of the survey – according to the Main Department of Statistics in Rivne region).

The survey embraced 526 respondents, including 170 business owners and 356 employees. The survey was conducted in June–September 2018.

Given the Cochran formula (Cochran, 1977), it can be argued that this sample size provides the level of precision at the level of 7.3% and 4,2%:

$$n = \frac{z^2 p(1-p)N}{z^2 p(1-p) + Ne^2}, \quad (1.2)$$

where  $n$  is sample size (526 respondents, incl. 170 business owners),  $N$  – population size (13570 employees, 2746 SMEs – according to the data of the State

Statistics Service of Ukraine for the region in which the survey was conducted);  $z$  – standard normal variable ( $z = 1.96$  at 95% confidence level);  $p$  – proportion or degree of variability = 50%,  $e$  – the level of precision.

The characteristics of the sample are as follows. The structure of the surveyed enterprises is dominated by (47 units, 28%) micro-enterprises with up to 5 employees (fig. 1.1). There are 152 out of 170 or 89% of profitable enterprises.

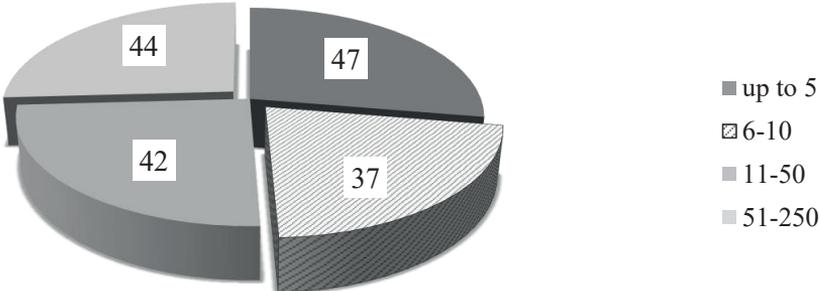


Figure 1.1 - Distribution of enterprises whose representatives participated in the survey, by number of employees (persons), units

In terms of organizational and legal form, limited liability companies predominate, making up 65 units. or 38% (fig. 1.2).

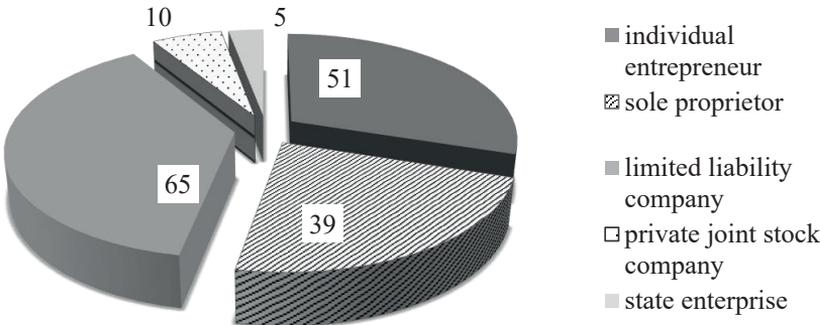


Figure 1.2 - Distribution of enterprises whose representatives participated in the survey, by organizational and legal form, units

The sample included enterprises of all types of economic activities carried

out in the city. At the same time, the structural ratios of the sample enterprises are also observed – they reproduce the structure of the general population of enterprises. The most numerous, respectively, was the group of enterprises belonging to the type of economic activity ‘wholesale and retail trade; repair of motor vehicles and motorcycles’, which makes up 58 enterprises, or 34% of the sample.

The largest share among the surveyed employees are women – 230 people or 65%, workers under 35 – 194 people (54.5%), workers aged 35-50 years – 133 people (37.4%); workers aged over 50 years – 29 people (8.1%).

Thus, the generalized results of the study are a solid basis for understanding the processes of human capital management in terms of decent work, as the answers are confidential, which increases their reliability, and the sample quantitatively and structurally met the characteristics of the general population.

Realizing that in a study based on questionnaires and the use of subjective assessments in general, it is impossible to examine the quality of decent work on all the criteria recommended by the ILO, the assessments obtained in our study allow us to understand the causes of job dissatisfaction and discrepancies between the interests of the parties. The conceptual basis of such or similar research corresponds not only to the formal conditions under which work is considered “worthy”, but also to the basic theories of motivation. As a result, we can deepen our proposed set of indicators for subjective assessment of decent work at enterprises in accordance with the most obvious manifestations of discomfort in the work process and the needs of employers to attract and retain the most competitive workforce.

At the enterprise level, achieving such goals is often the most problematic aspect of human capital management. The effectiveness of such efforts depends on the quality and results of management of other components of human capital, discussed above: life cycle management – to achieve maximum performance of individual and overall productivity, compensation for various types of “wearout” and recovery of business value; traffic management – to select and maintain a

balanced, efficient staff structure, the professional level of which will correspond to the level of complexity and productivity of productive capital; value management, including decision-making on investment in development, if working conditions are not perceived subjectively as “decent” and the motives of turnover are formed, especially for the most valuable employees.

The set of these and other special functions of human capital management of enterprises can be effective only if human capital is perceived not only as a resource (i.e. something that can be used), but really as capital being a value that should bring income, but it requires providing appropriate conditions for support, preservation and, if possible, development. The implementation of the concepts of decent work in the theory and practice of capital management makes it possible to identify potentially conflicting moments in the interaction of owners of productive and human capital at all stages of reproduction, as the criteria of decent work include all stages of capital reproduction in the classical sense. With regard to human capital, such traditional stages as production, exchange, distribution, and consumption acquire a slightly different meaning – the stages of formation, distribution, use, and development. But the motives of management actions and management functions require consideration in each of the stages of compliance with the economic interest of both parties, which is a big difference in the management of human capital compared to other types of capital. In any case and with different options of consensus of the parties to satisfy their interests, the goal of adhering to the standards of decent work and finding opportunities to improve labour relations on this basis is a reliable theoretical basis for preventing possible losses (both economic and social) and improving the quality of relations human and productive capital.

The implementation of the concept of decent work in the practice of human capital management of enterprises, taking into account the methodological foundations of management theory, can be as shown in fig.1.3.

The use of such a scheme in the activities of enterprises, in which sufficient attention will be paid to ensuring decent work in the process of human capital

management, and not only its productive use with maximizing economic benefits. This will contribute to the formation of stable partnerships between business owners and employees on the basis of bilateral desire to improve labour relations and satisfaction with their results, and thus it becomes possible to balance the interests of employees and opportunities of business owners.

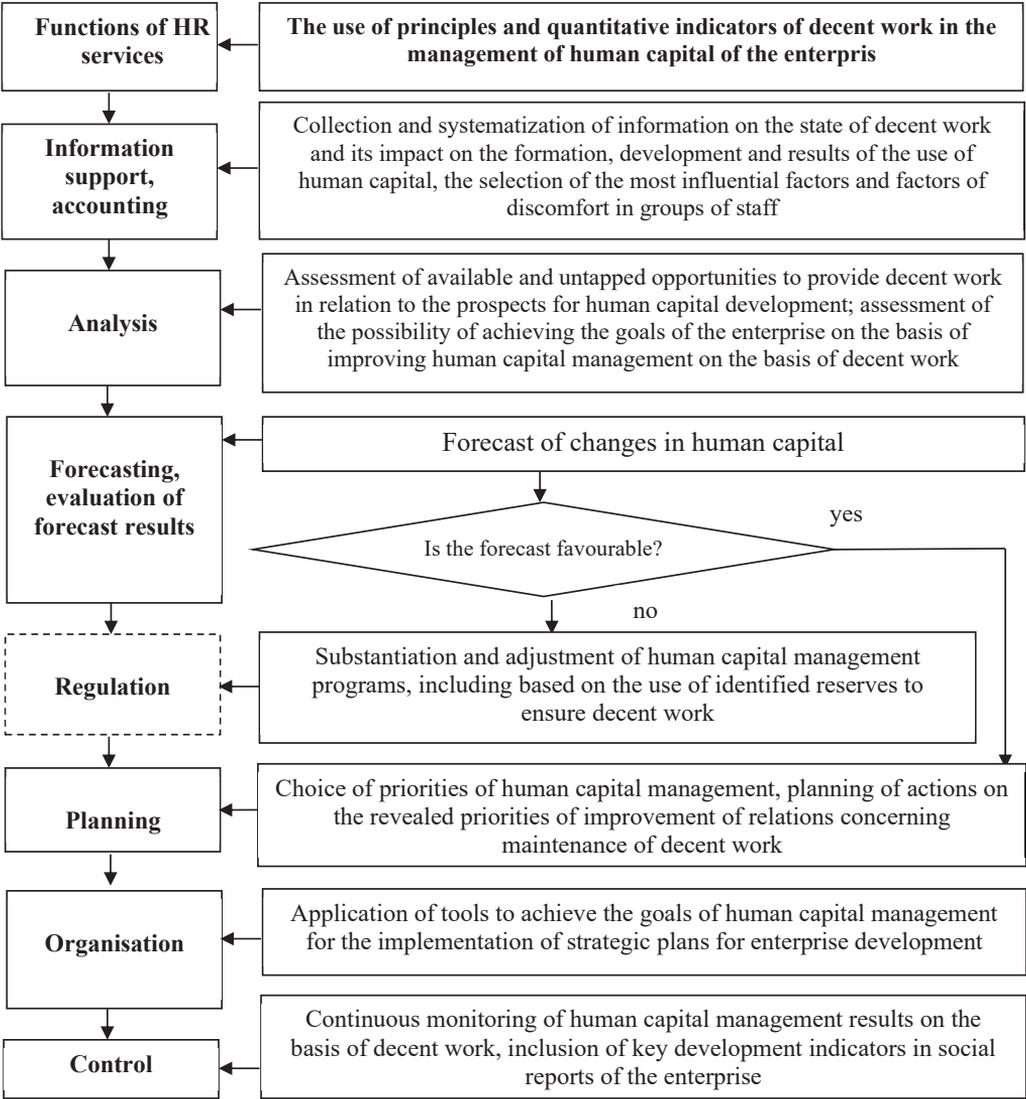


Figure 1.3 - Scheme of implementation of conceptual and applied principles of ensuring decent work in the process of human capital management of enterprises

## **CHAPTER 2.**

### **PROBLEMS OF ENSURING DECENT WORK AT ENTERPRISES AND THEIR MACROECONOMIC CONSEQUENCES**

#### **2.1. Decent pay: problems, factors, opportunities for improvement in the policy of compensation and remuneration at enterprises**

The remuneration of an employee, which they receive for the realization of their ability to work, is important for the formation of favourable conditions for the development of their human capital and the creation of decent living conditions. The amount of this reward determines the ability of an employee to meet their needs, develop comprehensively, maintain health and a high level of efficiency, which is prioritized in terms of implementing the concept of decent work. In addition, the amount and structure of remuneration for work are perceived by an employee not only as a compensation for the time spent and physical and mental effort put to perform certain works or render services, but also as a measure of their value to the company (Vecernik, 1985).

Decent pay is based on the principles of transparency and fairness. However, employees often receive different wages for similar work at different enterprises. In particular, according to a survey of employees in Rivne, the share of employees who receive lower wages for similar work compared to employees of other enterprises is 28%. At the same time, the share of employees who believe that their salaries are the same as employees of other enterprises is 58% (fig.2.1). The analysis of the employers' answers to a similar question showed differences with the answers of employees, namely: only 14% of employers claimed that their wages for the same work are lower than at other enterprises, which is twice less than the employees stated (fig.2.2).

In addition, there are differences in the answers of respondents (employees and employers) depending on the size of the enterprise in terms of the number of employees. In particular, 69.1% of employees at enterprises with up to 5

employees indicated that their wages are equal to the wages for similar work at other enterprises, 17.3% answered that they receive a lower wage and only 13.6% state that they are better remunerated. At the same time, 72.3% of employers at these enterprises believe that the amount of wages they pay their employees is equal to the sums paid off for similar work at other enterprises, and only 12.8% admit that their wage is lower ( fig.2.3).

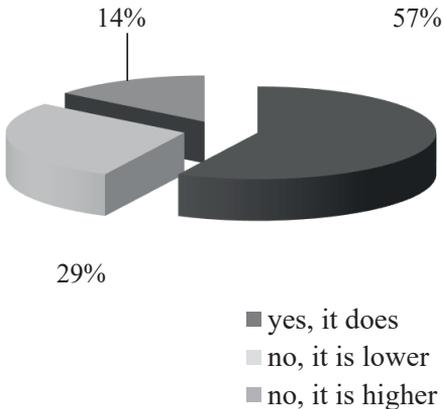


Figure 2.1 - Distribution of employees' answers regarding the compliance of their wages with the amount of salaries for similar work at other enterprises

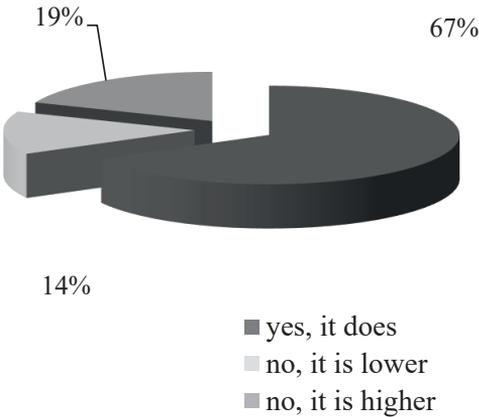


Figure 2.2 - Distribution of employers' answers regarding the compliance of their employees' wages with the amount of salaries for similar work at other enterprises

In addition, there are differences in the answers of respondents (employees and employers) depending on the size of the enterprise in terms of the number of employees. In particular, 69.1% of employees at enterprises with up to 5 employees indicated that their wages are equal to the wages for similar work at other enterprises, 17.3% answered that they receive a lower wage and only 13.6% state that they are better remunerated. At the same time, 72.3% of employers at these enterprises believe that the amount of wages they pay their employees is equal to the sums paid off for similar work at other enterprises, and only 12.8% admit that their wage is lower ( fig.2.3).

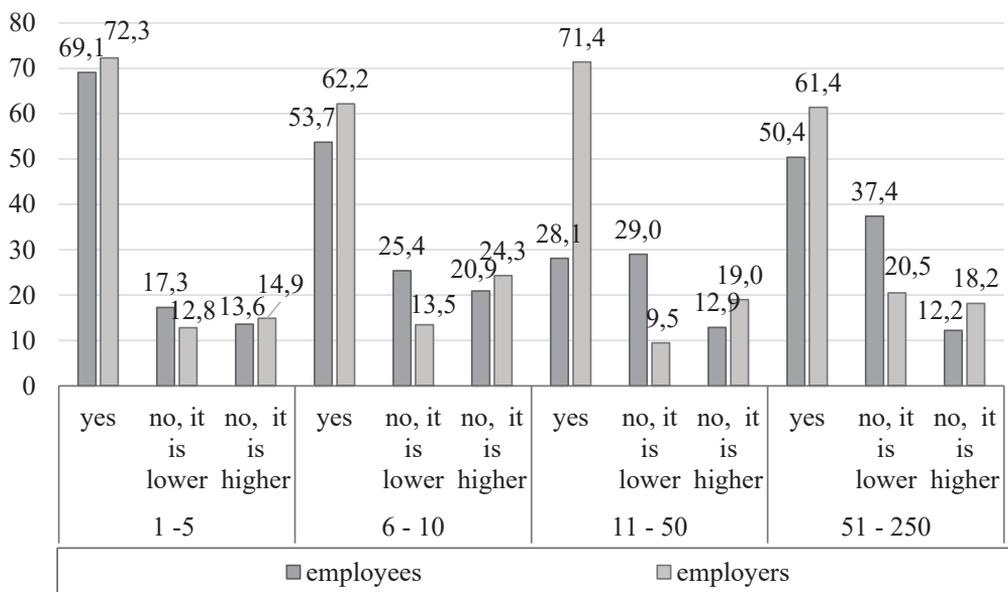


Figure 2.3 - Distribution of answers of employees and employers (within enterprises with the different number of employees) to the question “Does your wage equal to the one for similar work at other enterprises?”, % to the number of respondents in the group

At enterprises with 6-10 employees, only 20.9% of employees receive higher wages for similar work than employees of other enterprises, and 25.4% receive lower ones. However, only 13.5% of surveyed employers admitted that for similar work their employees are paid a wage lower than at other enterprises (fig. 2.3).

Meanwhile, in enterprises with 11-50 employees, 29% of employees believe that they are poorly remunerated and only 12.9% think that they receive more than employees of other enterprises performing the same labour functions. Besides, three times fewer employers agree that they poorly remunerate their employees, compared to other enterprises (fig.2.3).

Regarding enterprises with 51-250 employees, the share of employees who believe that the level of payment for their work is lower than they could receive for similar work at other enterprises is 37.4%, and the share of employers who agree that they pay out a lower wage equals to 20.5% (fig.2.3).

According to the types of economic activity, the answers of the respondents regarding the level of wages also differ significantly. As it can be seen from fig. 2.4, the largest share of employees receiving higher wages for similar work than at other enterprises is observed in the following types of economic activity: health care and social assistance (45%); financial and insurance activities (29%); arts, sports, entertainment and recreation (25%). At the same time, for certain types of economic activity, namely: real estate transactions; professional, scientific and technical activities; arts, sports, entertainment and recreation – 100% of employers are convinced that the amount of wages at their enterprises is equal to the remuneration for similar work at other enterprises.

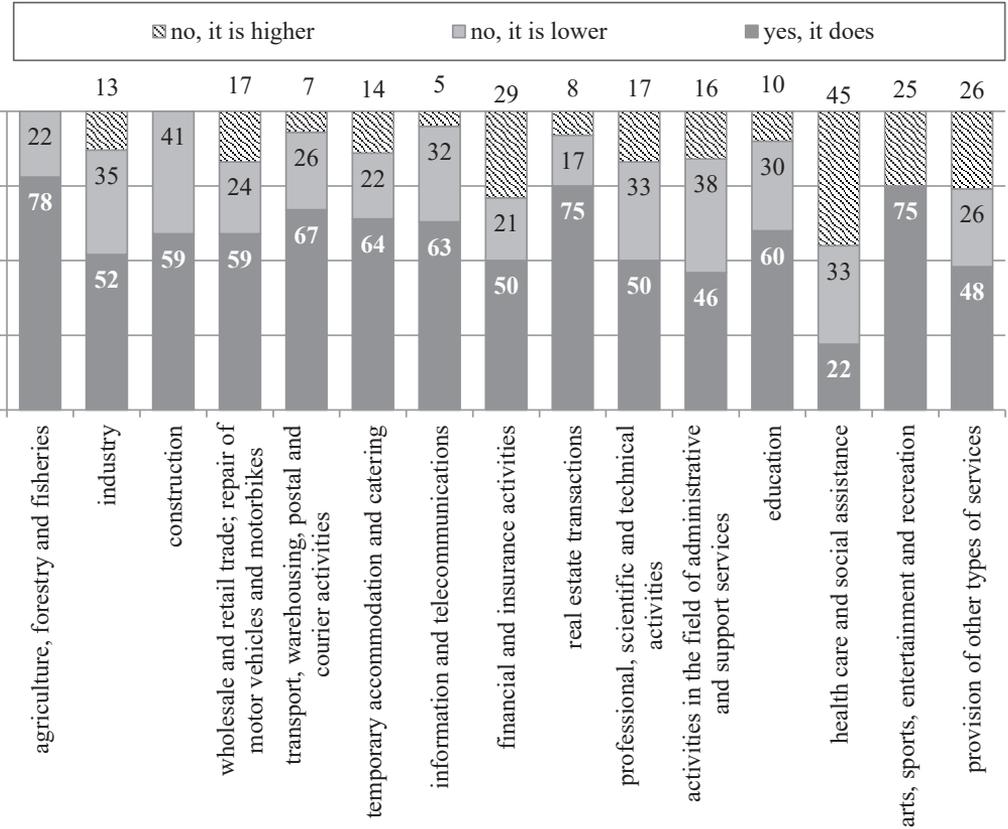


Figure 2.4 - Distribution of employees' answers (by types of economic activity) to the question "Does your wage equal to the one for similar work at other enterprises?", %

According to the employees, in such fields as agriculture, forestry and fisheries, and construction, the amount of remuneration for similar work is equal to or lower compared to other enterprises. However, according to 25% of employers in the construction industry, their wages are higher than at other enterprises (fig.2.5).

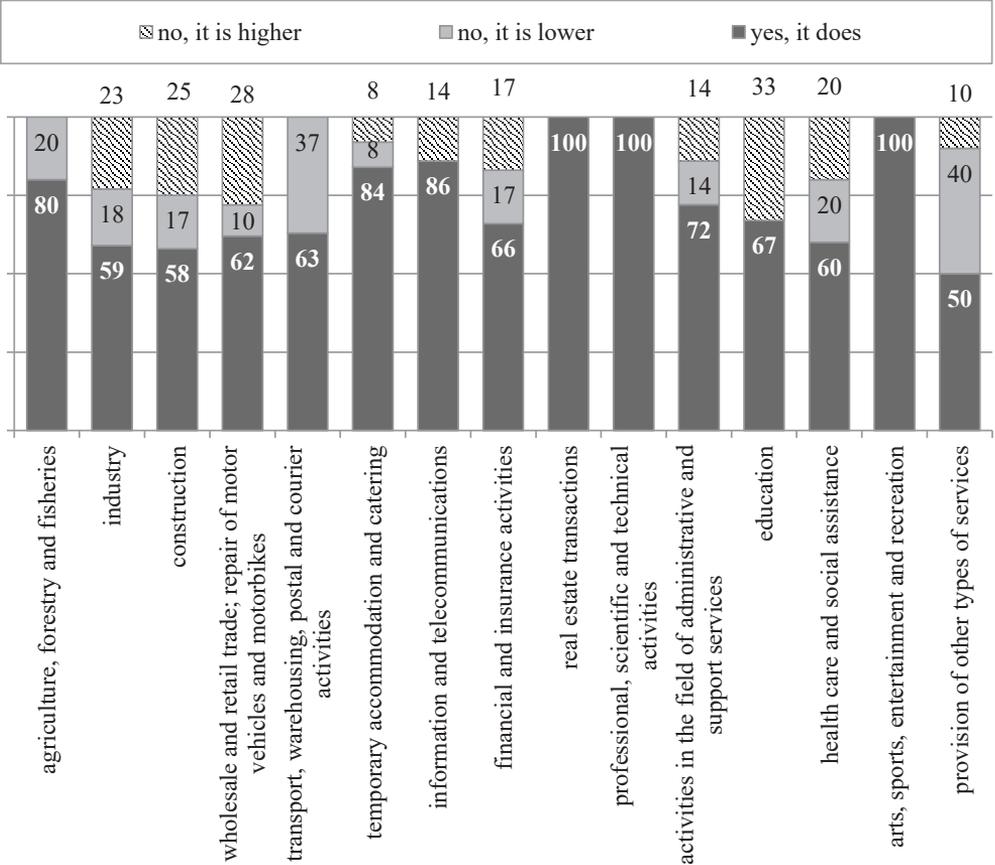


Figure 2.5 - Distribution of employers' answers (by types of economic activity) to the question "Does your wage equal to the one for similar work at other enterprises?", %

In general, by type of economic activity, the employees and employers' responses on the compliance of the amount of wage with the remuneration for similar work in other enterprises, vary as follows:

1) “yes, it does” – the answers of employees vary from 22% to 78%, and the answers of employers – from 50% to 100%;

2) “no, it is lower” – the answers of employees vary from 14% to 41%, and the answers of employers – from 0% to 40%;

3) “no, it is higher” – the answers of employees are in the range of 0-45%, and the answers of employers within 0% to 33%.

An important task of decent work is to ensure gender equality, including wages (Silingiene & Radvila, 2016). The study showed no gender discrimination. In particular, on the basis of gender, the answers of employees to the above question are almost the same, there is only a slight (5%) difference of opinion on equal or lower wages for similar work. In this case, men claim that they are underpaid, and women deny it (fig.2.6).

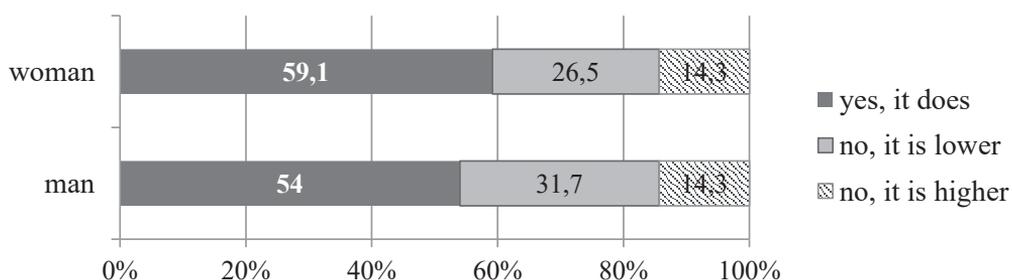


Figure 2.6 - Distribution of employees' responses by gender on compliance of the amount of their wage with the remuneration for similar work in other enterprises, %

In addition, a decent wage should ensure an objective differentiation of wages depending on the complexity of the tasks performed, the value of positions and jobs, working conditions and its final results, etc. (Ananeva, 1974). The results of the survey showed that wage differentiation at most enterprises is insignificant as 43% of respondents answered that the maximum wage at their enterprise is only 2-3 times higher than the minimum. However, for 5% of enterprises, the highest wage can be 10 or more times higher than the lowest one (fig.2.7).

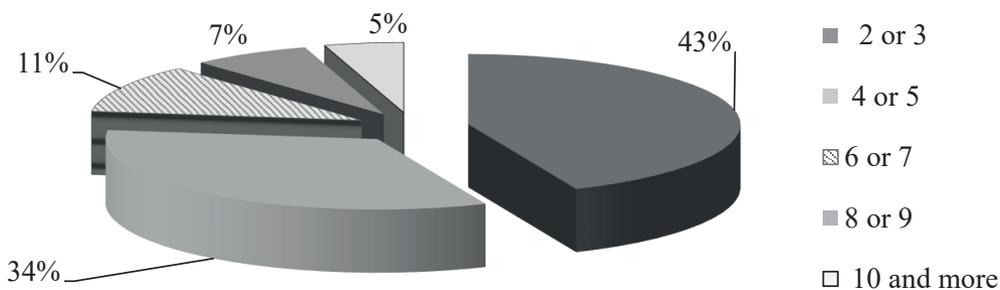


Figure 2.7 - Distribution of small and medium business in Rivne by the ratio “maximum wage / minimum wage”, %

As it can be seen from Fig. 2.8, the level of wage differential, according to employers, differs significantly depending on the number of employees, namely:

- in 70.2% of microenterprises (number of employees up to 5 people), the maximum wage is 2-3 times higher than the minimum, in 27.6% – 4-7 times higher, and its differential of 8 or more times is almost absent;

- only in 45.9% of small enterprises (with the number of employees from 6 to 10 people), wage differential ranges between 2 and 3, and in 43.2% by 4-7 times. At the same time, some employees of almost 3% of enterprises receive wages 10 and more times higher than other employees of these enterprises;

- only in 26.2% of small enterprises (with the number of employees from 11 to 50 people), the maximum wage differs from the minimum one by 2-3 times, and in 61.9% – by 4-7 times. At the same time, there is a significant share of enterprises (11.9%), where wage differential is more than 8;

- in 29.5% of medium-sized enterprises (with the number of employees from 51 to 250 people), salary differential is 2-3, and in 25% - more than 8.

Our study showed that when an employee is dissatisfied with the level of their wage and considers it unfair, they begin to think about dismissal from the company. In particular, 58.4% of those employees who believe that they are underpaid are ready to resign and look for a new job where they will be better more and paid (table 2.1). At the same time, only 9.8% of employees whose

salaries for similar work are higher than in other companies plan dismissal, the reason for which, in their words, is “the desire for further development and some unfulfilled obligations of the employer”. Such a high potential staff turnover can lead to significant losses of enterprises due to understaffing and additional costs for filling vacancies.

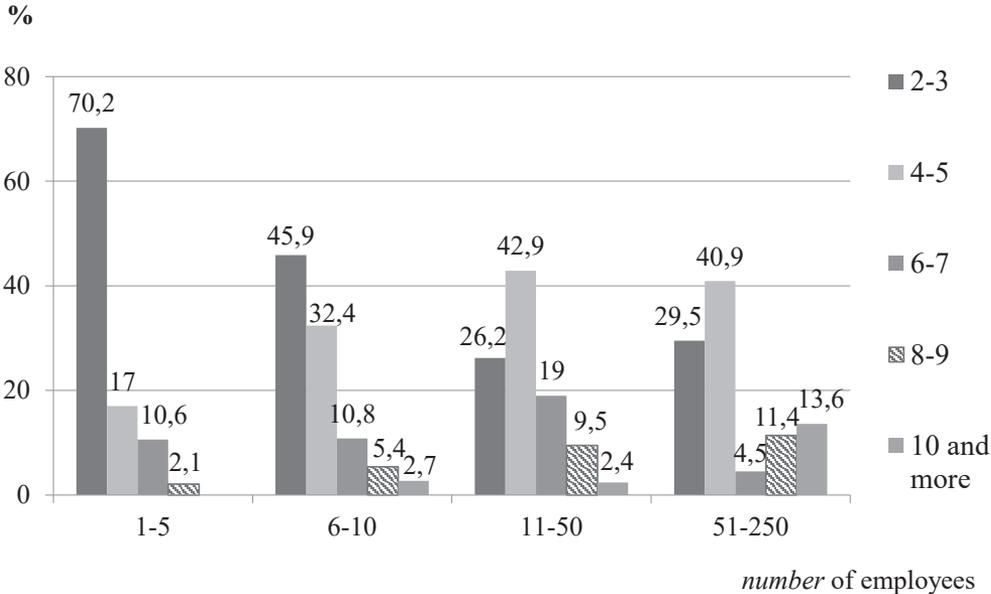


Figure 2.8 - Distribution of responses of business entities (depending on the number of employees) to the question “What is the ratio of the maximum wage to the minimum wage at your enterprise?”, %

Table 2.1

Relationships between potential staff turnover and subjective assessment of employees of the adequacy of their wages

% of respondents' answers		The amount of wages relative to payment for similar work at other enterprises		
		lower	equal	higher
Availability of plans to search for a new job	yes	58,4	29,4	9,8
	no	41,6	70,6	90,2

The indicators of wage evaluation in terms of implementation of decent work principles include the presence of a compensation package (CP), the purpose of

which is to provide employees with working conditions that would meet their needs for recreation, treatment, nutrition and cultural development. In this case, the social package of an employee of one organization may differ significantly in content from the social package of another organization and, conversely, be almost the same.

Successful top managers believe that the compensation package is “a proven, effective tool in the hands of the employer to manipulate hired labour in order to increase the profitability of the enterprise” (Varfolomeeva, 2018), so it is important to be able to use it wisely. After all, firstly, CP is an excellent means of “internal PR”, which increases the loyalty of the company’s employees, causing a feeling that the company cares about them. Secondly, the CP provides high efficiency of the staff, because part of the reward is provided in the form of a targeted service aimed at maintaining the excellent physical and mental condition of the employee, and not as money that can be spent on other needs (entertainment, family etc.) (Varfolomeeva, 2018).

The concept of “compensation package” is not defined in the legislation of Ukraine, which means that the ensuring of CP is voluntary. That is, the introduction of CPs in enterprises can be initiated by all parties of social and labour relations, including the staff of the enterprise within the framework of the collective agreement. In particular, in accordance with Article 245 of the Labour Code of Ukraine, the employee has the right to make proposals for “improving the work of the enterprise, as well as on socio-cultural and consumer services.” And the Labour Code of Ukraine (Article 9<sup>1</sup>) provides for the possibility of enterprises, at their own expense, to establish additional, compared to the law, labour and social benefits for their employees.

Accordingly, the method of consolidating the CP at enterprises is not legally established. That is, the provision of CPs can be voiced and documented through the development and approval of the Regulations on the compensation package of the enterprise, or the provision of appropriate additional benefits, advantages and guarantees in the collective agreement or employment agreement (contract).

