

Another New Dawn?

The Ukrainian People's Security Survey 2004

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***Note:** International Labour Organisation, Geneva. This is a draft. It does not necessarily represent the views of the ILO, and should not be attributed to the ILO. Comments would be welcome.

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The Ukrainian People's Security Survey 2004

1. Introduction

For a few weeks in late 2004, Ukraine became the centre of world attention as a struggle for political legitimacy engulfed the nation. The results of the 2004 round of the national People's Security Survey – the fourth successive year in which we have conducted it – go some way to indicating why the results of the Presidential election may be historically significant for the country and its population of nearly 50 million.

Ukraine is a country waiting to take its place in the centre of Europe; it is bigger in terms of land space than Germany and the UK combined. Ever since Ukraine became an independent entity in 1991, its people have been struggling with hardships, deprivations and chronic social and economic insecurities. We have tried to chronicle those since 1993 in a series of surveys and technical analyses.¹

The macro-economic and political changes have been enormous. For the most part, Ukraine has performed remarkably badly. By the end of 2003, real GDP was merely 51% of what it was in 1989.² This reflected a much greater deterioration than most central and eastern European countries, including neighbouring countries such as Russia (77%), Romania (92%), Hungary (115%) and Poland (135%).

Most relevantly for this assessment, the country has moved from a point where output and living standards were dropping by 20% or more per year and when inflation touched on 11,000% to where, in 2004, GDP grew in real terms by a record 12%, the highest rate in the whole of eastern Europe. Economic growth is expected to be less in 2005, and possibly less again in 2006.³ However, as long as the government's budget deficit can be brought under reasonable control, a period of stable growth seems likely.

The *character* of the deprivation and policy challenges has changed profoundly during the 14 years or so of monitoring and evaluation. However, it has been clear for many years that *major* changes in policy and institutional regulation are required, if substantial improvements in living standards and economic security are to be achieved. There is no reason to suppose that such positive changes cannot now be put into effect.

The Ukrainian People's Security Survey of 2004 (henceforth designated as UPSS4) is a powerful statistical instrument for identifying the nature of the underlying social and economic problems, the priority challenges, the policy failures and the groups who are

¹ See, in particular, ILO Central and Eastern European Team, The Ukrainian Challenge: Restructuring Labour and Social Policy (Budapest, ILO, 1994). For a list of some of the papers, see the Appendix.

² Economic Bank for Reconstruction and Development, EBRD Transition Report 2004 (London, EBRD, 2004).

³ For instance, the Economist Intelligence Unit expects it to be 7.5% in 2005, 6% in 2006. Economist Intelligence Unit, Ukraine: Country Forecast (London, March 2005).

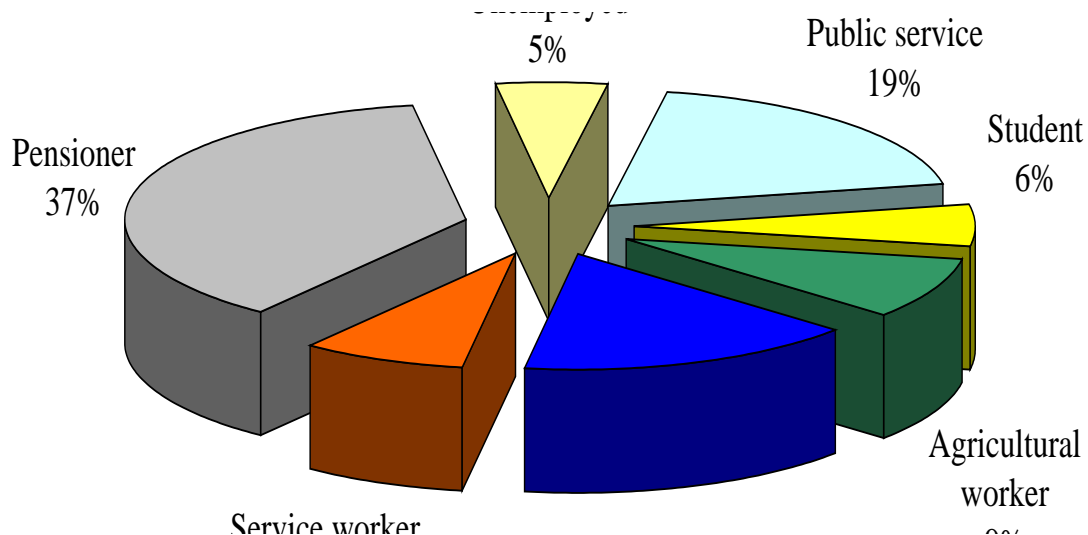
most vulnerable and insecure. It is also a means by which employers and workers can assess how well or badly the labour market is functioning.

The UPSS4 is a random sample survey, covering 9,400 adults drawn from that number of households from all regions of the country – covering the employed, unemployed, students and inactive pensioners. It has been conducted in collaboration with the Statistical Committee of Ukraine, the central organisation for the conduct of all statistical work in the country, and has been jointly funded by the ILO and the UNDP.⁴

The basic characteristics of the population, as shown by the weighted estimates, were similar to those found in previous rounds of the UPSS. Nearly three-quarters of the population lived in urban areas (73.3%). Over a third were “inactive pensioners” (37.4%), and the average age was 48.7 years. A majority (57.9%) were women.

Perhaps the outstanding changes shown by UPSS4 compared with the previous three rounds of the UPSS are twofold. First, there is very clear evidence that mass *open unemployment* has arrived – displaying a classic sign of a malfunctioning market economy, rather than a malfunctioning state-socialism economy.

Figure 1. Respondents, by economic activity, Ukraine, 2004 (per cent)



Source: UPSS4, N = 18,405,873

Second, that there has been a reversal of the sense of pervasive pessimism about the economic and social insecurities faced by people of all walks of life across the nation. This is not to suggest that all is well and on an improving trend. But it does highlight the need to take advantage of a new opening to introduce policies and institutions that can facilitate greater economic dynamism, greater respect for a broadening range of human rights and a greater sense of equity. Let the data speak and policymakers listen.

⁴ Following each of the first three PSS, a tripartite conference has been organised in Kiev to review the results and policy recommendations. This will be repeated for UPSS4.

2. Basic Security

Ukrainians have been mired in poverty for many years. Although there may have been a minor improvement since the beginning of the UPSS in 2000, the situation remains bad. In early 2004, two-thirds of all adults (66.9%) reported that their income was insufficient to cover their basic food needs – with the share rising for each age group, so that three-quarters of pensioners felt that way. This was almost identical to the result found in 2003. Over half (59.0%) said the same for their housing needs, with people in urban areas being more inclined to be impoverished in this respect, and with women more than men. In this respect, there had been a slight improvement in average feelings.

Most strikingly, over three-quarters (78.7%) of the adult population felt that their household income was insufficient to cover for their *healthcare needs*, with women being slightly more likely to report that (81.4% compared with 74.8% of men), and older groups being more likely to do so than younger. Similar proportions reported inadequacy in terms of clothes and schooling. These results are actually a little better than found in 2003, but indicate the depth of health insecurity.

However one interprets the basic data, they suggest that there had been little improvement since 2000 in perceived access to healthcare. However, given statistical differences in the weighting of groups between the surveys, we can merely state that there are no reasons for thinking that there had been any substantial improvement.

Clearly, for many years, the biggest single social problem has been the ill-health of the citizenry of Ukraine. This remains the case.⁵ Indeed, because public spending on healthcare declined during the 1990s, morbidity rose sharply. The fears and insecurities associated with ill-health and disability feed through into fears about people's ability to pay for needed healthcare, both now and in older-age.

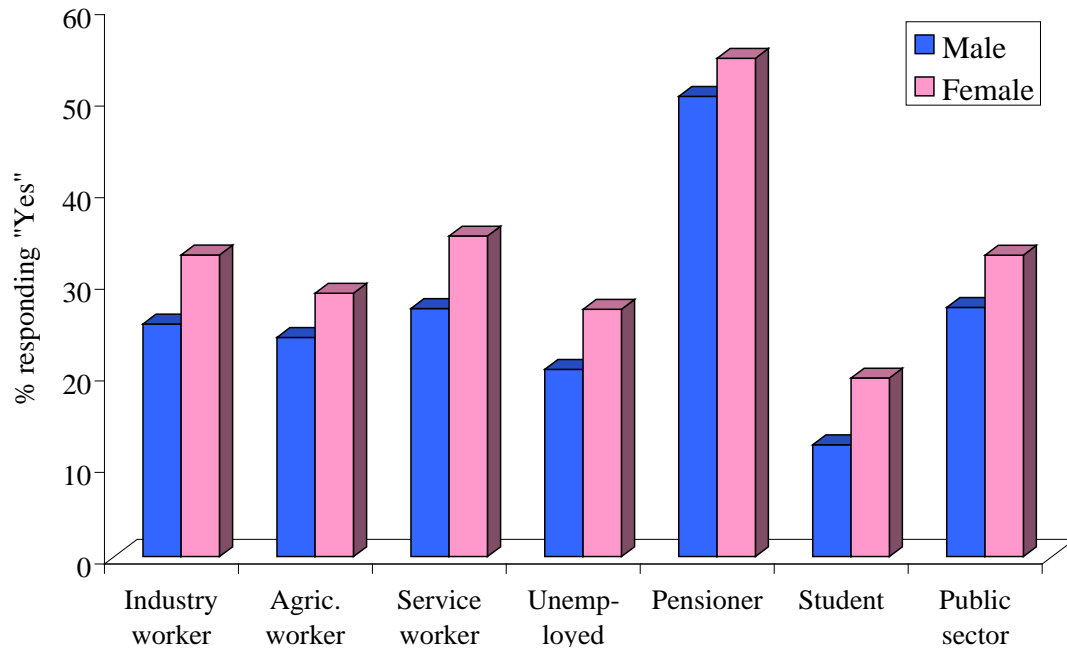
The data on this subject in 2004 were slightly more detailed than in previous rounds of the UPSS, and as such comparisons have to be made with particular care, especially bearing in mind sampling errors. Nevertheless, it is apparent that the results are approximately similar. In early 2004, nearly a third of all adults (30.6%) said they were suffering from a chronic illness, either requiring permanent medical attention (12.9%) or not requiring it. A further 12% said they often suffered from some sort of illness, 41.4% said they were occasionally ill and only 16.1% said they were rarely ill. Women were more likely to suffer from some chronic illness (40.4% vs. 32.7%). And pensioners were most likely to do so (Figure 2).

As in the past, and more so than used to be the case, there was a fairly strong relationship between income and chronic illness (Figure 3). Those who were ill or disabled are likely to have low incomes. And access to acceptable healthcare services is also positively related to income (Figure 4). In effect, if a person is poor, his or her disadvantages will be compounded by the effects of ill-health, due to the costs involved and the restricted access to lower-quality healthcare. This relationship, common in many market economies, should be a major concern for the new

⁵ Life expectancy fell in the 1990s, and the population has fallen by nearly three million people since independence. Infant mortality has fallen slightly (from 18 per 1000 live births in 1990 to about 16 now); but this compares badly with the Eurozone, for example, where it fell from about 8 to about 4 in the same period.

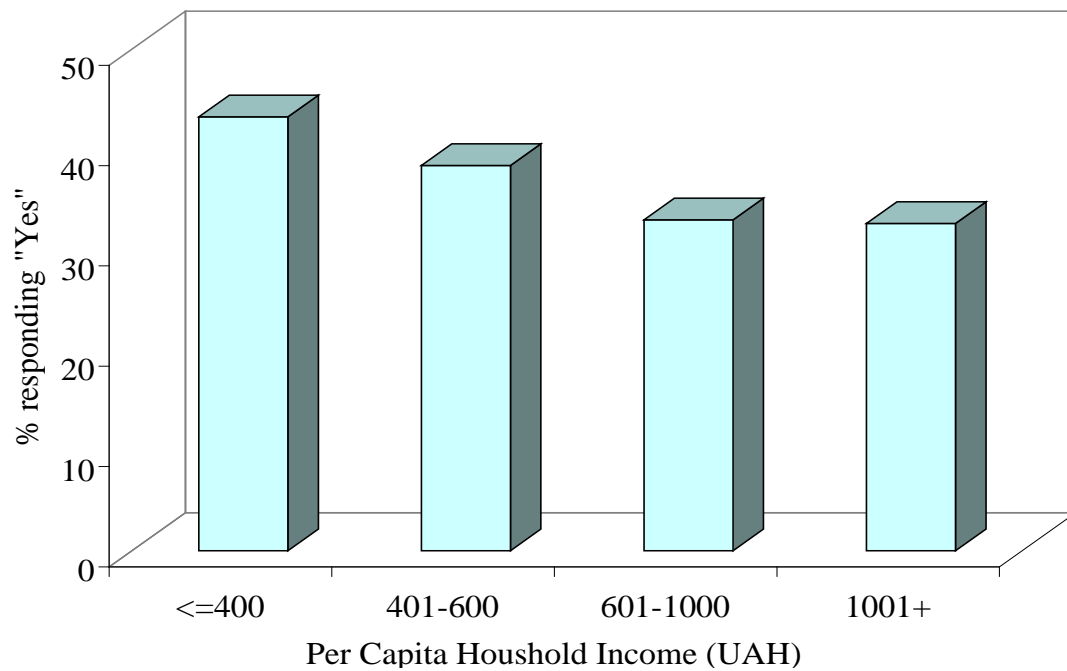
government. What is also worth the attention of policymakers is that only 17.4% of all adults said they took regular care of their health, undergoing medical examinations and so on. A new culture of preventive action clearly needs to be cultivated.

Figure 2. Respondents suffering from a chronic illness, by work status and gender, Ukraine, 2004 (per cent)



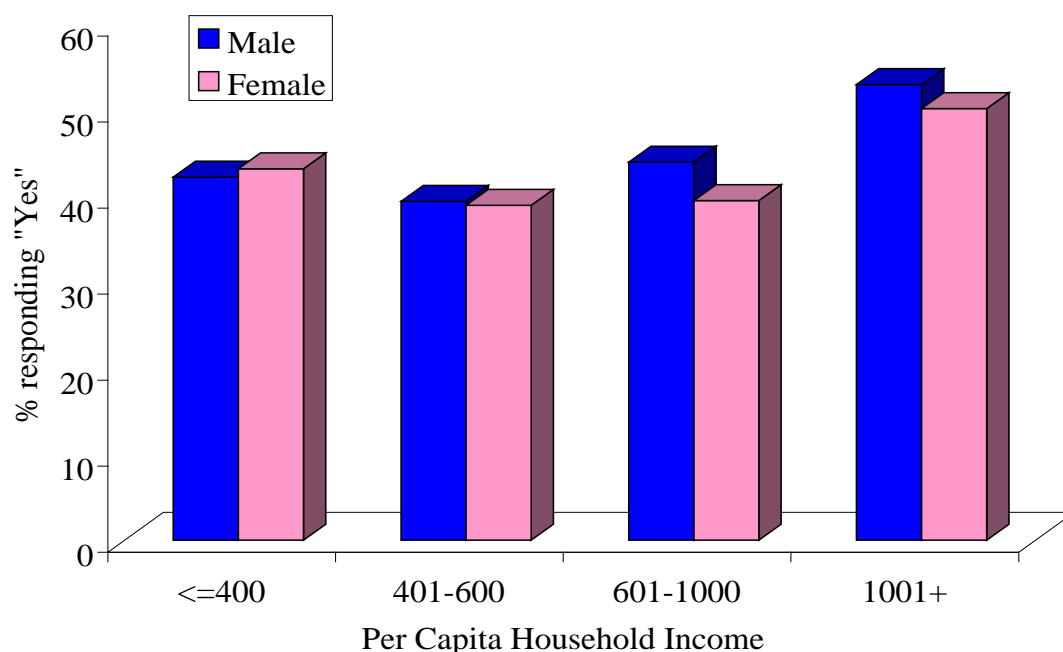
Source: UPSS4, N = 18,405,871

Figure 3. Respondents suffering from a chronic illness, by *per capita* household income, Ukraine, 2004 (per cent)



Source: UPSS4, N = 18,405,877

Figure 4. Access to acceptable healthcare services, by *per capita* household income and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 10,661,204

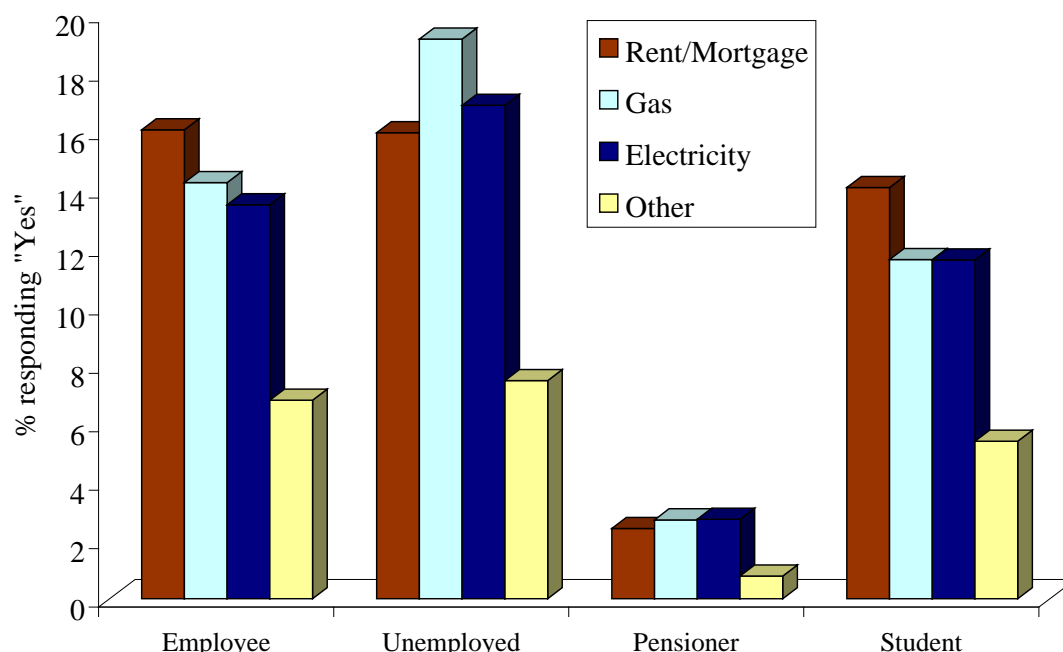
Most people were as pessimistic about their access to healthcare in old age as was found in earlier years. Only 13.7% expected it to be good or adequate, whereas 43.6% expected it to be less than that, with 42.7% being uncertain about what to expect. Most people were pessimistic, with over half expecting healthcare to be bad (50.7%), up from earlier rounds of the PSS. In part, this reflects the legacy of the state health system, which was long oriented to the prevention of diseases and thus the neglect of long-term care.⁶ In part, it reflects the falling share of public funding of healthcare services, which has meant that paying for healthcare has become more of a personal, private responsibility.

In terms of access to basic services, Ukrainians continue to have difficulty in paying for their housing services (unless they are simply leaving bills unpaid). Even people in employment tend to be in arrears in paying their rent, gas bills and electricity bills (Figure 5). The only encouraging point is that the share of the population in arrears in paying for housing and other essentials had declined since earlier in the decade.

So, although it is intriguing that 39.9% believe that they do have access to adequate health services in their area, access to healthcare and the ability to pay for it are two of the major concerns facing Ukrainians. But, although there is still some hope placed on public facilities, when asked on what or on whom they would have to rely mainly in times of specific personal crises, most people had little expectation of help from the state (Table 1).

⁶ V.V.Bezrukov and N.A.Foigt, "The impact of transition on older people in Ukraine: Looking to the future with hope", in P.Lloyd-Sherlock (ed.), Living Longer: Ageing, Development and Social Protection (London and New York, Zed Books, 2004), pp.71-96.

Figure 5. Percent in arrears in paying for housing and other essentials, by work status, Ukraine, 2004 (per cent)



Source: UPSS4, N = 18,400,350

Table 1. Main source of financial support in case of difficulties, Ukraine, 2004 (percent of replies*)

Alternative source of financial support	In case of job loss	In case of non payment of wages	In case of illness in the family	In case of child birth
Relatives	52.6	48.9	54.0	49.3
Self-reliance	37.7	35.5	33.6	41.1
Friends and neighbours	17.2	20.2	17.7	11.6
Other household members would work more	12.7	11.1	8.1	6.9
Government	10.5	15.4	14.1	6.4
Loans	9.7	3.1	11.4	27.3
Savings	8.0	11.0	10.0	8.0
Other household members would take a job	7.1	3.5	3.5	3.2
Sale of assets	3.2	2.8	4.9	1.1
Non-governmental organisations	1.6	1.1	3.2	2.2

Note: *Some respondents mentioned more than one source of support

Source: UPSS4, N = 18,405,873

There has been distrust of government, as is rather well known now. But this has been a long-standing story. Some 11.3% trust government institutions dealing with social policies, 45% partially trust them, 35.6% have no trust and 8.2% are not sure what they think. Those in urban areas were less likely to have trust than those living in rural areas, and industrial workers were much less likely to have any trust in government agencies, perhaps reflecting the recent experience with wage and other arrears, to be considered later.

We also asked about physical security in society and at the workplace, and in this respect there is also cause for concern. In their *workplace*, one in five industrial workers said they felt insecure, 11.7% of agricultural workers and 14.1% of service workers said this, which were down on, with a further 18.8%, 21.1% and 21.1%

respectively saying they were unsure. More women than men said they felt secure at work. These figures are not very encouraging.

People are mainly concerned with insecurity outside their homes. In the *street in daytime*, a majority (62.8%) said they felt secure, with only 19.5% saying they felt insecure, roughly the same as in 2003 and 2002. The perception of such security was greater in rural areas, with one in every four in urban areas saying they felt insecure going into the streets in daytime. There were no noticeable differences between men and women in this respect, or between age groups.

By contrast, in the *street at night*, less than one in four adults said they felt secure – with merely 18.7% of urban residents feeling secure. As expected, women were less likely than men to feel secure – nearly two in every three feeling insecure. People mostly felt secure in their *home*, with 74.3% saying they felt secure there, and with no difference between men and women in this respect.

A majority of people felt insecure outside their homes at night (56.0%), and every fifth felt insecure when not at home in the day time. Compared to the rural population those who live in urban areas felt more insecure outside their homes.

As for actual experience, 7.2% of all adults had experienced some kind of violent or criminal conduct over the previous 12 months, with more in urban areas experiencing this sort of insecurity. Although there was no difference between men and women in terms of total incidence, women were more likely to have experienced domestic violence.

Many Ukrainians experience crime. Over half had experienced theft of property over the past two years (52.9%), 56.6% of women, 48.2% of men. Many had experienced some form of physical violence (12.3%), 8.5% of women, and 17.0% of men; only a few had been targets of physical attack with guns (1.9%), 1.3% of women, and 2.7% of men. Two forms of violence were largely gender specific; police violence (3.9%) was mainly directed at men, while women were generally the victims of sexual violence (1.9%). There is a serious concern that less than half (40.1%) of those experiencing violence or a criminal action had reported it to the police.

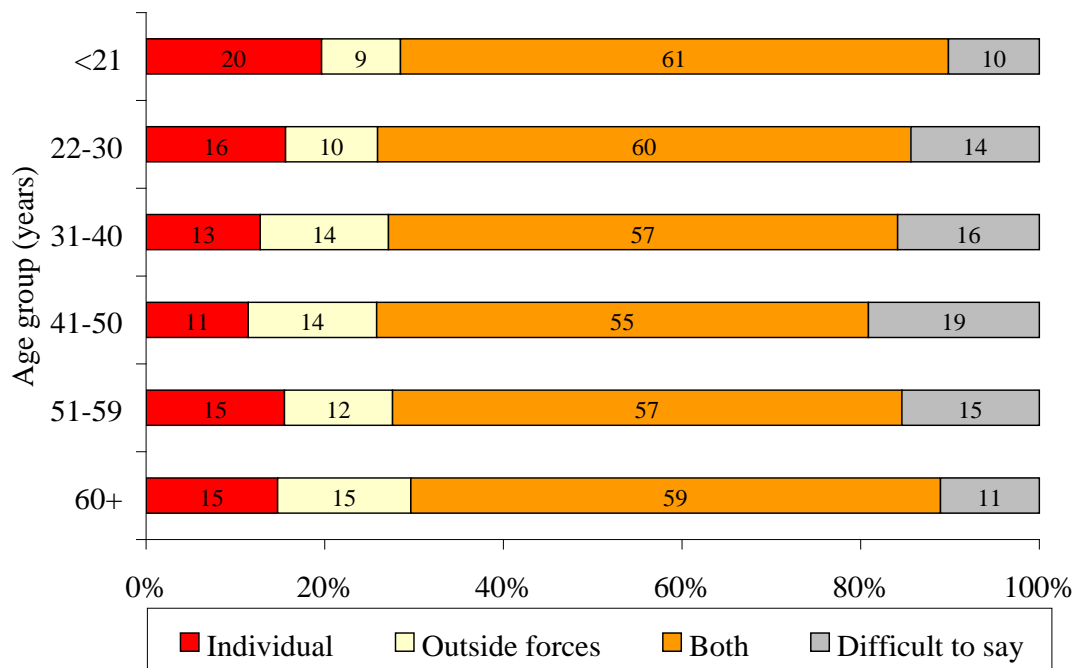
The survey revealed that people were not very well aware of the roles and duties of law enforcement institutions. Many were not aware of the requirements of the prosecutors' office, tax police and courts. One in five (20.5%) could not tell what role the police working in their own district/quarter area were performing.

Among those who felt they could gauge the performance of law enforcement institutions, 47.1% described the performance of the police as good or satisfactory (more than in 2003), while 32.4% felt it was poor. For the prosecutor's office, the relevant share is 43.7% and 12.3%, respectively; for the tax police, 41.2% and 10.8%, respectively, and for the courts, 43.1% and 13.2%, respectively. Those describing the performance of the police as poor, 39.6% said that it was due to inefficiency with claimants, 34.0% felt that it was because of abuse of position, 14.1% suggested that there was inadequate action on claimants' cases, while 10.1% blamed low staff competency.

In sum, people in general are concerned about their physical security and legal security, two of the crucial needs for the new government to address over the next few years.

Finally as regards basic societal security, younger people were much less fatalistic than their older colleagues. They were more inclined to think that their living standards would be determined mainly by their own efforts rather than by the state or outside forces (Figure 6). There was no reason to think that there had been any change in the pattern since the first round of the PSS, and so one still cannot say whether the observed pattern reflects the greater optimism of youth or whether social attitudes are changing after a decade or more of attempted reform.

Figure 6. Perceived main determinant of own living standards, by age, Ukraine, 2004 (per cent)



Source: UPSS4, N = 18,405,874

3. Income Security

(i) Incomes and Poverty

People in every society cherish and strive for income security. They want an adequate income to pay for their basic needs and to maintain their families. They need the assurance of a stable income lasting into the future, and they want to feel that should they be hit by a financial crisis there will be a source of income support on which they can rely. They want to feel that not only is their income fair by the standards of their society but also that there is not an unnecessarily large dispersion of incomes.

Elsewhere, the concept of *social income* has been developed. It recognises that a person or household potentially has multiple sources of income and income protection, and that income security cannot be reduced to just one factor. If a person has an average money income, for example, it makes a great difference if he or she also has a second income earner in the household, if he or she can be reasonably sure that the income will be *stable* and *predictable*, and if in need will have access to benefits from the state or community. In other words, the level of a person's money income may not be a reliable indicator of personal income security. Many people are faced by income insecurity even though they are earning what appear to be decent money incomes.

These are issues covered by the UPSS, to a greater or lesser extent. The picture the resultant data shows is one of growing income insecurity for a large share of the Ukrainian population, as the old rigid system of remuneration has withered without a suitable alternative emerging to compensate for the adverse effects. This has been tempered by rising money incomes. All the perceptions have to be appreciated against the background of a very sharp increase in *income inequality* in the country, mirroring a similar trend throughout central and eastern Europe.⁷

Over recent years, personal *money* incomes have grown substantially, particularly in the past two years of unprecedented economic growth. Nevertheless, income poverty remains pervasive in modern Ukraine. Most Ukrainians feel poor and feel economically insecure, both about their current circumstances and their prospects for the future. Less than a third (30.8%) feel that their income is sufficient for their basic needs. Although this is an improvement over the situation in 2003 and 2002, merely 6.7% regarded their income as sufficient for their basic consumer durables, 6% had enough to pay for their basic leisure activities, and 15.9% had enough for their healthcare needs.

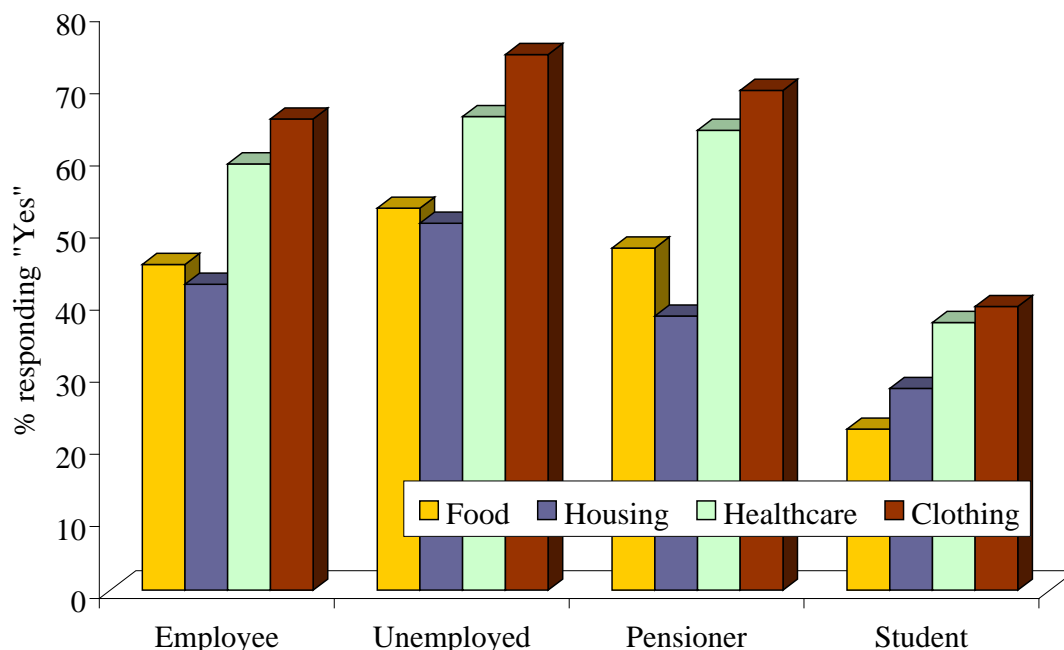
Most people have low money incomes, with slightly more women reporting themselves as being in low-income households (Figure 8). A majority of the population had household per capita incomes of less than 300 UAH per month, or the equivalent of US\$56.⁸ As in the earlier rounds, these figures indicate that Ukrainians remain deep in the poverty zone of the world's population. Interestingly, there has

⁷ The gini coefficient of income per capita rose from 0.24 in the late 1980s to 0.46 in 2001. World Bank, *Transition: The First Ten Years* (Washington, DC, The World Bank, 2002). This should be regarded as an underestimate, since it is generally recognised that the incomes of the wealthy elite are underestimated to a relatively great extent.

⁸ At the time, US\$1= 5.33 UAH for 2004.

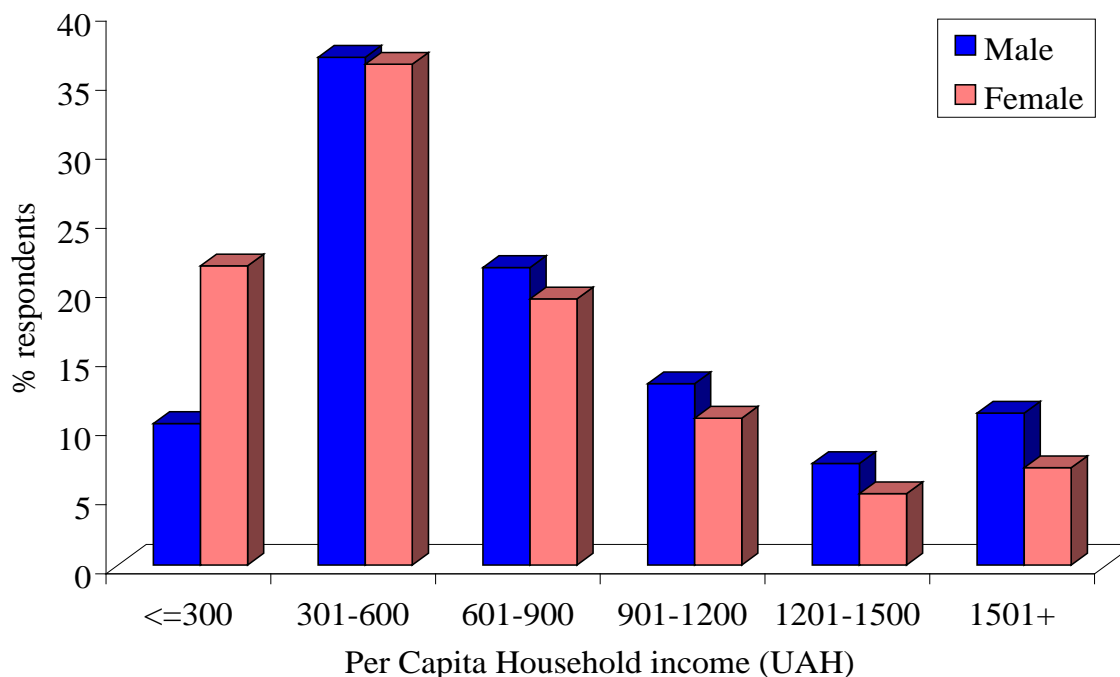
been a small shift in the income distribution, with a larger number having lower incomes.

Figure 7. Percent believing income insufficient for food, housing, healthcare and clothing, by work status, Ukraine, 2004 (per cent)



Source: UPSS4, N = 18,400,353

Figure 8. Distribution of persons, by *per capita* household incomes, by gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 18,405,873

Table 2. Number of cash income earners in family, by per capita household income, Ukraine, 2004 (per cent respondents)

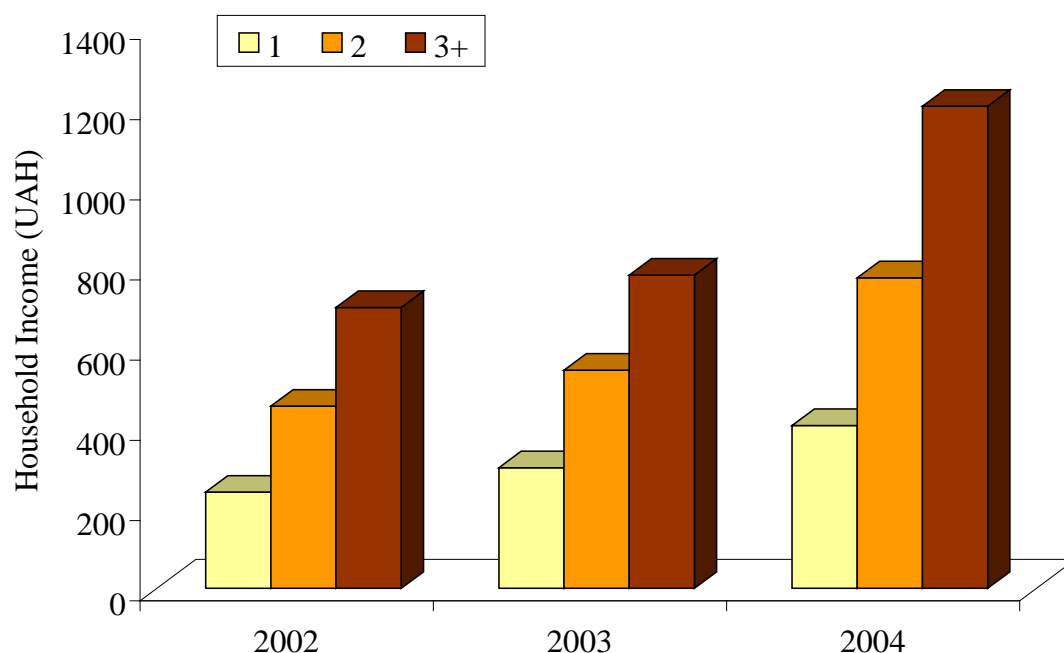
No. cash income earners in family	Per capita household income (UAH)			
	≤400	401-600	601-1000	1001+
1	59.4	13.7	9.2	4.9
2	38.5	74.2	61.7	46.0
3	1.9	11.4	22.5	32.0
4	0.2	0.7	6.2	15.0
5	0.0	0.1	0.5	2.0
6	0.0	0.0	0.0	0.2

Source: UPSS4, N = 18,405,873

Households with relatively high incomes tend to be those in which there is more than one income earner. Indeed, as Figure 9 shows, on average only households with more than one earner achieve above poverty-level household incomes.

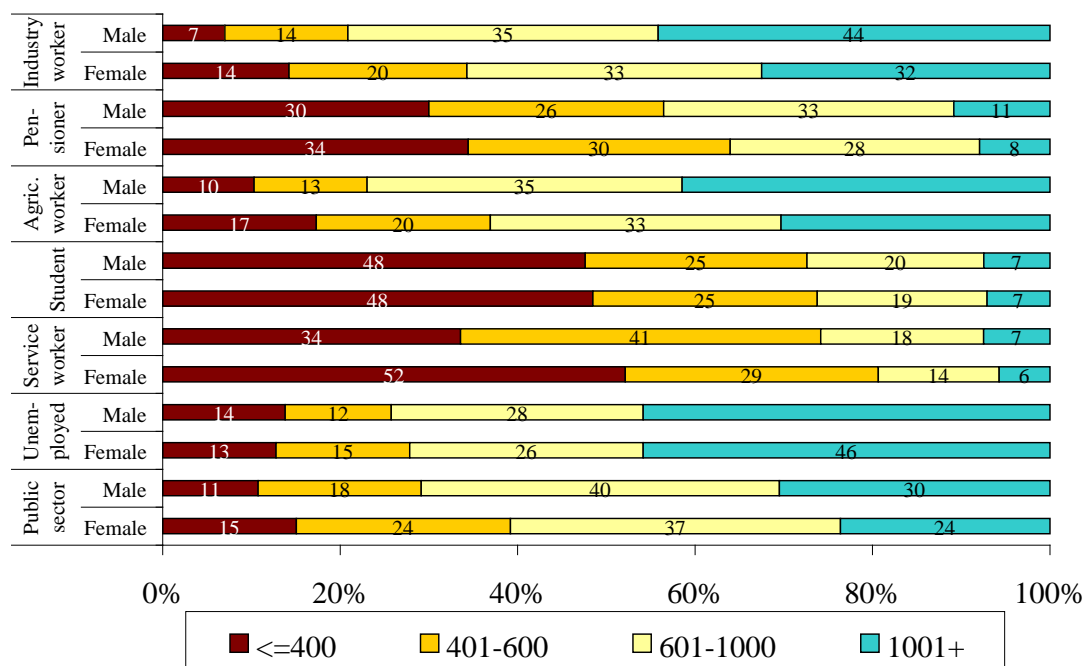
By contrast with the beginning of the 1990s, inter-household income differentials have increased considerably. Now, some work status groups have much lower average household incomes than others. Industrial wage workers are least likely to be in households with very low incomes (Figure 10), but a majority of service workers, as well as pensioners and students, had less than 300 UAH per month. The unemployed are not necessarily in low-income households, highlighting a point that is sometimes overlooked, that equating unemployment with poverty would be wrong. More surprisingly, most students are in low-income households, although that could be put down to a temporary period of material discomfort.

Figure 9. Household income, by number of income earners in family, Ukraine, 2002-2004



Source: UPSS 2, 3, 4

Figure 10. Distribution of persons, by *per capita* household incomes, by main work status and gender, , Ukraine, 2004 (per cent)

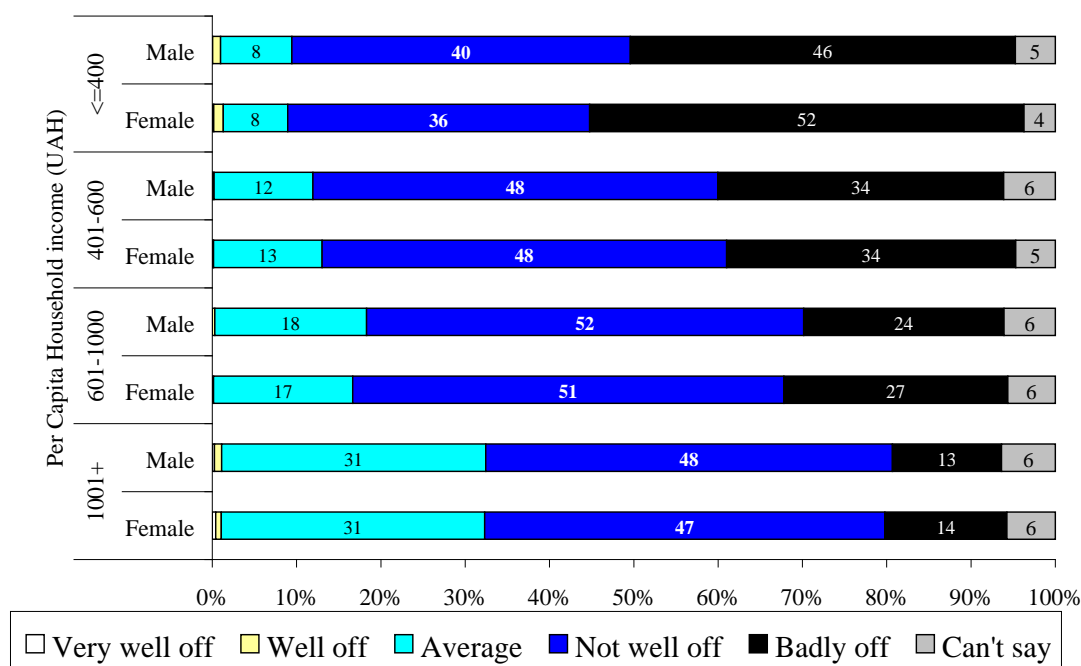


Source: UPSS4, N = 18,405,875

In 2004, mean average money incomes were 860 UAH for men, 720 for women – both much more than a year earlier. Those living in urban areas were earning on average 863 UAH per month (US\$162), those in rural areas merely 545 (US\$102). The mean income corresponded approximately to what people on average thought was the minimum income required to meet their basic living needs. In urban areas, the mean income people felt was adequate for a family of four was 3,234 UAH (US\$ 607), while in rural areas it was 2,660 UAH (US\$ 499), or, in other words, about 808 and 663 per person. It seems from this that the average income earner in urban areas was just above the perceived subsistence level while the average earner in rural areas was below it.

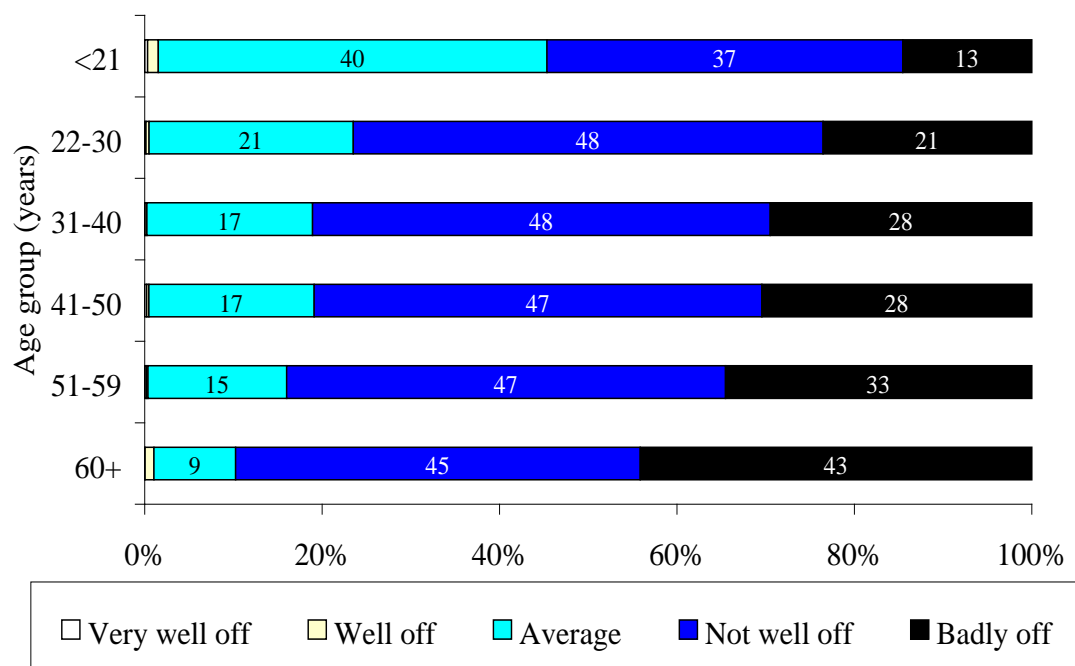
Reflecting their actual incomes, a majority of people reported that they felt “badly off”, and even most of those with relatively high incomes felt negative about their financial situation (Figure 11). More women than men felt badly off, and the situation was worse for older age groups (Figure 12). In this respect the situation was similar to what it was in 2000; most people see themselves as poor.

Figure 11. Perceived financial status, by *per capita* household income, by gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 10,881,168

Figure 12. Perceived financial status, by age, Ukraine, 2004 (per cent)



Source: UPSS4, N = 18,855,032

This finding recalls the result of a set of opinion polls in recent years that have showed that whereas many Ukrainians used to think of themselves as ‘middle-class’, many more now feel they belong to the working class or the poor. The vast majority do not feel they belong to the middle class (see Box 1).

Middle-Class: Who me? Hardly

The notion of “the middle-class” has been a much-discussed issue in Ukraine in recent years. This interest reflects the sense that society has become much more unequal and class-based than was the case in the Soviet era.

Do Ukrainians believe there is a *middle class* in their country? Most do. But the image of what that means varies. Thus, the most common view, held by 39.5%, was that there is a middle class but that only a few people actually belong to it. By contrast, 24.3% thought that a third of the population belong to it, 15.8% thought that about a half did so. This left 20.4% thinking either that there was no middle class or were unsure what they thought.