And when without documenting the CP the employer feels freer (if they wanted, they would make a payment; if they did not, they would refuse it), employees will consider themselves less protected. In addition, the “paper” consolidation of the CP will be useful in the reflection of “compensation package” payments in accounting and taxation (Kushina, 2019). After all, the results of the analysis of the Tax Code of Ukraine and the Instruction on Wage Statistics No.5 show that certain components of the CP can either directly refer to the costs of the enterprise related to economic activity, or carried out from the payroll or profit of the enterprise.

Currently, the classification of CPs is widespread, which is based on the principle of voluntary/compulsory provision of material benefits to the employee in addition to his basic salary, as well as on the basis of supplementing it or reimbursing personal expenses. Therefore, the traditional CP includes, in various proportions, the basic (social guarantees provided by labour and social security legislation) and motivational CP (additional material benefits provided by the employer on its own initiative) (Novak, 2008). There are two components of the CP, namely: collective and individual (when it is provided to a particular employee to meet their personal needs).

The greater the individual needs of the employee are met through labour, the higher the level of their labour activity is. That is, well-chosen incentives (including components of the social package) can form a system of motives for behaviour and activities that would contribute to achieving the goals of the enterprise, provided that the personal goals and needs of the employee are met.

Since each country has its own system of cultural values, ideals and a certain level of economic development, the relative importance of the needs of its population is somewhat different. In particular, in very poor countries of the world it is possible to stimulate workers, satisfying only their primary needs. However, in economically developed countries, it is important to pay attention to the secondary needs of workers and look for ways to meet them (Mazur, 2006).

In view of this, we propose to take into account the theory of A. Maslow'

hierarchy of needs when forming the structure of the compensation package. In particular, the collective component of the CP should include components that will meet the primary needs, and the individual one will then involve additional components aimed at meeting the secondary needs (fig.2.9).

<i>Classification of needs according to A. Maslow</i>	<i>Components of the compensation package</i>
<p><b>PRIMARY NEEDS:</b></p> <ul style="list-style-type: none"> <li>✓ nutrition</li> <li>✓ clothes</li> <li>✓ accommodation/housing</li> <li>✓ security</li> </ul>	<p><b>PRIMARY (MAIN) COMPONENTS:</b></p> <ul style="list-style-type: none"> <li>+ nutrition costs;</li> <li>+ staff uniform costs;</li> <li>+ housing costs;</li> <li>+ contributions to voluntary social insurance, life insurance, etc.</li> </ul>
<p><b>SECONDARY NEEDS:</b></p> <ul style="list-style-type: none"> <li>✓ involvement</li> </ul> <p>a) culture and additional recreation</p> <p>b) sports and recreation</p> <ul style="list-style-type: none"> <li>✓ recognition</li> <li>✓ self-realization (education, career)</li> </ul>	<p><b>SECONDARY (ADDITIONAL) COMPONENTS:</b></p> <ul style="list-style-type: none"> <li>+ costs aimed at becoming an employee as an integral part of the staff, the company</li> <li>a) costs for recreation and cultural development;</li> <li>b) costs for physical development and rehabilitation;</li> <li>+ costs due to merits</li> <li>+ training and development costs</li> </ul>

Figure 2.9 - Components of the compensation package according to the classification of needs according to A. Maslow

The study conducted in the enterprises of Rivne revealed discrepancies between the components of the compensation package that are important and actually available for employees (fig.2.10, 2.11). In particular, among the components of the CP that meet the primary needs, the most desirable for employees were partial payment of food (69%) and payment of voluntary health insurance contributions by the employer (67%). At the same time, only 38% of business entities included in their compensation package the provision of employees with drinking water, tea, coffee, cookies, and 19% – voluntary health insurance of employees (fig.2.10).

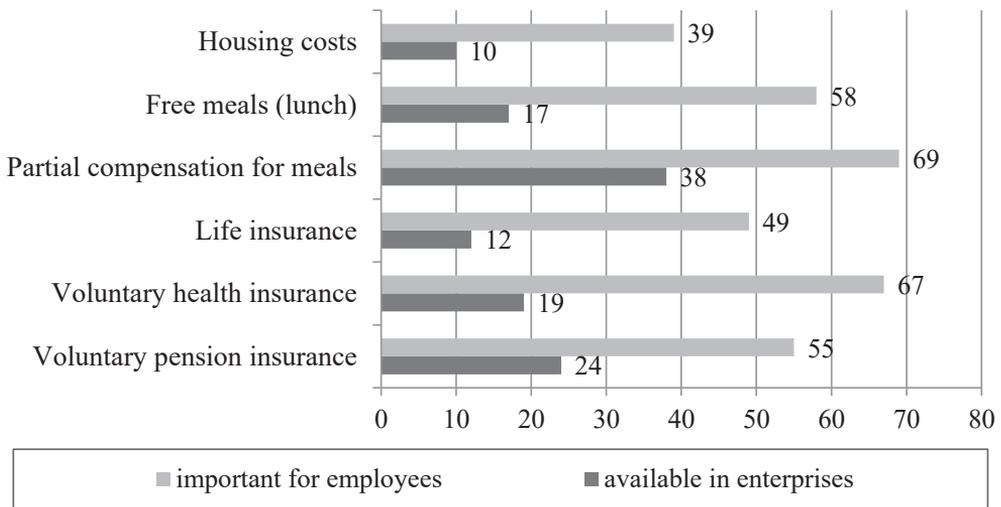


Figure 2.10 - Importance of primary (main) components of the CP for employees and their availability in the enterprises of Rivne, % of the total number of employees

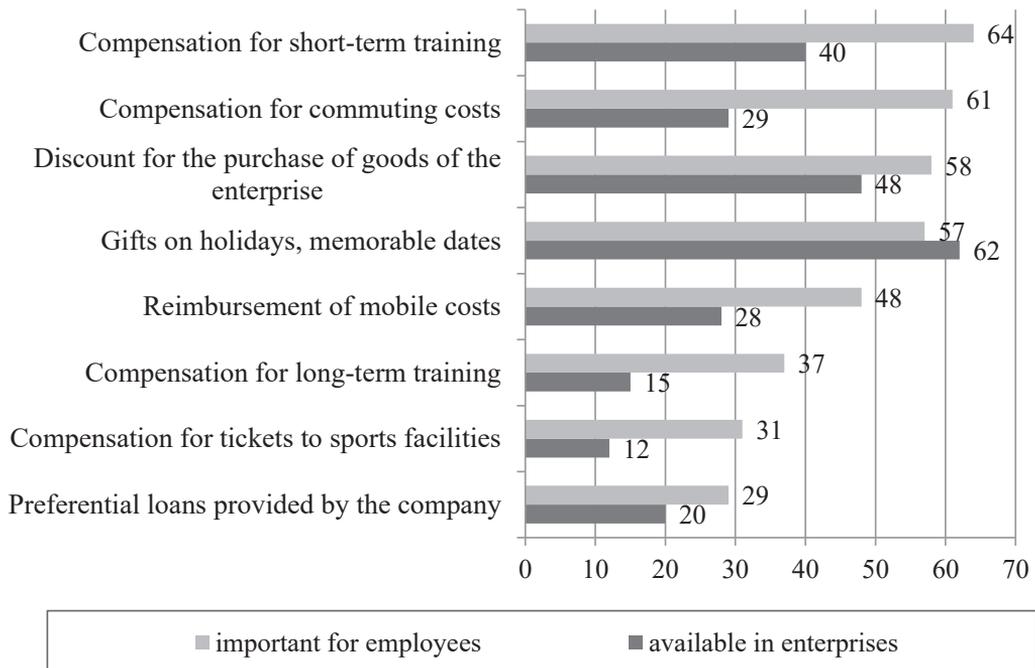


Figure 2.11 - Importance of secondary (additional) components of the CP for employees and their availability at the enterprises of Rivne, % of the total number of employees

As for housing costs, they are important for almost 40% of employees, but only 10% of employees are available in the compensation package. This is due to the fact that the housing costs are not guaranteed by the state (except in some cases) and therefore are mainly covered on an individual basis when concluding an employment contract with particularly “valuable” employees. According to statistics, the average housing costs for one employee was €0.16 in 2018 in monetary terms.

The results of statistical surveys of housing costs by type of economic activity are quite indicative. In particular, the highest expenditures are observed in the field of public administration and defence sector (4.2 times higher than the national average in 2018). In some economic activities (temporary accommodation and catering; real estate transactions; health care and social assistance; arts, sports, entertainment and recreation), the reimbursement of housing costs/expenses for employees is sporadic and so insignificant that it is not reflected in the statistics.

The most popular CP components aimed at meeting the secondary needs of employees were the compensation for short-term vocational programs and commuting costs (fig. 2.10). Unfortunately, only 40% of employers allocate funds for various trainings, workshops, which is 27% less than the need of employees. Regarding the compensation for commuting costs, the situation is even worse – there is a two times difference between the desired and actual level. However, most companies (57%) provide their employees with gifts for holidays and anniversaries, which almost satisfies the needs of employees for this component of the CP (62%).

It should be noted that the CP of employees at different enterprises may differ significantly in content from the CP of another companies and, conversely, they may be identical. The choice of one or another component and its inclusion in the CP depends on many factors, including the scale of the enterprise, its industry affiliation and financial capacity.

Table 2.2. reveals the difference in the structure of the CP of economic entities by type of economic activity. In particular, CP of small and medium-sized enterprises that provide services in the field of education, arts, entertainment and recreation, as well as health care include only 8-10 elements listed above. At the same time, such components as “compensation for short-term training”, “partial compensation for meals” and “gifts” are included in the CP of enterprises for all types of economic activity.

Table 2.2

Components of CP by type of economic activity,% of the total number of employees

Types of economic activity	Components of CP available in an enterprise													
	voluntary health insurance	voluntary pension insurance	life insurance	compensation of transport costs	compensation for short-term training programs	compensation for long-term training programs	partial compensation for meals	free meals (lunch)	compensation for housing costs	preferential loans provided by the company	reimbursement of mobile costs	compensation for season tickets to sports facilities	discount of the purchase of goods of an enterprise	gifts on holidays, memorable days
<i>1</i>	2	3	4	5	6	7	8	9	10	11	12	13	14	15
agriculture, forestry and fisheries	33	44	33	33	44	11	22	22	22	22	33	22	66	55
industry	23	22	12	36	58	21	39	8	12	42	44	10	52	80
construction	9	12	9	38	21	15	26	24	3	15	24	6	44	65
wholesale and retail trade; repair of motor vehicles and motorbikes	11	19	6	28	28	7	43	12	8	14	24	11	65	65
transport, warehousing, postal and courier activities	20	20	27	27	47	7	40	14	-	34	27	-	27	47
temporary accommodation and catering	18	21	14	14	21	4	57	50	4	4	4	7	61	57
information and telecommunications	11	11	-	21	47	32	42	11	11	5	26	16	21	53
financial and insurance activities	36	43	36	29	71	-	36	7	-	7	21	-	7	71
real estate transactions	-	-	-	17	33	-	25	8	-	-	33	-	8	33
professional, scientific and technical activities	33	33	33	83	50	17	50	17	17	0	17	17	50	67
activities in the field of administrative and support services	15	46	15	15	38	16	8	-	8	8	15	-	31	46

<i>l</i>	2	3	4	5	6	7	8	9	10	11	12	13	14	15
education	20	20	10	-	50	20	10	-	10	-	-	-	-	50
health care and social assistance	22	11	22	11	56	22	11	-	-	-	11	-	33	78
arts, sports, entertainment and recreation	50	-	-	25	50	25	75	25	-	-	50	25	75	75
other types of services	11	21	21	16	26	11	37	16	11	21	26	11	26	42

The initial formation of the compensation package requires collection, analysis, generalization and grouping of individual (personal) needs of employees. To do this, you can use the experience of other countries, where information on the preferences and wishes of employees regarding their remuneration, obtained either through informal communications or through the development of social questionnaires. In such a questionnaire, the employee is given the opportunity to rank a number of additional benefits according to the degree of their importance for them and their family (Gumenyuk & Samoliuk, 2012).

It should be noted that the importance of the components of the compensation package varies depending on gender, age, and marital status of employees. Table 2.3 reveals that workers under the age of 35 prefer to be paid for short-term and long-term vocational training – 72% and 44% of respondents, respectively, 72% prefer to get partial compensation for meals and 41% housing costs compensation. At the same time, for employees over 50, vocational training is less important and only 38% are interested in short-term training programs and 14% in long-term ones. Instead, life insurance becomes important for these workers (55%). Such a CP component as pension insurance is of importance for employees of all ages; more than 50% of all surveyed employees want to see it in their CP. At the same time, the need for such CP components as housing costs compensation and a discount on the purchase of goods of the enterprise decreases with age increase.

By gender, the desired CP fullness social package has minor deviations, namely (Mishchuk et al., 2019):

- 62% of men against 52% of women would like to be provided with full

meals at the expense of enterprises;

- 53% of men and only 45% of women would include reimbursement for mobile costs in their social package;

- 40% of men and 35% of women are interested in long-term training programs, including internships abroad;

- 60% of women, but only 53% of men would like to receive gifts from their employers on holidays and anniversaries.

Table 2.3

The importance of the components of the compensation package for employees of Rivne by gender and age, %

<i>Age, years</i>			<i>Components of Compensation Package</i>	<i>Gender</i>	
<i>under 35</i>	<i>35-50</i>	<i>over 50</i>		<i>female</i>	<i>male</i>
68	67	62	voluntary social insurance of employees: - medical;	67	68
53	60	52	- pension;	55	56
48	48	55	- life	49	48
61	60	62	reimbursement of commuting costs (travel ticket, refund of fuel costs, commute with enterprise service)	60	64
72	59	38	compensation for vocational training: - short-term educational programs (trainings, workshops);	63	65
44	31	14	- long-term training (internships abroad, higher education, advanced training, etc.)	35	40
72	65	66	compensation for meals: - partial (drinking water, tea, coffee, cookies);	68	69
54	59	55	- full lunch	52	62
41	37	34	compensation for housing costs (rent, maintenance, purchase of housing)	35	46
28	33	24	preferential loans provided by the company	25	38
43	54	52	reimbursement of mobile costs	45	53
34	29	31	compensation for season tickets to the pool, fitness club, other health groups	30	35
61	56	45	discount on the purchase of goods of the enterprise	56	61
57	56	65	gifts on holidays, memorable days	60	53

Different companies form their CP using different methods. Currently, the most common methods of forming a CP in the domestic market include (Petrushenko & Alibekova, 2010):

- 1) method of differentiation – the number and nature of benefits is set

depending on the achievements of the employee: the higher the position and length of service, the greater the number of benefits available to them;

2) method of ranking – the benefits included in the CP are ranked, i.e. divided into basic and additional. In this case, the main (basic) components are provided to all employees, and additional only to certain categories of staff;

3) method of selectivity – formation of the CP is based on the principle of “cafeteria”: employees choose the components that are contemporarily most important to them independently and within a certain amount from the list available to them;

4) method of a scoring system – is based on the evaluation of work and achievements of employees during a certain period and the translation of evaluation results into points. At the end of the period, the employee selects the CP components from the proposed list for a certain amount of points.

In Rivne, most of the surveyed small and medium-sized enterprises use methods of differentiation and ranking, or their combination, in the formation of CP. In particular, the results of our study showed differences in the structure of CPs for different staff categories. Although the “insurance” components of the CP are e.g. desirable for approximately the same number of employees in each staff category, they are most accessible only to managers (fig.2.12).

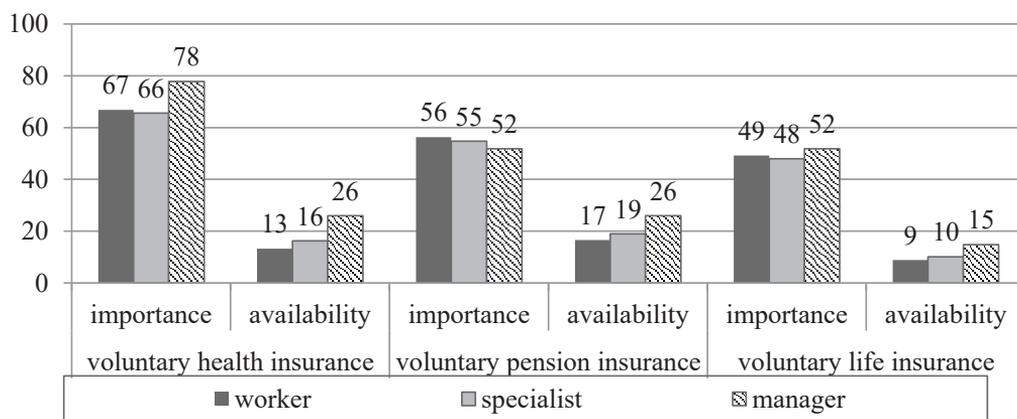


Figure 2.12 - Importance of the “insurance” components of CP for different staff categories and their availability at the enterprises of Rivne, % to a certain staff category

In general, as it can be seen from table 2.4, the components of the CP do not fully meet the needs of any staff category in the surveyed business entities. However, despite this, the gap between the desired and available CP components of managerial staff is much smaller compared to the CP components for specialists and workers. If we analyse such a component as “compensation for long-term training”, e.g., it is desirable for 48% of managers, 41% of specialists and 31% of workers. However, 15% of managers receive this benefit, and only 8% of specialists and 5% of workers. Even worse is the situation with the CP component of “housing costs reimbursement”, which is available to only 11% of managers and 1-3% of specialists and workers, though this component is desirable for every second manager and every third specialist and worker.

Table 2.4

Available CP components for different staff categories in the enterprises of Rivne, % to a certain staff category

Staff categories	Compensation package components																					
	compensation for short-term training programs		compensation for long-term training programs		partial compensation for meals		free meals (lunch)		compensation for housing costs		compensation of transport costs		preferential loans provided by the company		reimbursement of mobile costs		compensation for season tickets to sports facilities		discount of the purchase of goods of an enterprise		gifts on holidays, memorable days	
	<i>i</i> *	<i>a</i> **	<i>i</i>	<i>a</i>	<i>i</i>	<i>a</i>	<i>i</i>	<i>a</i>	<i>i</i>	<i>a</i>	<i>i</i>	<i>a</i>	<i>i</i>	<i>a</i>	<i>i</i>	<i>a</i>	<i>i</i>	<i>a</i>	<i>i</i>	<i>a</i>	<i>i</i>	<i>a</i>
Worker	55	24	31	5	70	34	62	15	39	3	59	17	30	11	44	12	34	4	60	44	59	55
Specialist	72	40	41	8	68	36	47	9	38	1	62	29	27	13	49	25	26	4	54	41	53	67
Manager	85	63	48	15	63	41	56	22	48	11	67	41	41	19	74	30	44	15	63	59	70	63

\* *i* – importance; \*\* *a* – availability

Currently, the CP is a necessary prerequisite for doing business and the key to success of the enterprise in any field of activity. For an employee, its components are important social guarantees that allow them to live and work fully. The CP is considered as a motivational and protective tool that integrates methods of tangible and intangible incentives, including a system of measures that meet the needs of employees and directly affect the final results of an enterprise.

## 2.2. Wages in the national labour market: dynamic, regional and sectoral, and social aspects

The need to form a socially-oriented market economy in Ukraine requires the introduction of the concept of decent work in its remuneration. The main economic condition for raising living standards is to ensure the transition to a high cost of labour and, accordingly, to a decent wage. In Ukraine, significant problems have accumulated in the field of wages: wages have been low for a long time; there is its excessive intersectoral differentiation; wages are insufficiently related to labour productivity and production efficiency. These and other problems indicate that the implementation of the concept of decent work in terms of its remuneration in Ukraine has a number of barriers and is constrained contemporary.

The survey of wage indicators in Ukraine will be carried out on the basis of official statistics according to the State Statistics Service (SSSU, 2021). According to the analysis of 2014-2018 (fig.2.13), the average monthly wage in Ukraine has been growing steadily and in 2020 amounted to about UAH 12.76 thous.

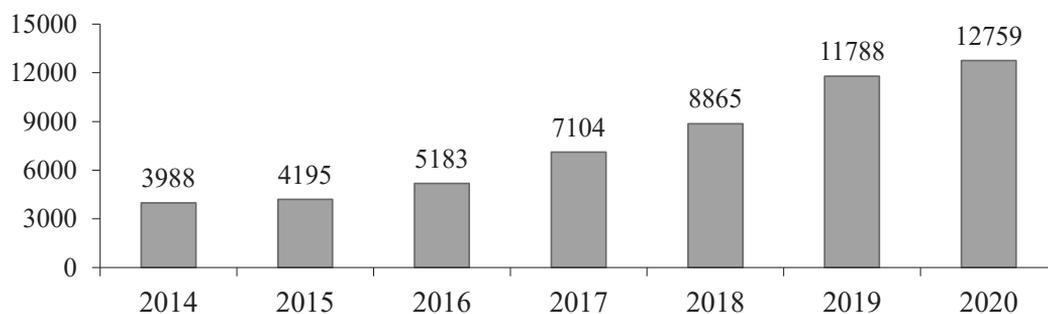


Figure 2.13 - Dynamics of average monthly wages in Ukraine, UAH / month (SSSU, 2021)

The growth rate of nominal wages during 2014-2020 was quite significant and ranged from 6.0 to 37.1%. However, in reality, the analysis of the average wage in nominal terms is not objective due to inflation. A study of the growth rate

of real wages in Ukraine shows that in 2014-2015 there was a significant decrease by 6.5% and 20.2% in Ukraine, respectively (fig.2.14). That is, in 2015, the purchasing power of the average wage in Ukraine decreased by more than 20%, while prices increased by 48.7%. This is evidence of the deteriorating standard of living of workers in the face of inflation, which does not correspond to the concept of decent work.

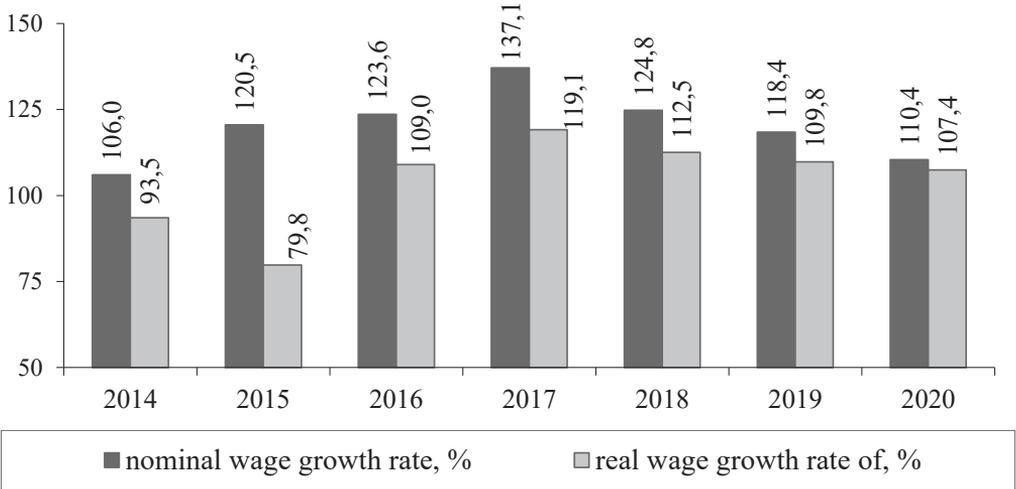


Figure 2.14 - Growth rates of nominal and real wages in Ukraine during 2014-2020, % to the previous year (SSSU, 2021)

In Ukraine, there is a significant differentiation in the level of wages by type of economic activity (FEA). Despite the fact that the average nominal wage in all foreign economic activity is constantly growing, the highest level of wages in Ukraine is to see in financial and insurance activities, information and telecommunications, professional, scientific and technical activities (fig.2.15).

At the same time, the lowest level of wages is to see in health care and social assistance, temporary accommodation and catering, agriculture, where the average wage is from 66 to 86% of the average wage in the country. Statistics show that there is a significant differentiation of welfare of employees in Ukraine on the basis of their affiliation to a particular activity (wages of employees in the field of financial and insurance activities are 3.4 times higher than its level in the

field of catering, 2.3 times – compared to health care, 2.1 times – compared to agriculture).

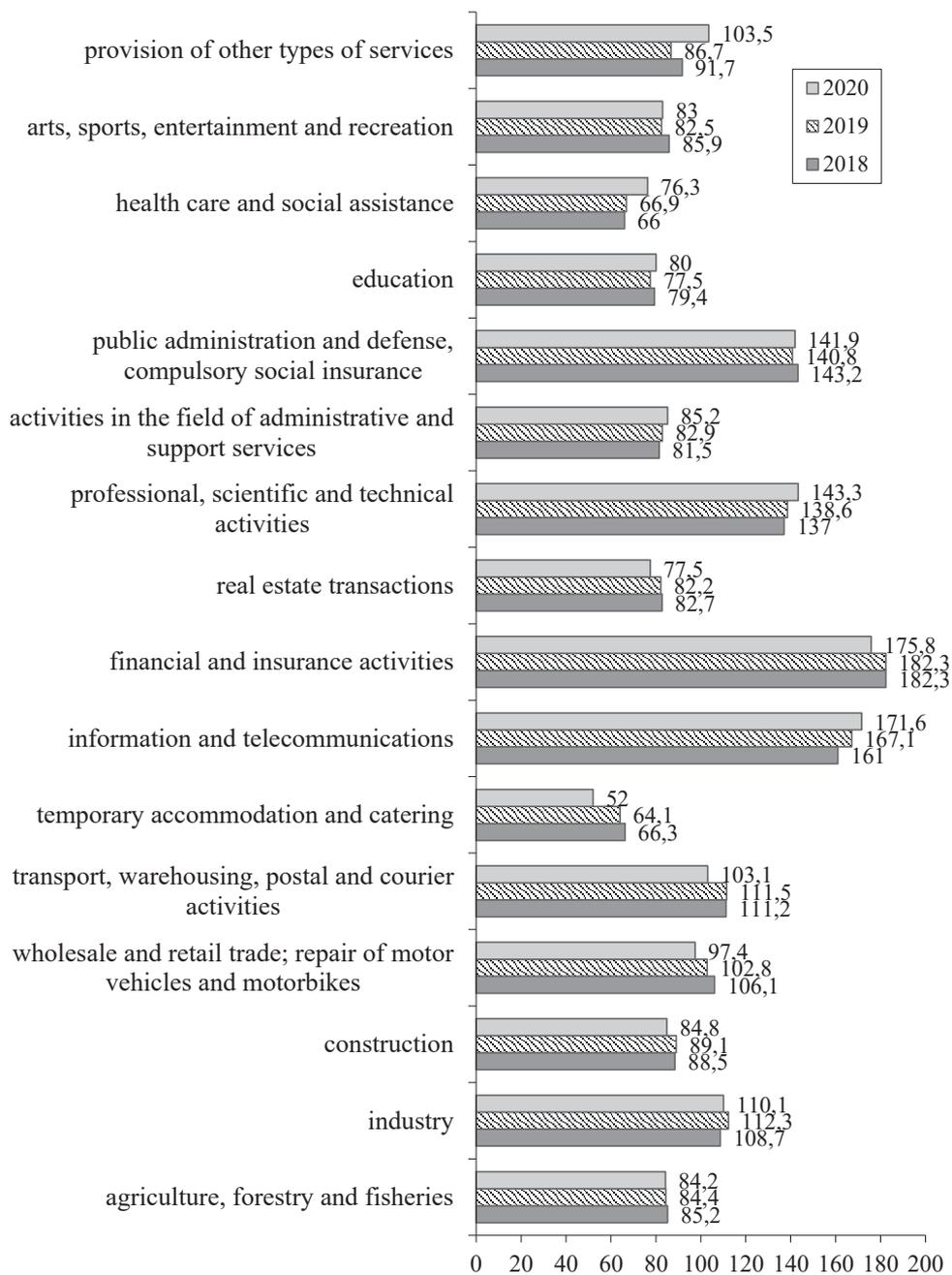


Figure 2.15 - Differentiation of the level of wages on the type of economic activity in Ukraine (2018-2020), % of the average wage in the national economy (SSSU, 2021)

The study of the level of wages in the regional context shows its significant differentiation in Ukraine (fig. 2.16). Thus, the highest level of wages is traditionally in Kyiv (exceeds the average wage in Ukraine by 2.1 times), Kyiv, Mykolaiv, Dnipropetrovsk regions (exceeds the average wage in Ukraine by 17-38%). At the same time, in most regions of Ukraine the average salary is lower than the average in Ukraine. It is significant that the lowest level of wages is in Kirovohrad, Zhytomyr and Ivano-Frankivsk regions (lower by 22-28% compared to the national average figure).

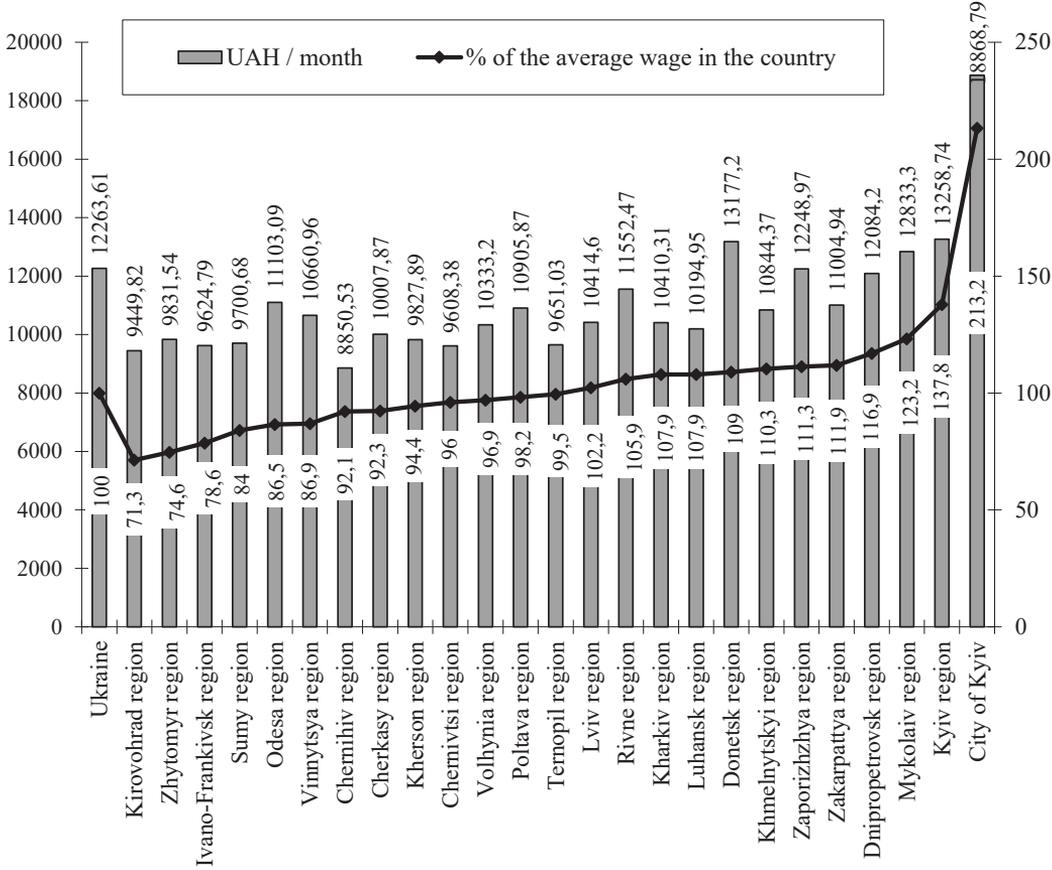


Figure 2.16 - Regional differentiation of the average wage in Ukraine,% to the average wage in the national economy (as of December 2019) (SSSU, 2019e)

That is, as in the case of economic activities, there are significant differences

in the level of wages according to the criterion of its dignity in terms of regions in Ukraine.

A study of the level of wages in terms of age groups (fig.2.17) shows that the highest level of wages is observed in the age group 35-44 and 25-34 years. At the same time, the lowest level of wages occurs in the age group up to 25 years, which indicates a high level of social vulnerability of young people in the national labour market.

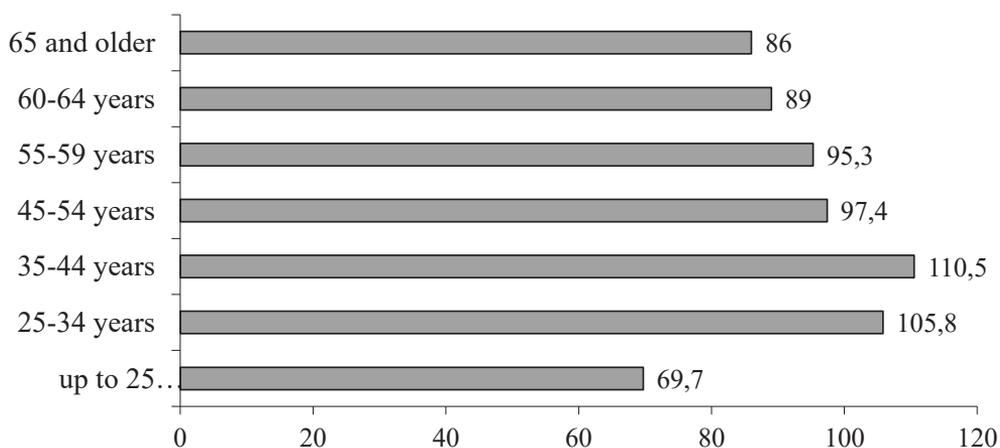


Figure 2.17 - Differentiation in wages by age groups (according to the results of a survey of employees by the State Statistics Service of Ukraine),% of the average wage (SSSU, 2019e)

The study of the level of wages by forms of ownership of economic entities (fig.2.18) gives the right to say that the lowest level of wages occurs among private enterprises. However, these statistical data take into account only the so-called legal wages. Therefore, there is reason to believe that the real level of wages at private enterprises is significantly higher, taking into account its shadow component.

At the same time, given the transparency of wages in government authorities, official statistics indicate that they offer a significantly higher level of wages.

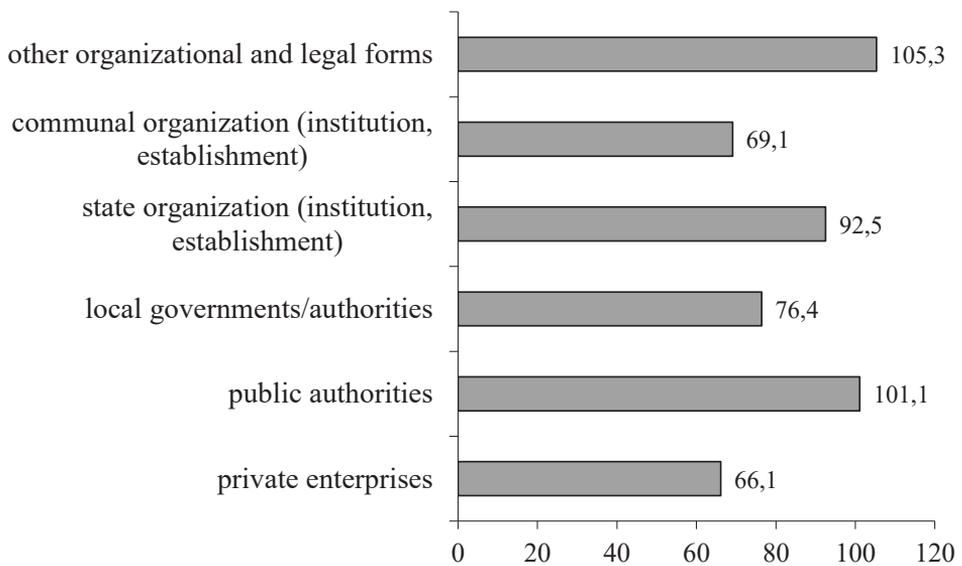


Figure 2.18 - Differentiation in wages by forms of ownership of economic entities,% of average wages (SSSU, 2019e)

The analysis of the data on the use of existing forms of remuneration indicates that its hourly form prevails in the national economy and amounts to over 94% in the total pay of employees. At the same time, only 5.8% of employees are paid on a piece-rate basis (SSSU, 2019e).

The study of the level of remuneration on the basis of gender (fig.2.19) indicates the presence of the so-called “gender gap”. Thus, the lowest level of wages of women compared to men is observed in the field of arts, sports and recreation, as well as financial and insurance activities. There is a small level of gender pay gap in education, administrative and support services, public administration and defense.

In general, a lower level of women’s wages in the national labour market can be explained by a number of both objective and subjective factors. In our point of view, the first of them includes the predominance of men in jobs with difficult and harmful working conditions (appropriate surcharges are provided), and in management positions. Among the subjective factors of gender inequality in wages, there are ideological and mental stereotypes, women’s reproductive and educational functions, etc. Thus, it can be stated that women belong to socially

vulnerable categories of the population in terms of wages in the national labour market.

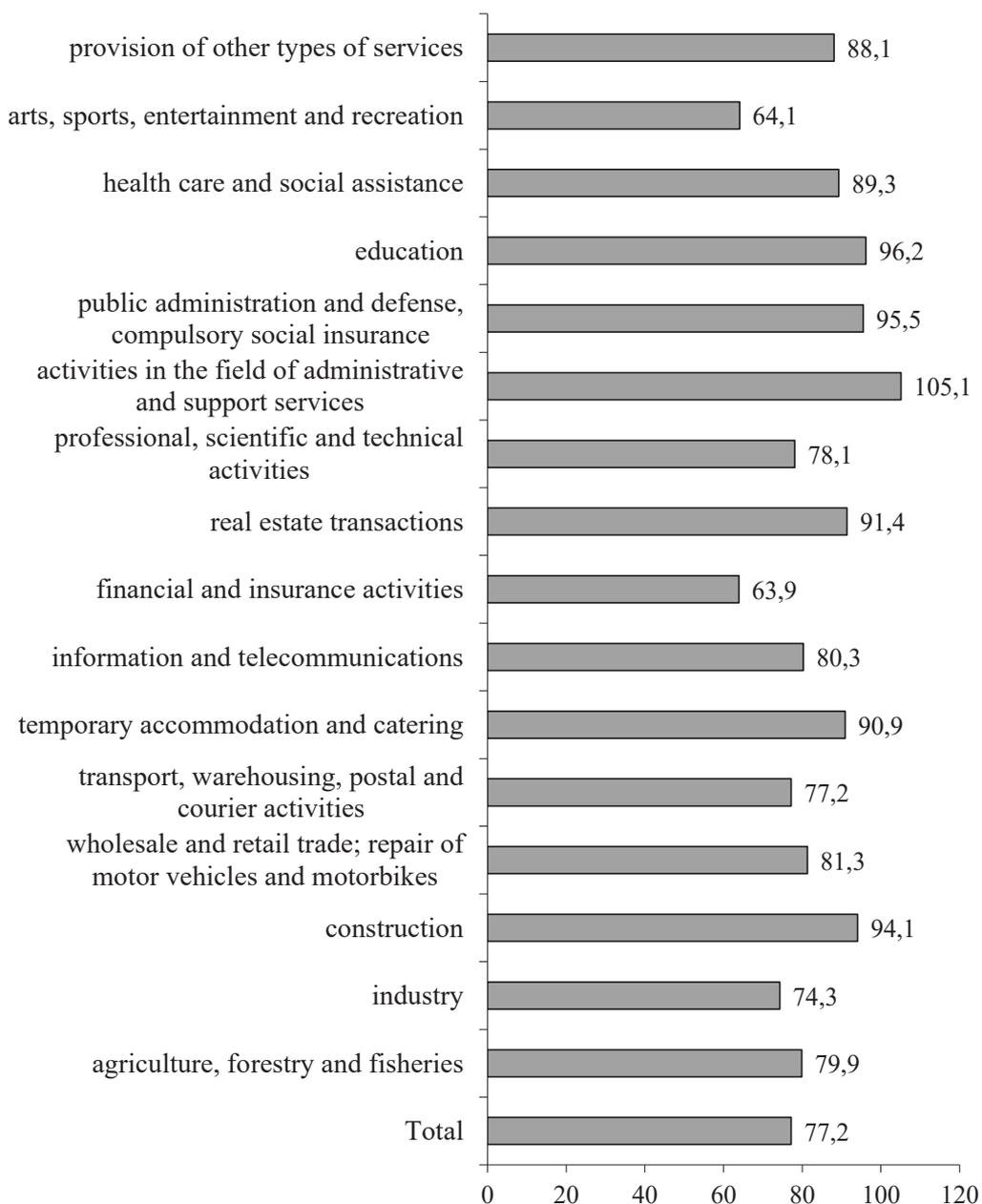


Figure 2.19 - The ratio of wages of women and men,% (SSSU, 2019e)

The analysis of the gross earnings in the national economy (fig.2.20) gives the right to state that, in their structure, about 57% falls on the basic salary fund,

while the incentive and compensation payments constitute only 6%. The share of the additional salary fund in 2019 was 38%. At the same time, in the structure of the latter, bonuses accounted for about 38%, surcharges and allowances - 35% (fig.2.21).

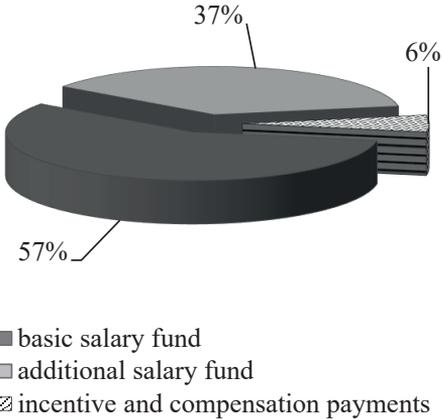


Figure 2.20 - Structure of the basic salary fund, % (SSSU, 2019e)

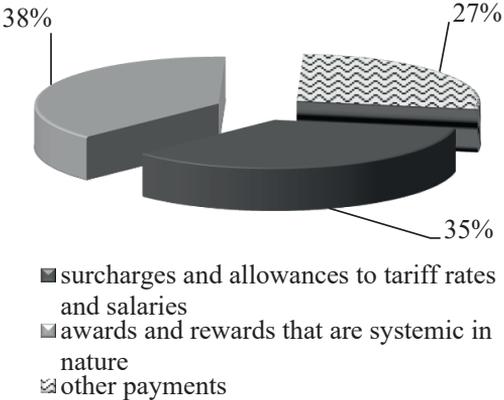


Figure 2.21 - Structure of the additional salary fund, % (SSSU, 2019e)

Under the conditions of the formation of the global labour market and Ukraine’s proximity to the EU labour market, there is an objective need to compare the level of wages in the national and EU labour markets (fig.2.22). In the EU, hourly wages during 2018-2019 ranged from €5.4 to €50.2. At the same time, among the EU countries, the highest level of wages, which best meets the criteria of decent pay, is observed in Norway, Iceland, Sweden (from €36 to €50 per hour). At the same time, countries such as Romania and Bulgaria have the lowest level of average wages among EU countries (ranging from €5.4 to €7.7 per hour), which is 5-7 times lower compared to the Scandinavian countries.

As for Ukraine, compared to the European labour market, the national economy has a critically low level of wages – €2.3-€2.4/ hour, which is almost twice lower than the level of wages in Bulgaria and over twenty times lower than in Norway. Unfortunately, this level of wages in Ukraine indicates its

inconsistency with the criterion of decent wages compared to the EU, which is a factor in the formation of significant migratory flows of the working population from Ukraine to the EU.

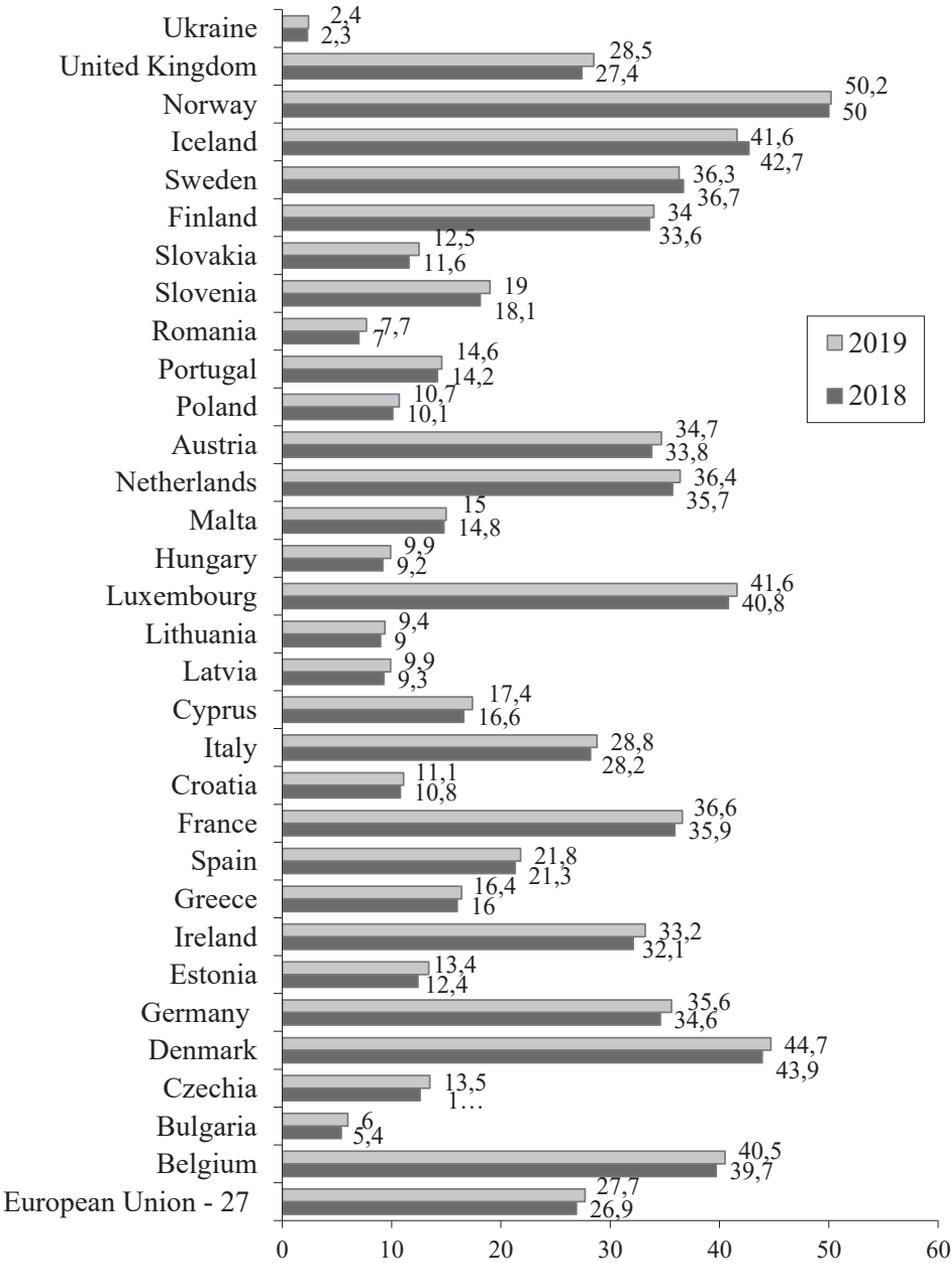


Figure 2.22 - The level of hourly wages in the EU and (2018-2019 p.), €/hour (Eurostat, 2019)

Thus, the analysis of wages in the national labour market revealed a number of problems that do not correspond to the concept of decent work. Unfortunately, there has been a significant reduction in real wages for a number of years in Ukraine, which, in conditions of high inflation, has led to lower living standards and purchasing power of workers. Within the national labour market, there is a significant differentiation of wages by type of activity and region, which causes significant differences in the level of well-being of workers and the formation of so-called “attractive” areas of employment. Despite the positive developments in recent years, there is still a significant difference in the level of wages in Ukraine by gender and age, which is evidence of the affiliation of young people and women to vulnerable groups in the labour market. The hourly wage system is more common in the national labour market, and the lowest level of wages is observed in the private sector in terms of ownership of economic entities. In the wage structure, the basic salary fund accounts for about 57%, while incentive and compensation payments account for only 6%. Compared to the European labour market, the national economy has a critically low level of wages, which increases the attractiveness of the EU labour market and causes significant migration losses for Ukraine.

### **2.3. Problems of shadowing of employment and wages in the national labour market**

One of the extremely negative phenomena in the national labour market, which threatens the socio-economic security of the state, is the movement of part of the employed population from the official sector of the economy to the shadow. Within the shadow labour market, employment and wages are more or less hidden, which provokes a number of threats: increasing social tensions, income polarisation of the population, undermining the fiscal foundations of the state, macroeconomic instability, etc.

Indirectly, the level of shadowing of the national economy signals significant shadowing of employment in Ukraine. According to the Ministry of Economic Development, the integrated level of shadowing of the national economy changed significantly during 2010-2019 (fig.2.23).

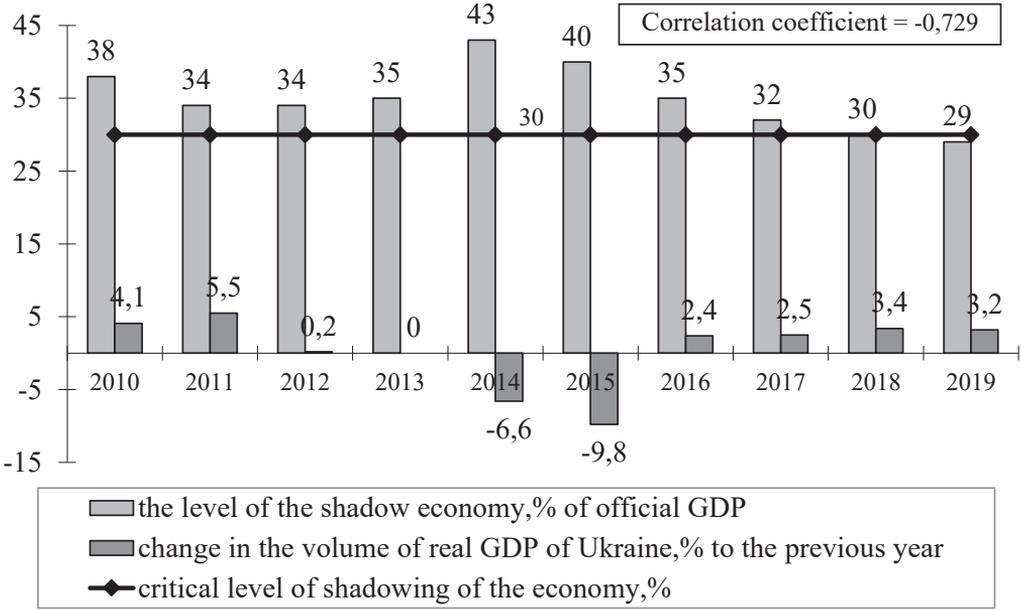


Figure 2.23 - Integral indicator of the level of the shadow economy in Ukraine and the growth of official GDP in Ukraine, 2010-2019 (Ministry of economic development, trade and agriculture of Ukraine, 2020)

Despite, at first glance, the positive dynamics in reducing the shadowing of the national economy, still during 2010-2017 its level exceeded the critical level of shadowing, which is set at 30%. Significant scale of shadowing of Ukraine’s economy, had exceeded its conditionally safe level (30%) by 2018. At the same time, a significant increase in the level of the shadow economy is accompanied by a decrease in official GDP, and the correlation coefficient gives the right to argue that there is a sufficiently close and inverse relationship between them. That is, the significant scale of shadowing of the national economy is a kind of indicator of the level of the shadowing of employment.

Quantitative assessment of shadow employment is provided by the State

Statistics Service based on the results of sample surveys of households on economic activity, in which it identifies shadow employment as informal. In particular, according to these data, the share of workers in the “shadow” varied between 20.9-26.2% in the labour market of Ukraine during 2010-2019 (fig.2.24).

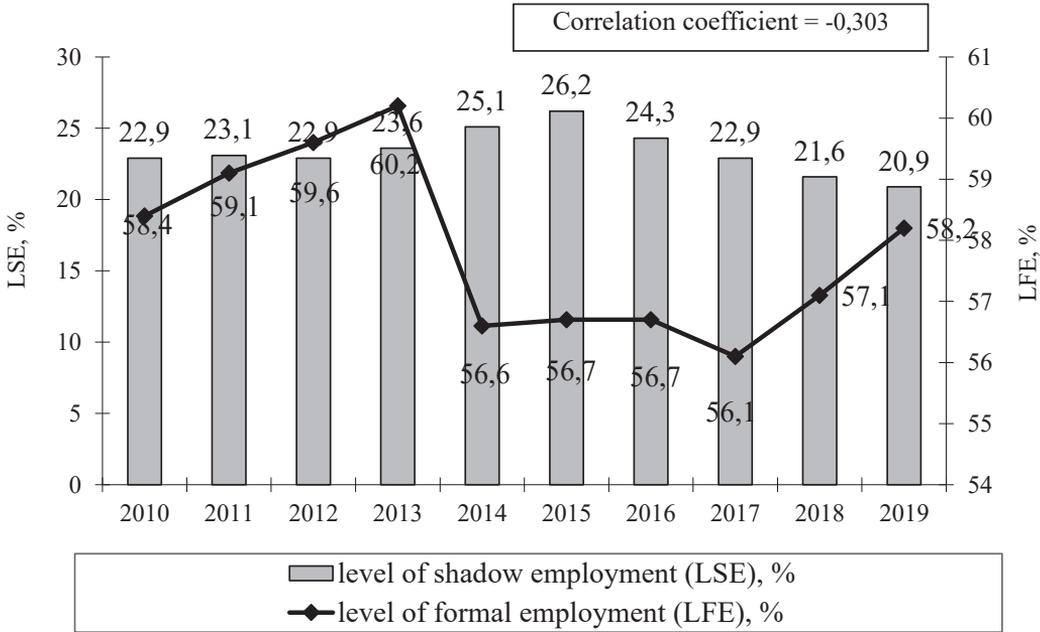


Figure 2.24 - Dynamics of formal and shadow employment levels in Ukraine (SSSU, 2019b)

Comparing the trends of legal and shadow employment in Ukraine in the last three years, it should be noted their opposite direction. It is significant that during 2015-2019, almost every fourth or fifth worker in Ukraine faced shadow employment.

The level of participation of the economically active population in the informal sector of the labour market differs significantly by age (fig. 2.25). The largest share of informal employment in relation to the total number of employees of the relevant age group is observed among the population aged 60-70 years and over 71 years, in which, respectively, every third and second of all employees work informally.

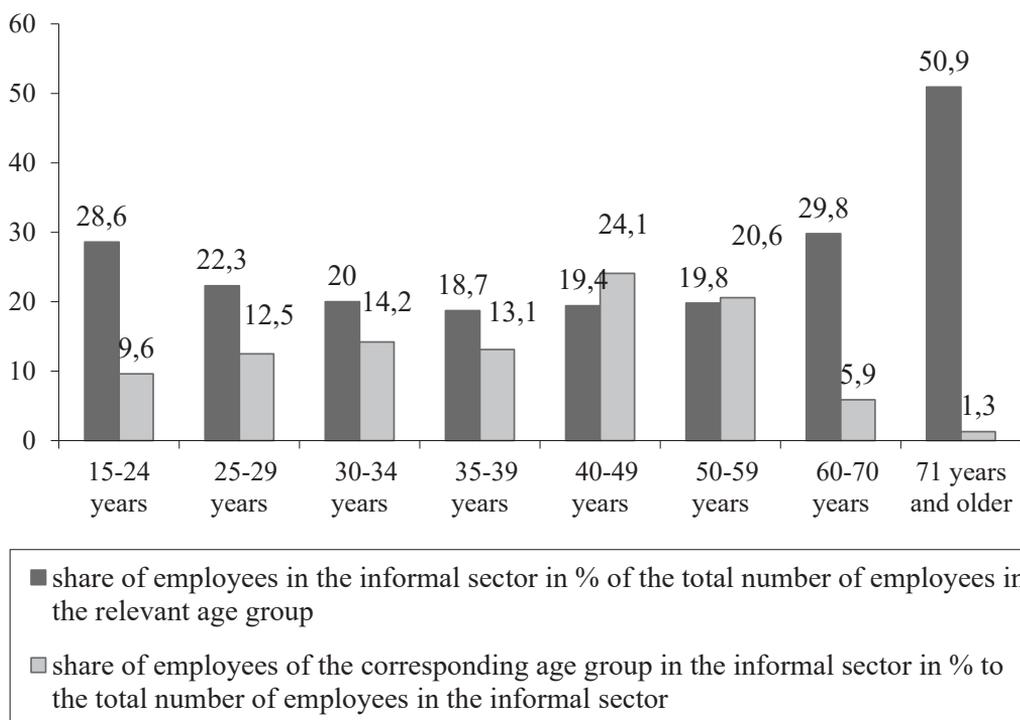


Figure 2.25 - Indicators of informal employment of different age groups (SSSU, 2019b)

There is also a fairly high level of participation in the informal sector among young people (under 29). After all, according to the results of a sample survey, almost every third or fourth employee under the age of 29 works in the informal sector. At the same time, the largest share of those employed in the informal sector in relation to the total number of informally employed is observed among the age groups of 40-49 and 50-59 years, which account for every fourth or fifth employee in the “shadow”, respectively.

The share of men employed in the “shadow” significantly exceeds the share of women (59% vs. 40%, respectively), which to some extent can be explained by the higher level of economic activity of men (fig.2.26). On the basis of place of residence, there is a higher level of involvement in the informal sector of the labour market of rural residents compared to urban residents (55% vs. 45%, respectively).

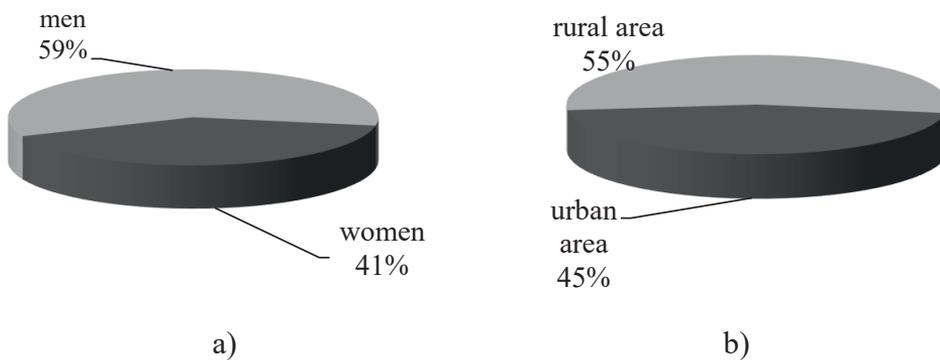


Figure 2.26 - Distribution of employees in the informal sector by: a) gender; b) place of residence (SSSU, 2019b)

A study of the informal employment sector by employment status (fig.2.27) shows that the sphere of hired labour accounts for almost 46% of all employees in the shadow sector, while the sphere of self-employment - 54%. At the same time, the participation of self-employed women in the informal sector is slightly higher than for men (56.8% vs. 52.4%, respectively). In urban areas, almost 70% of the employed in the informal sector are in the field of hired labour, while in rural areas they account only for 25.2%.



Figure 2.27 - Distribution of employment in the informal sector by employment status and social characteristics (SSSU, 2019b)

The comparison of the participation of population in the sector of formal and informal employment by level of education (fig.2.28) gives the right to argue that, in general, there is a pattern of reducing the level of public involvement in the informal sector with increasing level of education in the national labour market. Thus, the share of those employed in the non-formal sector with complete general secondary and vocational education amounts to 32.4% and 33.3%, respectively, while there are only 13.5% those with complete higher education.

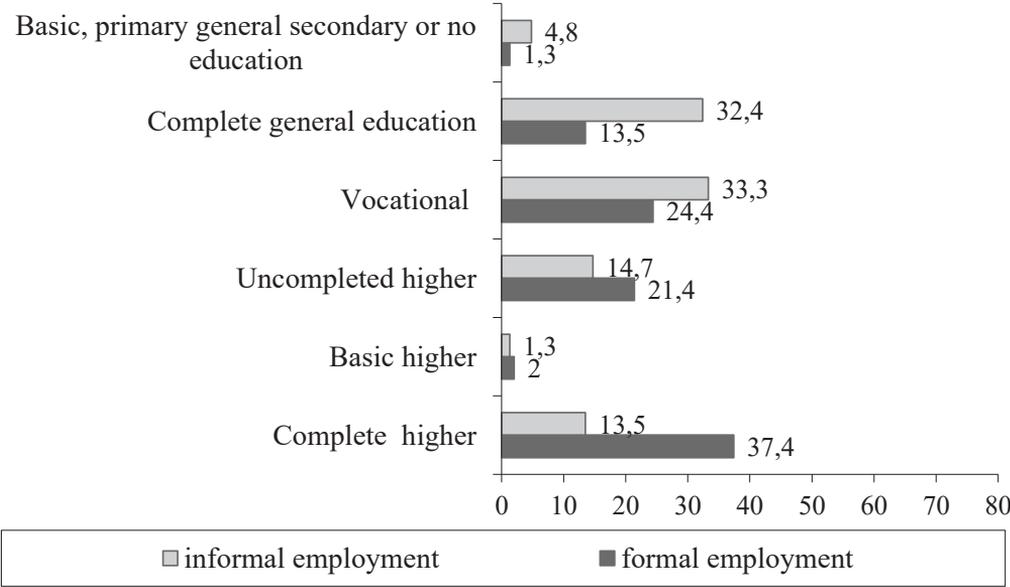


Figure 2.28 - Employment in the formal and informal sector of the labour market and the level of education,% of the total number of the employed at the corresponding level of education (SSSU, 2019b)

In Ukraine, there is a significant regional difference in the level of informal employment (fig.2.29). Thus, an extremely high level of employment in the “shadow” is observed in Chernivtsi and Rivne regions (almost every second employed), which, to some extent, can be explained by the relatively low level of urbanization of these areas, and thus the participation of rural residents in running their own farms in order to sell the manufactured products.

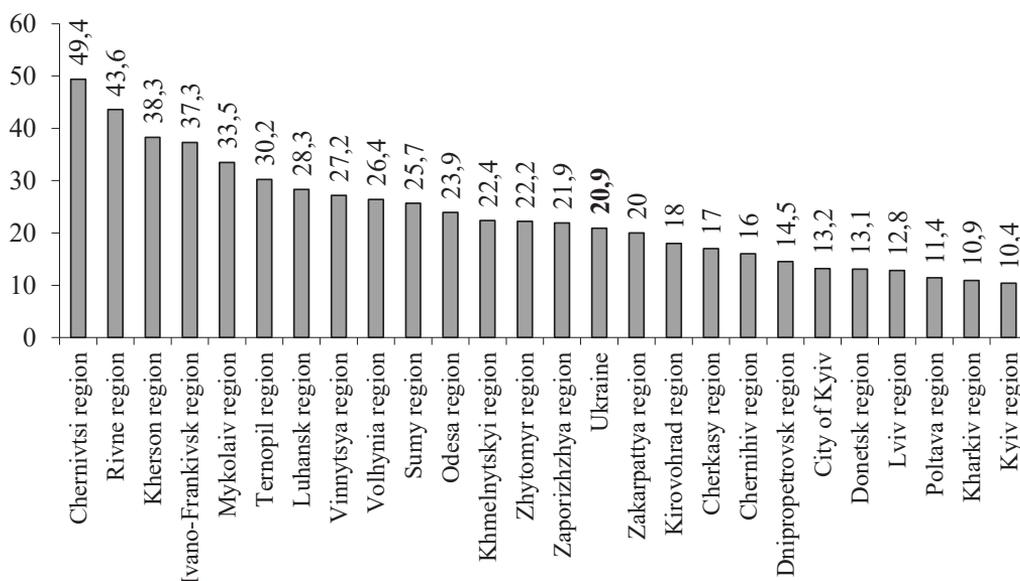


Figure 2.29 - Employment in the informal sector by region (2019),% of the number of the employed in the region (SSSU, 2019b)

The largest share of the informally employed is in agriculture, forestry and fisheries (42.3% vs. 13.7% – in the formal sector); wholesale and retail trade, repair of motor vehicles and motorcycles (17.3% vs. 18.2% – in the formal sector); construction (17.0% vs. 7.2% in the formal sector). At the same time, the lowest levels of informal employment are traditionally observed in industry, transport, warehousing, postal and courier activities, temporary accommodation and catering.