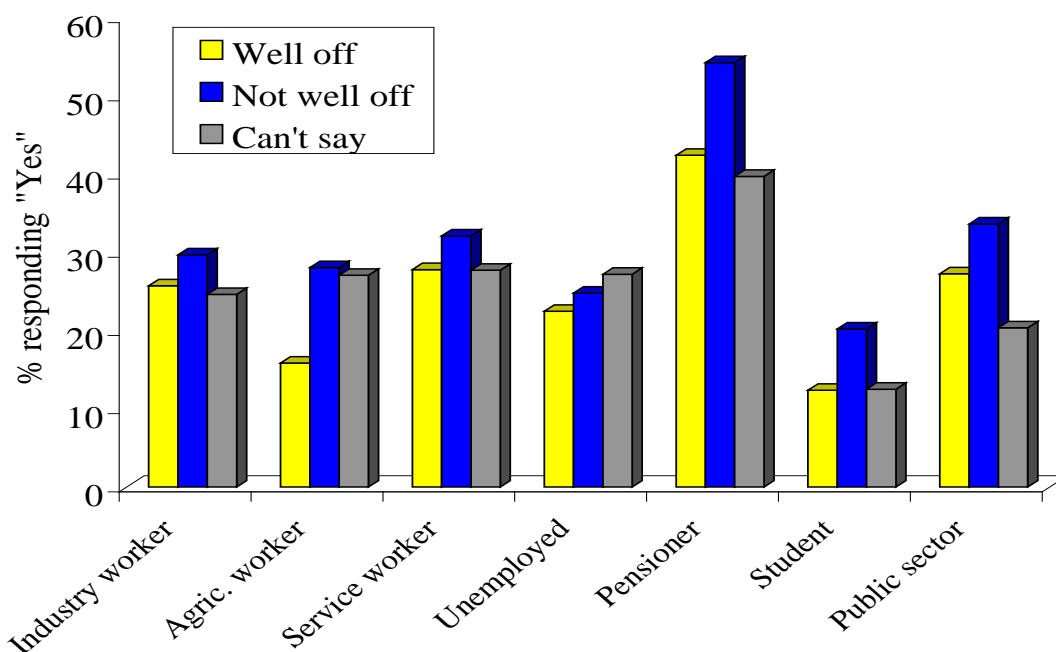
Who do Ukrainians think belongs to the *middle class*? Respondents were asked whether they associated particular characteristics with being middle class. As expected, the main feature was ‘middle income’, 64.6% seeing that as a defining feature. Fewer thought other characteristics were associated with belonging to it – 20.6% saw asset ownership, 18.5% saw it as associated with property ownership, 19.1% thought that people who rely on their own capabilities are middle-class, 14.2% saw it was associated with higher education, 13.7% thought it was associated with investing part of their income, and 11.2% thought ‘intellectuals’ belong to it.

Which Ukrainians think they belong to the *middle class*? Surprisingly few – only 23.5% of respondents thought they belonged to it, with a further 20.6% being unsure about where they were placed. Not surprisingly, most who thought they were middle class thought that was because they had an average income.

The reality seems to be that the most common perception is that income and status inequalities have increased markedly in the past decade, and that this has been linked to more people falling into a low-income situation while feeling much worse off because they aspire to much more and feel the greater social and economic distance between themselves and a tiny elite of high-income earners with a lifestyle of glamour and conspicuous consumption.

As expected, those with some disability or chronic illness were far more likely to report being “badly off” (Figure 13). And the older they are the more likely they are to be in that position. But these results actually reflect a small improvement over previous rounds of the UPSS, with fewer reporting themselves as very badly off, and rather more that they were “not well off”. Similarly, although most Ukrainians think their income is insufficient to pay for food, housing, healthcare and clothing (Figure 7), this is also a slight improvement on those for 2003.

Figure 13. Suffering from a chronic illness or disability, by current main work status and perceived financial status, Ukraine, 2004 (per cent)



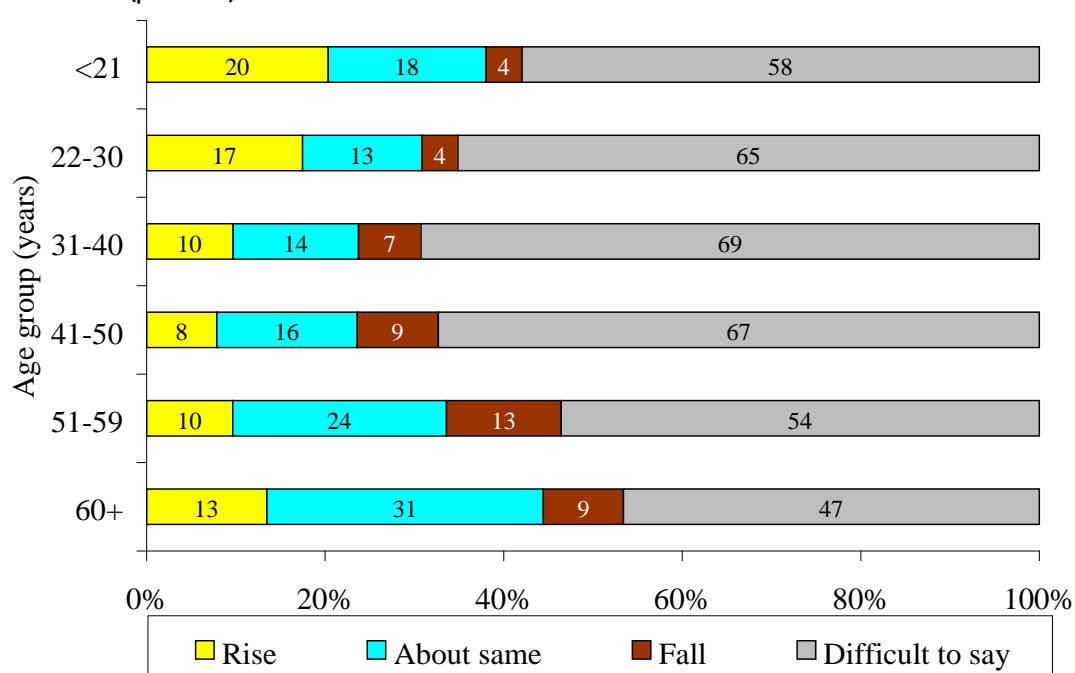
Source: UPSS4, N = 18,405,870

Turning to short-term income *expectations*, uncertainty is the dominant sentiment, for all age groups and income levels (Figures 14 and 15). However, the future still looked bleak for most Ukrainians. Only 12.2% of adults reported that they expected their family income to be higher in one year's time, whereas 8.4% thought it would be lower, 21.6% "about the same", and 57.8% were unsure what to expect. Although these figures reflect a slight improvement over the previous year, in that fewer were now expecting their income to fall, the main impression is one of uncertainty.

As expected, the older the person, the more likely he or she was to be pessimistic about future income (Figure 14). The young, as in most countries, were more likely to expect their income to rise in the short-term, and in this respect it is encouraging that over the past four years there seems to have been an increase in the number of younger people expecting their income to rise, and a decline in the number expecting it to fall (Figure 15). Nevertheless, the predominant sentiment has remained one of uncertainty.

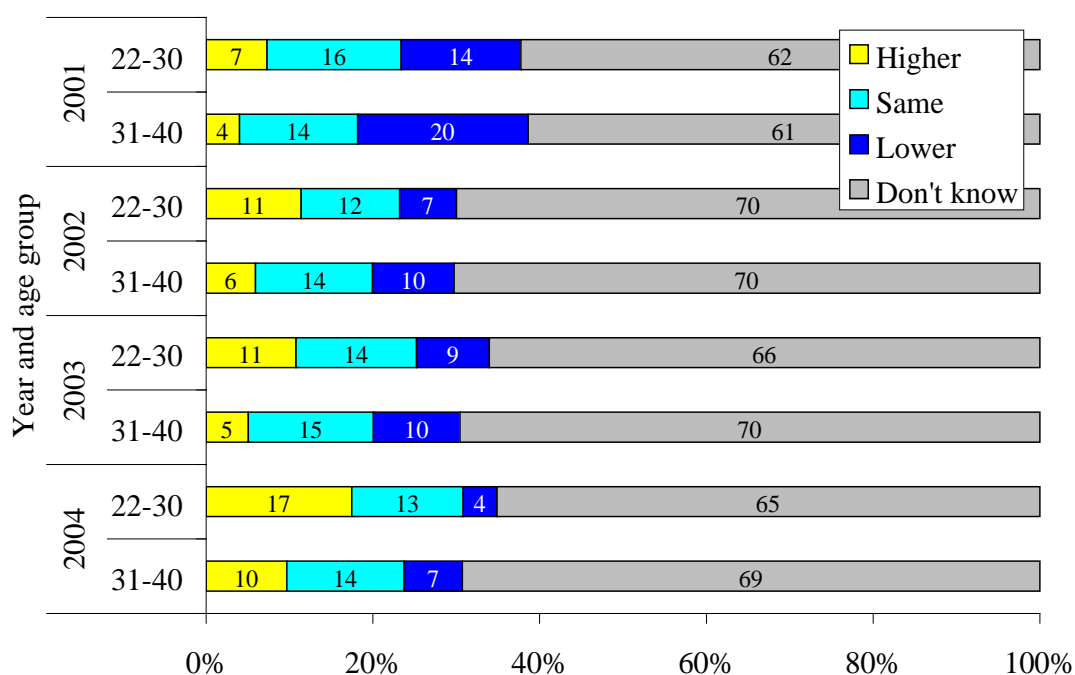
Unlike the situation a few years earlier, when there was no relationship between current income and expectations for the future, there was a strong positive relationship between current income and income expectations for the future. In other words, those earning relatively large incomes now were more likely to expect an improvement than those who are earning relatively low incomes (Figure 16).

Figure 14. Expected change in family income in next 12 months, by age group, Ukraine, 2004 (per cent)



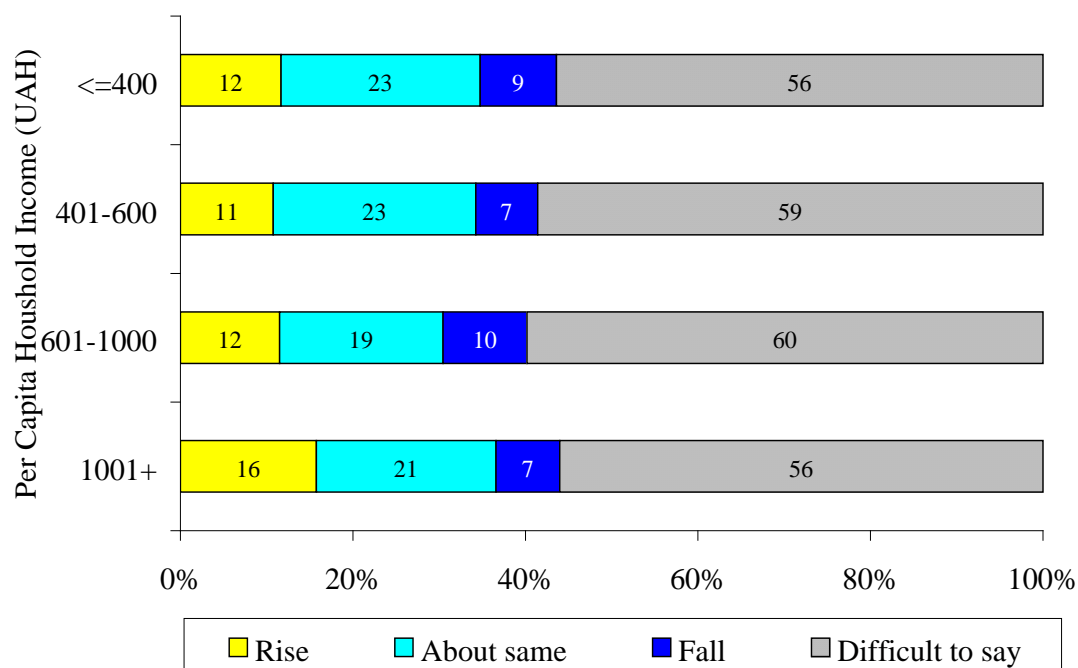
Source: UPSS4, N = 18,405,872

Figure 15. Expected change in household income in next 12 months among those aged 22-40, Ukraine, 2001-2004



Source: UPSS1, 2, 3, 4

Figure 16. Expected change in family income in next 12 months, by *per capita* household income, Ukraine, 2004 (per cent)

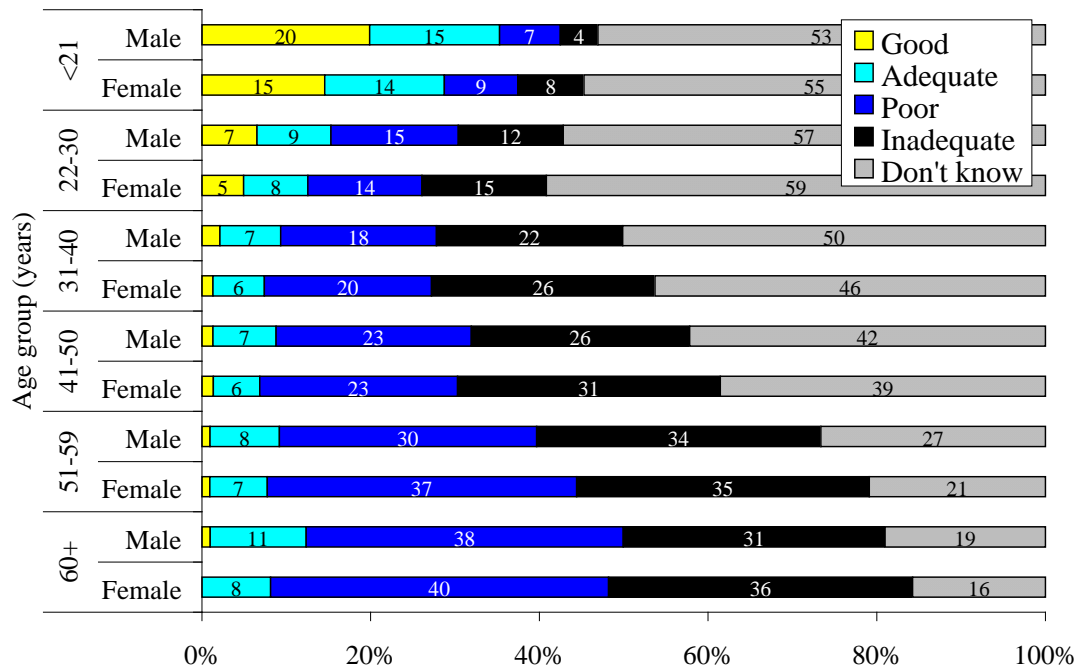


Source: UPSS4, N = 18,405,874

In terms of longer-term expectations, very few expect their *financial situation in old age* to be adequate (Figures 17-23). Leaving aside those who were uncertain, a majority of every educational group and in all areas of the country were pessimistic about their old-age income security. One good point is that more young people anticipate old-age income security than was the case in 2002 and 2003 (Figure 18). Perhaps this reflects the rise in pensions and/or the rise in wages. But actually there does not seem to be much change in long-term income expectations.

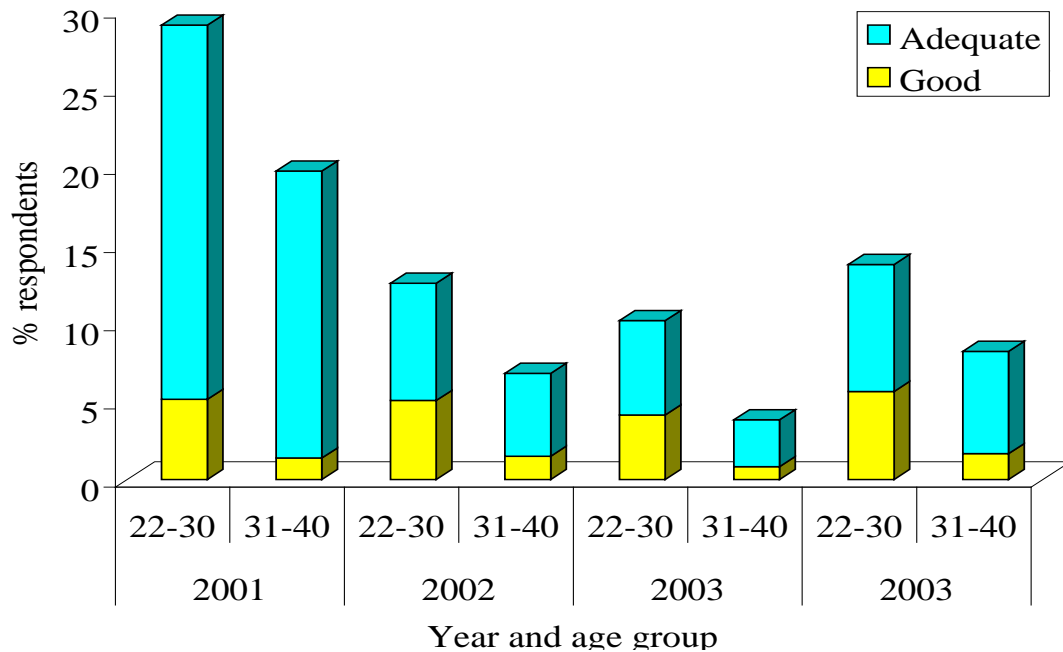
Overall, more people expect old age to be a period of inadequate income security, although it is also apparent that more expect to be in an adequate situation (Figure 23). Expectations of poverty were not restricted to those who have low income now. One third of those with a per capita household income of more than 1,000 UAH expected to have an inadequate income in old age. Ukrainian society has become much more one of winners and losers, at all stages of life.

Figure 17. Expected financial situation in old age, by age and gender, Ukraine, 2004 (per cent)



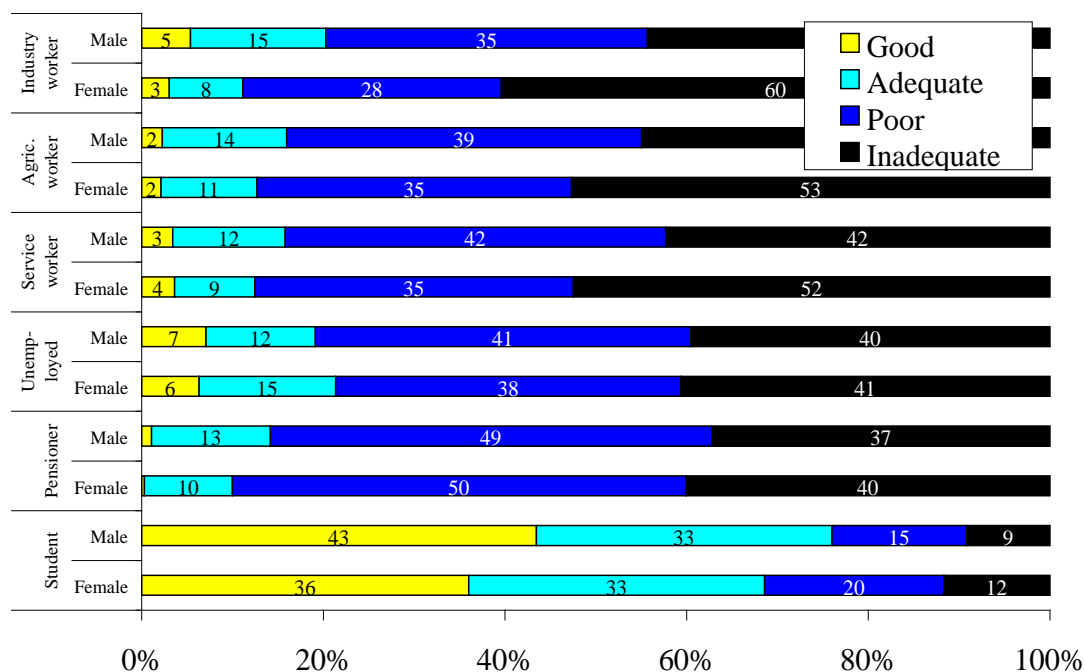
Source: UPSS4, N = 18,405,876

Figure 18. Expected financial situation at old age, by age group, Ukraine, 2001-2004



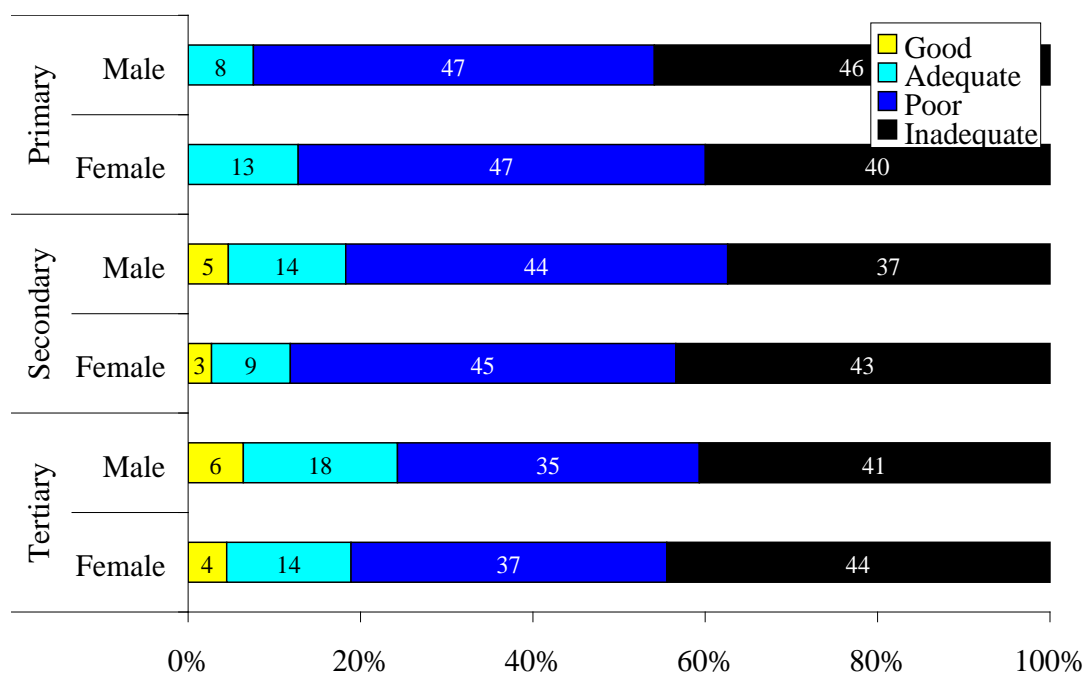
Source: UPSS1, 2, 3, 4

Figure 19. Expected financial situation in old age, by work status and gender, Ukraine, 2004 (per cent)



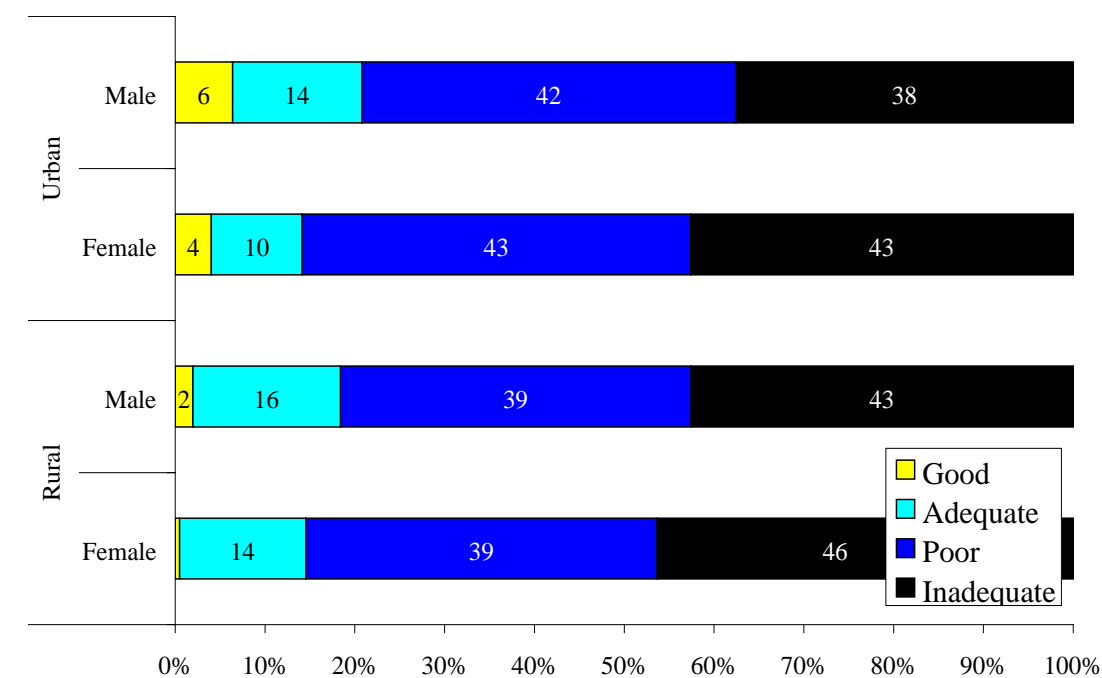
Source: UPSS4, N = 12,122,571

Figure 20. Expected financial situation in old age, by education and gender, Ukraine, 2004 (per cent)