The analysis of the sectoral distribution of employment is quite indicative in the context of the study of the informal employment sector (fig.2.30).

A significant level of shadowing of employment causes shadowing of wages. There are no reliable data on the level of wage shadowing within the national economy. When assessing the scale of the shadow wage, expert estimates prevail, which range from 45-50%. According to the State Fiscal Service, the shadow wage in Ukraine is paid by about 60% of employers.

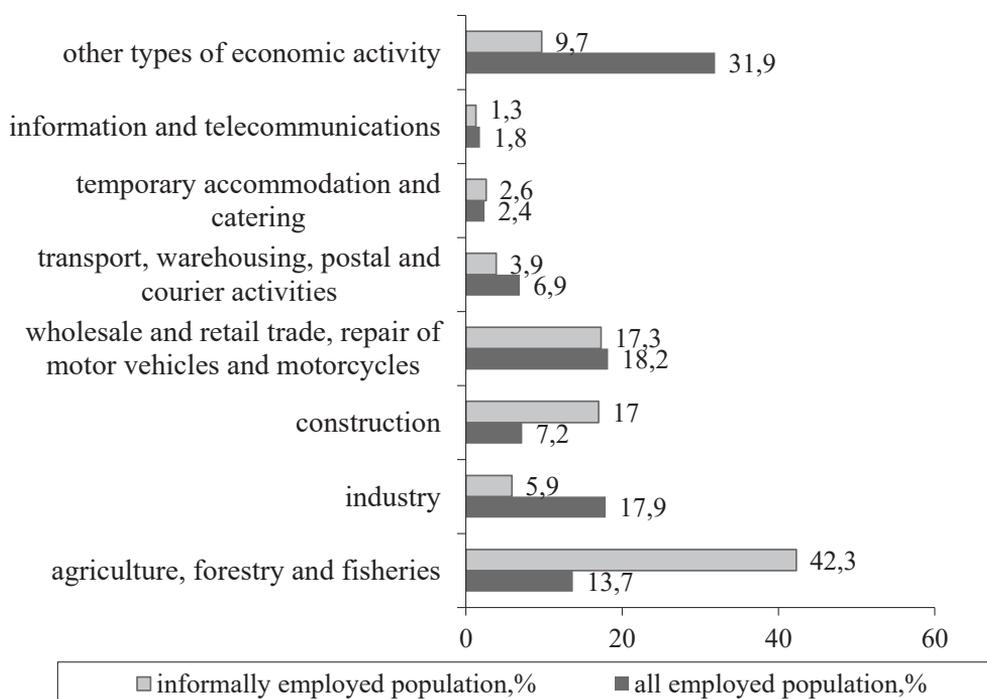


Figure 2.30 - Employment in the formal and informal sectors by type of economic activity, % of total employment (SSSU, 2019b)

In order to determine the scale of the shadow wage, there were own calculations conducted in the framework of this study. In particular, the author's substantiation of the level of shadow wages is based on indicators of the level of the shadow economy and the share of wages in GDP:

$$GDP_{\text{shadow}} = L_{\text{shadow economy}} \times GDP_{\text{official}} \quad (2.1)$$

where:  $GDP_{\text{shadow}}$  – shadow GDP, UAH mln.;  $L_{\text{shadow economy}}$  – level of shadow economy, %;  $GDP_{\text{official}}$  – official GDP (according to the Statistics Service), UAH mln.

$$Wage_{\text{shadow}} = GDP_{\text{official}} \times L_{\text{wage/GDP}} \quad (2.2)$$

where:  $Wage_{\text{shadow}}$  – shadow wage, UAH mln.;  $L_{\text{wage/GDP}}$  – part of wage in official GDP, %.

The results of the calculations of shadow GDP and shadow wages are presented in table 2.5. It is noteworthy that during 2010-2019 the amount of

shadow wages in the national economy increased significantly, which is largely due to inflation. At the same time, the calculations of the shadow wage according to the interval approach “minimum-maximum” show that the upper limit of the estimate of the amount of the shadow wage is 1.3-1.7 times higher than the lower one. Thus, in 2019, the amount of wages in the “shadow” ranged from 346.1 to 519.2 billion UAH.

Table 2.5

Calculation of shadow GDP and shadow wages in the national economy  
(according to formulas 2.1-2.2)

Years	GDP <sub>official</sub> , UAH mln.	L <sub>shadow economy</sub> , %		GDP <sub>shadow</sub> , UAH mln	
		minimum	maximum	minimum	maximum
<i>Calculation of shadow GDP</i>					
2010	1079346	30	45	323804	485706
2011	1299991	25	48	324998	623996
2012	1404669	27	49	379261	688288
2013	1465198	27	57	395603	835163
2014	1586915	31	65	491944	1031495
2015	1988544	26	60	517021	1193126
2016	2385367	22	56	524781	1335806
2017	2983882	24	55	716132	1641135
2018	3560596	23	33	818937	1174997
2019	3978400	20	30	795680	1193520
<i>Calculation of shadow wage</i>					
	L <sub>wage/GDP</sub>	Wage <sub>shadow</sub> , UAH mln			
		minimum	maximum		
2010	48,0	155425,9		233138,7	
2011	47,0	152749,1		293278,0	
2012	50,3	190768,3		346208,8	
2013	49,9	197405,9		416746,3	
2014	46,3	227770,1		477582,1	
2015	39,1	202155,2		466512,4	
2016	36,6	192069,8		488904,8	
2017	39,2	280723,7		643325,0	
2018	41,3	338221,0		485273,6	
2019	43,5	346120,8		519181,2	

It is obvious that a significant level of shadowing of wages has a significant impact on the revenue side of the consolidated state budget and the Pension Fund. The calculation of fiscal losses of the consolidated state budget and the Pension

Fund due to the shadowing of wages should be based on the tax burden, which reflects the share of taxes paid in GDP (table 2.6).

Table 2.6

Tax burden in Ukraine, % of GDP (calculated by the authors according to the Treasury Service, the Pension Fund and the State Statistics Service of Ukraine)

Indicator	2013	2014	2015	2016	2017	2018	2019
Tax burden (according to the consolidated state budget),% of GDP	24,2	23,2	25,5	27,3	27,8	27,7	26,9
Tax burden (for compulsory social insurance),% of GDP	12,9	11,4	9,5	5,4	6,3	6,4	6,9
Total tax burden,% of GDP	37	34,6	35	32,7	34,1	34,1	33,9

The tax burden in Ukraine on the consolidated state budget during 2013-2019 increased slightly, while on compulsory social insurance - decreased. At the same time, the total tax burden in Ukraine during this period ranged from 32.7-37% and decreased.

Calculations show (table 2.7) that the shadowing of wages causes significant fiscal losses to the consolidated state budget and the Pension Fund. In particular, the consolidated state budget lost from UAH 95.9 to 139.7 billion in 2019, and the Pension Fund - from UAH 23.9 to 35.8 billion.

Table 2.7

Fiscal losses of the consolidated state budget and the Pension Fund due to the shadowing of wages in the national economy

Years	Fiscal losses of the consolidated state budget, UAH mln.		Fiscal losses of the Pension Fund, UAH mln.		Total fiscal losses, UAH mln.	
	minimum	maximum	minimum	maximum	minimum	maximum
2013	46165,9	56419,565	20049,9	30074,9	57507,6	86261,3
2014	45798,2	68040,496	17413,4	33433,7	52851,2	101474,2
2015	58081,4	88283,244	18123,0	32889,8	66768,9	121173,1
2016	55188,4	113771,74	10659,9	22504,3	64551,7	136276,0
2017	53395,4	132767,82	14349,5	30087,7	77669,6	162855,5
2018	93687,2	130538,6	21646,1	31057,5	115333,3	161596,1
2019	95875,5	139659,7	23882,3	35823,5	119757,8	175483,2

Along with analytical assessments, it is advisable to assess the scale of shadow employment on the basis of various sociological surveys. In particular, according to the results of a survey of employees in Rivne, the share of workers in the “shadow” reaches 24% (fig.2.31). At the same time, the share of employees with whom social and labour relations are legal is 76%.

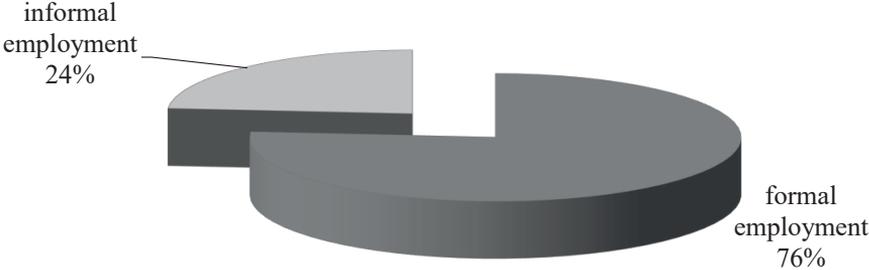


Figure 2.31 - Distribution of workers according to the legal working relationships in the urban labour market, %

Indicative is the distribution of employment in the shadow sector by type of economic activity (fig.2.32). In particular, the largest share of workers in the “shadow” within the urban labour market is observed in wholesale and retail trade (33%); temporary accommodation and catering (15%). At the same time, the smallest share of illegal workers is observed in the field of arts, sports, entertainment and recreation (2%); financial and insurance activities, agriculture, industry (about 2%).

In a number of economic activities, the level of shadowing of employment (in % of the total number of employees) is significantly higher compared to the average within the urban labour market (fig.2.33). Such economic activities include rendering (provision) of other services, real estate transactions, accommodation and catering, where the level of shadowing of employment is 47%, 45%, 41% vs. 24%, respectively. At the same time, a significantly lower level of shadowing of employment compared to the average within the urban labour market occurs in industry; professional, scientific and technical activities; health care and social assistance (less than 3% vs. 24%).

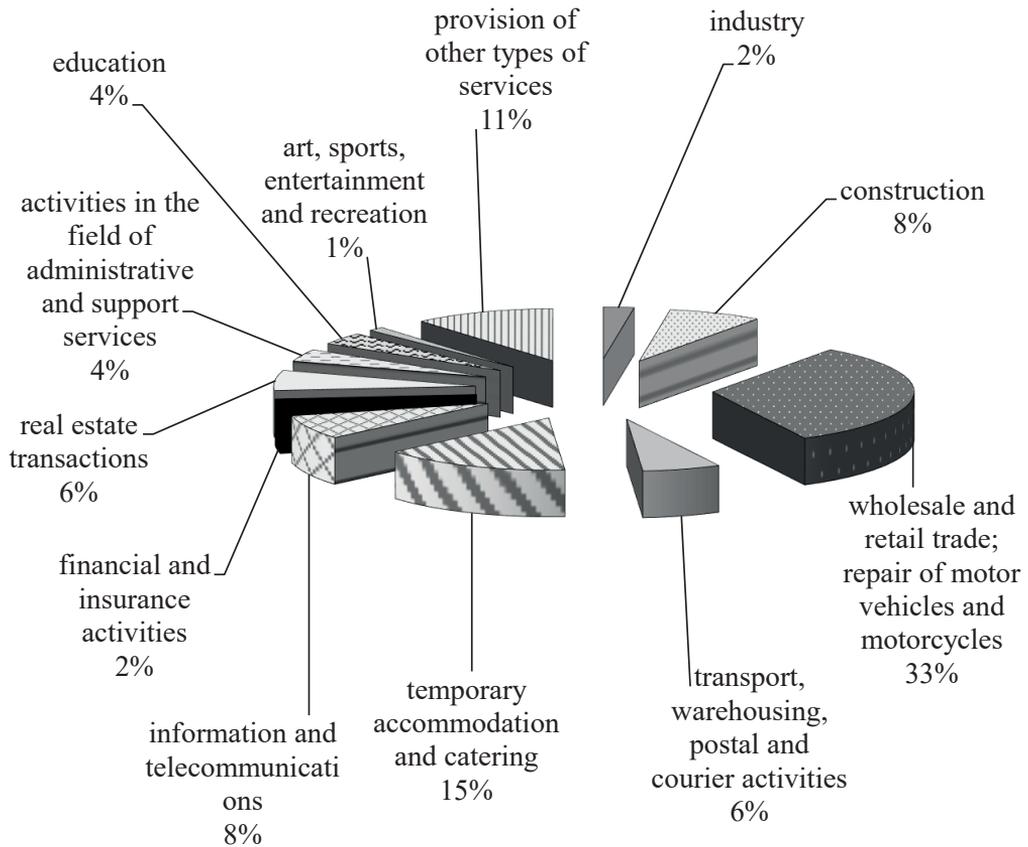


Figure 2.32 - Distribution of workers in the “shadow” by type of economic activity,% of the total number of illegal workers

A comparison of the distribution of employees in the informal sector by type of activity in the national labour market according to the results of sample surveys (fig.2.32) and local market (Rivne) according to the sociological survey (fig.2.33) shows that it differs significantly. If in the national labour market the majority of informally employed are in the field of agriculture, forestry and fisheries, in the urban market they represent wholesale and retail trade. This can be explained to some extent by the peculiarities of the functioning of the local labour market in the regional centres, where there are limited opportunities to be engaged in agriculture.

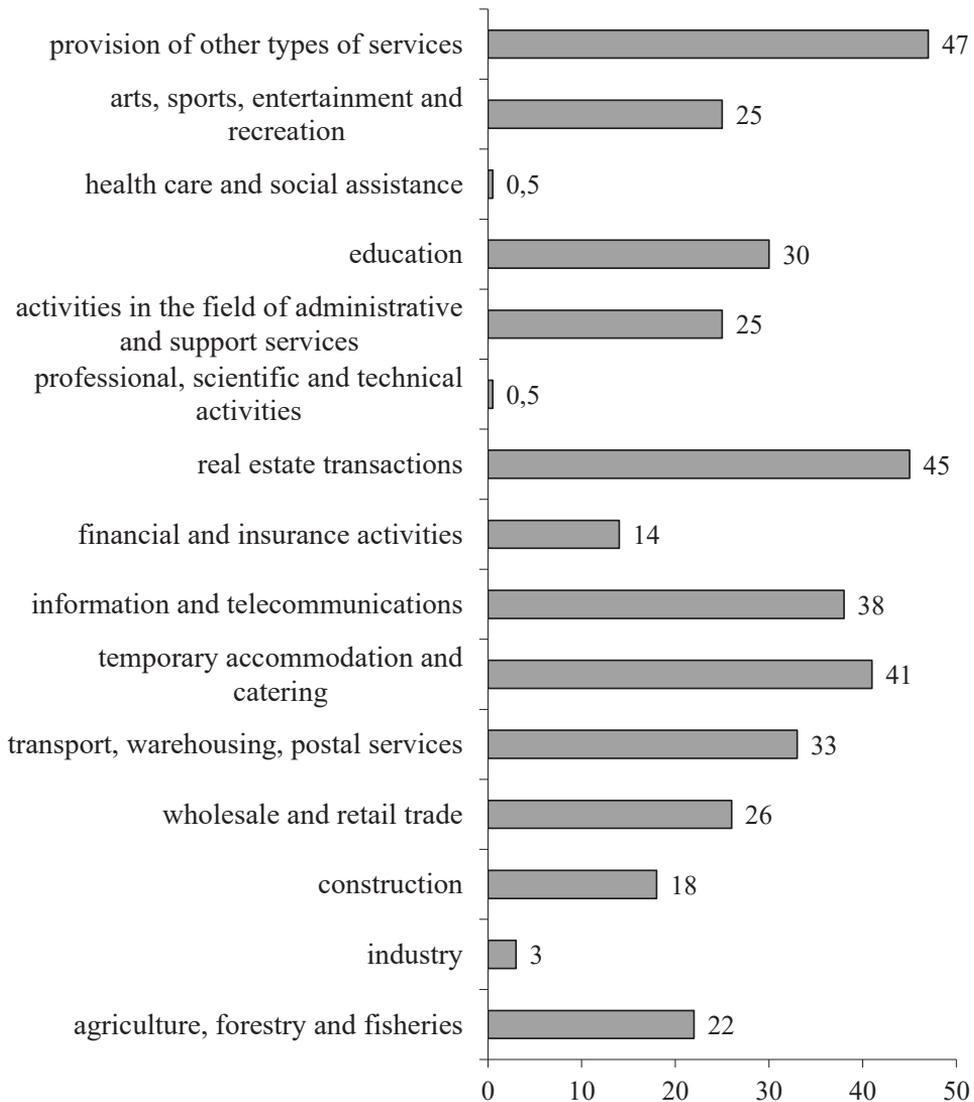


Figure 2.33 - Level of shadowing of employment by type of economic activity, %

The grouping of respondents' answers on the shadowing of employment by the criterion of business profitability, sales dynamics and assets shows that the best performance is observed within those businesses that have higher rates of shadowing of employment. Thus, the level of shadow employment within profitable business entities is 25.6%, while among unprofitable ones it amounts to 3.1% (fig.2.34).

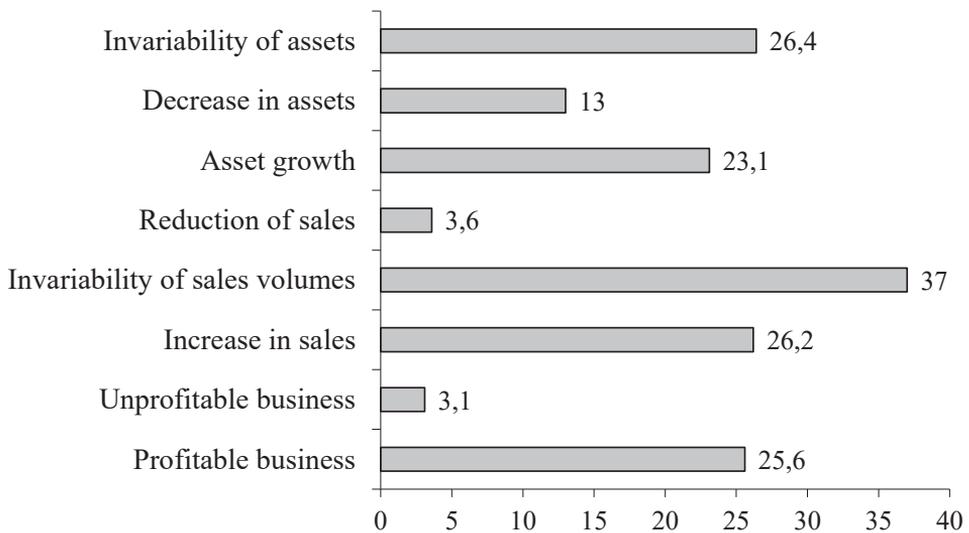


Figure 2.34 - Level of shadow employment according to the main indicators of business activity

Similar patterns regarding the level of shadowing of employment also occur with changes in sales volumes and business assets. In particular, a significantly lower level of shadowing of labour relations is observed among business entities, where there is a decrease in sales (3.6%) and a decrease in assets (13%). That is, the factor of profitability and success of business in the Ukrainian realities does not lead to increase of its social responsibility.

The vast majority of illegal workers are employed in micro-entrepreneurial structures, the number of employees in which does not exceed 5 people (36%) or varies from 6 to 10 people (30%) (fig.2.35).

Official statistical data on the level of wages in the national labour market do not reflect the real state of affairs given the significant level of its shadowing. According to the survey, the share of employees within the local labour market whose wages are completely legal is only 45%. In addition, part of the employees are paid according to the so-called “semi-legal” schemes. In particular, the share of employees whose level of wage shadowing varies from 1% to 55% and from 51% to 99% is 22% and 11%, respectively. At the same time, a very negative phenomenon is a significant share of workers whose wages are completely in the

“shadow”, which is 22% and almost corresponds to the level of shadowing of employment (fig.2.36).

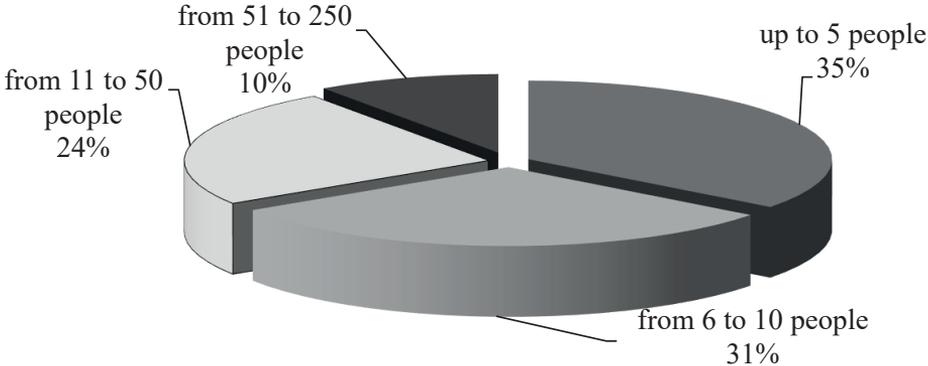


Figure 2.35 - Distribution of illegal workers by business entities depending on the number of employees

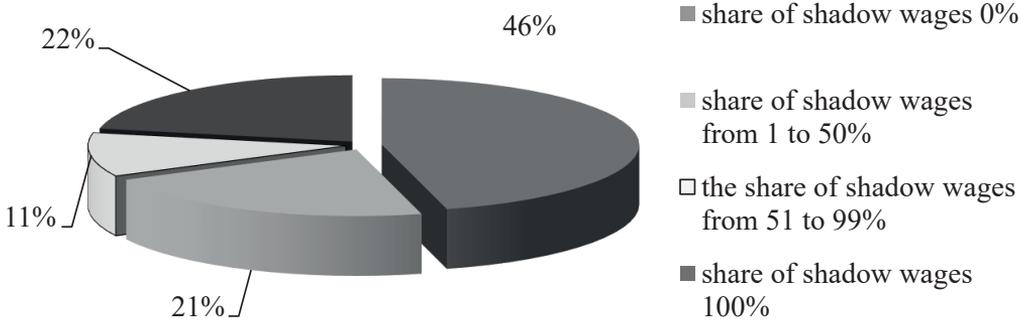


Figure 2.36 - Distribution of employees by the share of wages received unofficially, % to all employees

The study of the level of shadowing of wages depending on the number of employees shows that the highest level of shadowing of wages is observed among business entities, the number of employees of which is up to 10 people (fig.2.37). micro-entrepreneurship projects. That is, the shadowing of wages occurs mainly among micro-entrepreneurs.

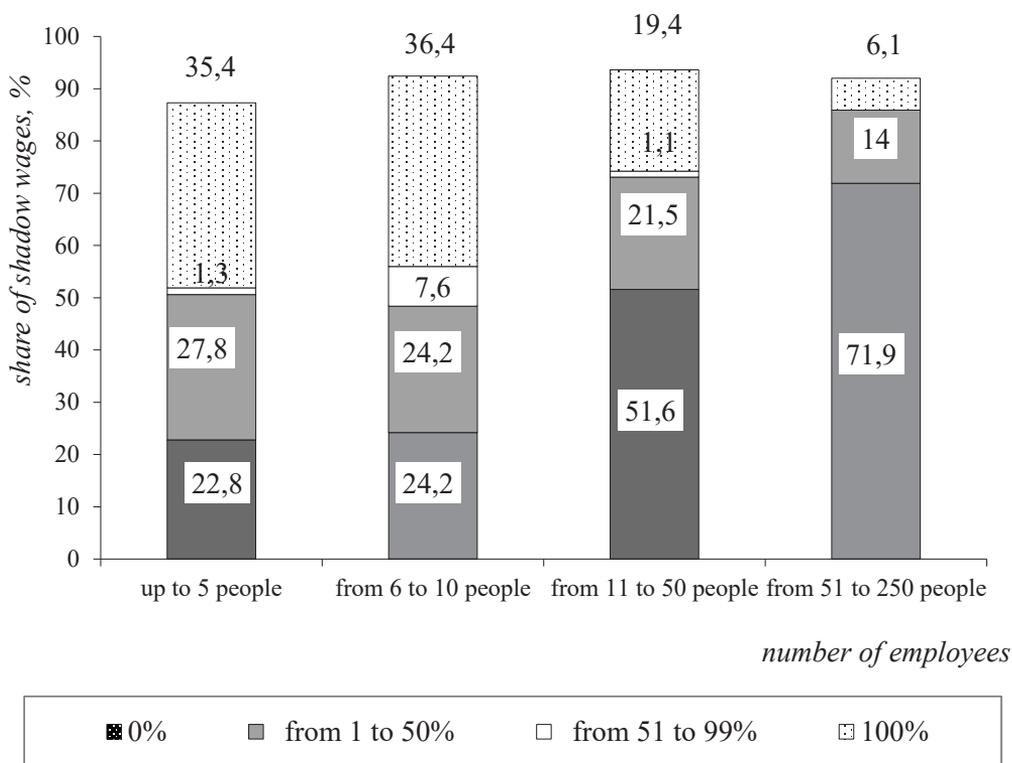


Figure 2.37 - Level of shadowing of wages within the business entities depending on the number of employees,% to the number of employees

The level of legal payment varies significantly in terms of economic activities (fig.2.38). Thus, the highest share of “transparent” wages is observed in financial and insurance activities (79%); industry (76%); arts, sports, entertainment and recreation (75%).

At the same time, in such activities as temporary accommodation and catering, real estate transactions, provision of other services, trade, transport and warehousing, the share of employees whose wages are legal is quite low (ranging from 14 to 34% ) and beneath the average level.

Shadow employment and shadow wages are a very complex and multifaceted phenomenon that affects almost all economic and social processes in society, has quite contradictory and ambiguous consequences. Mostly the impact of this phenomenon on the economic system is considered in scientific

circles as negative, but it should be noted that there are some positive effects (table 2.8). In particular, shadow employment and shadow wages reduce the level of manageability and investment attractiveness of the economy, distort the tax system, complicate the implementation of social obligations by the state, etc.

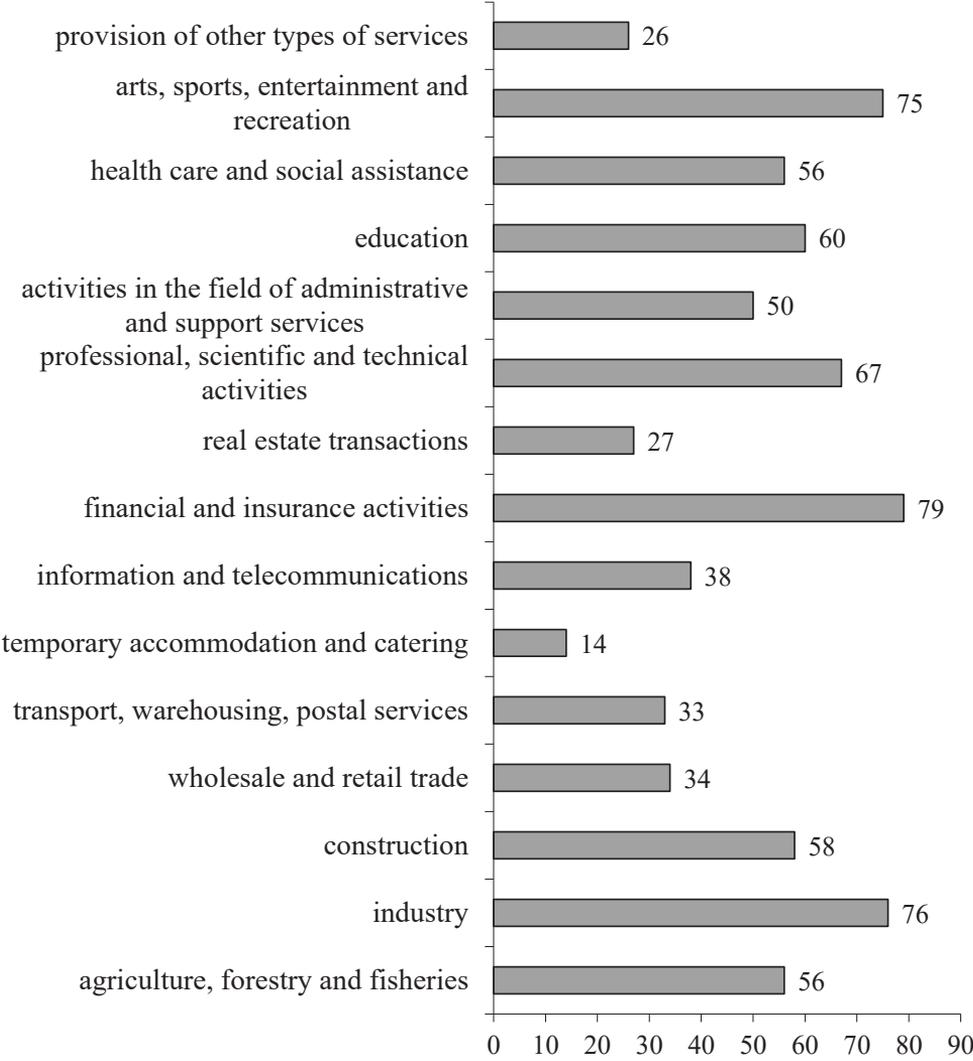


Figure 2.38 - Level of legal salaries by type of economic activity (the ratio of the number of employees with legal wages to the total number of employees), %

Thus, shadow employment and shadow wages are negative phenomena that

are common in both national and local labour markets and threaten the socio-economic security of the state. An indirect indicator of the level of shadowing of employment and wages is the shadowing of the economy, which exceeded the critical level in Ukraine by 2018 (30%). According to the State Statistics Service, the level of shadow employment in Ukraine during 2010-2019 varied between 20.9-26.2%. There are no reliable data on the scale of wage shadowing in Ukraine. According to the author's calculations, the scale of shadow wages in the national economy is quite significant (in 2019 it ranged from 346.1 to 519.2 billion UAH). This causes significant fiscal losses of the consolidated state budget (95.9 to 139.7 billion UAH in 2019) and the Pension Fund (in 2019 from 23.9 to 35.8 billion UAH).

Table 2.8

Consequences of shadowing of employment and wages

Positive consequences	Negative consequences
<b>Economic</b>	
⇒ smoothing of sharp fluctuations in economic conditions (allocation function)	⇒ reduction of taxes and revenue of the budget (fiscal losses)
⇒ feeds the legal economy with resources (distributive function)	⇒ shadow relations distort the tax system
	⇒ destructively affects the competition regime, deforms the market mechanism
⇒ participants in shadow relationships have the opportunity for additional income	⇒ reduction of manageability and investment attractiveness of the economy
	⇒ complicating the fulfilment by the state of its financial obligations
<b>Social</b>	
⇒ creates additional jobs and new sources of income	⇒ limited opportunities to create effective health and education systems
⇒ reduction of poverty and unemployment	⇒ reducing the level of social security and protection of the population
⇒ strengthening the social differentiation of the population	⇒ limited opportunities to raise social standards and guarantees
<b>Political</b>	
⇒ effective management in shadow structures	⇒ formation of a “parallel state” (state within a state)
	⇒ loss of public confidence in state institutions
	⇒ formation of a negative image of the state
	⇒ criminalisation of a society

An important source of information about the shadowing of employment and the labour market are various sociological surveys, which provide an opportunity to identify the scale, features and trends of illegal social and labour relations at the local level. In general, in addition to fiscal losses, the shadowing of the labour market leads to a number of other negative socio-economic consequences, including: reduced competitiveness and manageability of the economy; difficulties in fulfilling social obligations by the state; loss of citizens' trust in state institutions, deformation of the tax system, etc.

#### **2.4. Stability of employment and equal opportunities in the labour field in the light of discriminatory tendencies and their consequences**

Employment stability as a sign of decent work was conducted in our study on the basis of experience in forced part-time employment, unpaid leave initiated by the employer, as well as a generalized assessment of a sense of stability in job retention and intentions to find a new job.

Thus, by type of economic activity (fig. 2.39), the most protected in terms of full-time employment are employees of agricultural enterprises (100%), as well as enterprises in the field of transport and warehousing (93%). The worst situation is with underemployment in health care, education, construction, administrative and support services: such employment was typical for 38-44% of employees.

In other activities, the situation is more prosperous, although not entirely consistent with the condition of full employment, in particular, underemployment was typical for 14-25% of the staff of most small and medium-sized enterprises in the city.

The situation was similar with the use of such a form of savings on staff costs as unpaid leave. Respondents-representatives of almost all types of activity, except for transport and warehousing, reported that this form of leave was used administratively and not at the initiative of employees (fig. 2.40).

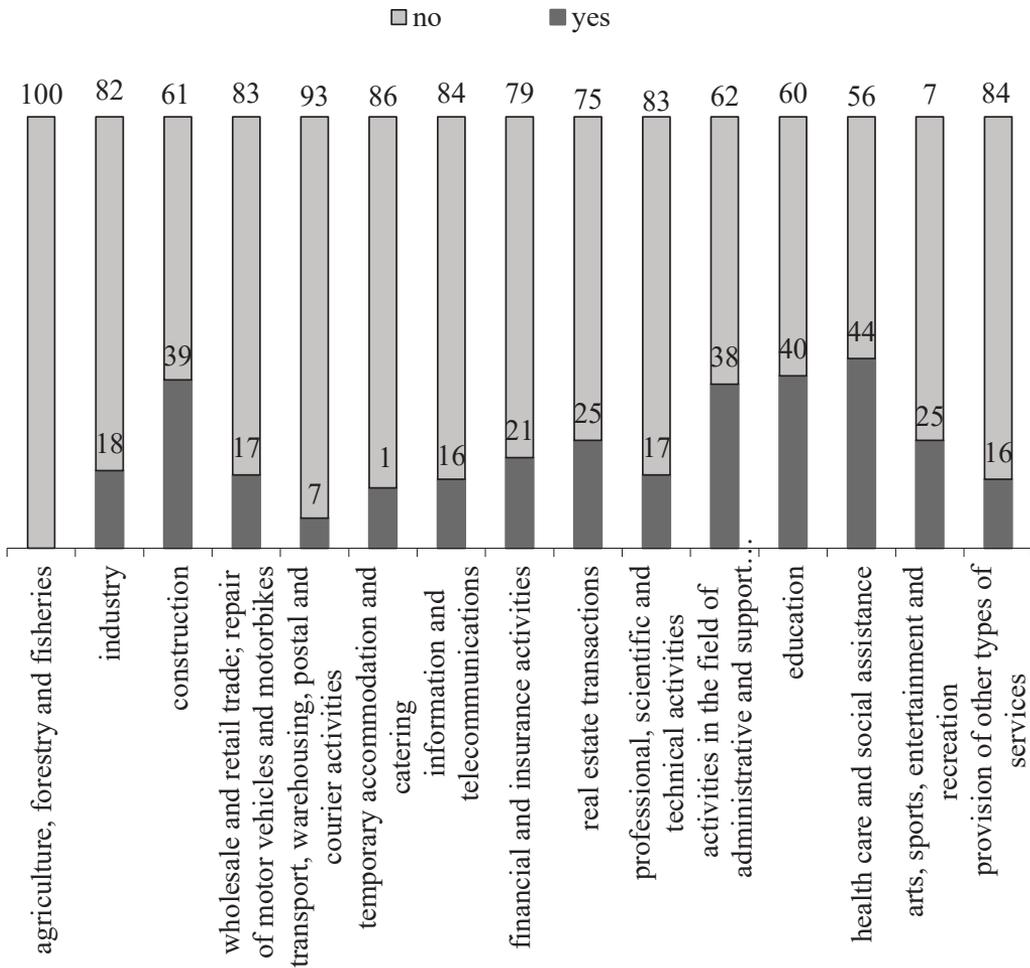


Figure 2.39 - Distribution of employees' answers (by types of economic activity) to the question "Have you had to work in forced part-time employment?"; % to the total number of employees

As we can see from the data above, the variation of answers that confirm such negative practices in the field of labour is from 5% to 50% depending on the type of activity of enterprises – mostly in the field of arts, sports, entertainment and recreation. The most stable (except for logistics companies) was the employment of employees of enterprises specializing in information and telecommunications and real estate transactions.

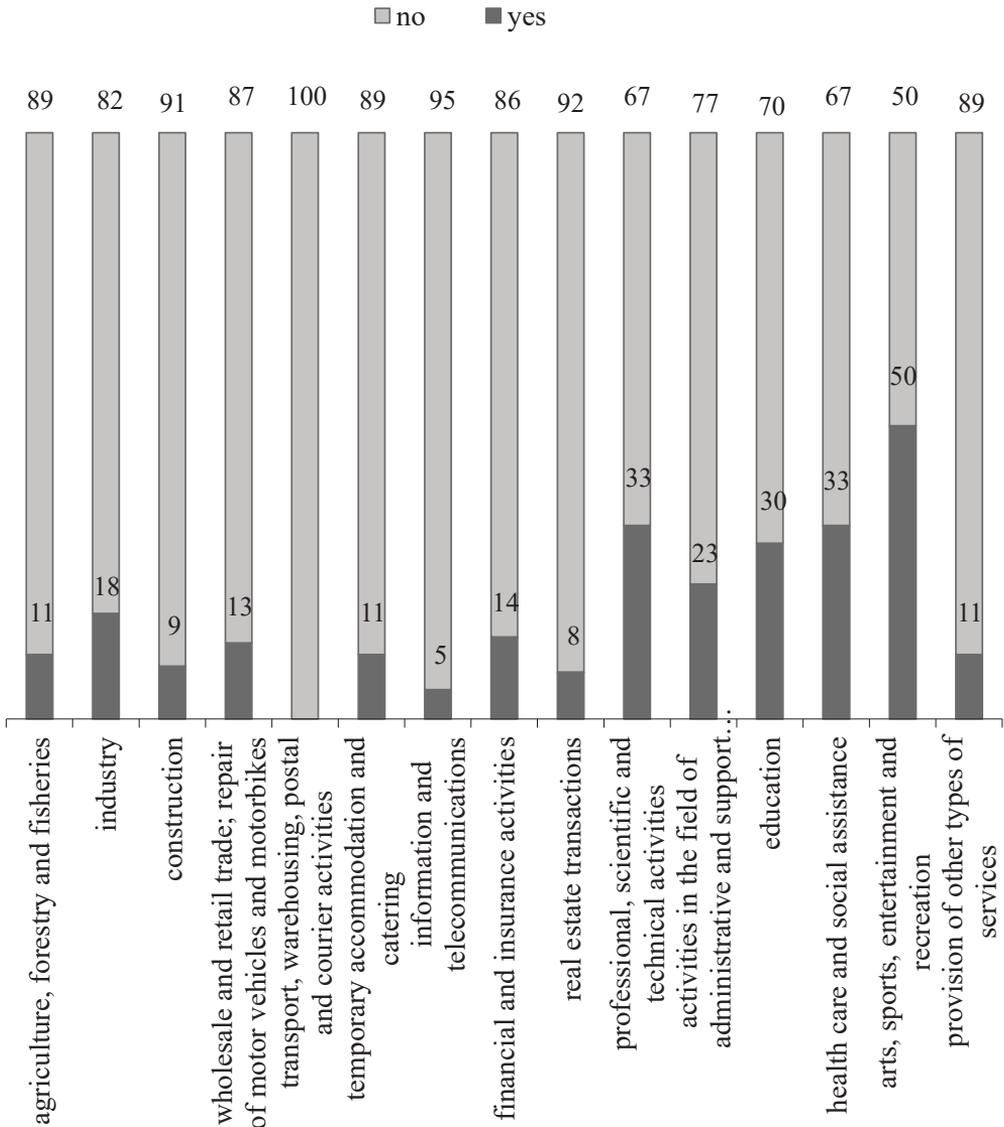


Figure 2.40 - Distribution of employees' answers (by types of economic activity) to the question "Were you sent on unpaid leave administratively," % to the total number of employees

Using the answers of the respondents to both previous questions (fig. 2.41), we can conclude that successful companies use the practice of unpaid leave more often than unprofitable companies. But this form of violation can be explained in

some way, if not justified, then at least given the much lower prevalence of part-time employment. That is, we can state today that in times of crisis, profitable companies try to keep the existing staff as much as possible, without provoking conditions of long-term underemployment, which threatens constant loss of staff, instead of short-term leave without pay. Of course, this also does not contribute to a sense of employment stability, but at least it can prevent mass layoffs from such enterprises due to precarious employment conditions.

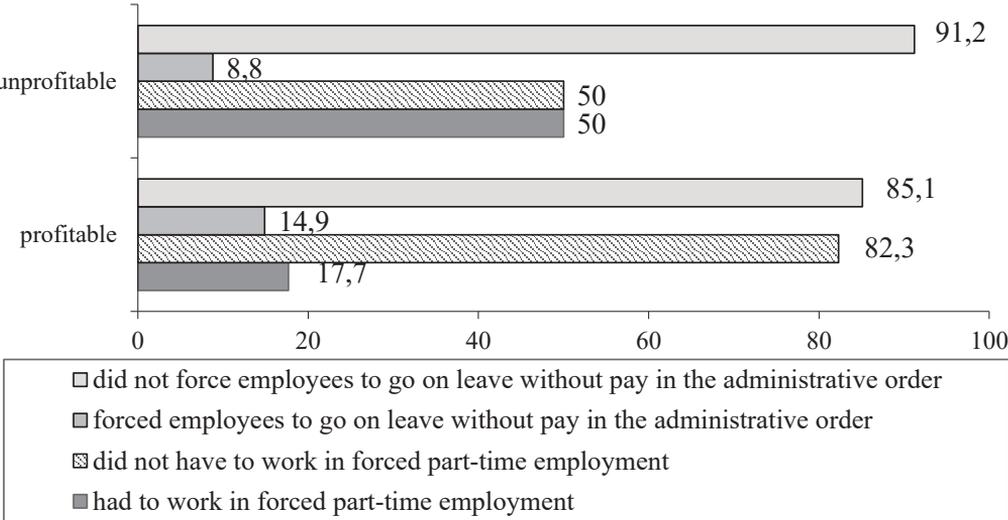


Figure 2.41 - Distribution of the answers of employees of enterprises grouped by profitability to the question of the presence of forced part-time employment and the practice of unpaid leave, % of the total number of employees

Analysing the patterns of violation of the stability of employment in these forms of its manifestation in enterprises, grouped by number of employees (fig. 2.42), we see that the most favourable are the conditions of employment in micro-enterprises. Enterprises with more employees are less stable in terms of ensuring stable employment of their employees. Although the distribution of responses in the other three groups is slightly different, but it allows noticing that the worst situation is with full employment and normal leave (without forced, initiated by the administration) in small enterprises with 6-10 employees.

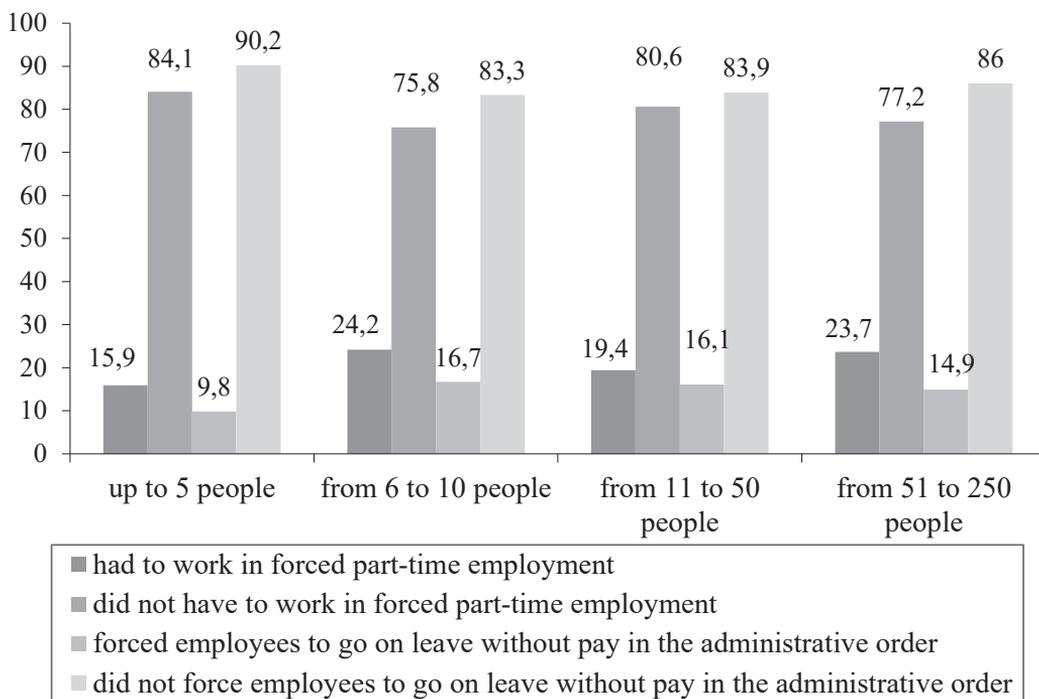


Figure 2.42 - Distribution of the answers of employees at enterprises grouped by the number of employees to the question on the existence of forced part-time employment and the practice of unpaid leave,% of the total number of employees

As a result, respondents' self-esteem of stability and confidence in keeping a job is low (fig. 2.43). In particular, only 11% of employees are 100% confident in their own stable employment. A low level of extremely critical assessments can be considered positive: only 2% of respondents have zero confidence in future employment. Extreme pessimistic assessments also include the mood of respondents who indicated a level of confidence in stable employment in the range of 1-25% (6% of the total number of responses) and 26-50% confidence (18% of respondents).

The most typical were answers with more optimistic assessment: from 51 to 75% and from 76 to 99% confidence – the share of such respondents amounts to 63% of the total number of responses. It is also encouraging that 11% of

respondents are absolutely confident in keeping their jobs, although in most of the questionnaire questions in this block, respondents very rarely chose the limit point values – to a greater extent, the ratings were selected within a certain range. Thus, we can state that the labour market of the city in the segment represented by employment in small and medium-sized enterprises has more positive than negative signs of stable employment.

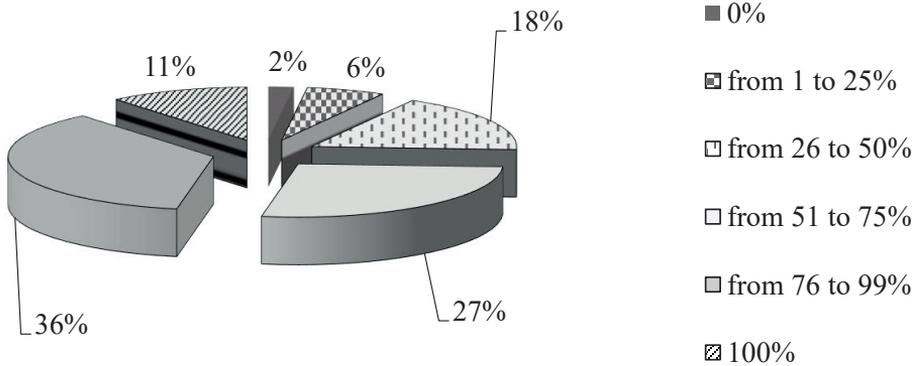


Figure 2.43 - Distribution of employees according to the level of stability and confidence in job performance (according to the employees’ own assessment), %

Thus, the respondents’ plans to find a new job are much inferior to the importance of employment in existing jobs (35% vs. 65% – fig. 2.44). It is logical that such intentions are more typical for employees of unprofitable enterprises (fig. 2.45), where the answers were distributed in a ratio of 50/50. If this is to be combined with the answers of respondents to the question in the block “Remuneration” about finding opportunities for additional earnings, in fact, the situation with potential labour mobility may not be so critical, because some of the answers may embody the mood to seek secondary employment. But in general, the intentions of 33% of employees of profitable enterprises regarding a possible change of workplace necessitate the search for the reasons for such a possible solution.

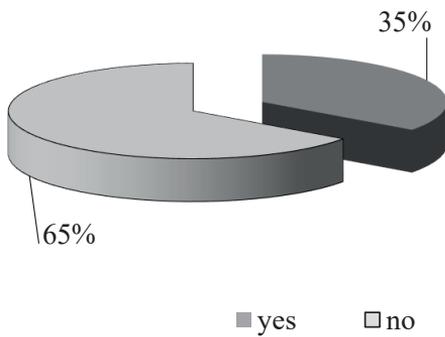


Figure 2.44 - Distribution of answers to the question “Are you planning to look for a new job?”, %

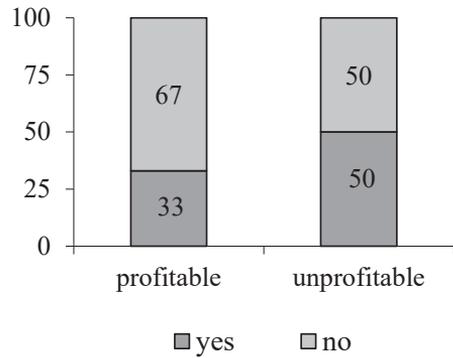


Figure 2.45 - Distribution of answers to the question “Are you planning to look for a new job?”, %

The most significant differences in the intentions to change jobs by types of economic activities (fig. 2.46) were characteristic of enterprises in the service sector and production activities: as we see, the employees in finance and insurance, information and telecommunications, real estate, professional, scientific and technical activities were more eagerly to keep the existing job, and the intention to find a new one did not exceed 7%. Instead, 48% of industrial workers and 39% of construction workers have such intentions. A certain exception to the intentions to preserve the workplace in non-productive enterprises is the assessment of employees in the field of education and in the field of administrative and support services. Comparing such assessments with the subjective assessments expressed by the respondents in the block “Remuneration” (e.g., fig. 2.2, given above), we see that employees of these four activities have one of the highest critical assessments of their own earnings when compared with the pay for the same work at other enterprises.

Analysing possible reasons for finding a new job (fig. 2.47), we see that the most common reason is dissatisfaction with the size of wages (64.8% of employees).

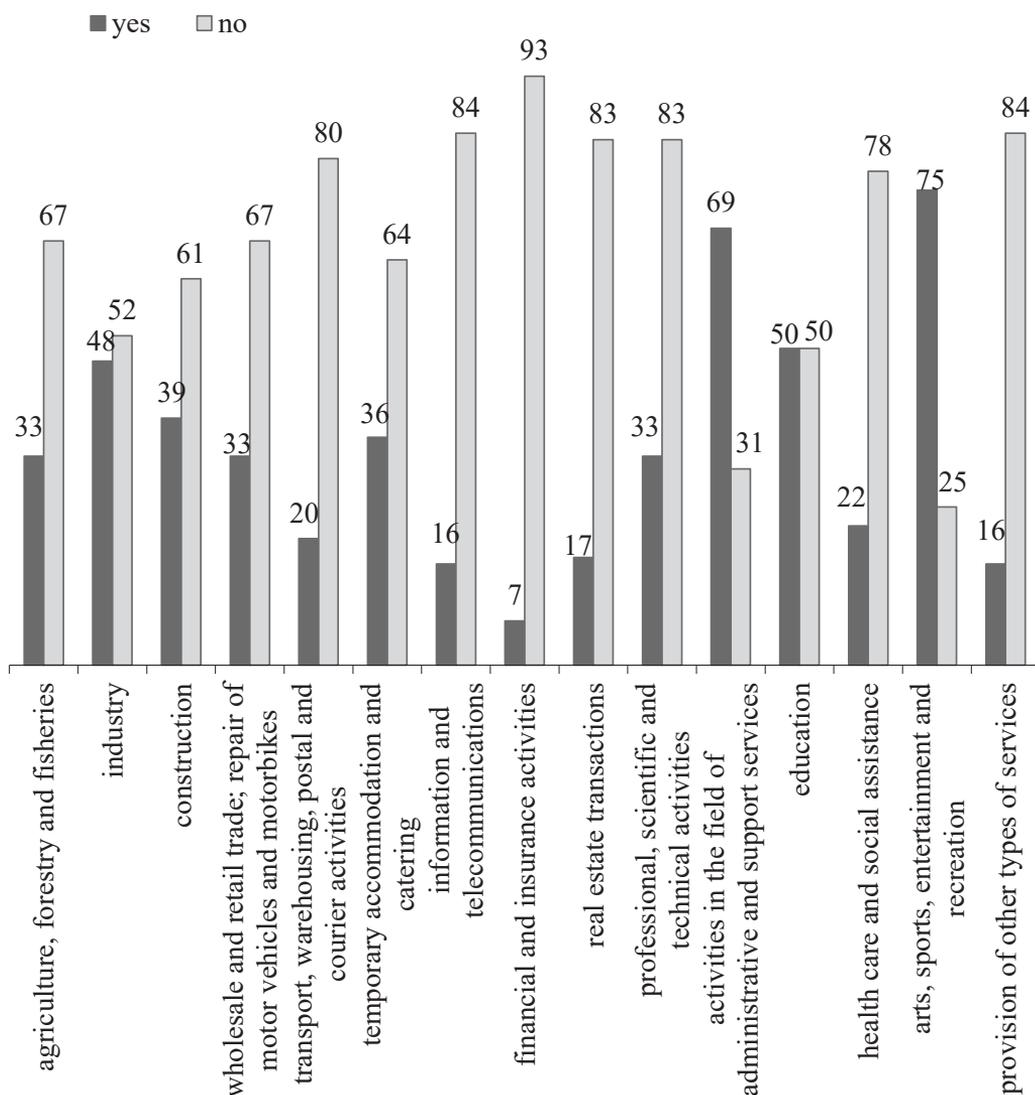


Figure 2.46 - Distribution of employees' answers (by types of economic activity) to the question "Are you planning to look for a new job?", % to the total number of employees

Factors of dissatisfaction with career opportunities, employment guarantees, work schedules, working conditions, and the impact of social factors such as personal reasons and the psychological climate in the team were much less common.

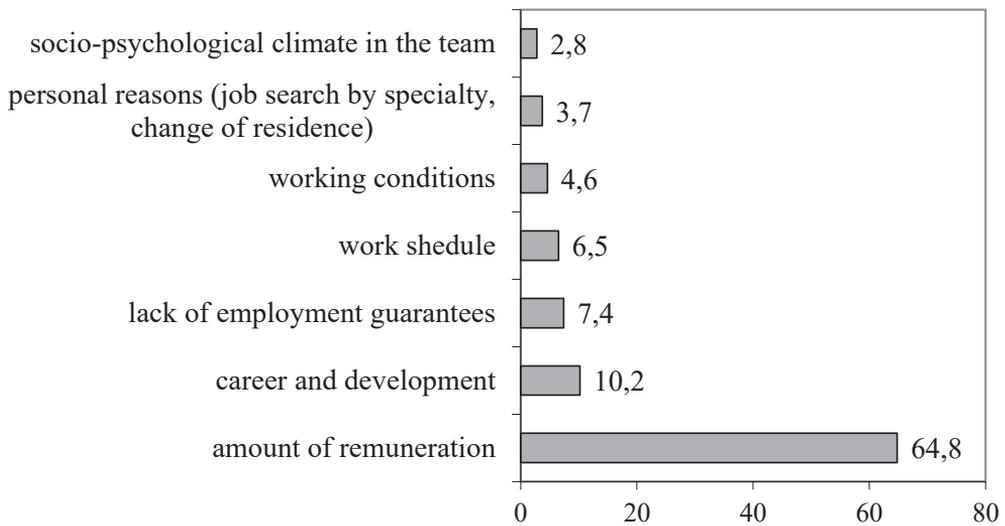


Figure 2.47 - The main reasons for finding a new job, % of all employees planning to look for a new job

If the assessments of employees can be more objective in terms of stable employment, then in terms of ensuring equality and non-discrimination on any grounds, it is important to compare the assessments of both parties – owners and employees, because conflicts are formed often in this area due to employers' lack of awareness of the importance of such factors, ignorance of the interests and ambitions of their staff, which in turn creates the preconditions for violations of labour rights.

Thus, respondents from the number of employees noted the existence of discrimination in the process of employment in almost all activities except for enterprises in the field of education, as well as arts, sports, entertainment and recreation (table 2.9).

At the same time, the most common manifestations of discrimination are at enterprises specializing in transport services and warehousing. At the enterprises of other types of economic activities, less than 25% of employees were discriminated.

Table 2.9

Presence of discrimination in the course of employment (according to employees' assessments), % of the total number of responses\*

Type of economic activities	No discrimination	Discrimination is available in the forms of				
		age	gender	language	religion	property
agriculture, forestry and fisheries	77,8	11,1	0	0	0	11,1
industry	85,0	8,3	5,0	1,7	0	0
construction	87,9	6,1	3,0	0	0	0
wholesale and retail trade; repair of motor vehicles and motorcycles	90,5	9,5	2,9	0	1,0	1,0
transport, warehousing, postal and courier activities	66,7	33,3	6,7	0	0	0
temporary accommodation and catering	75,0	21,4	7,1	0	0	0
information and telecommunications	84,2	15,8	0	0	0	0
financial and insurance activities	92,9	7,1	7,1	0	0	0
real estate transactions	91,7	8,3	0	0	0	0
professional, scientific and technical activities	83,3	16,7	16,7	0	0	0
activities in the field of administrative and support services	84,6	15,4	0	0	0	0
education	100,0	0	0	0	0	0
health care and social assistance	77,8	11,1	11,1	0	0	0
arts, sports, entertainment and recreation	100,0	0	0	0	0	0
provision of other types of services	84,2	15,8	5,3	0	0	5,3

\* the number of answers may be more than 100% due to the possibility for respondents to choose several forms of discrimination at the same time

Among the forms of discrimination, age discrimination is dominant, which is typical for a third of those employed in transport enterprises and warehousing, as well as 21.4% – for those employed in temporary accommodation and catering.

The next characteristic form of violation of the right to equal treatment in the work process, although much less common, is gender discrimination – its presence was noted by 2.9% to 16.7% of respondents in various types of economic activities. There were some cases of language and religious discrimination. Only three activities with different strengths (from 1% to 11.1% of all responses) were characterized by property discrimination. None of the respondents mentioned such forms of discrimination as political and national/ethnic in small and medium-sized enterprises in Rivne.

According to the form of manifestation and according to the respondents' assessments, discrimination was most characteristic in terms of:

- 1) wages – 38.1% of responses indicating the existence of discrimination;
- 2) working conditions – 31.8% of answers;
- 3) career advancement – 31.2% of answers.

As for the enterprise size (fig. 2.48), discrimination was the least characteristic at micro-enterprises, both in terms of general indicators and in terms of its types. The most discriminatory processes are typical for companies with 11 to 50 employees, with age discrimination affecting almost one in five employees. In medium-sized enterprises, the situation with respect for the right to equal treatment at work is more similar to micro-enterprises. From this it can be concluded that the partner relationships between business owners and employees are more developed in larger enterprises – whether it is a manifestation of social responsibility of owners or the result of an active dialogue on the observance of labour rights by employees. Micro-enterprises, pursuing development goals and often involving the work of close acquaintances and family members, are less prone to discrimination. On the other hand, small enterprises with 6 to 50 employees are subject to less monitoring of employees' rights, not least because of the lack of complaints about their rights violations.

In any case, whatever the reasons for the fact that discrimination at the enterprises of the regional centre is still present, this form of labour relations clearly negatively characterizes the development of the social and labour sphere,

as only 7 of the surveyed 170 enterprises representing education and arts, sports, entertainment and recreation, did not provide any response on violations of the right to equal treatment at work.

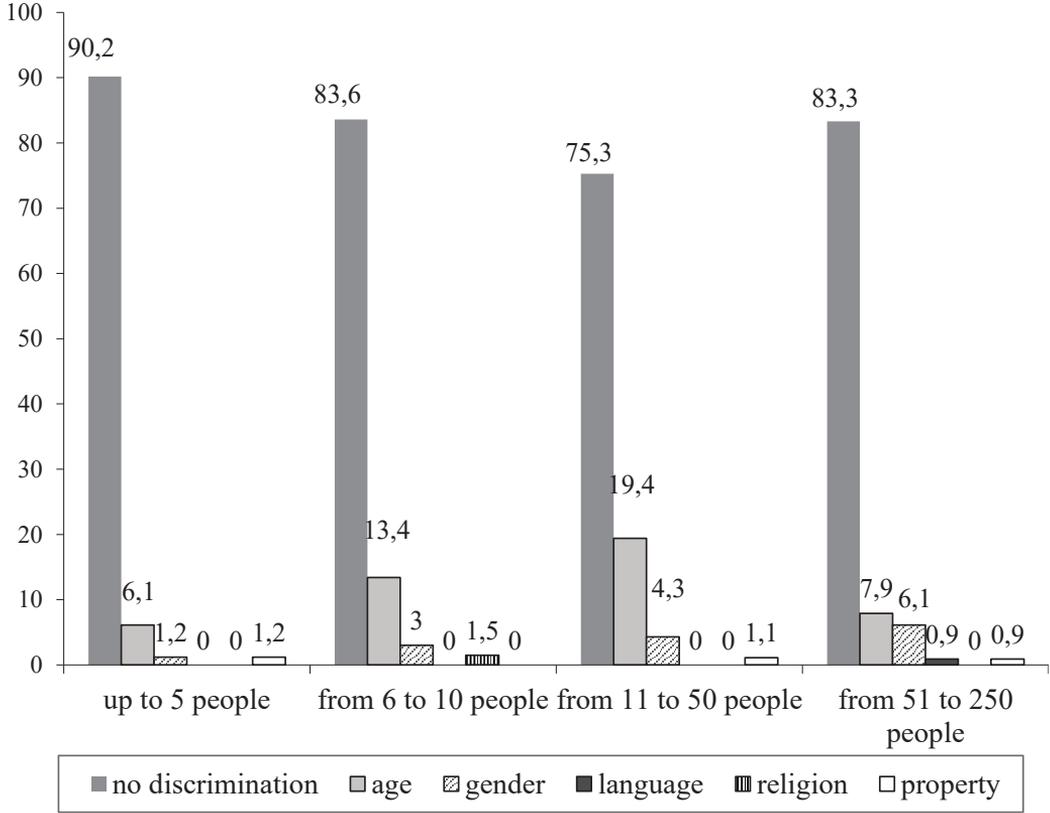


Figure 2.48 - Presence of discrimination at enterprises depending on the number of employees, % of responses (assessments of employees)

Regarding the distribution of cases of discrimination at enterprises on the basis of profitability, it is impossible to draw unequivocal conclusions that successful enterprises are less prone to violations of the principle of equality in the labour process. Thus, there are fewer such manifestations at unprofitable enterprises, they relate only to age and language discrimination (one answer out of 32 respondents from this group of enterprises); and there are less unprofitable enterprises in the sample, as already mentioned. Therefore, other cases of discrimination are typical of profitable enterprises.