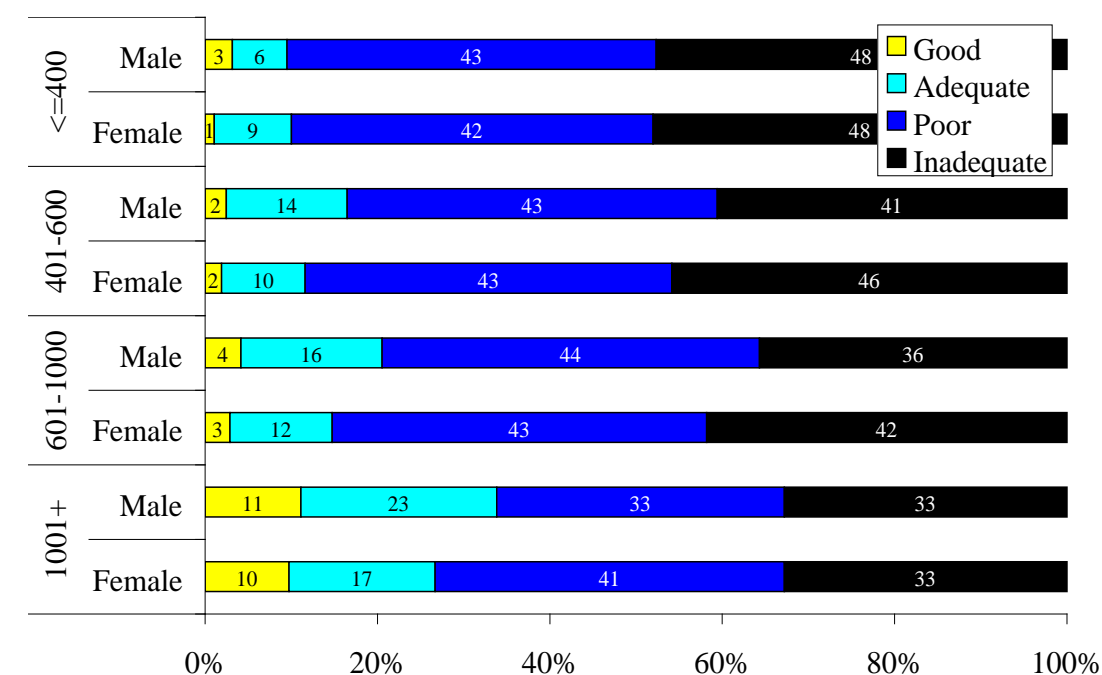
Source: UPSS4, N = 12,122,569

Figure 21. Expected financial situation in old age, by area of residence and gender, Ukraine, 2004 (per cent)



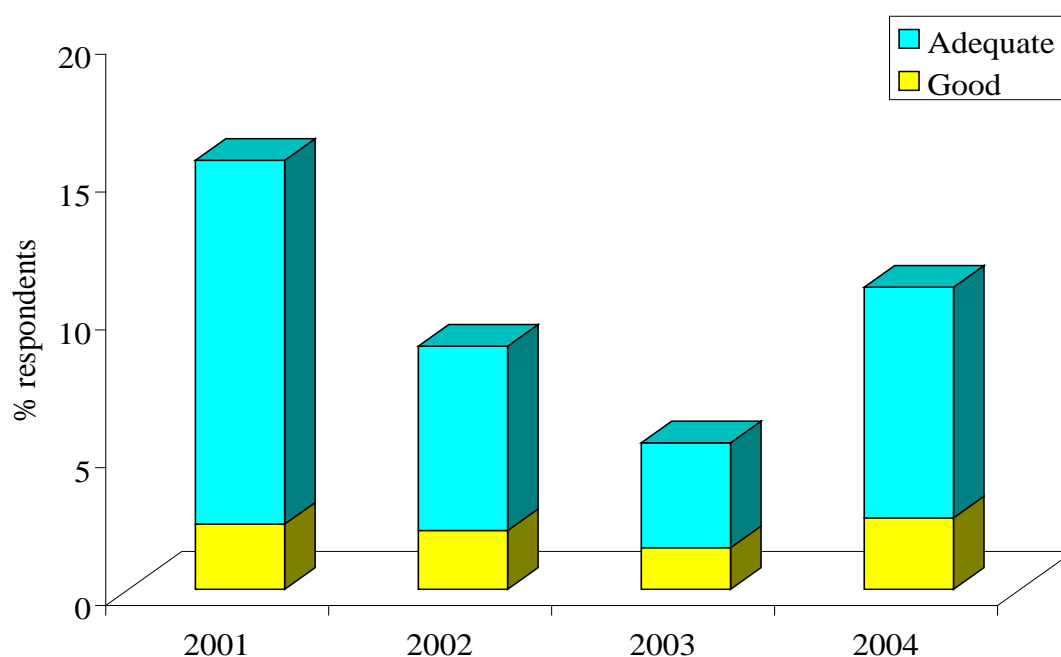
Source: UPSS4, N = 12,122,566

Figure 22. Expected financial situation in old age, by *per capita* household income and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 12,122,568

Figure 23. Expected financial situation at old age, Ukraine, 2001-2004



Source: UPSS1, 2, 3, 4

(ii) Social Income

So far, we have dealt with the level and expectations over total income. Now let us consider the various elements in what we have described as the *social income* of people.⁹ Very few people anywhere rely just on one source of income, and many of those who do so are in the most insecure situations. It is to take the composition and structure of income into account that the concept of social income has been developed. It may be defined as follows:

$$\begin{aligned} \text{Social Income} &= W + CB + EB + SB + PB \\ &= (W_b + W_f) + (FT + LT) + (NWB + IB) + (C + IS + D) \end{aligned}$$

where **W** is wage, **CB** consists of community transfers, **EB** is enterprise benefits, **SB** is state benefits (transfers and services), **PB** is private benefits (savings, investments), **W_b** is base 'wage', **W_f** is flexible part of 'wage', **FT** family transfers, **LT** are local community transfers, including charity, NGOs etc, **NWB** are non-wage benefits provided by firms, **IB** are contingency, insurance-type benefits provided by firms, **C** are universal state benefits (citizen rights), **IS** are insurance-based state transfers for contingency needs, **D** are discretionary or means-tested (or other tested) state benefits.

⁹ G. Standing, *Beyond the New Paternalism: Basic Security as Equality* (London, Verso, 2001).

The Ukrainian People's Security Survey does not contain detailed information on many of those elements, certainly not with respect to the more disaggregated measure of Social Income. Nevertheless, it contains enough to provide an approximate picture of the changing structure of social income in Ukraine, and thereby indicate whether or to what extent income security is growing or deteriorating.

We will illustrate this by summarising the principal findings on the main components, in which community benefits – family and local – are seen in combination. Although they are rarely the main source of income, we may start with them since they are most closely with the domestic economy.

(iii) Family, community and private transfers

In the Soviet era, enterprises provided most goods and services, and the role of informal family and community transfers was modest, although the existence of reciprocities and the informal production and exchange of food and basic consumer goods was well established – sometimes called the '*the economy of jars*'.¹⁰

One related feature of the 'transition' era has been the apparent growth of what is often called the '*shadow economy*', consisting of all sorts of money-making and work-related activities that are not registered or subject to taxation. A great deal of speculation has taken place. Almost by definition, these tend to be unmeasured. Some observers believe that a large part of total production and income in eastern Europe is in the shadow economy.¹¹ Others are more sceptical, believing that much of it is petty in scale and that what there is of substance is concentrated in the hands of a few dubious characters and gangs, compounding officially defined pictures of inequality rather than making reality better than it seems.

In any case, most people look to their family and relatives for support in times of need. In this respect, any lingering belief that people look to or rely on the state or their enterprise for support in Ukraine should be dispelled. Thus, if they lose their jobs or suffer from wage arrears or an illness, the main sources of support to which Ukrainians turn are relatives and their own resources (Table 3).

¹⁰ E. Smollet, "*The economy of jars*", *Ethnologie Europa*, Vol.19, No.2, 1989, pp.125-40.

¹¹ See, for instance, F. Schneider and D. Enste, "*Shadow economies: Sizes, causes and consequences*", *Journal of Economic Literature*, Vol.38, No.1, 2000, pp.77-114.

Table 3. Main source of financial support in case of emergency situations, Ukraine, 2004 (percent of replies*)

	Source of support	Job loss	Wage arrears	Illness in family
2001	1. Relatives	50.5	46.8	50.9
	2. Self-reliance	38.1	37.6	35.9
	3. Friends and neighbours	16.2	18.4	17.7
2002	1. Relatives	51.9	48.6	53.6
	2. Self-reliance	45.1	42.5	41.4
	3. Friends and neighbours	19.5	22.2	21.4
2003	1. Relatives	51.6	47.2	53.4
	2. Self-reliance	39.9	38.3	37.1
	3. Friends and neighbours	18.7	20.5	20.7
2004	1. Relatives	52.6	48.9	54.0
	2. Self-reliance	37.7	35.5	33.6
	3. Friends and neighbours	17.2	20.2	17.7

Note: *Some respondents mentioned more than one source of support

Source: UPSS1, 2, 3, 4

Table 4. Main sources of financial support in case of losing job, by per capita household income, Ukraine, 2004 (percent of replies*)

Alternative source of financial support	Per capita household income (UAH)			
	≤400	401-600	601-1000	1001+
Relatives	14.2	11.4	8.8	8.3
Self-reliance	1.8	1.9	1.6	1.6
Friends and neighbours	58.7	60.0	52.9	50.2
Other household members would work more	21.0	20.3	17.1	17.5
Government	4.4	5.4	7.8	7.3
Loans	5.6	9.6	13.4	17.2
Savings	3.4	4.5	7.2	13.5
Other household members would take a job	4.2	4.2	2.7	3.0
Sale of assets	8.1	9.5	11.1	10.9
Non-governmental organisations	37.4	37.6	37.0	35.6

Note: *Some respondents mentioned more than one source of support

Source: UPSS4, N = 18,405,874

In Ukraine, it is generally reckoned that one of the reasons life expectancy did not decline by as much as in the Russian Federation in the 1990s was that at the beginning of the decade there was a distribution of “kitchen garden” plots.¹² Even in 2004, insofar as those with relatively low household money incomes have been more likely to have such plots, these have slightly compensated for low money incomes, although three-quarters of those with such plots still report themselves as “badly off”

¹² In Russia, what one observer has called the “*dacha economy*” has long been in existence, and has apparently spread in the past decade or so. S. Clarke, *Making Ends Meet in Contemporary Russia: Secondary Employment, Subsidiary Agriculture and Social Networks* (Cheltenham, Edward Elgar, 2002). For a recent review of the arguments about the roles of household economies, see A. Smith and A. Stenning, “*Beyond household economies: Articulations and spaces of economic practice in post-socialism*” (London, University of London, 2005, mimeo.).

(Table 5).¹³ But the key point is that the poorest and most economically insecure are the least likely to have access to garden plots, let alone the *dacha economy*.

Table 5. Whether or not owning land, by per capita household income, perceived financial status, employment status, and main work status, Ukraine, 2004

	Yes	No	All
Per Capita Household Income (UAH)			
<=400	30.6	26.2	28.2
401-600	25.7	24.5	25.1
601-1000	25.6	27.3	26.5
1001+	18.1	22.1	20.2
Perceived Financial Status			
Well off	18.8	15.2	16.9
Not well off	76.5	79.1	77.9
Can't say	4.8	5.7	5.2
Employment Status			
Employee	45.8	56.6	51.5
Unemployed	5.5	5.3	5.4
Pensioner	42.7	32.3	37.1
Student	5.8	5.8	5.8
Main work status			
Industry worker	10.6	21.0	16.2
Agricultural worker	15.2	3.0	8.7
Service worker	5.1	10.1	7.8
Unemployed	5.5	5.3	5.4
Pensioner	42.6	32.3	37.1
Student	5.8	5.8	5.8
Public sector	15.2	22.5	19.1

Source: UPSS4, N = 18,405,873

What of private benefits other than garden plots? Given the rise of the market and money economy, it is increasingly important for Ukrainians to have assets and savings on which to rely in the event of a financial shock. As far as general financial circumstances are concerned, very few Ukrainians have managed to save money. Only 13.4% reported that their households had some *savings*. And over three out of every four respondents said they worried a great deal about the safety, or security, of their savings.¹⁴ Most people who were saving anything were doing so for emergency needs, not with a specific purpose in mind. Only 8.2% said they were saving anything for retirement, 2% less than a year earlier.

A pervasive feeling of insecurity about assets also came through in the responses. As in previous rounds, the UPSS4 asked,

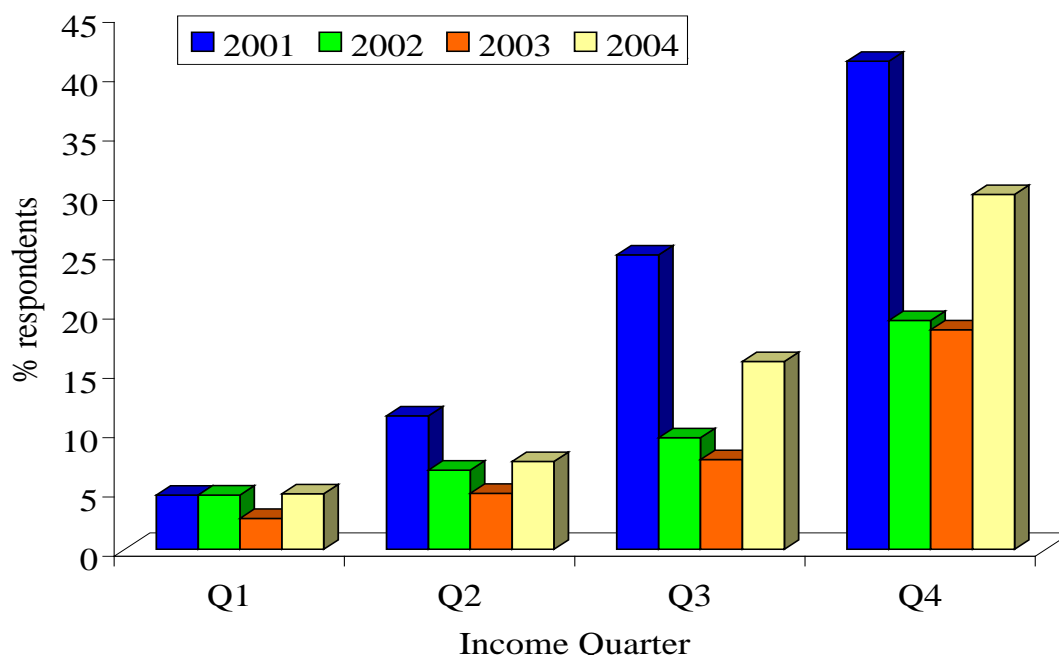
“Do people such as yourself worry a lot, a little or not at all about the security of the following assets?”

¹³ Private commercial farming remains precarious. About 86% of those farming land were worried about the instability of income received from farming activity, and 28.0% indicated that they could not afford credits, even with acceptable interest rates.

¹⁴ As noted when we reported similar figures for 2000, this may be a contributory factor in the low propensity to save, although low incomes will surely be the main reason.

About 62.9% reported they are very worried about the security of their housing (more than before), 20.2% are somewhat worried, and only 2.8% were not worried. Some 34.3% were very worried about security of any land owned, and 27.2% were somewhat worried.

Figure 24. Percent of households with savings, by household income, Ukraine, 2001-2004



Note: Income quarters varied across survey rounds as follows (UAH):
 2001: ≤100, 101-200, 201-300, 301+
 2002: ≤200, 201-400, 401-600, 601+
 2003: ≤200, 201-400, 401-600, 601+
 2004: ≤400, 401-600, 601-1000, 1001+

With low incomes and few savings, Ukrainians could be expected to need *loans* from time to time in order to smooth over fluctuations in their income. But only 9.4% said their households borrowed ‘regularly’ or ‘very frequently’, a further 23.2% said they borrowed from time to time, 25.8% said they did so rarely. This means that 41.6% did not borrow at all. The main reason for not borrowing is an inability to obtain loans from banks or other financial institutions, because of the very low probability that they could repay them. For this reason, it is not surprising that most people could only envisage borrowing from relatives or, to a lesser extent, from friends or neighbours. Only 4.2% of all respondents thought they could borrow from a bank if they needed to a loan.

As it is, of those who had taken out loans, 74.1% reported themselves ‘very worried’ about their ability to repay their debt, with a further 18.9% being ‘somewhat worried’. This concern was felt by households of all income levels and by respondents of all activity statuses.

So, the picture of private, family and community transfers is one of considerable transactions, to which we should add *remittances* that have not been adequately taken into account. Undoubtedly these private informal transactions have helped many Ukrainians survive the social and economic traumas of the past decade.

(iv) Wages and wage arrears

Most people have to rely on money wages or salaries for all or most of their income (Table 6). Cash income comprised 86.8% of total income in urban areas, compared with only 79.8% in rural areas, as a mean average – both significantly more than in previous years. This is indicative of a process of re-commodification. Men were more likely to be receiving a money wage, but this seems mainly due to a big difference among men and women in their 50s, probably due to women entering pensionable age earlier.

Table 6. Percentage receiving specified sources of income, by age and gender, Ukraine, 2004

Income source	Sex	Age group (years)					
		<21	22-30	31-40	41-50	51-59	60+
Wage	Male	16.3	83.2	89.9	88.1	83.1	8.1
	Female	23.3	79.5	86.9	87.9	50.4	2.5
Bonuses	Male	29.0	13.8	13.7	9.7	8.4	2.2
	Female	15.3	8.9	7.5	7.2	3.8	0.5
State benefits, pension, social assistance	Male	51.5	14.5	11.9	15.2	25.7	98.5
	Female	49.0	17.8	16.7	15.9	61.0	99.8
Sales from kitchen garden	Male	4.7	11.8	17.4	21.1	16.3	12.2
	Female	4.3	11.2	17.3	15.5	14.5	11.7
Family transfers	Male	43.5	13.4	5.4	5.8	3.0	2.6
	Female	52.6	17.6	8.5	4.7	3.3	5.6
Business	Male	1.1	1.4	1.1	1.1	0.5	0.3
	Female	0.3	0.8	0.7	0.6	0.4	0.0
Shares	Male	0.5	0.4	1.0	1.3	1.6	0.0
	Female	0.2	0.8	0.5	0.4	0.1	0.0
Own enterprise	Male	0.0	0.5	0.5	0.8	0.7	0.0
	Female	0.3	0.1	0.0	0.1	0.1	0.0

Source: UPSS4, N = 18,405,876

Average money wages and real wages have risen in the early years of the 21st century, and have probably become a more valid indicator of living standards, in that they have risen as a share of total income. They have risen in all the main sectors. But, although public sector wages have risen more than in any other sector, they still lag those in manufacturing and services (Figure 25 and Table 7). This is not appropriate, since Ukraine is in need of a public service, which can only take shape if public salaries are decent and as good as could be earned in other parts of the economy.¹⁵

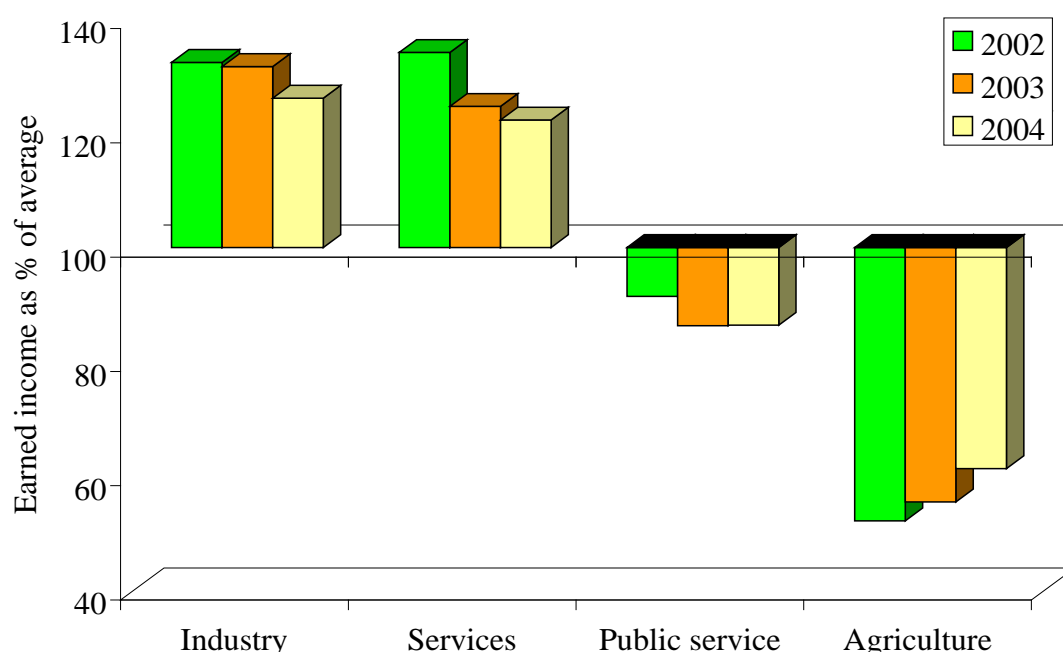
¹⁵ In this regard, there should be agreement with the recommendation made by a group brought together by the UNDP in 2004, in a document entitled “Proposals to the President: A new wave of reform” (Kiev, UNDP, 2004).

Table 7. Individual income (UAH), by sector, Ukraine, 2002-2004

	Year	2002	2003	2004
Manufacturing		345.3	420.0	571.8
Services		349.8	397.7	554.5
Public service		238.5	275.3	391.7
Agriculture		136.0	177.0	278.0
Average		260.8	318.9	453.3

Source: UPSS2, 3, 4

Figure 25. Sectoral average incomes as ratio to overall average, Ukraine, 2002-2004

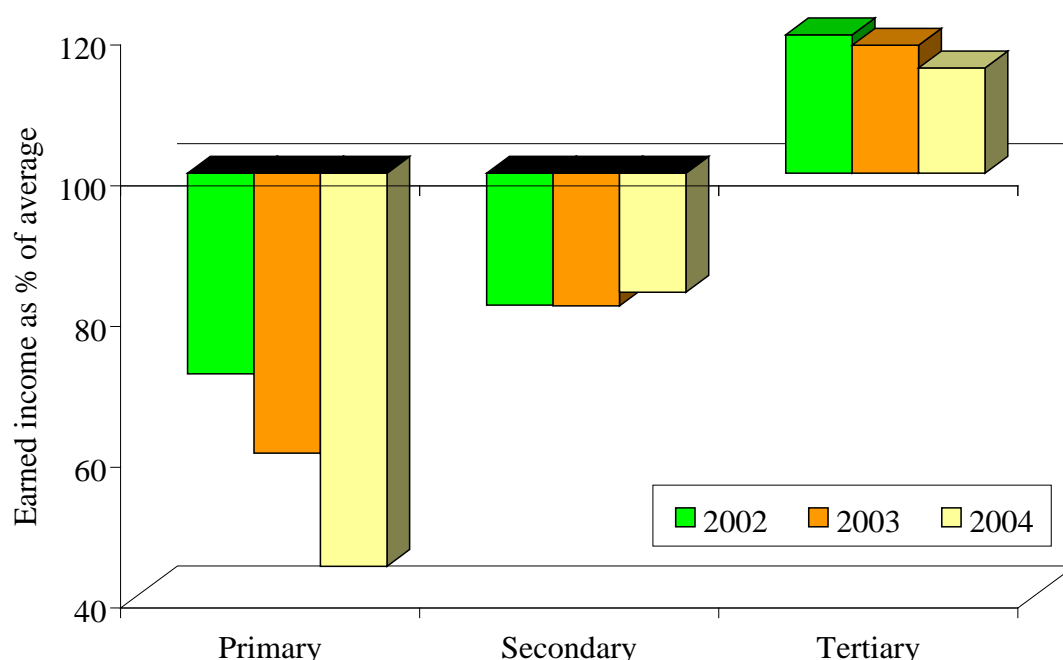


Note: Average income = 100

Source: UPSS2, 3, 4

Inter-sectoral earnings differentials narrowed slightly between 2002 and 2004 (Figure 26). By contrast, earnings differentials between those with different levels of schooling have widened quite dramatically (Table 8); this is due to the decline in relative earnings of those with only primary schooling.

Figure 26. Average incomes as ratio of overall average, by education, Ukraine, 2002-2004



Note: Average income = 100

Source: UPSS2, 3, 4

Table 8. Average individual income (UAH), by level of education, Ukraine, 2002-2004

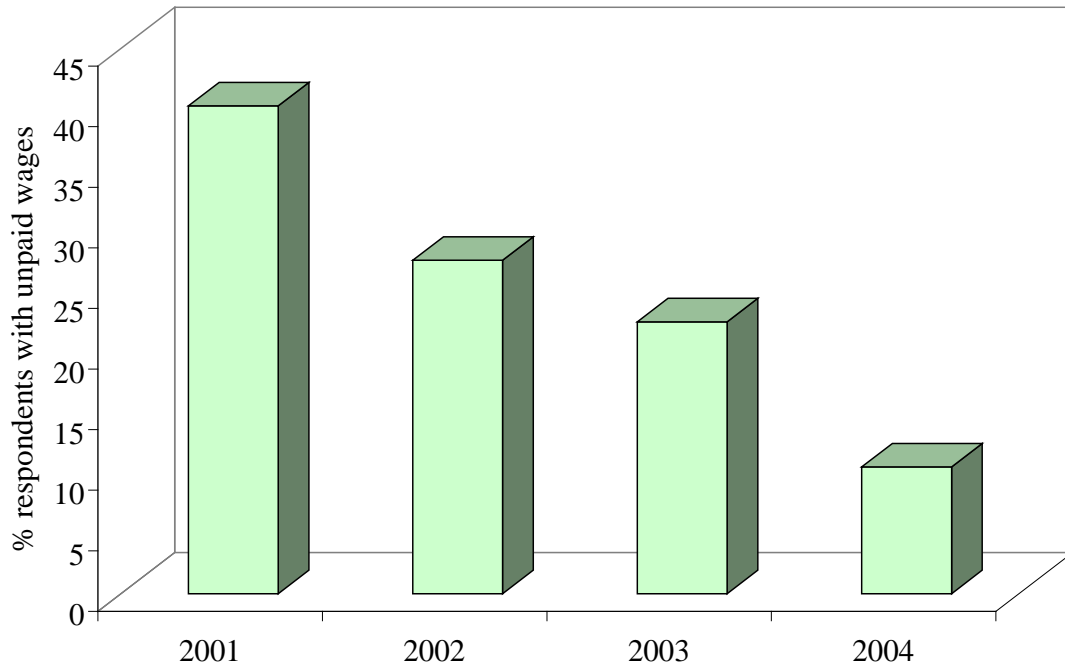
	Year	2002	2003	2004
Primary		186.4	192.0	200.0
Secondary		211.9	258.8	376.6
Tertiary		312.1	376.9	521.1
Average		260.8	318.9	453.3

Source: UPSS2, 3, 4

One of the sources of greatest income insecurity in Ukraine over the past few years has been the *non-receipt of wages*. We have reported regularly on the incidence of wage arrears over the past decade. There seems to have been a marked and welcome improvement (Figure 27). However, the situation remains serious.¹⁶ **In the past three months, 13.1% of those in wage employment had not received all the wages to which they were entitled. Two thirds of those who had not received all their wages had not received their due for two months or more. ILO Convention 95 is still not being honoured.** Most workers (76%) thought that the main reason for not receiving wages was that the firm in which they were working was insolvent.

¹⁶ This is also shown by the results from the enterprise data collected for this project. According to the tenth round of the Ukrainian Enterprise Labour Flexibility and Security Survey (ULFS10), about one in four firms in 2004 had difficulty in paying their wages.

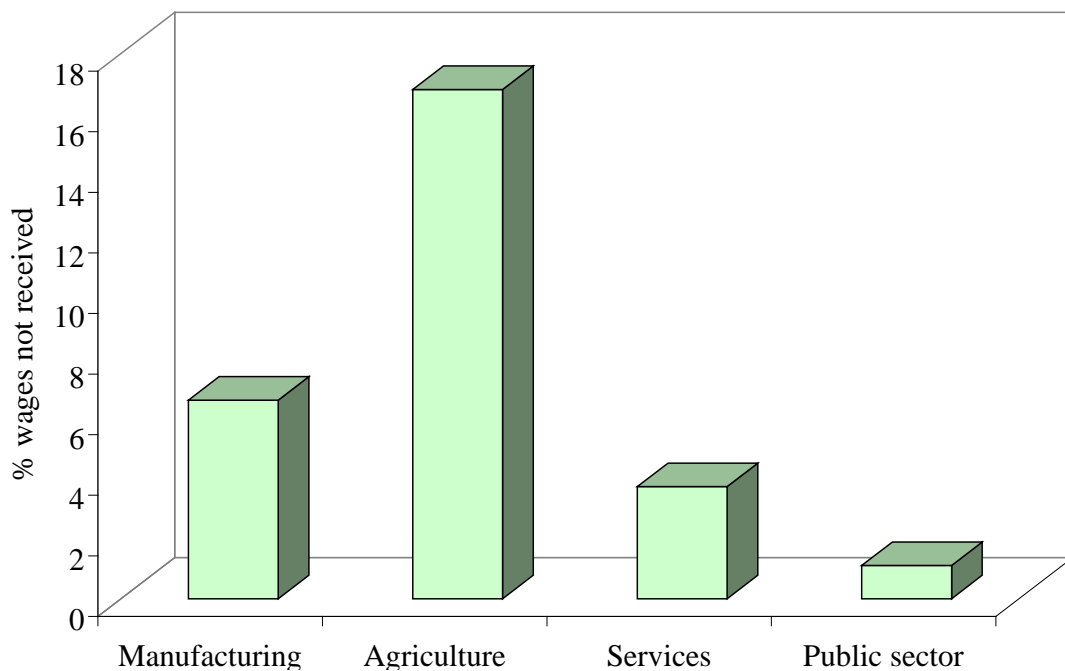
Figure 27. Unpaid wages: Percent of wage earners not receiving all or part of their wages over the past three months, Ukraine, 2001-2004



Source: UPSS1, 2, 3, 4

Although in 2000 it was marginally the worst-hit sector, agriculture has been the worst-hit by far since 2002 (Figure 28). No less than 26.6% of all workers in agriculture had not received all their wages over the past three months, and the amount unpaid comprised about 18% of the total wage bill in agriculture.

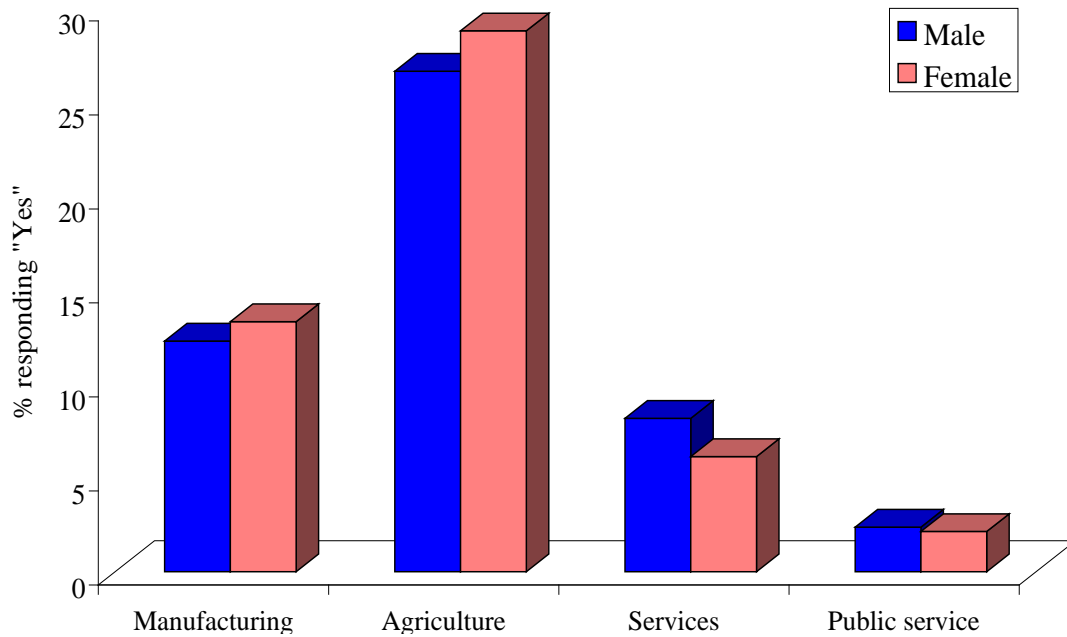
Figure 28. Percent of wages not received over past three months, by sector, Ukraine, 2004 (per cent)



Source: UPSS4, N = 9,518,341

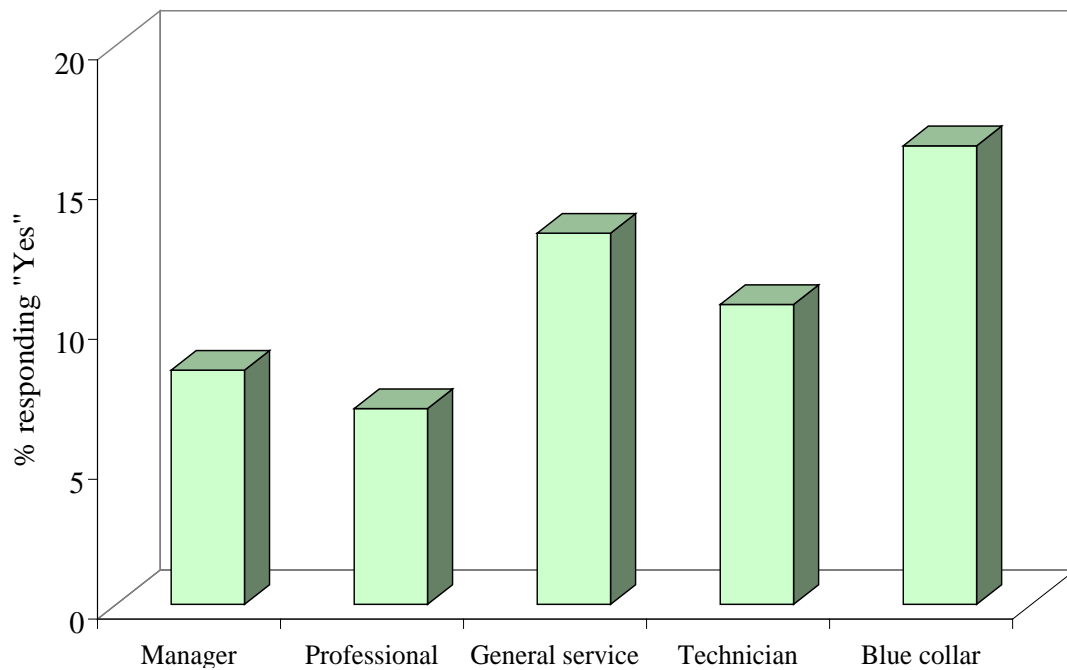
One in ten urban workers (10.5%) had not received all their wages in the past three months, and most of those had not received wages at all for about two of those three months. Women were actually more likely to suffer from wage arrears than men, mainly because they were concentrated in agriculture and manufacturing where wage arrears were most common (Figure 29).

Figure 29. Not received full wage in past 3 months (wage arrears), by sector, by gender, Ukraine, 2004



Source: UPSS4, N = 9,518,342

Figure 30. Not received full wage in past 3 months (wage arrears), by occupation, Ukraine, 2004



Source: UPSS4, N = 9,518,340

In spite of that last fact, it seems that the non-payment of wages has been a factor accentuating overall income *inequality*. Those in low-wage jobs have also been more likely not to be paid. This sort of reality is very rarely taken into account in assessments of income inequality or insecurity anywhere in the world.

What determines earned income?

What determines an individual's earned income in today's Ukraine? The answer suggests that a labour market is functioning, in much the same way as found in other parts of the industrialised world.

Using the UPSS4 data, an earnings function was estimated by multiple regression, in which the dependent variable was the logarithm of monthly earned income from the person's main work. The results, given below, show that controlling for other factors, women were earning significantly less than men, suggesting but not proving the existence of some sexual discrimination. Earned income also rises with age and then turn down in the pre-retirement years.

Table 9. Log earned income, by gender, age, schooling, sector, area, chronic sickness/disability and union membership, Ukraine, 2004 (regression results)

Variable	Coefficient
(Constant)	2.2418
Female	-0.1042 ***
Age	0.0092 ***
Age ²	-0.0001 ***
Schooling	
Secondary	0.2011 ***
Tertiary	0.3273 ***
Sector	
Agriculture	-0.1520 ***
Services	-0.0107 ***
Public services	-0.1070 ***
Rural area	-0.0995 ***
Chronic illness/disability	-0.0049 ***
Union member	0.0331 ***
R ²	0.260
F	300450.7

Source: UPSS4, N = 9,393,141

Those with secondary or tertiary schooling earn significantly more than those with primary schooling only. Those in agriculture earn much less on average than in other sectors, even controlling for schooling, age and gender. But those in services and in the public sector earn less than in manufacturing. Those in rural areas, regardless of sector, earn less than those working in towns or cities. Those with a disability of some kind were earning significantly less than others. And those who were union members tended to earn more than otherwise similar non-unionised workers.

Most of these results are what one expects from evidence elsewhere. Obviously, policymakers should be concerned to correct for any gender discrimination and

disadvantage. Besides that, what is relatively unusual, and what should be a source of government reflection, is that those in the public sector are paid relatively badly. An honest, committed public service requires decent incomes for those working in it. Building a modern democratic state depends on that service.

(v) Enterprise benefits

Traditionally, in the Soviet era money wages comprised a small and, for many years, declining share of total remuneration.¹⁷ The expectation was that benefits and services provided by the enterprises gave almost everybody a fundamental sense of social and economic security. Much has changed. There has been a decline in the proportion entitled to enterprise benefits, and in the number actually receiving them. One of the difficulties of interpreting the results from the UPSS is that some people may believe that a particular benefit comes from the enterprise per se, whereas it is a state benefit

Access to non-wage benefits and services varies much more than used to be the case. People were asked whether they were entitled to a variety of benefits that might be provided by the enterprise of their employment and whether or not they actually received benefits. As Table 10 shows, although many workers still do receive some benefits, only a minority are now entitled to a wide range of benefits.

Table 10. Enterprise benefit entitlement, by gender, Ukraine, 2004 (per cent)

Benefit	Male	Female
Paid sick leave	88.5	90.9
Paid maternity leave (women)	—	57.2
Severance and dismissal pay	47.7	48.6
Disability benefit	39.5	37.5
Full or partial meals cost subsidy	7.7	5.6
Housing subsidy/benefit	9.2	10.6
Childcare leave (women)	—	48.8
Extended unpaid childcare leave (women)	—	44.8
Childcare cost at (pre)school (women)	4.4	6.4
Transport allowance	7.7	5.0
Pension	29.5	29.4
Other	10.0	10.9

Source: UPSS4, N = 9,984,872

¹⁷ On the trends and interpretations, see G.Standing, Russian Unemployment and Enterprise Restructuring: Reviving Dead Souls (Basingstoke, Macmillan, 1996).

Table 11. Enterprise benefit entitlement, by sector, Ukraine, 2004 (per cent)

Sector	Entitled			
	Manu- facturing	Agri- culture	Services	Public sector
Paid sick leave	92.0	84.5	87.7	91.3
Paid maternity leave (women)	65.0	53.7	50.7	56.0
Severance and dismissal pay	54.4	41.3	44.9	47.5
Disability benefit	47.6	30.3	36.3	35.1
Full or partial meals cost subsidy	11.1	8.0	4.9	2.7
Housing subsidy/benefit	9.6	7.4	6.2	12.9
Childcare leave (women)	59.0	41.0	42.1	47.4
Extended unpaid childcare leave (women)	53.4	35.3	38.1	44.6
Childcare cost at (pre)school (women)	5.2	4.7	4.4	6.5
Transport allowance	7.7	2.4	13.5	3.8
Pension	37.3	21.6	25.4	28.0
Other	12.0	7.2	9.3	11.2

Source: UPSS4, N = 9,518,342

Table 12. Enterprise benefit entitlement, by *per capita* household income, Ukraine, 2004 (per cent)

	<i>Per Capita</i> Household income (UAH)			
	<=400	401-600	601-1000	1001+
Paid sick leave	86.6	89.7	91.4	89.6
Paid maternity leave (women)	56.6	58.2	59.2	53.9
Severance and dismissal pay	42.1	49.2	50.0	48.7
Disability benefit	30.1	36.5	40.6	41.6
Full or partial meals cost subsidy	4.4	6.1	5.7	9.1
Housing subsidy/benefit	10.2	10.2	10.5	8.9
Childcare leave (women)	45.8	48.2	52.6	46.0
Extended unpaid childcare leave (women)	41.1	44.3	48.3	42.9
Childcare cost at (pre)school (women)	4.9	5.6	5.5	5.8
Transport allowance	3.3	4.0	6.5	9.1
Pension	21.8	29.0	30.9	32.1
Other	9.2	9.4	10.3	12.2

Source: UPSS4, N = 9,984,872

This is a change since the beginning of the 1990s, when enterprises were the main vehicle of social protection, giving ‘cradle-to-grave’ benefits and social services. Some enterprise benefits remain almost universal. Almost 90% of the employed were entitled to paid sick leave (slightly down), the same for women as for men. But only 48.2% were entitled to severance pay (much down), only 6.5% had subsidized meals in their workplace (also down), 9.9% had a housing subsidy (halved since 2000), 6.2% had a transport allowance (also down), and 29.4% to a pension from their firm (much down).

Formal entitlement is often not backed up by actual entitlement. In all countries of the former Soviet Union, non-payment has been a blight on people's lives in the past decade and a half, as has the diminishing value of what has been provided. This remains a reality in Ukraine. According to the results in the 2003 round of the UPSS, whereas nearly one in every five industrial workers has entitlement to a housing benefit or subsidy, less than half of those actually received it. The public sector was even worse in meeting its obligations in that benefit. A similar pattern existed in the case of transport allowances.

Another aspect of the pattern of enterprise benefits and entitlements is that their distribution has tended to accentuate the growing income inequality. Tables 7 and 8 suggest that those earning higher money incomes are also more likely to be entitled to a broad range of benefits. Although the differences are not great so far, this tendency should be monitored by government over the next few years.

(vi) State Benefits: Unemployment benefits

What about *state benefits*? They were expected to rise in the 1990s, as enterprise benefits faded, and as public social security schemes developed to fill the gap in a market economy. However, they have staggered into existence.¹⁸ In some countries, state benefits have apparently become a major share of total income for a large proportion of the population, even though the social protection system is both inefficient and inequitable.

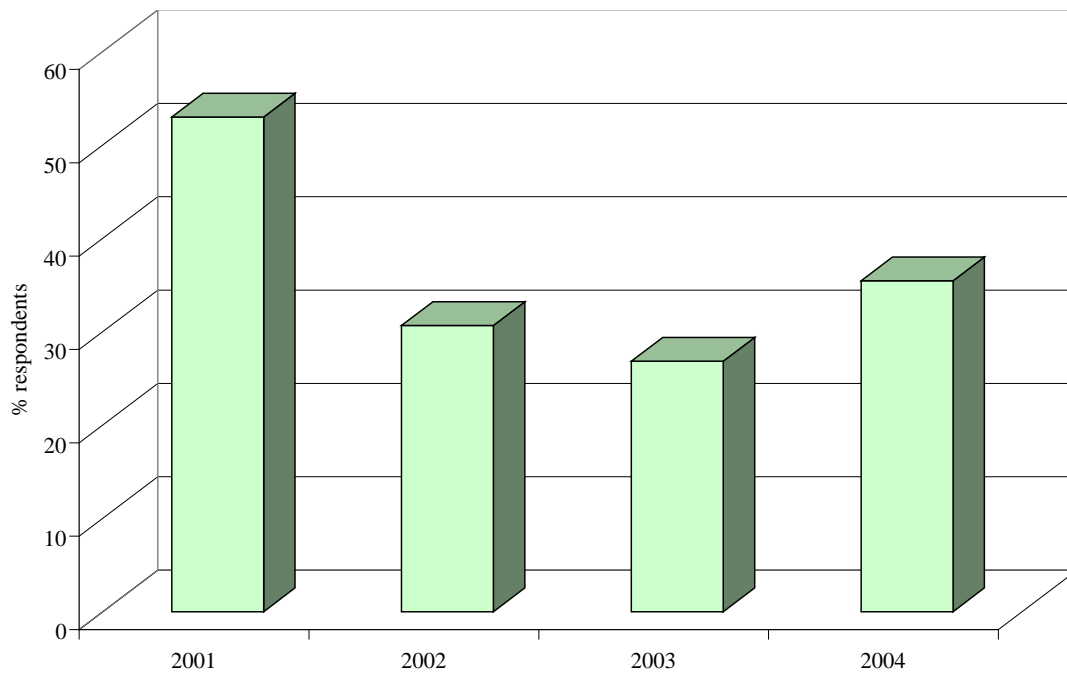
In Ukraine, the pension system is in need of reform, as are other state benefits. In 2004, the proportion receiving *state benefits*, a *pension* or *family transfers* was slightly higher than in previous rounds of the UPSS, a small rise following a previously declining trend in those benefits.

Obviously, the income support received by the unemployed is a major aspect of income security. Since they were introduced in the early 1990s, unemployment benefits have failed in this respect. More of the unemployed are receiving benefits than in 2001, but there was a small decline between 2003 and 2004 (Figure 31). Most of the young unemployed are still not receiving any benefit (Figure 32). But at least those who are receiving a benefit are receiving a higher income replacement rate than used to be the case.

In Ukraine, although it has improved since the 1990s, the unemployment benefit situation is in need of reform. Thus, of all those who had experienced unemployment during the past year, only 31.3% had received unemployment benefits for most of the time, 14.4% had received for more than half the time, 7.5% had received them for about half the time, 11.3% for less than half the time, and 35.4% had not received any unemployment benefit at all. It is the last figure that is most significant, since it was much higher than a year earlier.

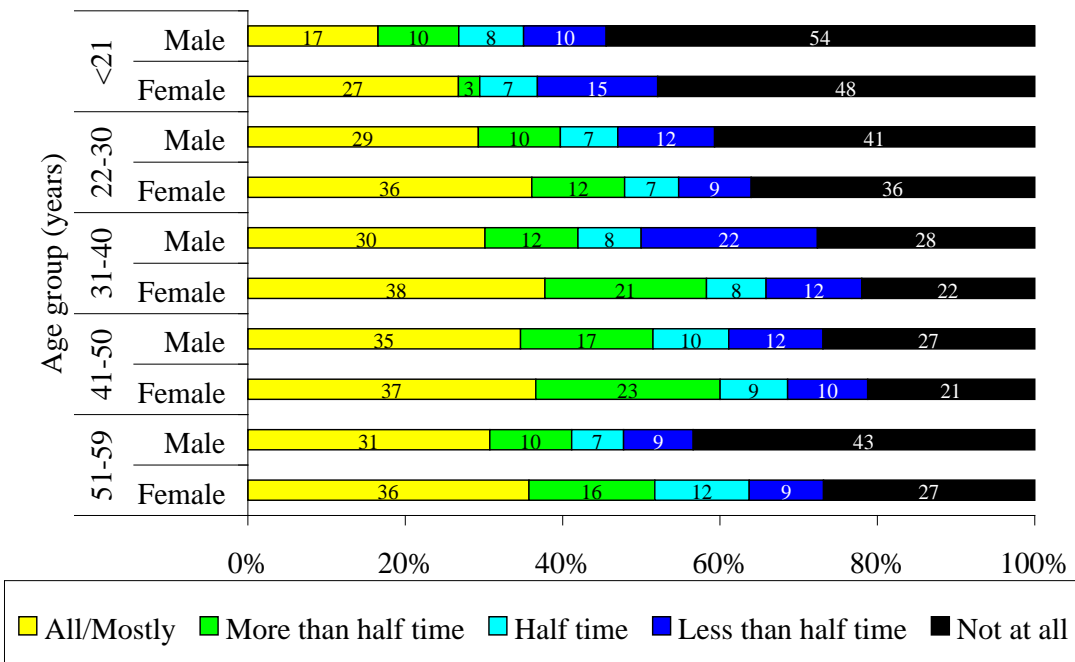
¹⁸ For a review of the reasons for their failure, see G.Standing, "*The folly of social safety nets: Why basic income is needed in eastern Europe*", *Social Research*, Vol.64, No.4, Winter 1997, pp.1339-80.