Comparing the assessments of discrimination provided by employees with the assessments of representatives of business owners (fig. 2.49), it is noticeable that the values expressed in the assessments of entrepreneurs are lower. On the positive side, the facts of discrimination are not hidden, and the assessment of “no discrimination” is higher, compared to the opinions of employees, but its presence is recognized by the representatives of the owners. As for the forms of manifestation, they are reduced mainly to age, much less often – gender, as well as language (2.1% of responses and 2.3% for enterprises with 6-10 employees and 51-250 people, respectively). A noticeable difference from the assessments of employees is that employers discriminate on religious and property grounds. At the same time, 1 representative of the administration from among 42 respondents from the group of enterprises with 11-50 employees noted the existence of national discrimination – not shown in the figure due to the low share to consider this factor widespread and threatening.

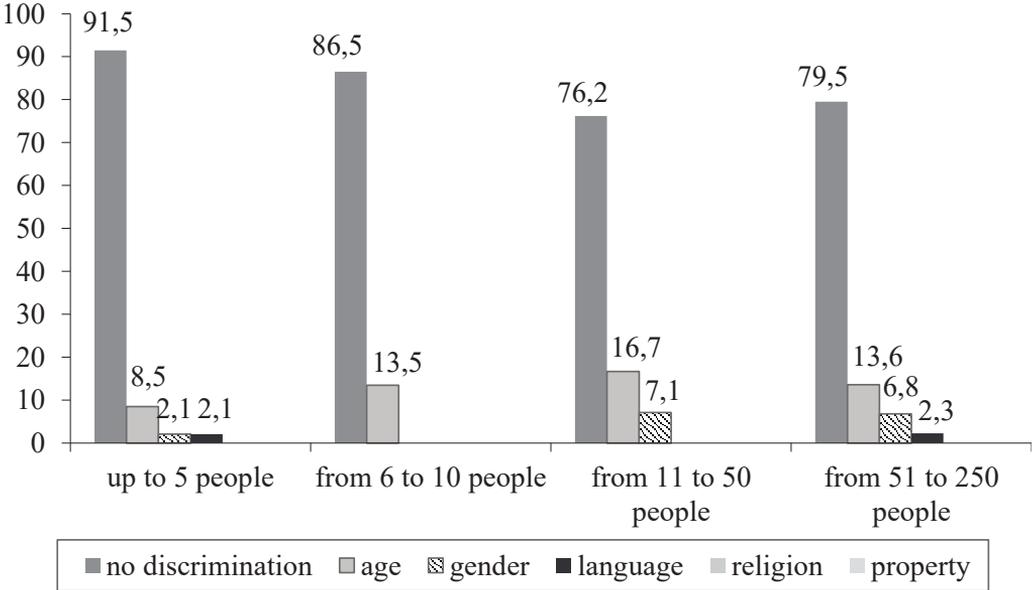


Figure 2.49 - Presence of discrimination at enterprises depending on the number of employees, % of responses (assessments of business owners and their representatives)

By types of economic activities, in the assessments of entrepreneurs, there is a much more loyal attitude to discrimination. Thus, comparing such assessments with the data in table 2.9, we can confirm the absence of discrimination in education, as well as arts, sports, entertainment and recreation: in these activities, both parties noted the complete absence of discriminatory processes.

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Instead, employers also do not recognize discrimination in activities such as real estate transactions, as well as in professional, scientific and technical activities – according to employees, it is not at the highest level, but it is present. At the same time, we found significant differences in financial and insurance companies: employers admit that four in six surveyed companies have age discrimination, while, as we can see from the answers of employees, they feel almost no such discrimination. It is to be expected that it is more present at the stage of selection of new employees, where, as we can see, decisions are made by employers with a pre-formed discriminatory attitude. As for other types of economic activities, no significant differences in assessments were recorded, both in terms of age and other forms of discrimination.

At the same time, considering gender discrimination to be minimal, entrepreneurs expressed somewhat contradictory assessments on the question of the share of women holding managerial positions at enterprises (fig. 2.50).

As we can see from the above data, the full equality of both genders and even the benefits of employment in management positions can be concluded only for micro-enterprises; women are often owners and managers of businesses in this segment of entrepreneurial activity due to the high share of commercial enterprises represented in the group of micro-enterprises. On the other hand, at enterprises with more employees, discriminatory tendencies are clearly present,

contrary to the respondents' previous assessments of the absence of gender discrimination. Thus, the share of women in management positions does not mostly exceed 10%. There is also a clear trend that with the increase in the scale of the enterprise, the share of women in management positions decreases markedly with a value of "50% and above".

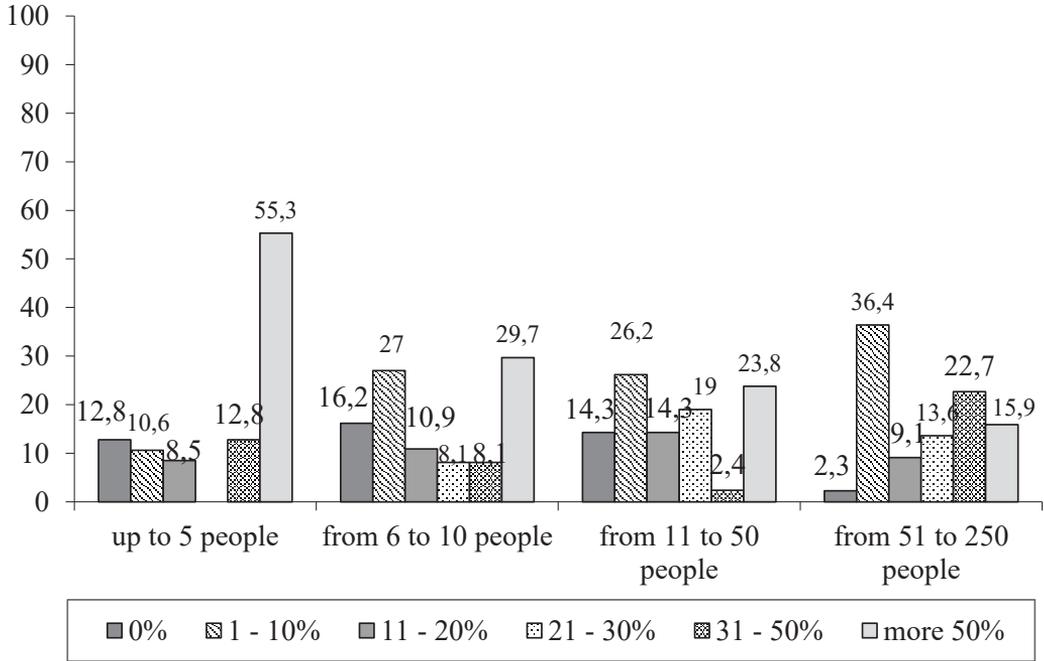


Figure 2.50 - Distribution of enterprises by the share of women holding managerial positions (estimates of entrepreneurs, % of the total number of responses of enterprises of the respective group)

Inequality of economic opportunities at the enterprise level cannot be a purely local problem. At the level of regions and countries, such violations accumulate, forming negative factors in the development of the environment of formation and use of human capital. Understanding the importance of this issue has helped to substantiate global indicators of inequality, among which gender inequality is particularly noteworthy. Among them, the most comprehensive are the gender gap and gender inequality indices calculated by the World Economic Forum (WEF) and the United Nations Development Program (UNDP). At the

same time, the UNDP gender inequality index, given the composition of its components, has a more demographic than economic burden. The WEF methodology makes it possible to take into account a much larger number of factors that comprehensively characterize the state of observance of women's rights in relation to men, in particular, in relation to purely economic factors.

Considering in more detail the components of the gender gap for Ukraine (table 2.10), we see that the partial indicators are very different. Therefore, the 74<sup>th</sup> position in the world rankings in 2021 and similar rather high ranking places in previous periods were obtained mainly due to education and health indicators. The situation with respect for women's economic and political rights is much worse.

Table 2.10

Indicators of the Gender Gap Index \* for Ukraine, 2018-2021

Index Indicators	2018	2020**	2021
Economic Participation and Opportunity	0,747	0,737	0,732
Educational Attainment	1,000	1,000	1,000
Health and Survival	0,978	0,978	0,978
Political Empowerment	0,107	0,171	0,147
<b>Overall Index</b>	<b>0,708</b>	<b>0,721</b>	<b>0,714</b>

\* represented on a 0-to-1 scale, towards closing the gender gap and achieving full gender parity (benchmark score of 1)

\*\* 2019 data is unavailable, so, this causes the objective gap in data.

Source: WEF, 2021a; WEF, 2020; WEF, 2018.

Regarding women's economic opportunities, a more detailed analysis of this component suggests that in four out of the five components of economic participation, women are discriminated against: employment opportunities and wage ratios, equal pay for the same work, as well as employment opportunities for legislators and senior officials. Economic equality is ensured only in the ratio of the number of professional and technical workers.

The reason for discrimination against women in the realization of their economic opportunities may be the excessive predominance of men in the

exercise of political rights, which creates a relevant basis for economic discrimination. At the same time, it is obvious that women are not inferior to men in education, but returning to the first component of the gender gap index, it is clear that the results of their training are largely levelled in the employment.

For a more detailed analysis of women's competitiveness in the labour market, which determines the conditions for ensuring a decent standard of living, we use a special method of analysis – assessment of gender segregation based on the Duncan Index – an indicator recommended by the International Labour Organization to assess equal opportunities and attitudes. Its calculation is carried out according to formulas (IDSD, 2012, p.46):

$$ID = \frac{1}{2} \sum_{i=1}^n \left| \frac{F_i}{F} - \frac{M_i}{M} \right| \quad (2.3) \quad \text{or:} \quad ID = \frac{F_f}{F} - \frac{M_f}{M}, \quad (2.4)$$

where:  $F_i$  – the number of employed women in the  $i$ -th professions, types of economic activities;  $n$  – the number of professions / types of economic activities;  $F$  – the total number of employed women;  $F_f$  – the number of employed women in “female” professions, types of economic activities;  $M_i$  – the number of employed men in the  $i$ -th professions, types of economic activities;  $M$  – the total number of employed men;  $M_f$  – the number of employed men in “female” professions, types of economic activities.

To calculate, it is necessary to divide occupations in Ukraine into typically “male” and “female” according to employment statistics of the respective gender groups. To do this, we use the initial data on the activity of the population by gender and occupational groups available in (SSSU, 2019c, p. 91). Figure 2.51. shows employment only in those professions that have obvious gender segregation.

To identify such professions, we use the approach of scientists from the Institute of Demography and Social Research of the National Academy of Sciences of Ukraine, set out in (IDSD, 2012). Gender-based occupations can be

considered with the employment threshold of one of the genders for a certain occupational group at a level exceeding 75%. Based on the division of occupational groups, it is possible to calculate the dissimilation index according to the method described above (formula 2.4); it is based on the analysis of employment in “feminized” professions, the calculation is given in table 2.11.

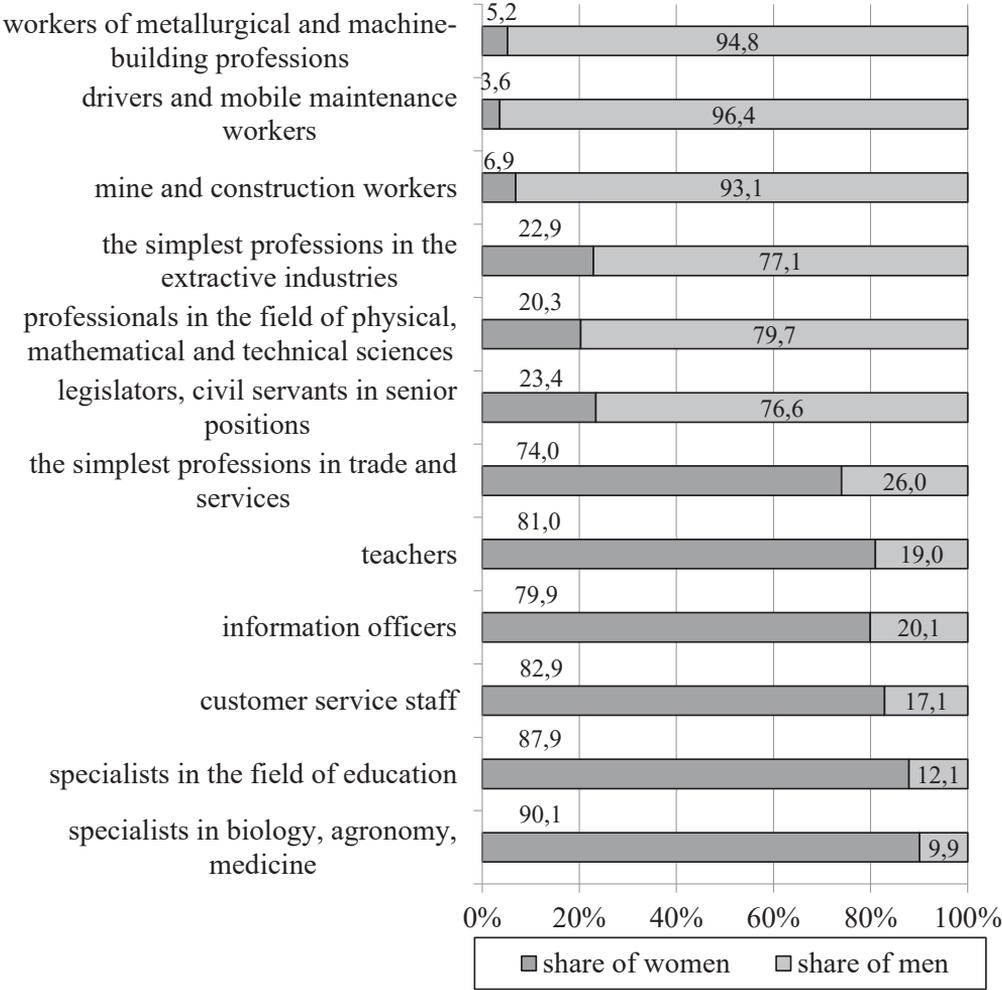


Figure 2.51 - Employment of the population of Ukraine by occupational groups in which a critical level of gender segregation was achieved in 2019 (SSSU, 2019c)

The Duncan index can range from 0 (perfect integration) to 1 (perfect

segregation). If the value is 0, it means that in each occupational group or type of economic activity, the percentage of employed women is the same as in the economy as a whole. As we can see from the above data, the labour market in Ukraine shows signs of predominance of male employment, which significantly reduces the opportunities to use the labour potential of women.

Table 2.11

Initial data and results of Duncan index calculation for Ukraine, 2019

No.	Indicators	Value
1	Number of employed women ( $F$ ), thous. people	7 923,1
2	Number of employed men ( $M$ ), thous. people	8655,2
3	Number of employed men in “female” professions ( $M_f$ ), thous. people	470,9
4	Number of employed women in “female” professions ( $F_f$ ), thous. people	2148,2
5	$F_f/F$	0,271
6	$M_f/M$	0,054
7	<b>Duncan Index</b>	<b>0,217</b>

Based on the principles of full equality in the labour market, 21.7% of women in 2019 would have to change their profession and be able to engage in typical male professional responsibilities. Of course, achieving full equality is questionable, at least due to the slow introduction of the latest techniques and technologies that would allow women to compete for jobs in traditionally “male” activities. In addition, with regard to difficult and harmful working conditions, the requirements of full equality between women and men are illogical – on the contrary, women’s work is protected by a number of conventions of the International Labour Organization. In addition to slow progress in many activities, and a significant share of hard, sometimes harmful, physical labour, women are inferior in competition even in employment in such professional groups as “legislators, civil servants in senior positions, senior officials of public and self-governing organizations” and “professionals in the field of physical, mathematical and technical sciences” – 23.4% and 20.3% of employed women, respectively, as defined by the data (SSSU, 2019c, p.91).

It is worth noting that the results somewhat “mitigate” the situation with

gender relations in the labour market in terms of employment, as the calculation of the Duncan index adopted a critical threshold, according to which occupations can be considered gender-distributed. In fact, many occupational groups either approach the 75% employment rate of one of the genders (small business leaders; technicians in applied sciences and technology), or have slightly lower ratios, but have clear employment disparities. Only the labour market for the representatives of the group “the simplest professions in agriculture and similar industries” is relatively evenly distributed.

Such results can therefore be regarded only as the smallest recorded manifestation of the actual existing gender inequality in the labour market. Adding to these results gender inequality not only in terms of employment opportunities but also in terms of pay, we can state that today women will compete for a high-paying job, and as a result –for higher earnings in the profession.

If we detail the negative wage ratios that cause financial inequality, it should be noted that the list of occupations with the largest gap in favour of men (the average wage of women is less than half of men), as found in the relevant statistical study, included, in particular: managers in education, health care and social sphere; managers in the manufacturing industry and in the production of electricity, gas and water; managers in agriculture, hunting and forestry; optical and electronic equipment operators; safety and quality professionals; professionals in the field of religion – as it is determined according to the data (SSSU, 2016, p.17). More recent data are not available at the time of this study, as the study is conducted once every four years. But such trends are changing very slowly, so we think it is possible to draw conclusions based on the latest statistically confirmed patterns. It is clear that in these areas of employment, women could successfully realize their human capital if they were provided with equal competitive conditions both in terms of opportunities to hold office and in terms of non-discrimination in pay on the grounds of gender.

At the same time, there has been discrimination against women’s employment so far in Ukraine, and its financial consequences are not only

individual but also negatively affect the overall development opportunities in the form of reduced tax revenues, falling purchasing power due to lower women's incomes, which negatively affects demand in the consumer market. Of course, trying to equalize the chances on the labour market for both genders does not mean discrimination in male employment. However, by displacing women from the field of wage labour, which is a more traditional way of using women's human capital, the entrepreneurial activity of the population is also hampered – the fact that the aspirations and successful practices of starting their own business are more typical of men does not need to be proved.

To confirm the hypothesis of the existence of such dependencies and their consequences for the realization of the potential of self-employment, small business, and, consequently, balancing the labour market at the macroeconomic level, we can provide expert assessments of lost GDP and, in fact, economic growth reserves in countries provided by ILO experts and PwC, the world's most famous audit company. Thus, these organizations estimate the loss of GDP due to the persistence of gender discrimination in the labour market to such an extent depending on the level of economic development (table 2.12).

Table 2.12

Estimates of GDP losses from gender inequality

Group of countries	GDP losses, %
World as a whole	3,9
Developed countries	2,6
Rapidly developing countries	4,8
Developing countries	2,0
OECD countries	10,8

Source: ILO, 2017a; PwC, 2017.

We will estimate financial losses for Ukraine, taking into account the minimum percentage of lost GDP (2%) – for developing countries (table 2.13). As we can see, the losses of GDP due to gender inequality exceed UAH 83 billion. As a result of lost social productivity from women's work, the revenues of social insurance funds and the budget could be higher by more than UAH 15 billion.

(UAH 15,247.24 million) - part of these funds would be redistributed through the budgeting of social programs (receipts in the form of SSC), another part (PIT and military tax) could become a powerful resource for financing the needs of national importance, including defence. And this is only the minimum amount of losses. Uncollected funds in the form of wages for which opportunities were not provided were not realized in the form of consumer spending, so the economy as a whole did not receive an important financial resource for growth.

Table 2.13

Calculation of financial losses due to gender inequality in Ukraine (calculated on the example of data from 2020)

Indicator	Value
Ukraine's GDP in 2020, UAH million	4194102
Possible percentage of GDP growth, %	2,0
GDP losses, UAH million	83882,04
incl.	
✓ total remuneration (43.80% of GDP) *	36740,33
✓ social contribution (22% of total remuneration)	8082,87
✓ personal income tax (18% of total remuneration)	6613,26
✓ military tax (1.5% of total remuneration)	551,11

\* determined by data on GDP and its distribution in 2020

Source: authors' calculation based on (SSSU, 2020)

As we can see, gender inequality, even in relatively small amounts, is a significant constraint on the economic and social development of the whole country. Its financial consequences and limited human development opportunities for those affected have a cumulative effect, which is manifested not only in the loss of current income, but also in the lost motivation to develop and use their own human capital. Gender-neutral employment policy in Ukraine, tolerance of discrimination against women in the exercise of their rights to work and equality in labour relations only increases the social isolation of some women and the polarization of society. Thus, the ousting of women from economic processes has a negative impact on both economic opportunities and prospects for social development.

## 2.5. Safety and social protection of employees

The paradox of the beginning of the XXI century is that almost every manifestation of scientific and technological progress that is implemented in the field of labour, carries new potential dangers, which highlights the need to study the safety of workers.

Safe working conditions are an important indicator of decent work. According to the State Statistics Service (fig.2.52), almost every third employee is unfortunately employed in harmful working conditions in Ukraine (the share of workers in such conditions during 2011-2019 approached 30%).

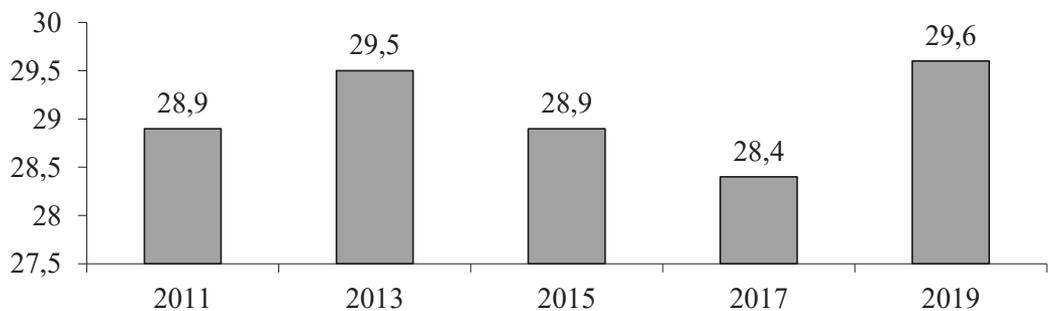


Figure 2.52 - Proportion (%) of workers in harmful working conditions in Ukraine, 2011-2019 (SSSU, 2019d)

Undoubtedly, such a significant share of workers in harmful working conditions is an indicator of problems in ensuring its safety in accordance with the concept of decent work in the national labour market.

The share of employees working in hazardous conditions, often known as the 3D „dirty, difficult, dangerous” (ILO, 2021), differs significantly by type of economic activity (fig.2.53). The highest level of employee involvement in harmful working conditions takes place in the mining industry (67-69% during 2015-2019), which is objectively due to the specifics of the mining work. Quite a high level of involvement of employees in the performance of work in harmful conditions during 2015-2019 is observed in the field of water supply, sewerage,

waste management (35-37%), electricity, gas, steam and air conditioning supply (34-35%).

Almost one in four workers is employed in harmful conditions in processing industry, as well as in the field of transport, warehousing, postal and courier activities. The lowest share of workers employed in harmful conditions is observed in agriculture and telecommunications. And although the current legislation provides for additional payment for work in harmful conditions, which to some extent compensates for the impact of negative factors on the health of workers, it can be stated that the national labour market does not meet the criterion of decent work.

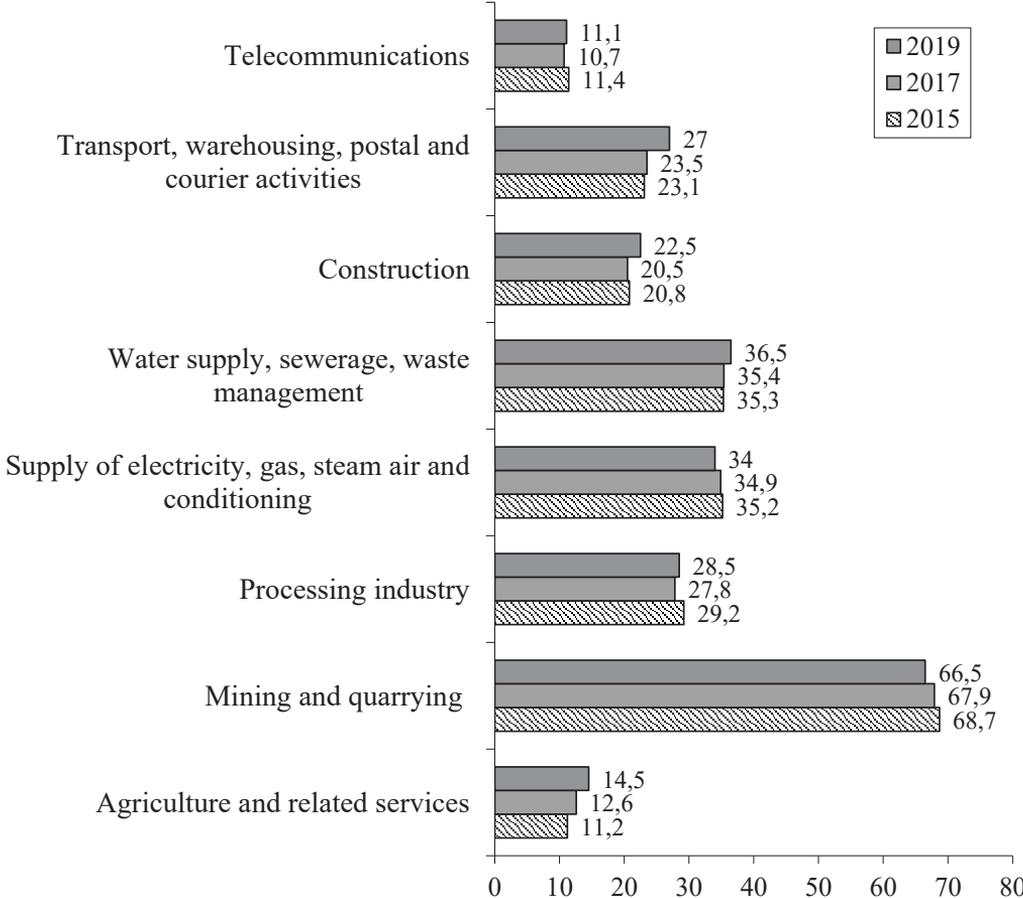


Figure 2.53 - Share of the employed in harmful working conditions by type of economic activity (SSSU, 2019d)

Quite indicative in the context of the study of working conditions is the analysis of the share of workers employed in harmful working conditions in the regional context (fig.2.54). The largest share of workers in harmful working conditions is observed in Donetsk, Dnipropetrovsk, Zaporizhzhia and Luhansk regions, which is due to the concentration of heavy and extractive industries there.

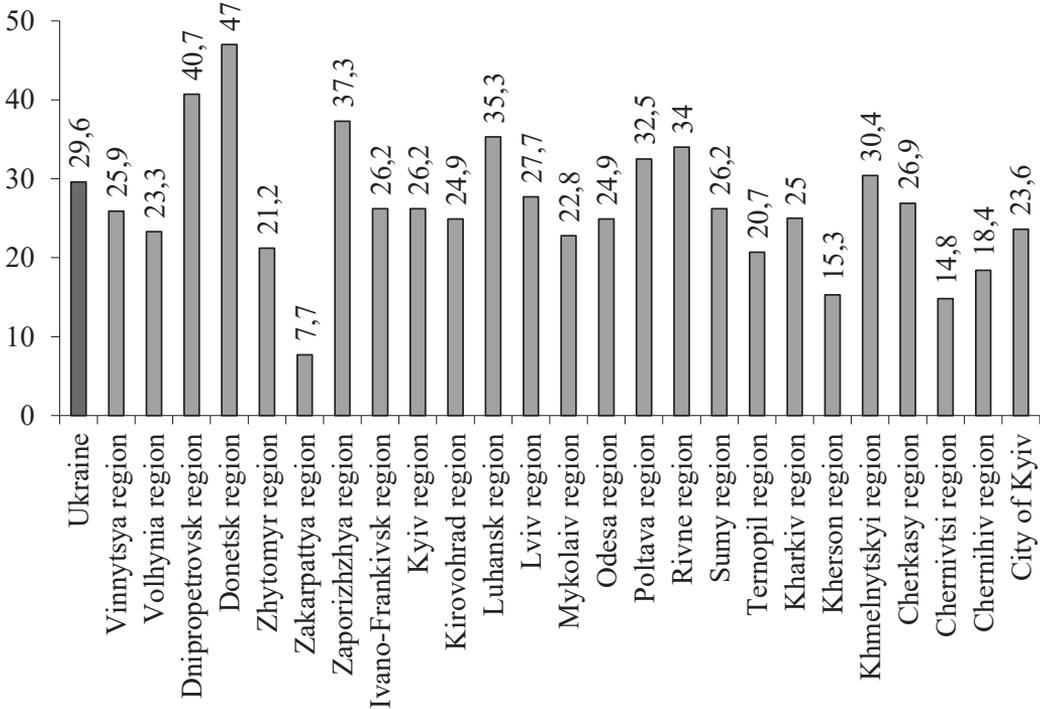


Figure 2.54 - Share of the employed in harmful conditions by region, % (SSSU, 2019d)

Among the factors of the production environment that affect workers, industrial noise, ultrasound and infrasound (17.3%), labour intensity (13.9%) and microclimate (13.4%) are especially significant (fig.2.55).

In Ukraine, the fact of significantly higher involvement of men in work with harmful working conditions compared to women is clearly visible (fig.2.56). Thus, in 2019, 78.1% of all workers in hazardous conditions were men, while women accounted for only 21.9%. Also twice as high is the percentage of men involved in work in harmful conditions in relation to the total number of working men (in 2019,

36% against 18.1% for women). That is, a significantly higher level of dignity in terms of safety of working conditions is characteristic of women in the national labour market.

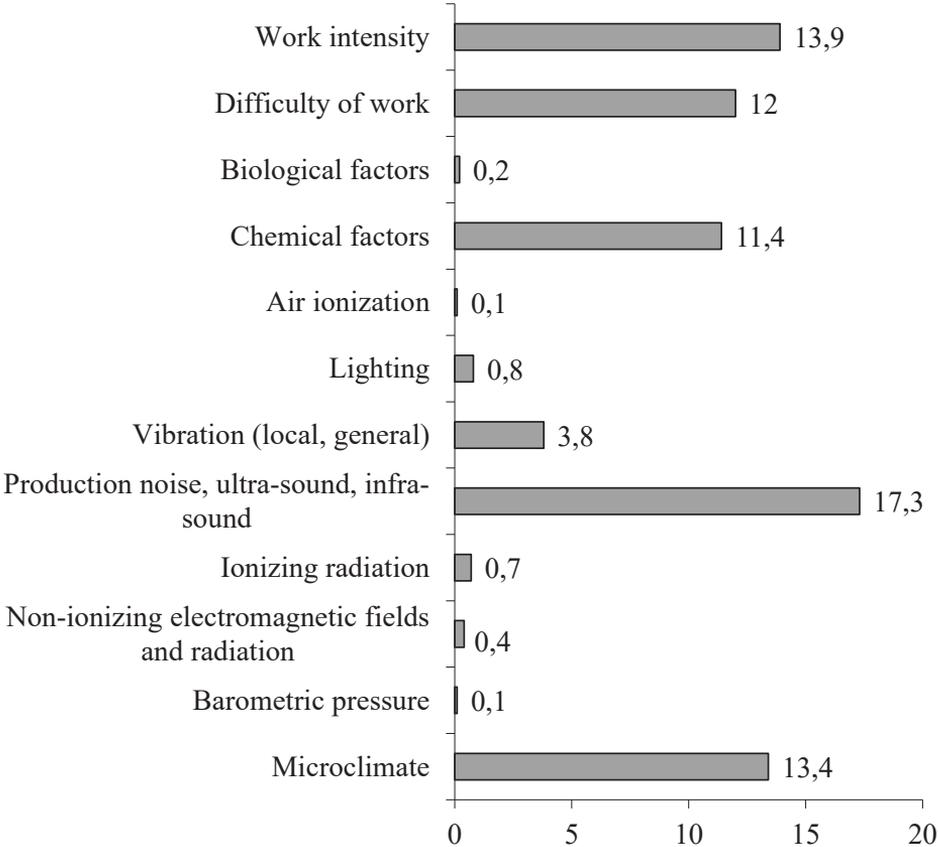


Figure 2.55 - Share of the employed under conditions of exceeding hygienic standards, by hazardous production factors, % (SSSU, 2019d)

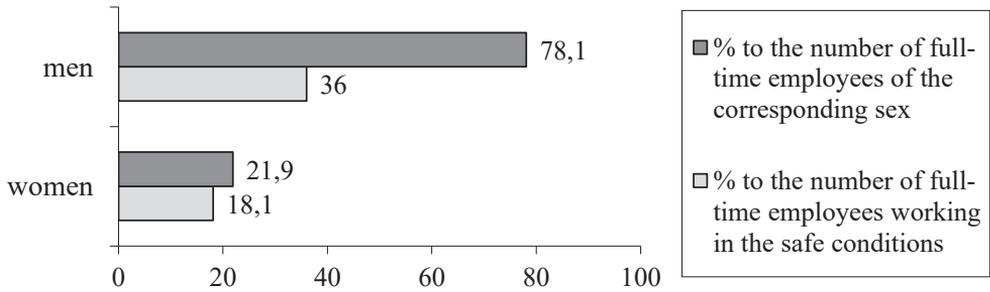


Figure 2.56 - Distribution of the employed in harmful working conditions by gender (SSSU, 2019d)

In order to compensate for the impact of negative working conditions on the health and working capacity of the employed in Ukraine, the law provides for certain benefits, which include surcharges, additional leave, the provision of medical and preventive nutrition, reduced working hours, etc. According to the analysis (fig.2.57), almost every fifth worker who is employed in harmful working conditions in Ukraine receives additional leave and a corresponding surcharge in form of compensation, and every tenth – milk or other food products.