Figure 31. Not receiving unemployment benefit while being unemployed, Ukraine, 2001-2004



Source: UPSS1, 2, 3, 4

Figure 32. Unemployed receiving unemployment benefit, by age and gender, Ukraine, 2004 (per cent)



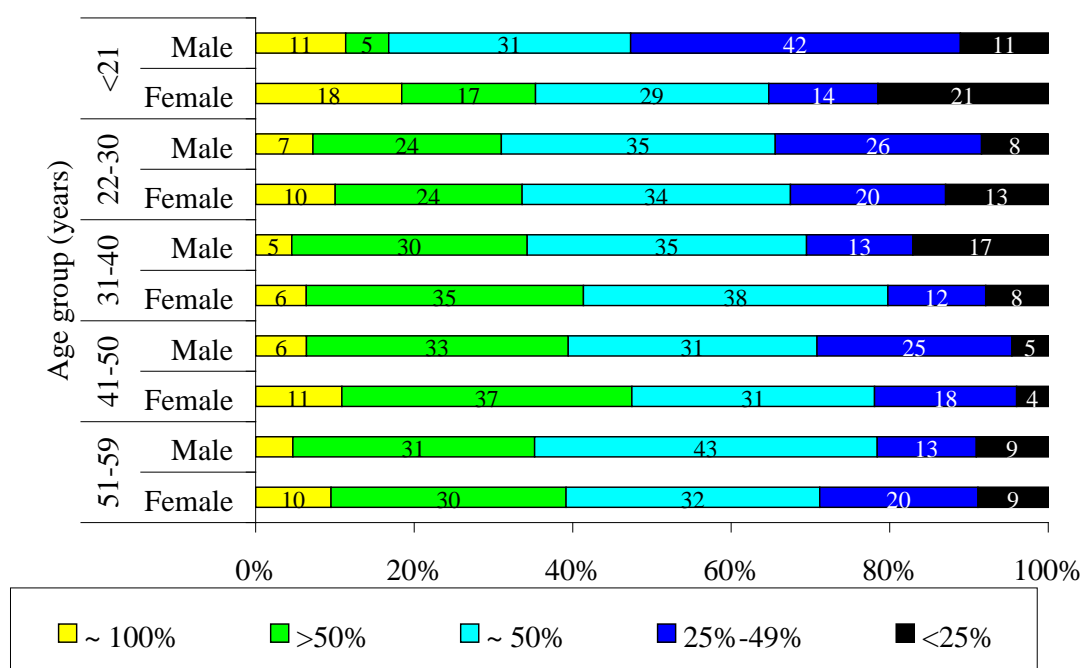
Source: UPSS4, N = 1,380,783

Men (41.7%) were more likely than women (31.1%) to have received no benefit at all (Figure 33). The most common reason – applying to 31.9% of the total – for the unemployed not receiving benefits was that they had not applied for them, presumably because they thought they would not qualify for them, or that they were not worth obtaining, or would not be available, or because the cost of travel to and from

employment exchanges was too high.¹⁹ As it is, 21.1% of those who had been unemployed said that they had not qualified for benefits, and 3.1% said that the employment offices had not been able to pay any benefits to them.

Of those who had received unemployment benefits, the amount received tended to be small. We investigated this in terms of what is called the *income replacement rate*, i.e., the value of unemployment benefit expressed as a percentage of the person's previous income when in employment. A few (8.3%) had a replacement rate of almost 100%, 30.5% more than 50%, 34.0% of about 50%, 18.2% of between 25% and 49%, and 9.0% of less than 25% of past income (Figure 34). The level of benefits can be regarded as mostly low because of the low level of wages. As such, there should be no claim that unemployment benefits are 'generous' or 'encouraging voluntary unemployment'. However, as Figure 35 indicates, there has been a small improvement in the average replacement rate during the first years of the century.

Figure 33. Unemployment benefits income replacement rate, by age and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 958,091

Most Ukrainians have a supportive attitude towards the unemployed and their income security needs, in 2004 almost all respondents (95.8%) said that workers 'dismissed' from their jobs for whatever reason should receive unemployment benefits, and 92.5% believed that all the unemployed in poor families should receive them. There were no differences in viewpoints between men and women or over the various age groups. Less universal was the attitude toward those who leave their employment "voluntarily". Only 34.4% thought they should be able to receive unemployment benefits. More puzzling was that only 38% of respondents felt that those who had run a business ("self-employed") that had become bankrupt should be able to receive unemployment benefits. In any case, attitudes to support for the unemployed seem remarkably stable (Figure 35).

¹⁹ These have also been the reasons determining application for, and access to, unemployment benefits in the Russian Federation.

Figure 34. Unemployment benefit replacement rate, Ukraine, 2001-2004

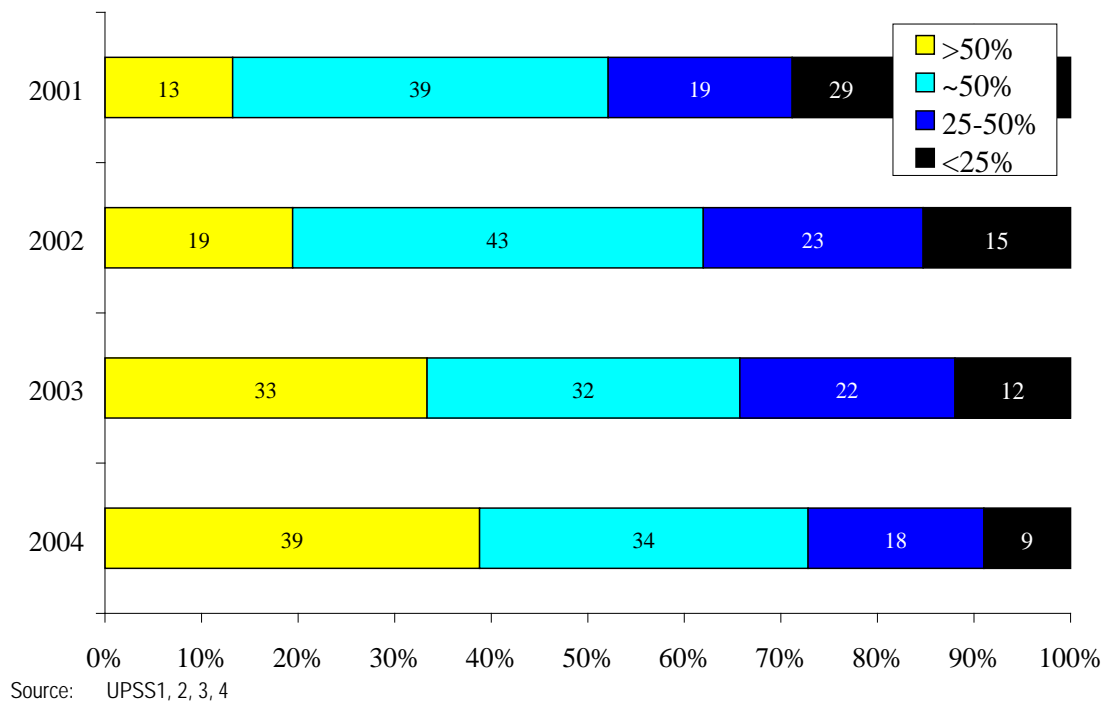
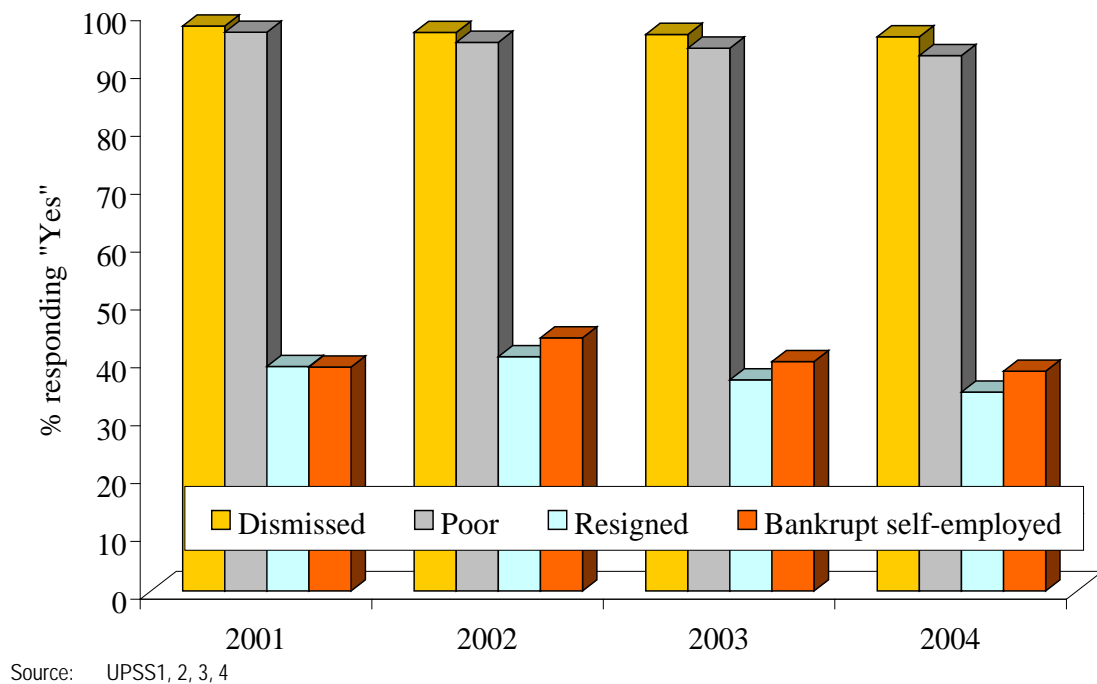


Figure 35. Who should receive unemployment benefits? Ukraine, 2004

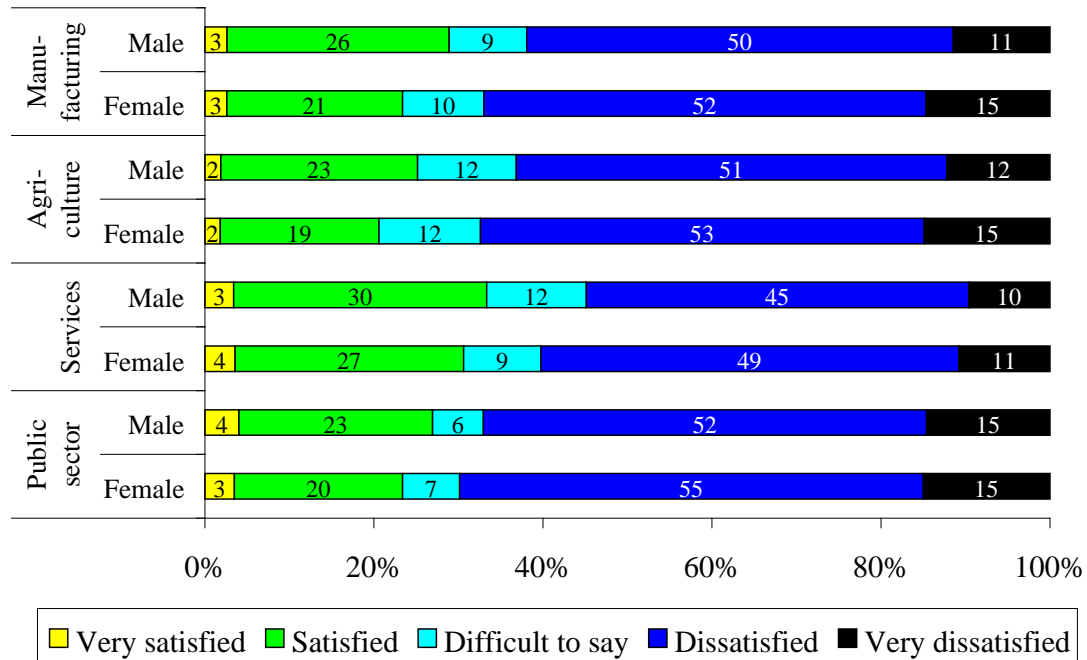


(vii) Income Satisfaction

Finally, those in employment were asked whether they were satisfied, dissatisfied or neutral about the income they were receiving from their main job. Most were dissatisfied (Figure 36). Merely 2.9% were ‘very satisfied’ and 19.0% were ‘satisfied’, given the generally low wages and incomes. There were no notable differences between the sexes, but younger workers were more likely to be

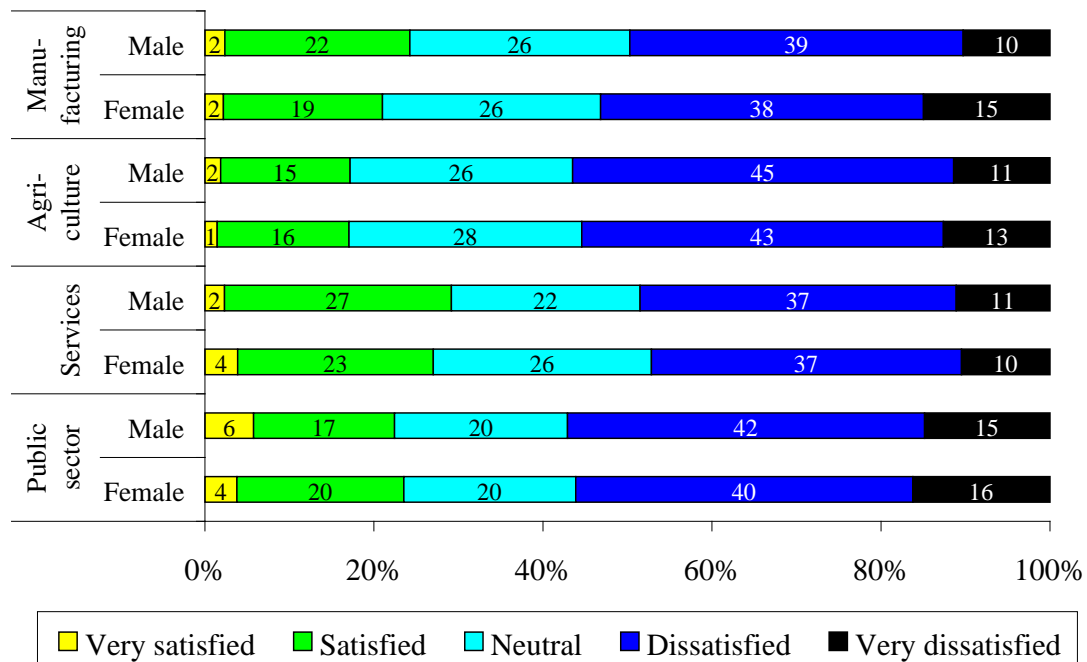
dissatisfied.²⁰ As for their benefits, only 16.5% were satisfied (or, in a few cases, very satisfied). A higher proportion was satisfied among those with relatively high household income, suggesting that enterprise benefits were accentuating inequality.

Figure 36. Extent of satisfaction with income from current employer, by sector and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 9,518,339

Figure 37. Extent of satisfaction with non-wage benefits in current employment, by sector and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 9,518,337

²⁰ Dissatisfaction was not related to whether or not the household cultivated land or a 'kitchen garden'.

(viii) Income Security and Re-Commodification

So, what is the essential story about the development of income security since the early 1990s? It is one of increasing insecurity and *labour commodification*. In other words, the cradle-to-grave enterprise benefits have withered, while workers have had to rely much more on monetary wages. More workers have been subject to unemployment, without income support worthy of the name. But the growing significance of money incomes means that it is hard to ascertain whether social income has increased or not in the past decade.

In Ukraine, as in many countries, the government has attempted to measure a ‘poverty line’, setting a minimum level of income needed to ensure basic survival, and using that to determine state benefits. Two out of five Ukrainian is unaware of the level or the criteria used to estimate it. And of those who did, or think they did know, 18.6% felt that the minimum income was ‘not adequate at all’ for a poor family to live on for decency (more than in 2003), and a further 49.3% thought it was not adequate (also up). Only 15.6% thought it was adequate. In terms of adequacy for bare subsistence, the percentages were somewhat lower, but still an overwhelming majority felt it was not adequate.

Consistent with the general income insecurity, many households (10.8%, with most in urban areas) admitted that they were in *arrears in paying* for their housing, in terms of rent or mortgage. About one in ten said they were in arrears in payments for gas or electricity in their homes. Much smaller (<6%) proportions were in arrears for other forms of payment obligations. These findings are indicators of poverty and income insecurity, since they imply a likely fear of dispossession at almost any time. As one should expect, those who were unemployed were most likely to be in arrears in paying rent and other obligations. But, as noted earlier, large numbers of industrial workers and public sector workers were also in arrears.

4. Labour Market Security: The Era of Mass Unemployment

In any country, labour market security could be said to be strong if there are ample opportunities for all adults to obtain income-earning activities, and if people think there are such opportunities and that they will continue in the medium-term future.²¹ Traditionally, in the old Soviet system, workers in the main had strong labour market security, as part of the commitment to the *de-commodification* of labour relations.

Labour market security is conventionally measured by the rate of open unemployment. In the 1990s this was an invalid index of income-earning opportunity in Ukraine, as it was in the Russian Federation and other parts of 'eastern Europe'. To some extent, this has changed, simply because open unemployment has emerged as a prominent feature of the Ukrainian economy. Until the past couple of years, unemployment had very largely taken perverse forms, thereby preventing effective pressure for corrective adjustment in the labour market.

Now, much more of the labour surplus has emerged as *open unemployment*. And the perception has spread that the need to reduce it deserves very high priority. The new President pledged to create **five million "new" jobs during his first term**. This has become a major commitment of the new Government.

This is a big challenge. The difficulty starts with an understanding of the state of the labour market. Formal employment has continued to drop for more than a decade, and in spite of record economic growth in 2003 and 2004. The main reason is very simple to understand – productivity is low and, even though it has been rising by more than 10% a year since 2001, it has a long way to go up before it can be regarded as adequate by world standards. What this means is that job shedding is likely to remain a feature of many sectors. Government promises to raise real wages may accentuate and accelerate this process.

A related problem is the need to interpret the official data on employment and unemployment with extreme care. Between 2000 and 2004, the labour force apparently shrunk by about 1.4 million; employment shrunk by about 1.1 million, and unemployment fell by just over 300,000.²² These figures are not very healthy. But the resultant unemployment rate of 3.6% is deceptively low. The fact is that many of the unemployed are not measured on the narrow definition that some observers still use. The figure reflects the small proportion of the unemployed who register at an employment exchange.

More realistically, the unemployment rate is about 10%. A question is: Why do most of the unemployed not register at government employment offices? Is it because they do not know of them, or do not trust them, or do not know what they could do for them? Is it because of the low unemployment benefits or a belief that they would not qualify for them? Or is it because of the distance of the employment offices from where the unemployed live? It is strongly recommended that the Ministry of Labour launch an investigation.

²¹ This and other forms of labour security are defined elsewhere, and the evidence of international trends in each is reviewed in detail. ILO Socio-Economic Security Programme, *Economic Security for a Better World* (Geneva, ILO, 2004); G.Standing, *Global Labour Flexibility: Seeking Distributive Justice* (Basingstoke, Macmillan, 1999).

²² Economist Intelligence Unit, March 2005, op.cit., p.12.

In terms of labour market security, there is little to be pleased about in a rate of unemployment in excess of 13%, as observed in the UPSS4 data for 2004. But as long as surplus labour was concealed within moribund factories, mines and offices, it was representing a heavy drag on productivity growth and preventing the development of any effective remedial social protection policies for those in unreal jobs. Politicians and their advisers could pretend that unemployment was not sufficient of a problem to justify devoting huge resources to remedying it.

Nowadays, Ukrainians have become used to unemployment around them. Over three-quarters of all those in employment (81.1%) worked in establishments where at least some workers had been made redundant in the past 12 months, although about half of them did not know how many had been made redundant. Proximity to redundancy has become the norm.

Some 22% of all Ukrainians in the sample had been unemployed at some time during the past five years, with 31% of all those in their twenties (Figure 38). Men and women were equally likely to have been unemployed. Of those who had experienced some unemployment in the past five years, 56.5% had been unemployed during the past year; most of them (83.7%) had searched for work during their unemployment.

There is one feature of Table 13 on the unemployment rates that must be emphasized. The trend has been for more women to experience unemployment than men. Given the high and probably rising overall open unemployment rate, it is or should be a major concern that discrimination against women could grow. In this regard, anti-discriminatory measures will almost certainly need to be strengthened. And equally importantly, the Ministry of Labour and other social agencies should reconsider the advisability of articles in the Ukrainian Constitution and the Labour Code designed, ostensibly, to protect women by prohibiting their employment in a very wide range of harmful and hazardous jobs. As emphasized in the work security section later, such *paternalistic* forms of protection tend to encourage *discrimination* and thus serve to weaken women's labour market security. If jobs are harmful, they should be banned or those taking them should be compensated and adequately protected, as long as they know of and understand the dangers and voluntarily take such jobs. Undoubtedly, "*special protection reinforces negative stereotypes*".²³

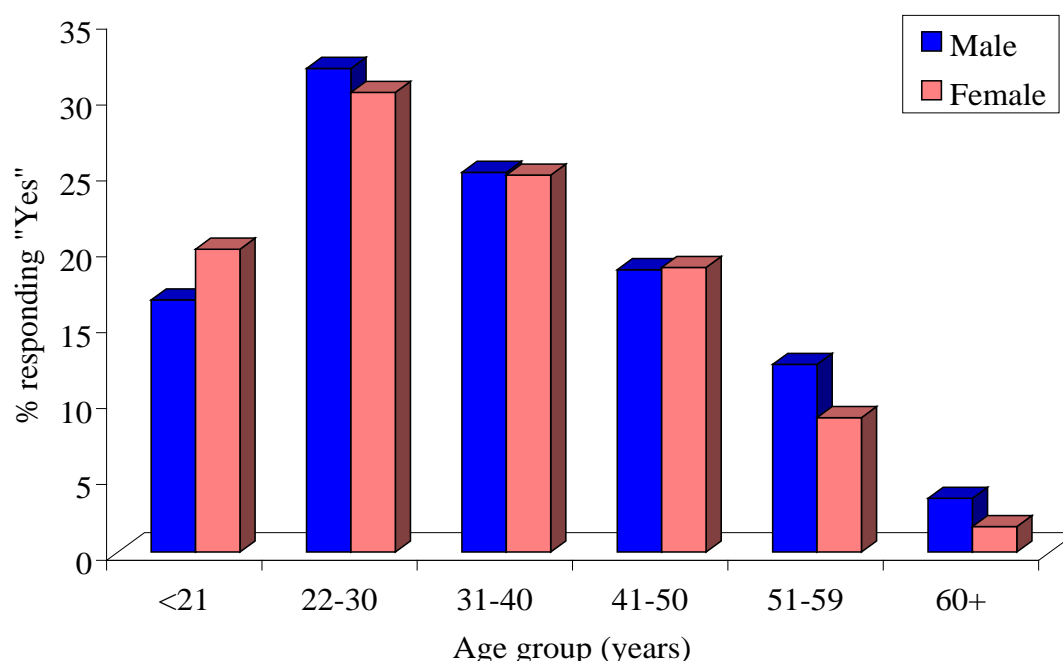
Another aspect of labour market security is the perceived probability of finding an alternative employment if they lost their current job (Table 14). Confidence was not high in 2003 and this remained the case in 2004. Only 5% of the employed thought it would be very easy to find another job with similar pay, and only 17% that it would be easy. By contrast, 28.6% thought it would be difficult, and 21.7% very difficult.

A majority of all age groups thought it would be difficult, with increasing proportions of older ages. Even so, most people would not be prepared or feel able to move to another area to take another job – only less than one in every four being willing to do so. As one would expect, younger workers were rather more prepared to move. The main reasons people gave for not being prepared to move were the difficulty of

²³ L. Compa, "*International labour standards and instruments of recourse for working women*", *Yale Journal of International Law* Vol.151, 1992, p.151. This criticism has been levelled at old ILO norms that placed emphasis on the protection of women rather than on equality of treatment in all respects, which is what should be the objective.

obtaining housing, family and the belief that they would lose social and economic networks of support.

Figure 38. Whether unemployed in past five years, by age and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 10,661,204

Table 13. Unemployment rates, Ukraine, 2001-2004

	2001	2002	2003	2004
Total	6.5	9.2	9.4	9.4
Gender				
Male	8.6	7.2	7.4	7.6
Female	5.5	10.8	11.0	10.8
Age group				
<21	23.1	18.9	23.4	22.0
22-30	8.4	11.3	11.0	11.4
31-40	6.3	10.1	10.9	10.7
41-50	5.4	8.6	8.9	8.7
51-59	3.4	6.2	5.8	5.9
60+	n.a.	n.a.	0.3	0.6
Education				
Primary	n.a.	6.3	5.9	n.a.
Secondary	7.5	12.1	13.1	13.1
Tertiary	5.2	5.9	5.5	5.9
Area of residence				
Urban	9.4	8.8	8.8	8.6
Rural	1.8	10.0	11.0	12.0

Source: UPSS1, 2, 3, 4

Table 14. Perceived difficulty of obtaining another job with similar income, working conditions or skill requirements, by gender, Ukraine, 2004

	Men		Women	
	Easy	Difficult	Easy	Difficult
Similar income	21.3	50.3	22.6	50.2
Similar working conditions	22.1	45.8	18.6	51.9
Similar skills	27.5	43.4	23.4	47.7

Source: UPSS4, N = 9,518,342

Labour market insecurity has grown and has become a feature of Ukrainian society. Some observers have linked that with the perceived impact of entry to the global economy. Much debate in the media across the world has alerted ordinary people to the notion of *globalization*. Do most people take any notice? Do they fear impending or actual economic forces? Or do they see entry to a global economy as opening up uncharted but exciting opportunities? These questions are particularly pertinent in the country such as Ukraine after its prolonged period as a closed economy. Accordingly, in each of the UPSS the following question has been asked:

“Ukraine is entering the international market economy. Do you feel that globalization has a positive effect, a negative effect, or no effect on the chances of workers such as yourself of keeping their job/work?”

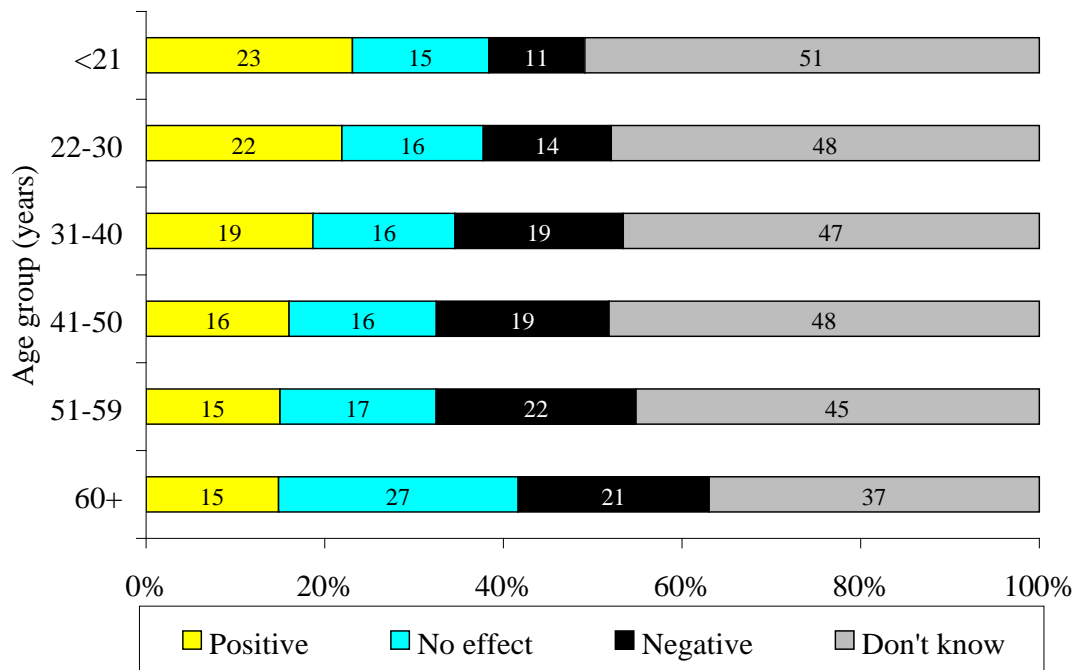
The question is complex, and perhaps there are alternative formulations that would be a better gauge of the underlying fears or hopes. Nevertheless, about half of the respondents - and the question was addressed only to those in employment - said that they “did not know” (Figure 39). Of the remainder, the net balance was one of *fear* of globalization.

Whereas one in every five people thought it would have a positive effect (up from previous years), a slightly smaller number saw it as negative (down from previous years), and about one in five believed it would have no effect (Figure 39). If one ignores the oldest group, simply because those employed in their 60s are likely to be selective of all those in that age group, then the replies indicate that hope scores over fear for the younger generation, while fear scores over hope for older age groups. However, except for those in their twenties, in no age group did more than one in five have a positive expectation.

In sum, labour market insecurity is almost certain to be a very serious policy concern of the new Government. A major challenge will be to secure a reallocation of workers from declining sectors and enterprises to where there are new opportunities without pushing an increasingly large number into prolonged unemployment.

Another will be to prevent a policy mentality from emerging of *blaming the victim*, that is, attributing individual unemployment to some imagined deficiency of those who belong unemployed. And, partly because unfair and damaging discriminatory practices tend to grow when there is mass unemployment, measures to curb discrimination should be strengthened.

Figure 39. Perceived effect of globalization on employment opportunities, by age, Ukraine, 2004 (per cent)



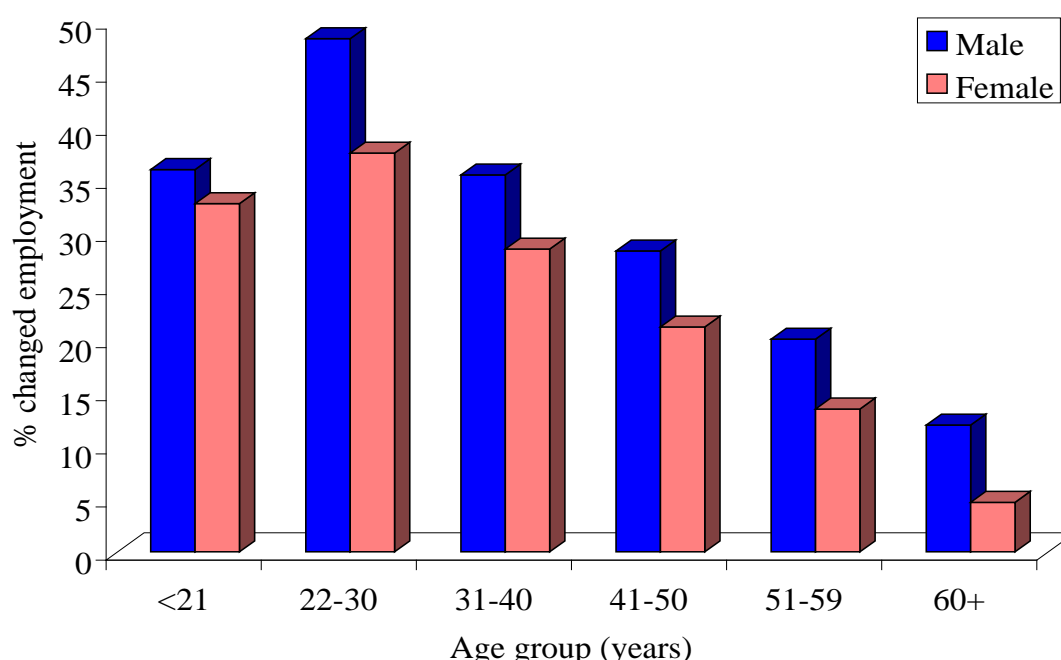
Source: UPSS4, N = 9,518,343

5. Employment Security

Traditionally, under the Soviet system, most workers had strong employment security, even though there was considerable “job hopping” due to the artificial full employment. Things have changed.

The first point is that employment changing has become very extensive, with high rates of *turnover* being among younger cohorts (Figure 40). This, by itself, does not mean that employment security has declined. Even so, actually more workers were *confident* of keeping their employment over the next 12 months than was the case in 2003 (Figure 41). Admittedly, only 22.9% said they felt sure they would not lose their job in the next 12 months. Unusually, the share of women actually leaving jobs is lower than for men.

Figure 40. Percent changing main employment in past five years, by age and gender, Ukraine, 2004 (per cent)

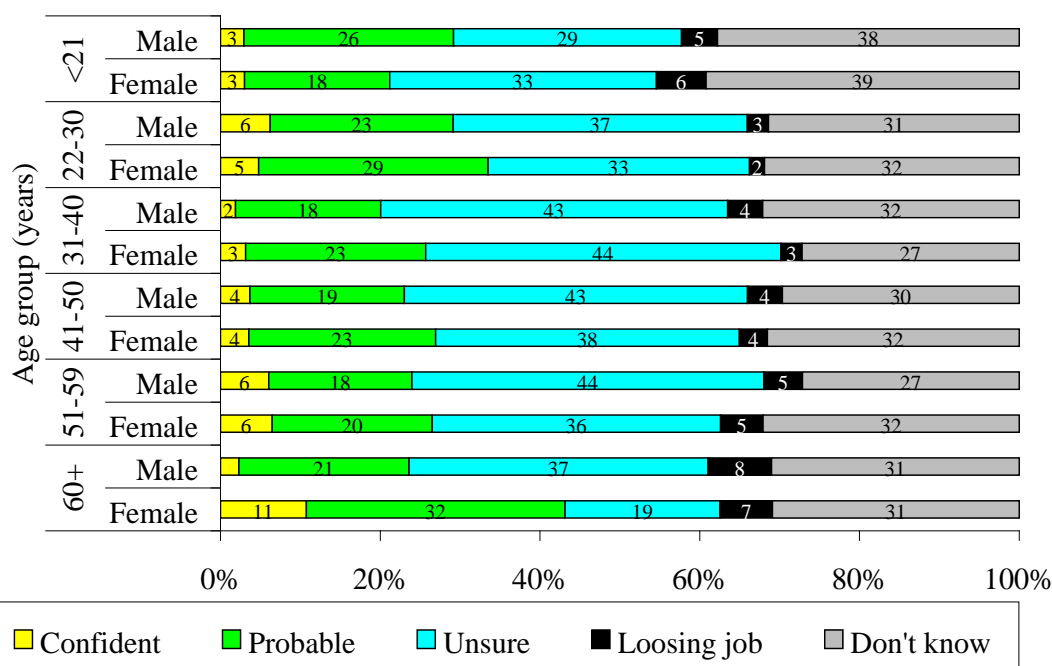


Source: UPSS4, N = 9,518,342

Another indicator of employment insecurity is the share of workers having only *temporary or casual employment contracts*, rather than long-term or ‘permanent’ contracts. This has increased, even though permanent or long-term contracts still predominate (Figure 42). Indeed, the share in the latter is remarkably high by international standards.²⁴ One may anticipate that in the next few years that will change, as temporary and short-term jobs spread. Policies for social protection and regulation will have to adjust accordingly.

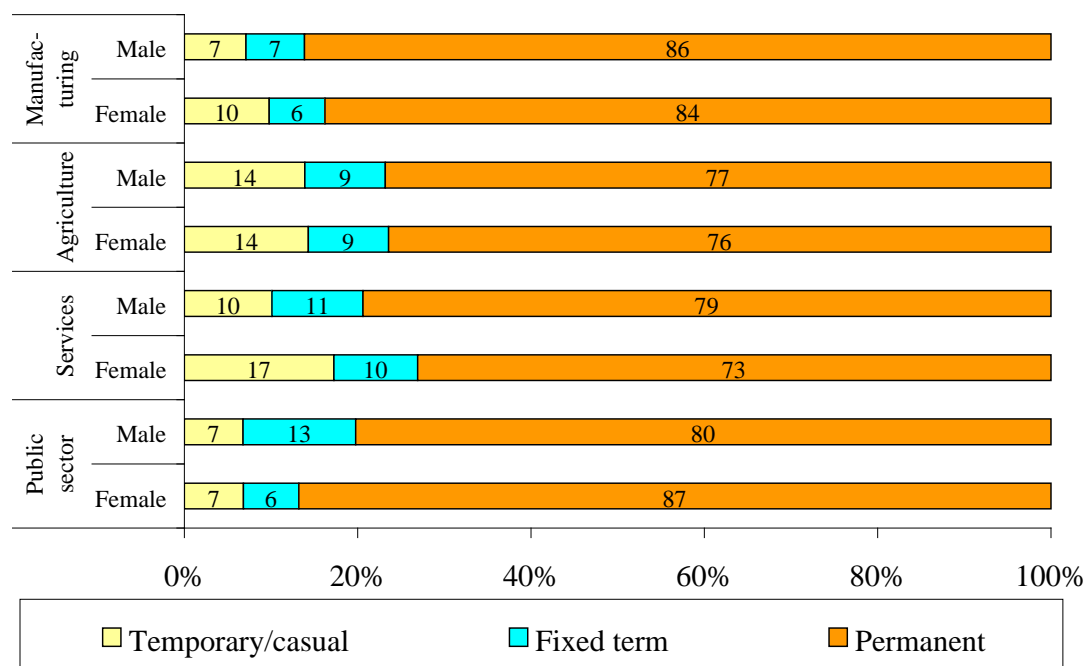
²⁴ For comparisons, see ILO Socio-Economic Security Programme, 2004, op.cit., chapter 6.

Figure 41. Expectation of employment retention over next 12 months, by age and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 9,518,343

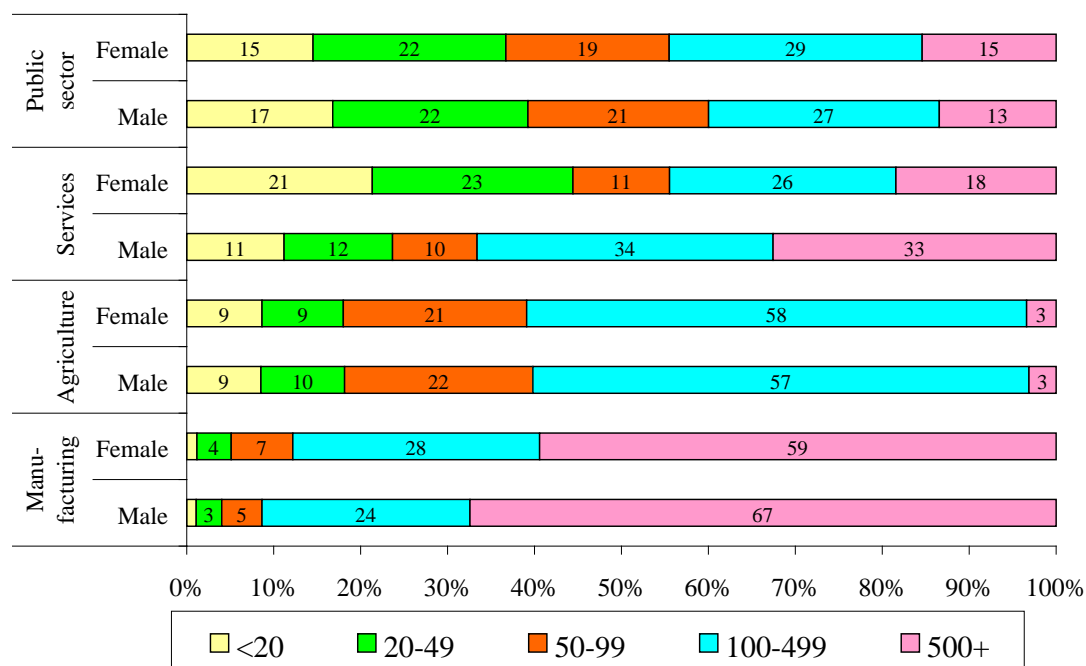
Figure 42. Type of employment contract, by sector and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 9,271,105

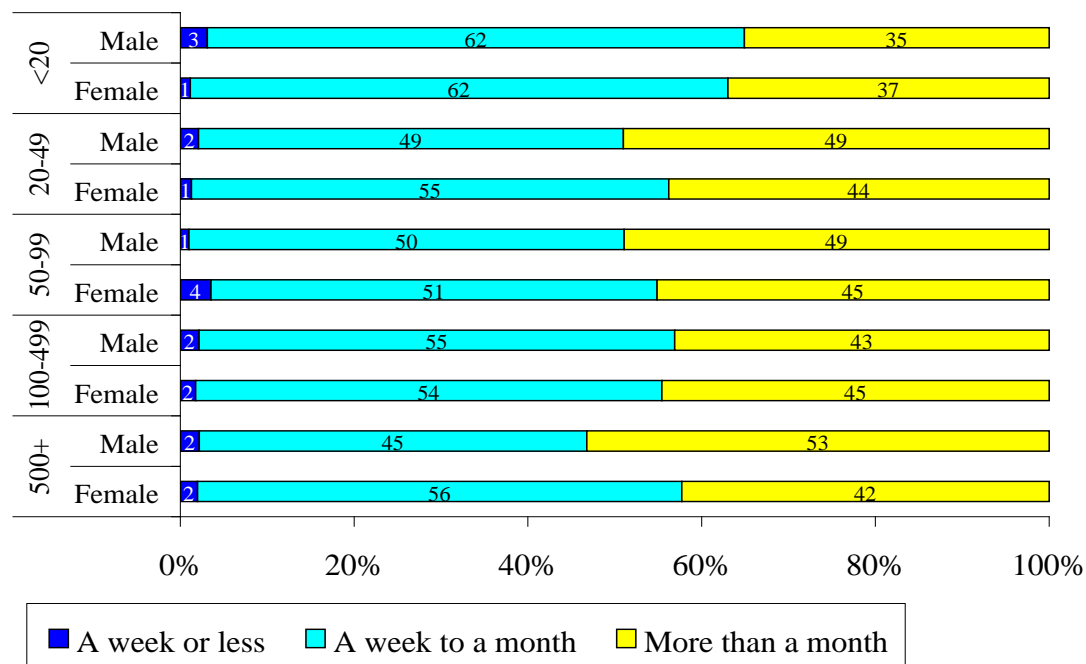
One indirect indicator of employment security in most countries is the proportion of workers in small-scale firms. The earlier rounds of the PSS, and the earlier rounds of the Ukraine Enterprise Labour Flexibility and Security Survey, showed that workers were still concentrated in large enterprises. This too has been changing, with many more in medium-sized firms (Figure 43).

Figure 43. Employment size of establishment, by sector and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 8,814,621

Figure 44. Expected length of dismissal notice, by size of establishment and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 8,344,677

In one respect, employment security has not weakened. More workers seem to expect more than a month of notice of redundancy than was the case in 2003, and very few expect a week or less of notice. Nevertheless, a majority of workers expect between one week and one month (Figure 44). And there is anecdotal evidence that enforcing contractual obligations on employers remains weak. One suspects that this is one factor behind the finding that only a little over a quarter of all workers (26.1%) think

that all workers in their workplace are protected against unfair dismissal, and only 14.5% thought that most were protected.

The conclusion from the survey data must be that employment security remains fairly strong in Ukraine, at least by comparison with most countries in Europe. This is unlikely to continue, since the pressures of open labour markets will surely lead firms to want to become more flexible. It would be sensible for the Ukrainian Government to prepare legislation on regulations and social protection systems that accommodate these changes, rather than try to resist them too rigidly.

6. Job Security

Job security arises from having a sense of having an *occupation* or at least a niche in the labour market, with at least modest satisfaction and with at least some potential for improvement in terms of work status, skills and income. It differs from *employment security*; one could have one without the other, although they often go together.

The key issues of job security explored through the UPSS are *job satisfaction* and actual and expected *job mobility*, in terms of promotions and demotions. Let us start with the former. Surprisingly, given the context of stagnation during the 1990s, an overall majority of workers express themselves satisfied with the *nature of work* they are doing. And more are satisfied than dissatisfied with the extent of *autonomy* in their workplace and with the *opportunity to improve skills*. As Table 15 shows, the two areas where there is net dissatisfaction – and in both cases it is a strong pattern – is with respect to *wages* and *benefits*.

Table 15. Per cent satisfied or dissatisfied with aspects of their main job, by gender, Ukraine, 2004

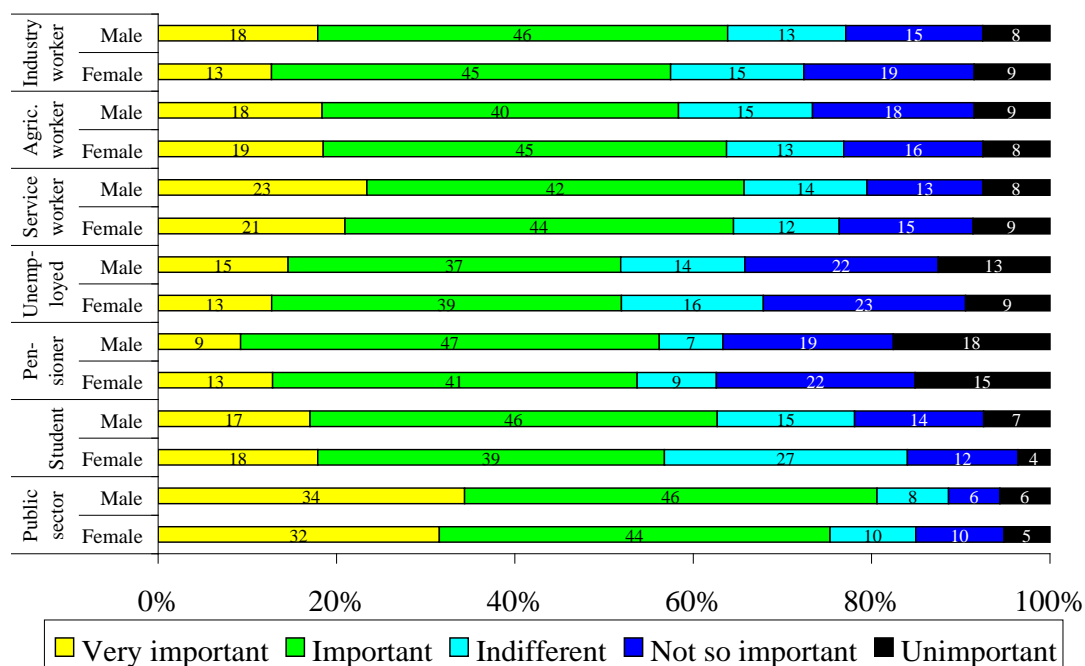
	Male		Female	
	Satisfied	Dissatisfied	Satisfied	Dissatisfied
Wages	28.4	62.0	24.0	67.6
Benefits	23.1	52.5	22.7	54.1
Nature of work	64.6	23.2	67.4	20.0
Autonomy	43.0	31.7	43.9	28.5
Opportunity to improve skills	47.7	29.5	46.4	29.3
Opportunity for promotion	31.1	35.7	30.7	34.8

Source: UPSS4, N = 9,518,342

These figures need to be considered carefully. Do they imply that many workers are indeed satisfied with their jobs, if only wages were higher? Or do they imply that workers care mostly about wages and benefits, and are unconcerned about any lack of autonomy and the nature of their work? Or do they rationalise by thinking that the alternatives would be no better and may be worse? In effect, what does dissatisfaction in Ukraine mean at this juncture?