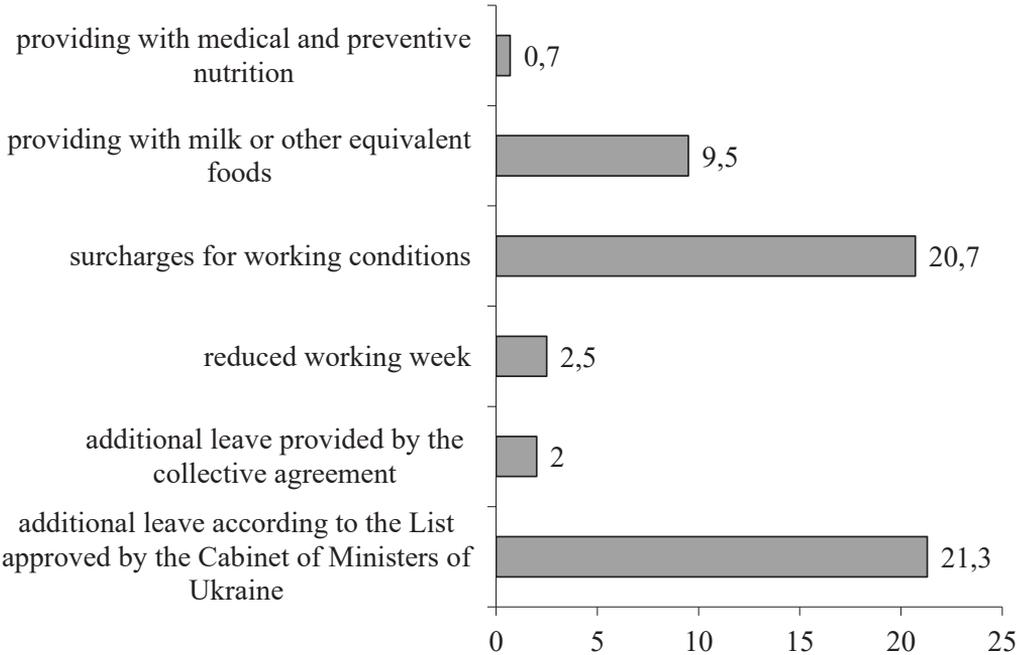


Figure 2.57 - Share of employees who benefit from harmful working conditions, by type of benefits, % (SSSU, 2019d)

A negative indicator of the level of safety of working conditions is an occupational injury. According to the State Labour Service, the number of occupational injuries in Ukraine increased significantly during 2018-2020 (fig.2.58). Thus, if the number of injuries at work during the year was about 4000 cases in 2018-2019, there were over 6000 in 2020, of which over 650 cases ended fatally. Unfortunately, such disappointing dynamics is evidence of serious problems with occupational safety and labour protection at workplace that do not meet the criteria of its dignity.

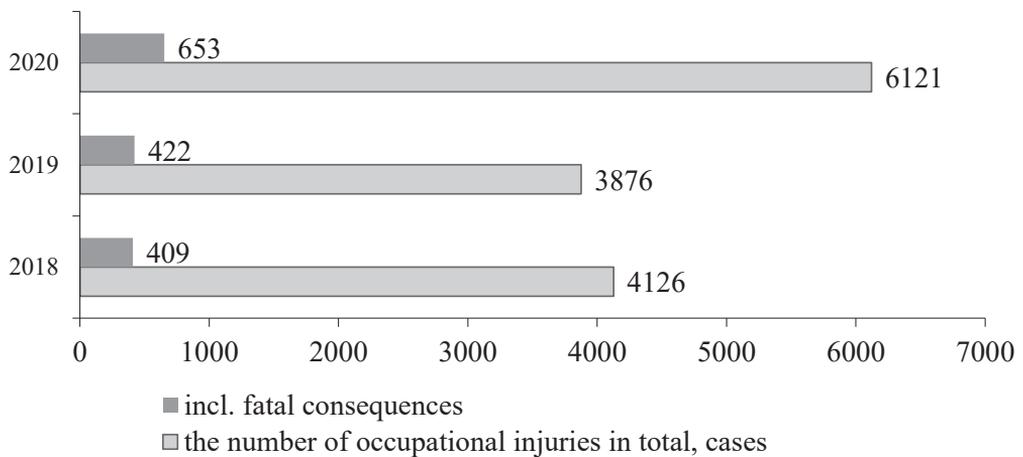


Figure 2.58 - Indicators of occupational injuries in Ukraine for 2018-2020  
(Social Insurance Fund of Ukraine, 2020)

The results of sociological monitoring of the local labour market for occupational safety show that every fourth employee surveyed (25.3%) said that their working conditions fully comply with the norms established by current legislation. However, 43.2% and 22.2% of respondents believe that the level of compliance of their working conditions with sanitary and hygienic requirements varies from 76 to 99% and from 51 to 75%, respectively (fig.2.59). Thus, more than 90% of the surveyed employees of small and medium-sized enterprises believe that they work in the conditions that meet current sanitary and hygienic standards for over half.

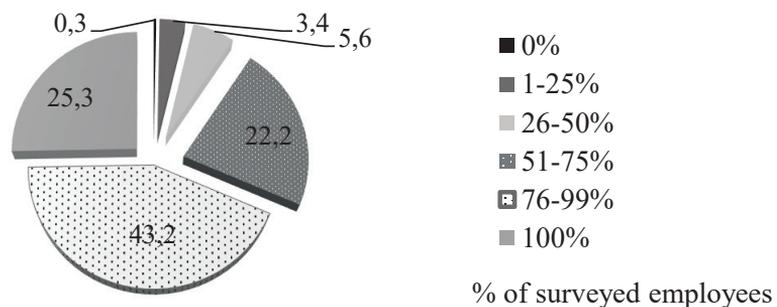


Figure 2.59 - Distribution of employees by self-assessment of compliance of working conditions with sanitary and hygienic norms in the urban labour market,

%

The problem of social protection of employees is quite acute in the national labour market. To assess the effectiveness of social protection of workers, the analysis of the structure of labour costs can be used. The relevant analysis (fig. 2.60) shows that in 2018 the main share of employers' expenditures were those that form the basic component of the social package (the need for which is determined by law).

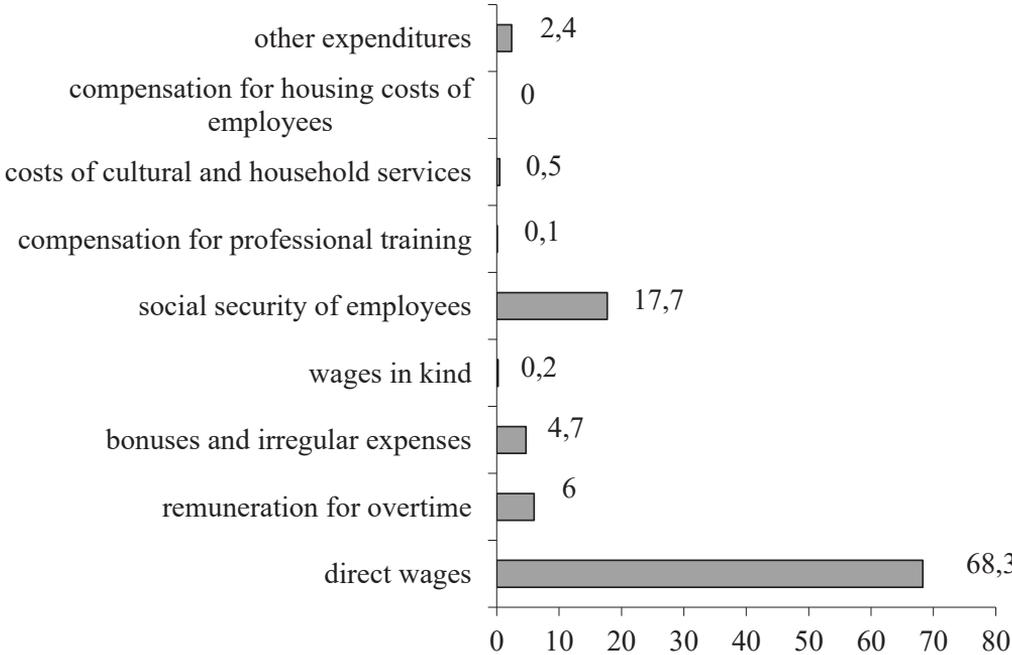


Figure 2.60 - Structure of labour costs in 2018,% of total costs (SSSU, 2018)

At first glance, the share of expenditures on social security of employees is quite significant (17.7%), but 93% of these costs is a single social contribution, and 7% – temporary disability benefits at the expense of employers, whose obligation to comply with regulations is lawfully defined. At the same time, the share of expenditures on other social protection areas of employees, which form the vector of voluntary social responsibility of employers, is quite low (3% of total expenses).

In general, the effectiveness of social protection of employees in terms of the

structure of labour costs, corresponds only to the level defined by current legislation and is limited mainly by the system of compulsory state social insurance.

To some extent, in addition to statistical indicators, the share of wages in the structure of GDP relative to gross income may be used to assess the effectiveness of social protection of workers. According to statistics (fig. 2.61), the share of wages in the structure of GDP has decreased significantly in recent years (from 50.2% in 2012 to 39.2% in 2017 and 43.3% in 2019), while the share of gross profit significantly increased (from 36.9% in 2012 to 45.1% in 2017 and 42.3% in 2019). This is evidence of a significant reduction in the representation of the interests of employees in the distribution of value added, and, thus, the deterioration of the effectiveness of their social protection.

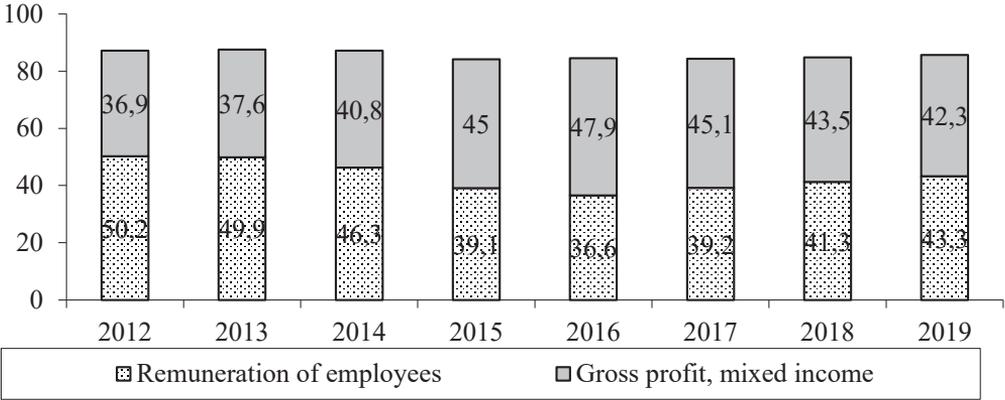


Figure 2.61 - Distribution of GDP by income categories between employees and employers (SSSU, 2019a)

Thus, the above indicators of the effectiveness of social protection of workers are inherently objective, but their application has some caveats in the condition of the significant level of shadowing of the national economy and labour market. This necessitates supplementing the relevant analysis with the results of sociological monitoring.

For the purposes of social protection of workers, the legislation of Ukraine establishes a number of norms and guarantees in remuneration, which all business

entities that use hired labour are obliged to comply with. However, the real practice of deliberate non-compliance with established legal norms has unfortunately become widespread in the national labour market. According to the results of sociological monitoring in the urban labour market (fig.2.62), the only social guarantee, the level of compliance of which is approaching 100%, is the minimum wage. At the same time, a very threatening problem, which indicates a violation of the statutory instruments of social protection by business, is the low level of compliance with wage norms (only about 39% of employees indicated that the employer complies with such norms in the structure of wages as night pay and overtime, weekends and holidays, for defective products).

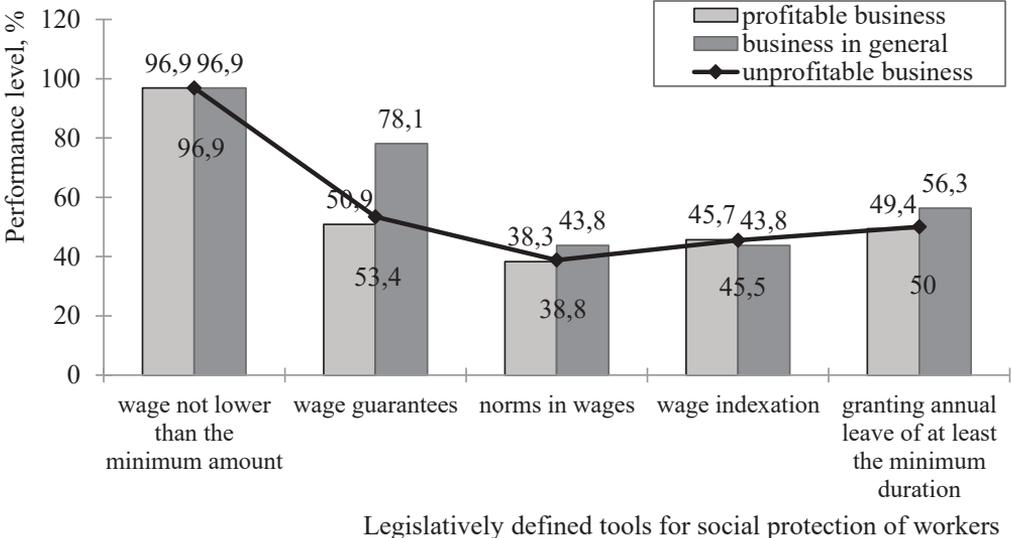


Figure 2.62 - Level of implementation of certain instruments of social protection of employees, defined by law,% to all employees

At the same time, such guarantees in remuneration as the payment of annual leave, business trips, during the performance of public duties, in the case of referral for training are fulfilled by business only in relation to 53.4% of employees. Such an important tool of social protection of workers under the conditions of inflation as wage indexation is available for less than half of the surveyed workers (45.5%), and granting annual leave of at least the minimum

duration for 50%. Obviously, the results obtained are extremely disappointing, as they demonstrate the low level of business responsibility for social protection of workers, even in the so-called basic component of the social package, which is defined by law. At the same time, a higher level of implementation of the social protection instruments of employees defined by law is demonstrated by unprofitable business (the only exception is wage indexation). In particular, wage guarantees among profitable business entities are fulfilled only at the level of 50.9%, while among unprofitable ones at the level of 78.1%. A similar pattern is observed in the implementation of norms in remuneration - 38.3% vs. 43.8%; granting annual leave - 49.4% against 56.3%, respectively.

The distribution of workers by the level of their social protection in the labour market of Rivne according to their own estimates is quite ambiguous (fig.2.63).

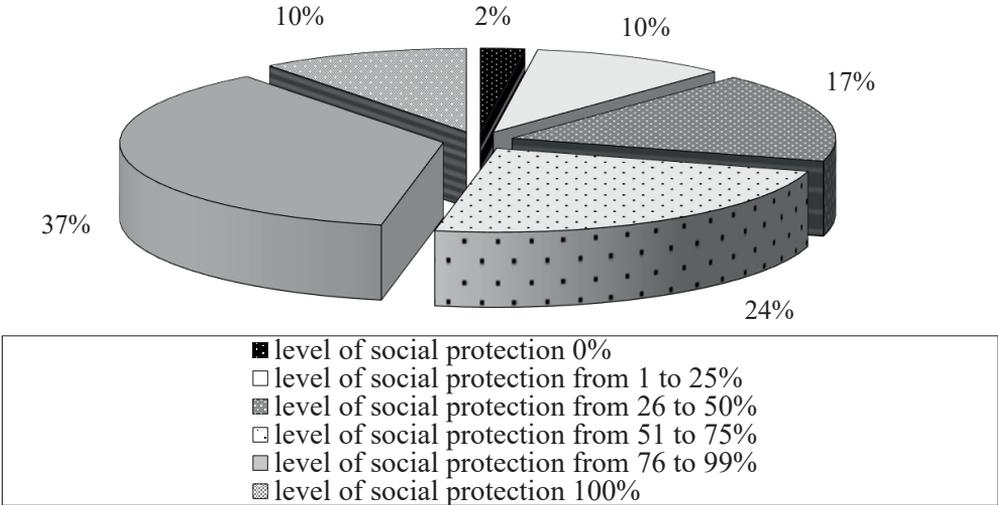


Figure 2.63 - Distribution of employees in the urban labour market according to the level of their social protection,% of total employees

In general, 47% of employees perceive the level of their own social protection in the labour sphere to be high (76 to 100%). Also, about 24% of surveyed employees indicated a corresponding estimate in the range from 51 to 75%. At the same time, almost a third of employees rated their level of social

protection at less than 50%. In general, the results of the survey confirm that the social protection of employees in business is not without a number of shortcomings and problems.

The grouping of employees according to their level of social protection based on their own assessments and business performance indicators (table 2.14) proves the lack of a clear relationship between them. Thus, the distribution of employees according to the level of social protection according to the criterion of profitability/loss of business does not differ significantly, and the average value of the relevant indicator is even slightly higher within the unprofitable business entities. According to the indicator of changes in sales volumes, there is no clear pattern in the distribution of employees according to the level of social protection. A slightly different distribution of the proportion of the employees according to the level of their social security takes place according to the change in business assets. In particular, the share of employees with a low level of social protection predominates within those business entities in which there is a decrease in assets.

Table 2.14

Level of social protection of employees (according to their own estimates)  
depending on the main indicators of business activity

Business performance indicators	Level of social protection						
	0	1-25	26-50	51-75	76-99	100	average
Profitable business	2,5	10,5	16,7	23,8	36,4	10,2	64,7
Unprofitable business	0,0	3,2	25,8	22,6	35,5	12,9	68,4
Increasing sales	2,0	10,7	17,1	25,1	36,5	9,0	64,6
Reduction of sales	0,0	6,7	20,0	23,3	33,3	16,7	69,0
Invariability of sales volumes	7,4	3,7	22,2	7,4	40,7	18,5	67,7
Asset growth	2,8	9,4	11,8	24,1	40,1	11,8	67,7
Decrease in assets	4,3	8,7	34,8	26,1	17,4	8,7	54,7
Invariability of assets	0,8	10,7	24,0	22,3	33,9	8,3	62,5

 - the maximum share of employees at the appropriate level of social protection

The results of the study give the right to formulate the hypothesis that within the national labour market the level of corporate social responsibility is determined more by subjective factors such as business priorities, worldviews of

its top management, rather than indicators of its financial and economic activities.

The level of social protection of workers, according to their own estimates, differs significantly by type of economic activity (fig.2.64).

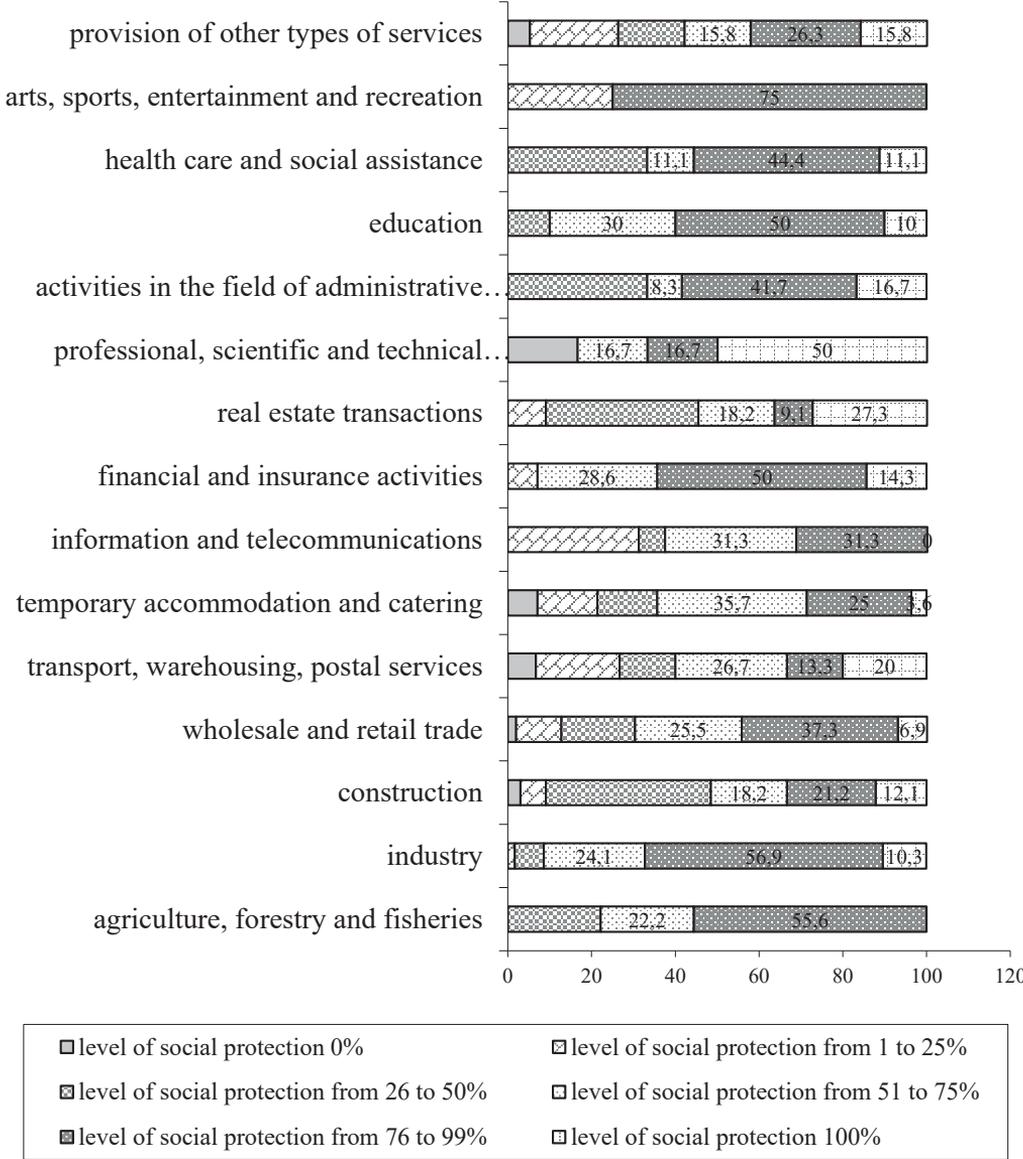


Figure 2.64 - Distribution of economic activities by level of social protection of employees (according to their own estimates),% of total employees

According to the survey, the largest share of workers who rated their own level of social protection at 100% is observed in the field of professional,

scientific and technical activities (50%). Quite a significant proportion of employees assessed their own level of social protection at the level of 76 to 99% in the following spheres: arts, sports, entertainment and recreation (75%); agriculture (56%); financial and insurance activities and education (50%). At the same time, in such activities as professional, scientific and technical activities, accommodation and catering, warehousing there is a significant share of employees who have assessed the level of their own social security at a zero level (their share varies from 6.7 to 16.7%). In general, a higher level of social protection of workers is observed in such field as education, agriculture, administrative and support services, health care and social assistance (fig.2.64).

In addition, the results of sociological monitoring show that a higher level of social protection of workers is observed within the business entities, in which the number of employees varies from 51 to 250 people (fig.2.65). In general, a slightly lower level of social security was indicated by employees working in business entities with the number of the employed ranging from 6 to 10 people.

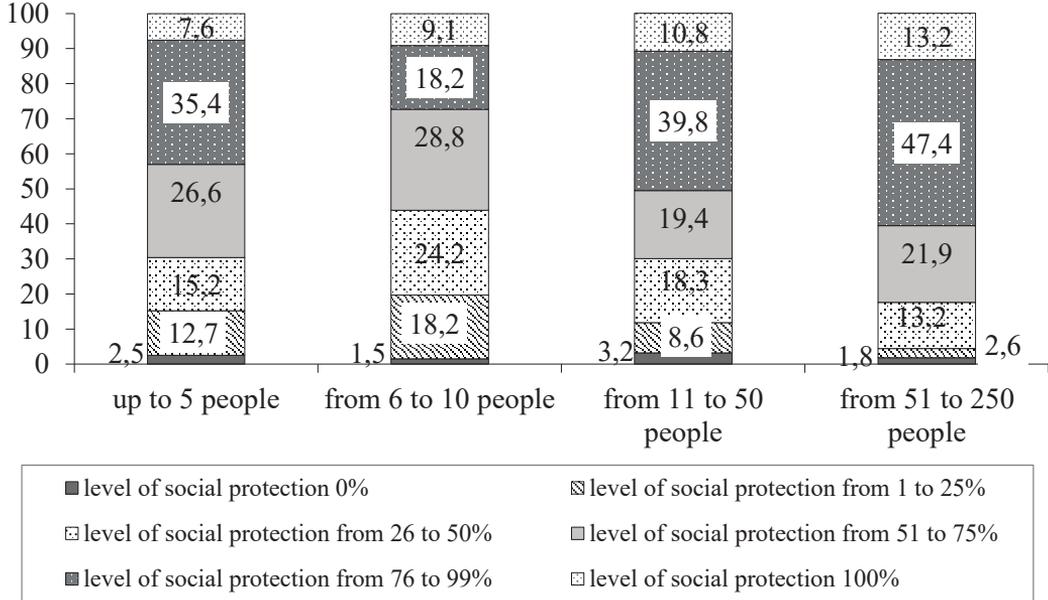


Figure 2.65 - Level of social protection of employees (according to their own estimates) within the business entities depending on the number of employees, % to the number of employees

Thus, there is a problem of high level of involvement of workers in harmful working conditions and an increase in the number of cases of occupational injuries in Ukraine, which is an indicator of improper implementation of the concept of decent work in terms of safe working conditions. Sociological monitoring shows that, for the vast majority of employees, such instruments of social protection as statutory norms in remuneration, wage indexation, granting annual leave of at least the minimum duration are not implemented. As a result, the vast majority of workers consider themselves only partially protected. At the same time, a higher level of social protection of employees is observed in the field of education, agriculture, administrative and support services, health care and social assistance, as well as within the business entities with the number of employees from 51 to 250 people.

## **2.6. Social dialogue as a sign and tool for decent work in human capital management: evaluation of problems and effectiveness of implementation in the EU and Ukraine**

According to the Declaration on Social Justice for a Fair Globalization (ILO, 2008b), one of the strategic objectives of sustainable development is to promote social dialogue (SD) and tripartism. The International Labour Organization believes that it is social dialogue that promotes fair and peaceful labour relations and decent work.

The ILO's strategic goals, including promoting effective SD, are reflected in the Decent Work Concept. To promote it, the ILO has proposed a Framework Program, on the basis of which national programs are developed, and progress in their implementation is monitored and published on the ILO website. ILO also introduced special Indicators for Social Dialogue and Tripartism, which are defined in the context of the Sustainable Economic Development Goals: level of national compliance of labour rights; number of verified cases of violations of the

rights of people involved in organising social dialogue; collective bargaining coverage rate; days not worked due to strikes and lockouts by economic activity; trade union density rate (ILO, 2017b). Apart from that, the development of social dialogue on the basis of these indicators, the main ones being participation in collective bargaining processes, is quite fully represented in the ILO guidelines and manuals on measuring and assessing decent work (ILO, 2013).

Historically, the practice of dialogue has focused on solving problems in the social and labour sphere, which is still considered as one of the most conflicting. As a result, the main participants in the social dialogue were brought together in a system of tripartism and represented the main actors in the labour market. This approach is most inherent in the ILO's concept of social dialogue, which defines social dialogue as all types of negotiations, consultations and simply exchanges of information between government, employers and workers on issues of mutual interest and socio-economic policy (ILO, 2002).

The interpretation of social dialogue in the legislation of Ukraine is similar. In particular, Article 1 of the Law of Ukraine "On Social Dialogue" states that social dialogue is "the process of defining and converging positions, reaching joint agreements and making agreed decisions by social dialogue parties representing the interests of employees, employers and executive bodies and local governments on the formation and implementation of state social and economic policy, regulation of labour, social, economic relations" (VRU, 2010).

Social dialogue can therefore take place at the national, sectoral, territorial and local (enterprise, institution, organization) levels on a tripartite or bilateral basis. At the same time, one of the forms of its implementation is collective bargaining between social partners on the conclusion of collective agreements and other agreements at various levels.

However, despite the obvious advantages of collective bargaining in the field of labour relations, its widespread use is constrained by insufficient development of organizational and legal issues, as well as methodological principles for regulating the relationship of major stakeholders. The status of collective

agreements and treaties has not yet acquired the status of a “source of law” in Ukraine, along with laws and regulations that are actively practiced in the international environment in highly developed countries (Kitsak & Kovalenko, 2018).

As the legislation of Ukraine provides for the conclusion of collective agreements on a voluntary basis, many companies do not have it. In general, the state of concluding collective agreements and contracts in Ukraine has a negative trend – at the beginning of 2018, only 63,359 collective agreements were concluded, which is 40% (41,655 units) less than in 2010. In most regions of the country there is a similar situation, in particular in Rivne region as of December 31, 2017, only 94% of collective agreements were registered compared to the previous year and only 70% compared to 2010. The situation is not better with regard to the level of implementation of already registered collective agreements.

The results of our sociological survey conducted in Rivne showed the real situation regarding the availability and level of implementation of collective agreements. Employees in such types of economic activity as temporary accommodation and catering; wholesale and retail trade; repair of motor vehicles and motorcycles; real estate transactions are the least covered by collective bargaining regulation. At the same time, the level of concluding collective agreements in industry; financial and insurance activities; arts, sports, entertainment and recreation is high (table 2.15).

Table 2.15

Level of implementation of the collective agreement, if available, by type of economic activity (according to the employees at enterprises in Rivne)

Type of economic activity	% of the collective agreement availability	Level of implementation of the collective agreement,%				
		1-25	26-50	51-75	76-99	100
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
agriculture, forestry and fisheries	55,6			44,4		11,1
industry	76,7		8,3	15,0	31,7	20,0
construction	50,0		2,9	5,9	17,6	23,5

<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
wholesale and retail trade; repair of motor vehicles and motorbikes	30,8		4,8	3,8	10,6	12,5
transport, warehousing, postal and courier activities	53,3		20,0	20,0	20,0	
temporary accommodation and catering	17,9			7,1	3,6	7,1
information and telecommunications	52,6		5,3		36,8	10,5
financial and insurance activities	71,4		14,3	28,6	21,4	7,1
real estate transactions	33,3	8,3				25,0
professional, scientific and technical activities	50,0					50,0
activities in the field of administrative and support services	61,5		7,7	7,7	38,5	
education	60,0	10,0	10,0	10,0	30,0	
health care and social assistance	55,6		11,1		33,3	11,1
arts, sports, entertainment and recreation	100,0			25,0	75,0	
provision of other types of services	21,1				15,8	5,3

The level of implementation of the provisions of collective agreements is not always satisfactory as well. Table 2.15. shows that the provisions of collective agreements are implemented at one hundred percent level in such types of economic activities as professional, scientific and technical, and the lowest level of implementation is observed in education and real estate transactions.

It should be noted that the level of collective bargaining regulation of relations between employers and employees varies significantly depending on the scale of the enterprise in terms of the number of employees. In particular, the highest level of implementation of collective agreements is observed within enterprises, with the number of employees from 51 to 250 people, due to the fact that 75.9% of them have a collective agreement. At the same time, only 42.6% of business entities with the number of employees from 11 to 50 people, 35.9% with the number of employees from 6 to 10 people and 19.8% with the number of employees up to 5 people have a collective agreement (fig.2.66).

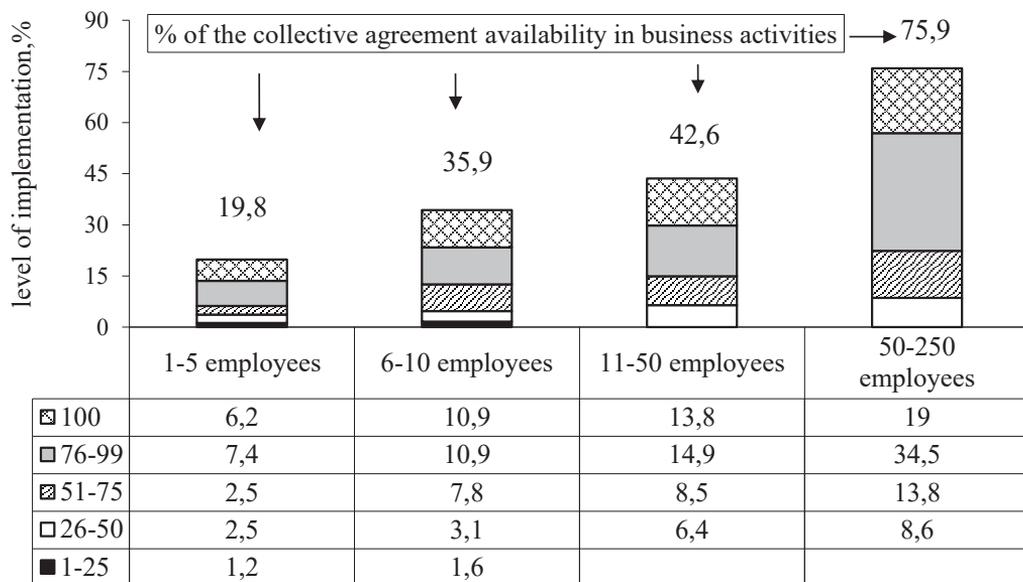


Figure 2.66 - Level of implementation of the collective agreement by business entities depending on the number of employees (according to employees' estimates), %

As a subsystem of the social and economic system, the SD combines various components (social, economic, legal, institutional, managerial ones, etc.), which makes it difficult to evaluate. Based on the principles agreed at ILO-organised international labour conferences, today, social dialogue assessment indicators have not only been transposed into the practice of social and labour relations in concluding employment agreements at different levels, but also formed an appropriate theoretical basis for the analysis of social dialogue.

There are conflicts between participants in the social sphere on various issues that should be resolved in the process of social dialogue, i.e. remuneration, working hours, etc., necessitate the development of methodological tools for assessing the effectiveness of social dialogue, which would allow to evaluate both the existing status according to the most important criteria and the reserves for improving the social dialogue effectiveness.

At present, the author's methods of assessing the effectiveness of social

dialogue are already available, based mainly on those indicators that can be taken into account with different levels of detail, based on the existing principles of collecting statistical information. In this context, one example of a comprehensive assessment of the level of development and effectiveness of national SD models is the approach outlined in a study of Petroie (2012) that summarises the works of scholars from different countries. According to this approach, a comprehensive indicator of the level of SD development includes the following groups of indicators: subjective (internal) indicators (SD level, collective bargaining coverage rate, trade union density) and objective (external) indicators, namely social ones (human development index and its life expectancy, education, and per capita income indicators) and economic ones (global competitiveness index (GCI) and its sub-indices: basic requirements, efficiency enhancers, innovation and sophistication) of the country development.

This approach is quite complete, it takes into account many indicators deriving from social dialogue, but which, although related to it, significantly expand the research subject. In particular, these are indicators that illustrate the state of human development and actions aimed at it. Therefore, we consider it necessary to modify the methodological principles found in other researchers' works with the specification of indicators of social dialogue effectiveness, for which there is an appropriate statistical basis.

The assessment of the links between social dialogue and economic indicators of development is based on correlation analysis. We have tested the methodological foundations of assessment on the statistics of EU member states, in which, despite certain differences in economic and social development, the level of democracy in social and labour relations is quite high, and the statistical base is airtight due to the lower prevalence of informal economic relations compared to many less developed countries.

Therefore, based on the assumption that there is a relationship between the level of SD performance and the level of social and economic development of the country, we use the following indicators to evaluate the level of SD effectiveness.

We have selected the results of social dialogue, the effectiveness of which can be seen from the impact on the development of countries, on the basis that:

1) economic development has been estimated on the basis of GDP per capita ( $Y_1$ );

2) social development of the country and the ability to ensure the well-being of its citizens should be assessed on the basis of the average monthly salary ( $Y_2$ ).

We have chosen the factors that comprehensively illustrate the effectiveness of SD in terms of the country's satisfaction with the main agreements of the social partners. Basing on the available statistical base, such factors may be: Cooperation in labour-employer relations ( $X_1$ ), Flexibility of wage determination ( $X_2$ ), Labour Freedom ( $X_3$ ).

We are sure that indicators  $X_1$  and  $X_3$  comprehensively characterize the achieved level of effectiveness of social dialogue, and indicator  $X_2$  allows considering the influence of one of the most important and conflicting indicators of decent work, which is decent pay as the flexibility in its determination illustrates compromise and ability to work together in order to prevent potential conflicts.

With an effective SD model, a high level of collaboration in labour-employer relationships, considerable flexibility of wage determination and high levels of labour freedom directly affect the level of wages and GDP and vice versa. We have used correlation analysis to verify the relevant relationships.

The values of the correlation coefficients (0,640 and 0,690) indicate that there is a direct and fairly close relationship between the level of cooperation in labour-employer relations and the economic and social development of the country (table 2.16). However, the correlation coefficient between ( $X_2$ ) and ( $Y_2$ ) shows that there is an inversely proportional relationship between these indicators: when the flexibility of wage determination is too high, it inversely affects the size of the average monthly wage, which indicates the need for state regulation of this process. Table 2.16. also shows that the level of flexibility of wage determination does not have a significant impact on GDP per capita.

Table 2.16

Relationship between SD Effectiveness and Social and Economic  
Development in 2018

Countries	Cooperation in labour-employer relations (X <sub>1</sub> )	Flexibility of wage determination (X <sub>2</sub> )	Labour Freedom (X <sub>3</sub> )	*Y <sub>1</sub>	*Y <sub>2</sub>
Austria	5,6	2,3	66,7	1,22	1,70
Belgium	4,7	4,3	59,5	1,13	1,59
Bulgaria	3,9	5,1	66,1	0,54	0,27
Croatia	3,4	4,9	43,0	0,61	0,51
Cyprus	4,6	4,7	55,7	0,93	0,83
Czech Republic	4,8	5,9	76,8	0,87	0,54
Denmark	6,0	4,5	82,8	1,22	2,43
Estonia	5,2	6,2	54,8	0,80	0,57
Finland	5,2	2,2	50,5	1,08	1,58
France	3,9	5,0	45,0	1,07	1,39
Germany	5,3	4,3	53,3	1,23	1,74
Greece	4,0	4,4	54,4	0,68	0,51
Hungary	4,3	4,9	68,7	0,74	0,45
Ireland	5,1	5,3	76,4	1,84	1,47
Italy	4,0	3,4	50,3	0,93	1,19
Latvia	4,6	6,1	72,5	0,70	0,47
Lithuania	4,4	5,9	64,5	0,81	0,41
Luxembourg	5,6	5,1	46,2	2,49	2,07
Malta	5,2	5,8	61,1	1,06	0,65
Netherlands	5,9	4,0	61,5	1,32	1,34
Poland	4,3	5,5	63,9	0,75	0,52
Portugal	4,6	4,9	44,1	0,75	0,54
Romania	4,0	5,4	66,8	0,62	0,37
Slovakia	4,3	5,0	54,0	0,82	0,46
Slovenia	4,4	4,4	61,3	0,86	0,76
Spain	4,3	4,8	59,0	0,94	1,03
Sweden	5,7	3,6	53,7	1,24	1,57
United Kingdom	5,3	5,8	74,4	1,07	1,17
<b>Correlation coefficients</b>					
<b>(X<sub>1</sub>)</b>				<b>0,640</b>	<b>0,690</b>
<b>(X<sub>2</sub>)</b>				<b>-0,177</b>	<b>-0,524</b>
<b>(X<sub>3</sub>)</b>				<b>-0,033</b>	<b>0,015</b>

\* Modification of cost metrics:

Y<sub>1</sub> – GDP per Capita relative to the national average (\$ 43,286); Y<sub>2</sub> – average monthly salary in the country relative to the average in these countries (€ 2,144)

Source: authors' calculations, based on (WEF, 2017-2018; IEF, 2018; Fischer, 2018)

The results of the correlation analysis also reveals almost no correlation between the Labour Freedom indicator and the resulting factors. Only a few countries (Luxembourg, Sweden, Germany) with a below-average labour freedom indicator (60,3) have GDP per capita above the average (\$ 43,286). These results can be explained by different models of state regulation of social and economic development in the EU, and by some subjectivism due to the nature of indicators of international indices, including indicators calculated on the basis of surveys.

We also evaluate a comprehensive indicator of the effectiveness of social dialogue through a taxonomic analysis. This analysis allows us to estimate the distance between points of multidimensional space (in this case, three-dimensional one), whereas the distance of standardised values of indicators from the ideal state of system development (SD effectiveness) allows to determine possible directions of dialogue improvement according to identified problematic aspects.

To do this, we define the standardisation of the data of the observation matrix according to the following equation (Nowak, 2018):

$$z_{ik} = \frac{x_{ik} - \bar{x}_k}{\sigma_k} \quad (2.5)$$

where  $z_{ik}$  is the standardised value of factor  $k$  ( $k=1,2,3\dots w$ );  $\bar{x}_k$  is the arithmetic mean of the factor  $k$  (calculated according to equation (2.6),  $\sigma_k$  is standard deviation of the factor  $k$  (equation (3));  $n$  is the number of observations.

$$\bar{x}_k = \frac{1}{n} \sum_{i=1}^n x_{ik} \quad (2.6)$$

$$\sigma_k = \sqrt{\frac{\sum_{i=1}^n (x_{ik} - \bar{x}_k)^2}{n}} \quad (2.7)$$

As all factors of the observation matrix are stimulants, we do not carry out their further transformation. Meanwhile, we choose a reference point for each factor by the largest value in the group of countries.

In order to calculate the Euclidean distance between the individual values of the factors and the reference point  $z_0$  we use the equation (2.8).

$$c_{io} = \sqrt{\sum_{i=1}^n (z_{ik} - z_{0k})^2} \quad (i=1, 2, 3, \dots, n) \quad (2.8)$$

We calculate the taxonomic index of SD effectiveness by the given equation:

$$d_i = 1 - \frac{c_{io}}{c_0} \quad (2.9),$$

where  $c_{io}$  and  $c_0$  are  $i^{\text{th}}$  standardised index and the range of variation of a series of standardised indicators calculated by equation (2.10) respectively.

$$c_0 = \bar{c}_0 + 2 \cdot \sigma_0 \quad (2.10),$$

where  $\bar{c}_0$  is the average value of standardised indicators for a specific parameter of SD development, whereas the standard deviation of standardised values of factors ( $\sigma_0$ ) is defined in the same way as in equation (2.7).

Therefore, using the method described above, we calculate a comprehensive indicator of the social dialogue effectiveness. To do this, we standardize the values of the factors listed in table 2.16 using formulas (2.5-2.7), calculate the Euclidean distance between the individual factor values and the reference point according to equation (2.8) and find the taxonomic SD effectiveness indicators using equations 2.9-2.10. The results of the calculations are summarized in table 2.17.

The given results illustrate the level of effectiveness of the existing SD systems in the EU member states, i.e. the closer the value of the taxonomic index approaches 1, the higher is the effectiveness of the existing SD systems in that country. The best results in organising social dialogue on the three analysed aspects are observed in the United Kingdom, Denmark and Ireland and the worst indicators are in Croatia, Finland, Italy (table 2.17).

Based on the calculations of taxonomic indicators (with an average value of 0.387 and standard deviation +/- 0.193) shown in table 2.17, four levels of efficiency of the social dialogue system can be identified:

- 1) high – 0,580 and higher;
- 2) above average – 0,387-0,579;
- 3) below average – 0,193-0,386;

4) low – below 0,193.

Thus, in 2018, 4 EU member states had a low level, 12 countries showed the level below average, 7 countries were above the average level and 5 countries had a high level of social dialogue effectiveness (table 2.17).

Table 2.17

Results of a Taxonomic Analysis of the Evaluation of SD Effectiveness  
in EU Member States in 2018

<i>Countries</i>	Standardised Values of Factors			<i>Euclidean Distance</i>	<i>Taxonomic Indicator of the Effectiveness of SD</i>
	<i>(X<sub>1</sub>)</i>	<i>(X<sub>2</sub>)</i>	<i>(X<sub>3</sub>)</i>		
Croatia	-1,952	0,124	-1,632	5,479	0,008
Finland	0,678	-2,556	-0,922	5,068	0,083
Italy	-1,075	-1,365	-0,941	5,017	0,092
France	-1,221	0,223	-1,442	4,836	0,125
Portugal	-0,198	0,124	-1,528	4,359	0,211
Greece	-1,075	-0,372	-0,553	4,313	0,219
Austria	1,263	-2,456	0,61	4,109	0,256
Slovakia	-0,637	0,223	-0,591	3,845	0,304
Sweden	1,409	-1,166	-0,62	3,732	0,325
Luxembourg	1,263	0,323	-1,329	3,648	0,340
Bulgaria	-1,221	0,323	0,553	3,591	0,350
Spain	-0,637	0,025	-0,118	3,592	0,350
Cyprus	-0,198	-0,074	-0,43	3,562	0,355
Slovenia	-0,491	-0,372	0,099	3,528	0,361
Germany	0,825	-0,471	-0,657	3,467	0,372
Belgium	-0,052	-0,471	-0,071	3,414	0,382
Romania	-1,075	0,62	0,62	3,363	0,391
Poland	-0,637	0,72	0,345	3,118	0,436
Hungary	-0,637	0,124	0,799	3,06	0,446
Lithuania	-0,491	1,117	0,402	2,915	0,472
Netherlands	1,701	-0,769	0,118	2,902	0,475
Estonia	0,678	1,414	-0,516	2,897	0,476
Malta	0,678	1,017	0,08	2,381	0,569
Latvia	-0,198	1,315	1,159	2,266	0,590
Czech Republic	0,094	1,117	1,565	1,853	0,665
Ireland	0,532	0,521	1,528	1,651	0,701
Denmark	1,847	-0,273	2,133	1,588	0,713
United Kingdom	0,825	1,017	1,338	1,329	0,760
<b>average value</b>	<b>1,847</b>	<b>1,315</b>	<b>2,133</b>	<b>3,389</b>	<b>0,387</b>
<b>standard deviation</b>				<b>1,068</b>	<b>0,193</b>

At the same time, the results of the taxonomic analysis made it possible to identify the problematic aspects in the existing system of social dialogue in each EU member state, on the basis of which it is possible to outline the directions of its improvement.

Statistics from the national statistical base can also be used to assess the effectiveness of the social dialogue model. Therefore, we will evaluate the effectiveness of the national model of SD on the basis of statistical indicators that characterize certain aspects of SD and the state of socio-economic development of Ukraine. With an effective model of SD, the more collective agreements are registered and the more employees are covered by collective agreements, the higher the level of economic and social development is i.e. higher GDP, lower wage arrears, higher average monthly wages, and vice versa.

We use correlation analysis to practically confirm the relevant connections. We use data for 2011-2018 to determine the degree of correlation. At the same time, the factor indicators are the number of registered collective agreements ( $X_1$ ) and the number of employees covered by collective agreements ( $X_2$ ), and the result indicators are GDP ( $Y_1$ ), the amount of arrears of wages, UAH million. ( $Y_2$ ) and average monthly salary, UAH ( $Y_3$ ) (table 2.18).

Table 2.18

Relationship between the number of registered collective agreements and the number of employees covered by collective agreements with indicators of social and economic development of the country

Year	Number of registered collective agreements, units ( $X_1$ )	Number of employees covered by collective agreements, thous. persons ( $X_2$ )	GDP, UAH mln. ( $Y_1$ )	Amount of salary arrears, UAH mln. ( $Y_2$ )	Average monthly salary, UAH ( $Y_3$ )
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
2011	98 514	8 766,5	1 299 991	1 218	2 648
2012	10 1712	8 730,0	1 404 669	977	3 041
2013	84 401	7 903,4	1 465 198	830	3 282
2014	76 017	6 866,4	1 586 915	753	3 480
2015*	69 602	6 343,3	1 988 544	1 320	4 195
2016*	64 158	6 140,4	2 385 367	1 881	5 183

1	2	3	4	5	6
2017*	63 359	6 007,3	2 983 882	1 791	7 104
2018*	59 622	5 899,6	3 558 706	2 368	8 865
Correlation coefficients					
	(X <sub>1</sub> )		<b>-0,880</b>	<b>-0,850</b>	<b>-0,835</b>
	(X <sub>2</sub> )		<b>-0,822</b>	<b>-0,680</b>	<b>-0,785</b>

\* does not include part of the anti-terrorist operation area

The study showed that there is an inverse close relationship between these indicators. That is, the more employees are covered by collective agreements and the more collective agreements are concluded, the lower the GDP and the average monthly wage are which violate the logic of social partnership. From this we can conclude about the formal attitude of trade unions and employers to the conclusion and content of these agreements, as well as to their compliance. Provisions concerning the payment and increase of wages, as well as liability for delays in the payment of wages (arrears), often remain unfulfilled.

Therefore, the existing model of SD in Ukraine is not effective, and the legal framework governing it needs to be improved. This is confirmed by the lack of progressive rules for the protection of the rights of employees, which are available in the legislation of European countries. In particular, the Civil Codes of France and Italy stipulate that for delays in the payment of wages for more than 90 days, employers must pay employees the appropriate interest, the amount of which is equal to the bank interest on the loan in the area. In the Netherlands, if the payment is delayed for more than 90 days, this percentage is 60% of the salary amount. In Denmark, employees have the right to stop working if their wages are withheld for three months or more, and their wages are nevertheless calculated (Nalyvaichenko & Mironova, 2011). In some countries, if employees receive no payments for over 90 days, employees have the right to file for bankruptcy against their employer. In addition, the ILO has developed a special mechanism set out in Convention 173 “On the Protection of Employees’ Claims in the Event of Employer’s Insolvency”. According to its provisions, there are guarantee institutions (insurance funds) in many European countries to protect the wages of

employees in the event of bankruptcy.

Improving the effectiveness of social dialogue is impossible without cooperation, joint consultations and especially the organization of control over the implementation of decisions taken as a result of negotiation processes. Therefore, first of all it is necessary to fix the status of the collective agreement at the level of the enterprise, the conclusion of which does not have norms and the principle of obligation for all business entities. In addition, it is necessary to overcome the formalism in the conclusion of collective agreements and contracts, fill them with specific content and strengthen the responsibility of the parties for their implementation. An improved system of interaction between partners in social and labour relations will prevent serious social conflicts and will form a solid basis for sustainable economic development. To do this, it is necessary to study and implement the experience of countries with the most developed models of social dialogue, which contribute to the interests of all its participants.

## CONCLUSIONS

Today, the management of human capital on the basis of decent work has many unresolved theoretical and applied problems. The implementation of the principles of decent work in the practice of interaction in society at all levels is associated with a willingness to change attitudes towards human capital: from a resource understanding to an important component of capital in its economic sense – value in which to invest and provide decent conditions for life cycle. Understanding the mutual economic benefits of such interaction of owners of human and productive capital provides the basis for mutual achievement of goals and the fullest provision of needs, promoting cooperation based on social values, although the deep motives of such cooperation could be purely economic. In this aspect, the management of human capital on the basis of decent work allows obtaining economic and social benefits, no less significant than the beliefs and limiting levers aimed at shaping socially responsible business behaviour with arguments of a moral nature.

At the same time, our study of the problems and state of human capital management on the basis of decent work allows us to conclude that the current level of understanding of the benefits of implementing the principles of decent work in economic practice is insufficient. Our study does not address all indicators of decent work of the ILO, which are identified as primary or secondary. We aim primarily to cover the gaps in the assessment of decent work that arise when using only statistical methods. For their practical application there is a well-developed information base and methodological tools, although the results of official monitoring are often subject to criticism. Therefore, understanding the real problems is possible only by assessing the subjective perception of certain conditions, and most importantly – the objective level of availability of basic guarantees and standards of decent work, which can be identified only by supplementing the results of statistical observations with estimates in the form of subjective judgments.

This approach allows us to identify numerous shortcomings in the field of decent work, which should be taken into account to improve human capital management. In particular, in the process of own sociological research conducted at enterprises, it is found out that at none of the criteria the level of compliance with standards of decent work does not reach the reference values . “Exemplary” in terms of decent work are only some aspects of its compliance at individual enterprises or in groups of enterprises, mainly in one type of activity. Such results do not mean the absolute propensity of business to violations of labour rights, as, at some of the manifestations, insufficient awareness of business can be stated about the needs of its staff. In addition, such ignorance of the realities of the formation of motives and factors of “leaching” of skilled labour from enterprises is often caused by underestimation of the impact of environmental factors on the mood of employees to continue employment.

Impartial analysis and awareness of human capital management issues should be continued in the form of addressing shortcomings, the main of which are as follows. The analysis of the results of our study on wages shows that different remuneration is quite often paid for similar work at different companies – 28% of employees receive lower wages for similar work compared to other companies. At the same time, the wage differentiation at most enterprises is insignificant – 43% of the maximum wage is only 2-3 times higher than the minimum wage at the enterprise. However, for 5% of enterprises, the gap between the highest and lowest wages is 10 times or more.

The survey results show that when an employee is dissatisfied with the level of their wage and considers it unfair, they begin to think about dismissal from the company. In particular, 58.4% of those employees who believe that they are underpaid are ready to resign and look for a new job where they will be valued more and paid more. At the same time, only 9.8% of employees whose salaries for similar work are higher than in other companies plan dismissal, the reason for which, in their words, is “the desire for further development and some unfulfilled obligations of the employer.”

Such a high potential staff turnover can lead to significant losses of enterprises due to understaffing and additional costs for filling vacancies.

The study reveals variation in the importance of the components of the compensation package depending on the sex and age of employees, as well as a significant mismatch of the components important for employees and actually available at enterprises. In particular, among the components of the CP that meet the primary needs, the most desirable for employees were partial payment of food (69%) and payment of voluntary health insurance contributions by the employer (67%). At the same time, only 38% of business entities included in their compensation package the provision of employees with drinking water, tea, coffee, cookies, and 19% – voluntary health insurance of employees.

The most popular CP components aimed at meeting the secondary needs of employees were the compensation for short-term vocational programs and commuting costs. Unfortunately, only 40% of employers allocate funds for various trainings, workshops, which is 27% less than the need of employees. Regarding the compensation for commuting costs, the situation is even worse – there is a two times difference between the desired and actual level.

The greater the individual needs of the employee are met through labour, the higher the level of their labour activity is. That is, well-chosen incentives (including components of the social package) can form a system of motives for behaviour and activities that would contribute to achieving the goals of the enterprise, provided that the personal goals and needs of the employee are met.

The initial formation of the compensation package requires collection, analysis, generalization and grouping of individual (personal) needs of employees. To do this, you can use the experience of other countries, where information on the preferences and wishes of employees regarding their remuneration, obtained either through informal communications or through the development of social questionnaires. In such a questionnaire, the employee is given the opportunity to rank a number of additional benefits according to the degree of their importance for them and their family.

A comprehensive analysis of wages in the national labour market shows that during 2014-2018, the average monthly wage in Ukraine has been growing steadily and in 2020 it amounted to about 12.76 thousand UAH. However, real wages in 2014-2015 in Ukraine decreased significantly (by 6.5% and 20.2%, respectively). That is, in 2015, the purchasing power of the average wage in Ukraine decreased by more than 20%, while prices increased by 48.7%. The highest level of wages in Ukraine is observed in financial and insurance activities, information and telecommunications, professional, scientific and technical activities, the lowest – in health care and social assistance, temporary accommodation and catering, agriculture. The highest level of wages is traditionally observed in the city of Kyiv, and Kyiv, Mykolaiv, and Dnipropetrovsk regions, the lowest – in Kirovograd, Zhytomyr and Ivano-Frankivsk regions. In terms of wages, the most vulnerable category of the population in the national labour market is young people (up to 25 years old). In the national economy, the hourly form of remuneration is more common (coverage 94%). In Ukraine, there is a so-called “gender gap” in wages (about 23% in favour of men).

In the structure of the wage fund in the national economy, about 57% is accounted for by the basic wage fund, while incentive and compensation payments amount to only 6%. Compared to the European labour market, the national economy has a critically low level of wages – 2.3-2.4 euros/hour, which is almost twice lower than the level of wages in Bulgaria and more than twenty times lower than in Norway.

A negative phenomenon in the national labour market is the *shadowing of employment and wages*, due to the high level of shadowing of the national economy as a whole. The share of workers in the “shadow” in the labour market of Ukraine during 2010-2019 varied between 20.9-26.2%. The shadow segment of the labour market is most involved in the population aged 40-49 and 50-59, men (59%) and rural residents (55%). At the same time, informal employment is more specific to the employment sector itself. In the national labour market there

is a pattern of reducing the level of involvement of the population in the informal sector with the increase of the education level. In Ukraine, there is a significant regional differentiation of employment shadowing (the highest level is observed in Chernivtsi and Rivne regions. The largest share of informal employment is in agriculture, forestry and fisheries; wholesale and retail trade, repair of vehicles and motorcycles; construction. For the labour market, there is also a significant shadowing of employment and social labour relations, with a significant share of shadow workers (24%) predominating at micro-enterprises, with the highest level of shadow employment in the urban labour market in activities such as real estate, accommodation and catering, information and telecommunications, other services (from 38 to 47%).

A significant level of shadowing of employment causes shadowing of wages. During 2010-2019, the amount of shadow wages in the national economy increased significantly and in 2019 ranged from 346.1 to 519.2 billion UAH. Within the city labour market of Rivne, shadow wage schemes are partially or completely applied for 55% of employees.

Wage shadowing causes significant fiscal losses to the consolidated state budget and the Pension Fund. In 2019, the consolidated state budget lost from UAH 95.9 to 139.7 billion, and the Pension Fund – from UAH 23.9 to 35.8 billion. Thus, shadow employment and wages are negative phenomena that are common in both national and local labour markets and threaten the socio-economic security of the state.

An important factor that violates human dignity is the violation of the right to *equal treatment in the work process*. Discrimination on various grounds is characteristic today of employment in almost all activities, except for education, art, sports and entertainment. The most common manifestations of discrimination are observed at enterprises specializing in transport services and warehousing (33.3% of employees noted its presence). At enterprises of other foreign economic activity, less than 25% of employees were discriminated against. The main types of discrimination are age and gender, national, religious and property

discrimination is much less often, and the dominant forms of discrimination are the discrimination in wages, working conditions and career opportunities. Contrary to the assessments of employees, entrepreneurs recognize the existence of discrimination to a much lesser extent, also mainly age and gender; language discrimination being less observed. At the same time, such estimates are insufficiently confirmed in the responses on the share of women in management positions. This practice is most typical for micro-enterprises, in larger enterprises women significantly lose to men in competition for senior management positions. Having a cumulative effect, gender inequality in the national economy leads to significant losses of GDP, and thus a narrowing of opportunities for further social and economic development.

An important indicator of decent work is *working conditions*. In Ukraine, almost every third employee is employed in harmful working conditions (the share of workers in such conditions during 2011-2019 was approaching 30%). The highest level of employee involvement in work with harmful working conditions takes place in the mining industry (67-69% during 2015-2019). The lowest share of workers employed in harmful conditions is observed in agriculture and telecommunications. The largest share of workers in harmful working conditions is observed in Donetsk, Dnipropetrovsk, Zaporizhzhia and Luhansk regions. Among the factors of the production environment that have a negative impact on workers, especially significant are industrial noise, ultra- and infrasound, labour intensity and climate measures. In Ukraine, there is a significantly higher level of involvement of men in work with harmful working conditions compared to women (78% vs. 22% in 2019, respectively). As a compensation for working in harmful conditions, almost one in five workers receives additional leave and a corresponding surcharge, and one in ten receives milk or other foodstuffs. A negative indicator of the level of safety of working conditions is occupational injuries, the number of cases of which increased significantly during 2018-2020.

The results of sociological monitoring of the local labour market for occupational safety show that only every fourth employee (25.3%) answered that their working conditions fully comply with the norms established by current legislation. At the same time, 43.2% and 22.2% of respondents believe that the level of compliance of their working conditions with sanitary and hygienic requirements within the urban labour market varies from 76 to 99% and from 51 to 75%, respectively.

The following regularities are identified in the *social protection* of employees: for the vast majority of employees, such social protection instruments as statutory wage norms, wage indexation, and granting of annual leave of at least the minimum duration are not implemented. As a result, the vast majority of workers consider themselves only partially protected. At the same time, the highest level of social protection of employees is observed in the field of education, agriculture, administrative and support services, health care and social assistance, as well as within business entities with the number of employees from 51 to 250 people.

Regarding *social dialogue*, one of the forms of its implementation is collective bargaining between the social partners on the conclusion of collective agreements and agreements at various levels. The study showed that at many enterprises in Rivne collective agreements are concluded, but the level of implementation of their provisions is not always satisfactory (at some enterprises the collective agreement is fulfilled by 100%, and at others – only by 1-25%).

There are conflicts between participants in the social sphere on various issues that should be resolved in the process of social dialogue, necessitating the development of methodological tools for assessing the effectiveness of social dialogue, which would allow evaluating both the existing status according to the most important criteria and the reserves for improving the social dialogue effectiveness.

With an effective SD model, a high level of collaboration in labour-employer relationships, considerable flexibility of wage determination and high levels of

labour freedom directly affect the level of wages and GDP and vice versa. The correlation analysis helps verify the relevant relationships. The best results in organising social dialogue on the analysed aspects are observed in the United Kingdom, Denmark and Ireland and the worst indicators are in Croatia, Finland, Italy. Besides, the results of the taxonomic analysis made it possible to identify the problematic aspects in the existing system of social dialogue in each EU member state, on the basis of which it is possible to outline the directions of its improvement.

Assessing the effectiveness of the social dialogue model in Ukraine on the basis of statistical data of the national statistical base shows an inverse close relationship between performance and factor indicators. That is, the more employees are covered by collective agreements and the more collective agreements are concluded, the lower the GDP and the average monthly wage are which violate the logic of social partnership. From this, we can conclude about the formal attitude of trade unions and employers to the conclusion and content of these agreements, as well as to their compliance.

Therefore, the existing model of social dialogue in Ukraine is not effective, and the legal framework governing it needs to be improved. This is confirmed by the lack of progressive rules for the protection of the rights of employees, which are available in the legislation of European countries.

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