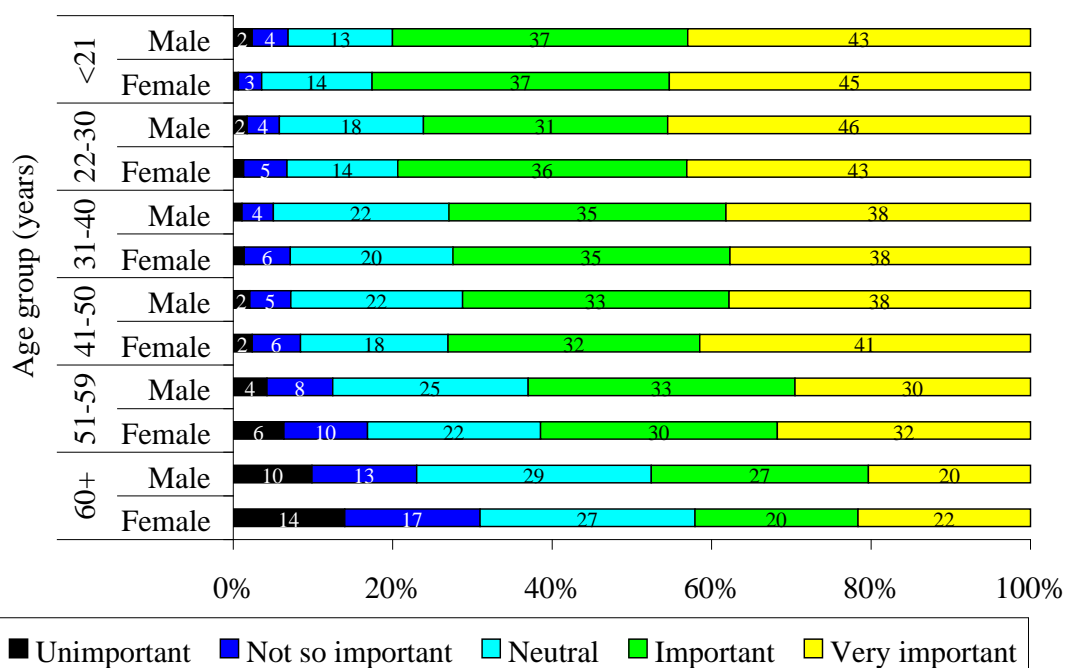
We cannot do more than speculate about these questions. Some idea might be gained from looking at what Ukrainian workers say about their perceptions of the *importance of their work for themselves*. Nearly two-thirds of those working in manufacturing, services and agriculture say that having an occupation is important, and over three-quarters in the public sector said that (Figure 45). About two-thirds – and more of younger workers – regard the opportunity for self-expression and the development of competence to be important for themselves (Figures 46 and 47).

Figure 45. Level of importance to follow profession or occupation, by area of residence and gender, Ukraine, 2004 (per cent)



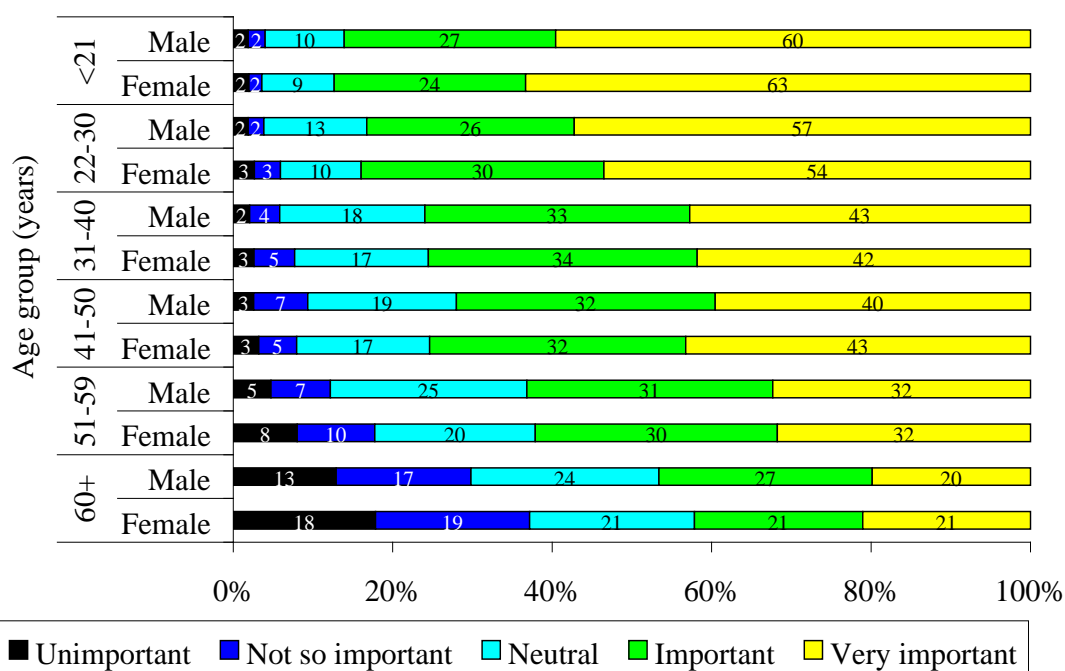
Source: UPSS4, N = 14,652,308

Figure 46. Whether self-expression and competence are important, by age group and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 18,405,874

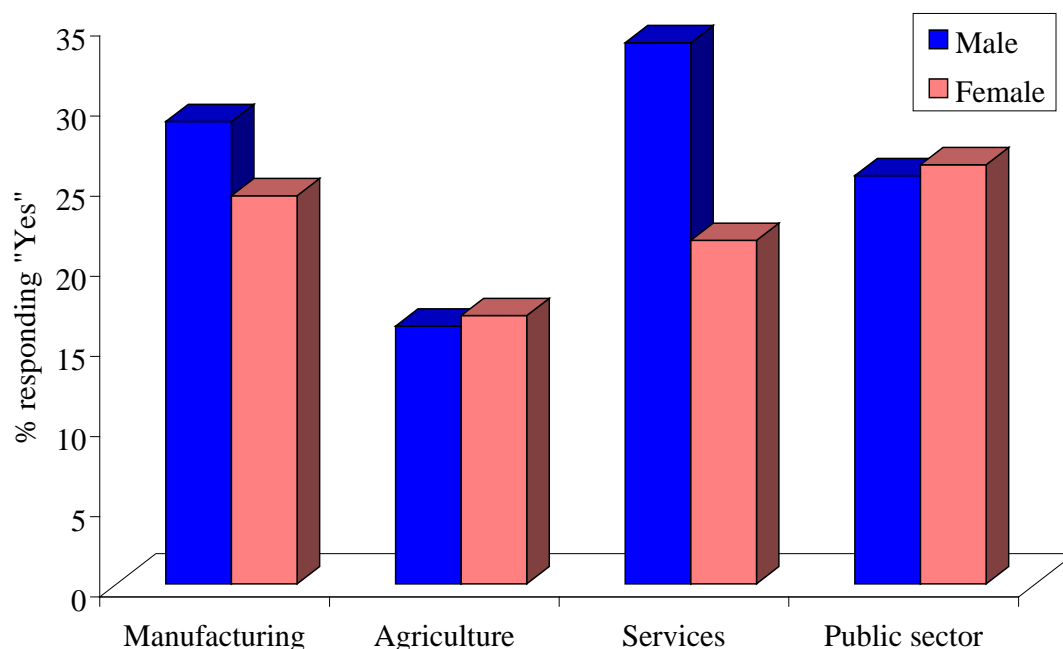
Figure 47. Whether self-realisation is important, by age group and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 18,405,872

Another aspect of job security is upward mobility within a job structure. In this respect too, there is apparently some movement (Figure 48). But there has also been some the other way, through downgrading or demotion.

Figure 48. Per cent of workers promoted in past five years, by sector, Ukraine, 2004



Source: UPSS4, N = 9,518,340

7. Work Security

Work security exists when workers are exposed to a low risk of occupational accidents and injuries and to a low probability of ill-health related to work. Ukraine is regrettably notorious for having a low achievement in terms of work security, as was further demonstrated by its low score on the national Work Security Index relative to many other countries of similar levels of industrial development.²⁵ The country suffers from a high morbidity rate, with a large number suffering from chronic illnesses or disability, as noted in section 2.

The problem of poor working conditions has become an even more serious policy concern since politicians have become more oriented to thinking about joining international bodies such as the WTO; apparently, there is a fear that there will be outflow of jobs and investment from the country because of poor working conditions.

The evidence from the PSS on the changing patterns of work insecurity is considerable. At one level, it might seem that there is relatively little reason for concern. Only 1.3% of workers said that they had been off work for a week or more in the past 12 months due to a work-related injury, although more admitted that in agriculture (2.1%); men were slightly more likely to report that than women. Some 3.9% had been off work for more than a week for ill-health, again with men being more likely to have been off (a pattern at odds with the usual one found elsewhere). And 3.2% said they had been off work for more than a week for stress-related reasons, with possibly more women being affected.

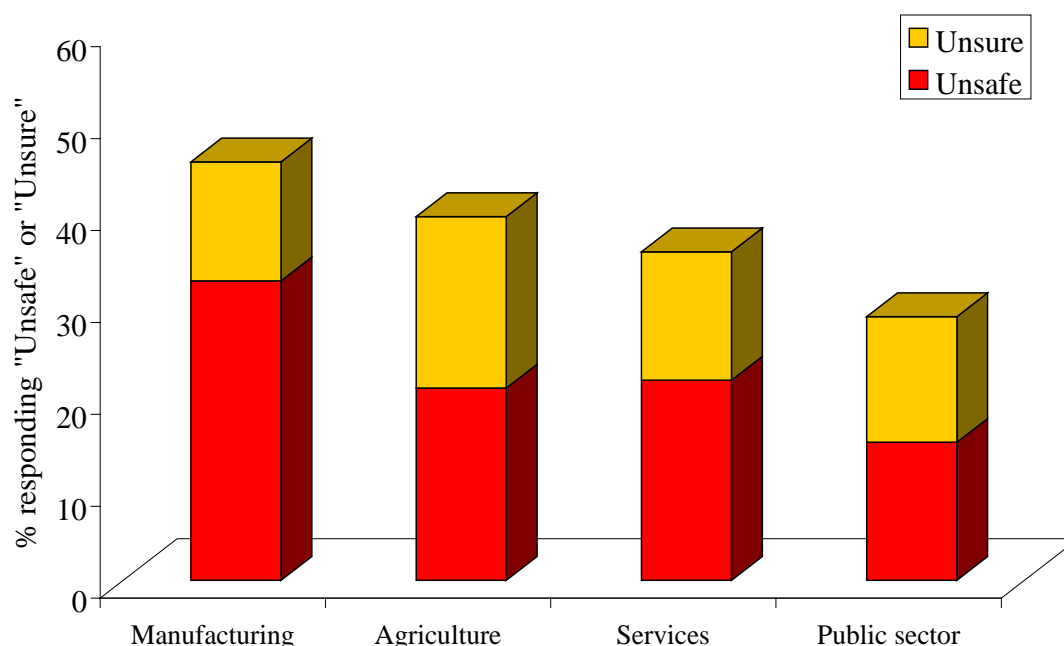
These figures might be regarded as fairly normal. However, about one in every four Ukrainian workers believes their workplace is “unsafe”, and a further one in every seven is unsure. These figures are far from the norm.²⁶ Those working in manufacturing are most likely to feel unsafe (Figures 49). And the situation has not improved in recent years (Figure 50)

Indeed, it is strange that more workers think their working conditions are unsafe now; the main change is that many more workers in manufacturing industries said their conditions were unsafe, whereas before many more said they were uncertain. The general rise could reflect a real deterioration or greater awareness of poor conditions; minor sampling differences seem most unlikely to explain the big jump.

²⁵ ILO, *Economic Security for a Better World* (Geneva, ILO, 2004).

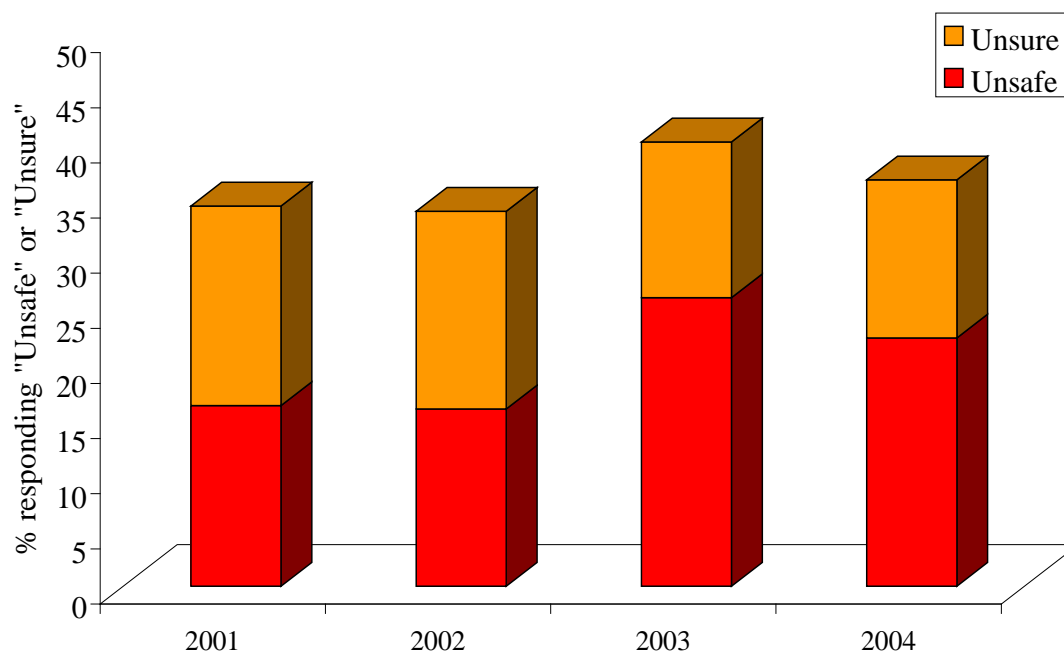
²⁶ In addition, 14.7% of all those economically active said that they felt insecure in their work, and a further 20.1% said they were unsure.

Figure 49. Per cent thinking that working environment is unsafe, by sector, Ukraine, 2004



Source: UPSS4, N = 4,305,815

Figure 50. Per cent thinking that working environment is unsafe, Ukraine, 2001-2004



Source: UPSS1, 2, 3, 4

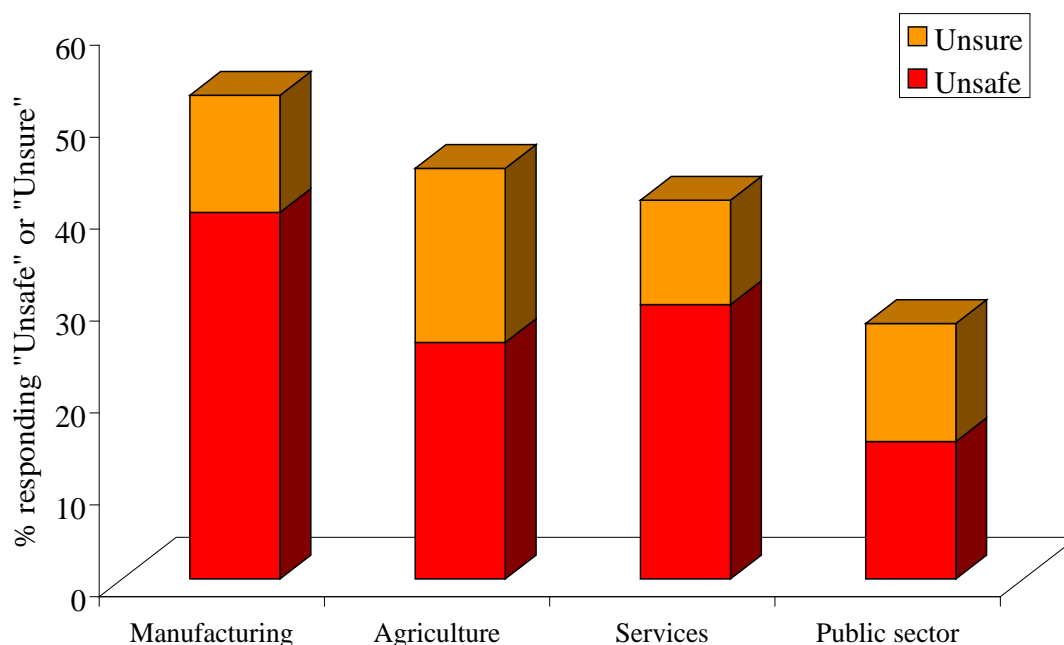
One feature of these findings must be emphasized. According to the Ukrainian Constitution, “*The employment of women and minors for work that is hazardous to their health is prohibited.*”²⁷ The Ukrainian Labour Code also prohibits the use of women in “*labour in difficult jobs and jobs with harmful and unsafe working*

²⁷ Constitution of Ukraine, adopted at the Verkhovna Rada of Ukraine, Kiev, June 28, 1996, article 43.

conditions".²⁸ The Ministry of Health has also issued a detailed list of 725 types of job for which women may not be hired, in principle.²⁹

The fact is that, although not to the same extent as men, many women do work in hazardous and unsafe conditions (Figures 51 and 52). This implies that the laws and regulations are being systematically ignored and not enforced. This in itself should be a cause for concern. However, it should be recognized that these regulations, probably well-intentioned, are highly *paternalistic* and are perversely conducive to systematic *discrimination against women*.³⁰ If work is hazardous, no group should be required or expected to do it, or appropriate safeguards should be introduced or enforced. And if certain types of job require specific capacities, the labour policy should concentrate on the criteria themselves, not the gender of the person.

Figure 51. Per cent of men thinking that working environment is unsafe, by sector, Ukraine, 2004



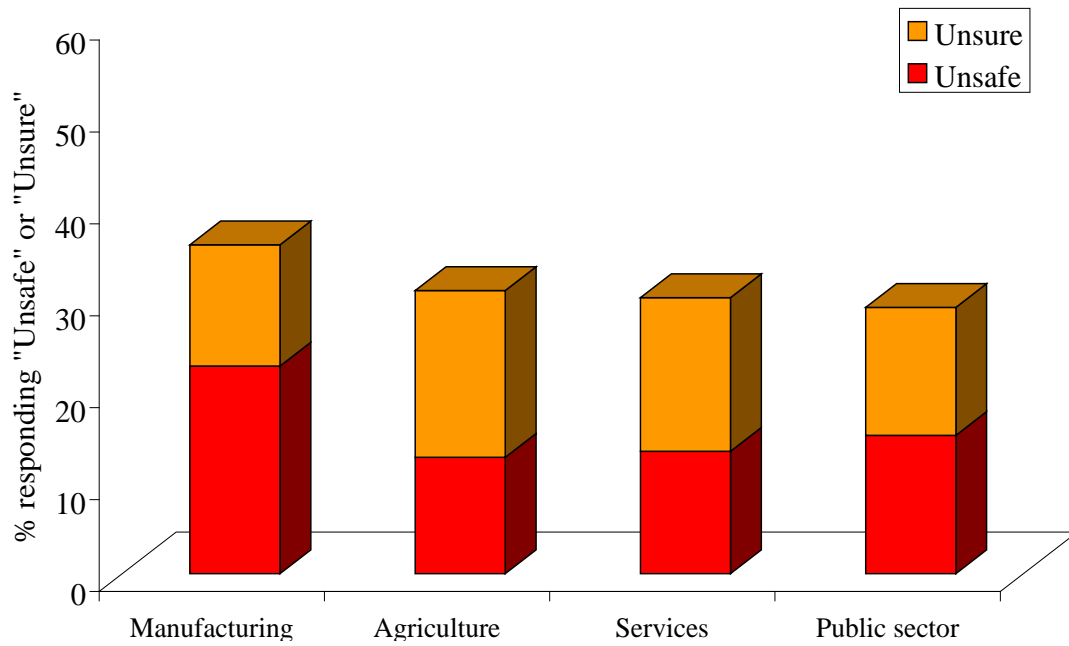
Source: UPSS4, N = 4,305,815

²⁸ Ukrainian Codex of Laws on Labour (Kiev), article 174. The following article in the Code prohibits the recruitment of women for night work, except for emergencies and for occasional temporary work.

²⁹ Ministry of Health, Order No.241 and Order No.256 (Kiev, Ministry of Health, December 10 and 29, 1993). The former lists the jobs, the latter the "maximum norms" for lifting and transferring heavy objects.

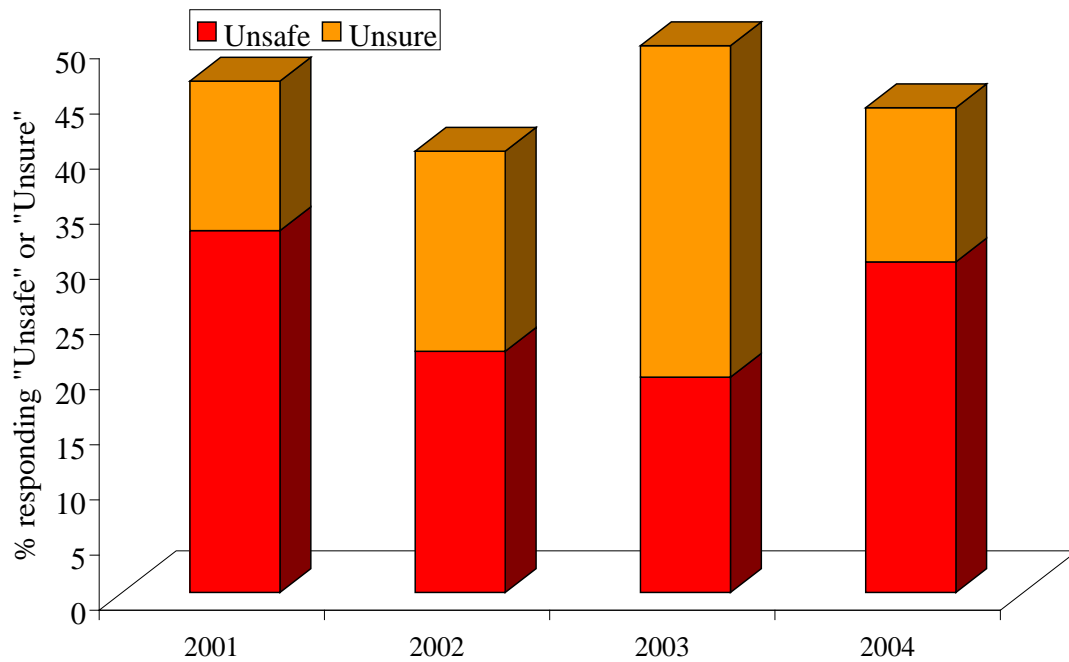
³⁰ We are fully in agreement with other analysis of this issue. Human Rights Watch, Women's Work: Discrimination against women in the Ukrainian labour force, Vol.15, No.5 (D), August, 2003, p.15.

Figure 52. Per cent of women thinking that working environment is unsafe, by sector, Ukraine, 2004



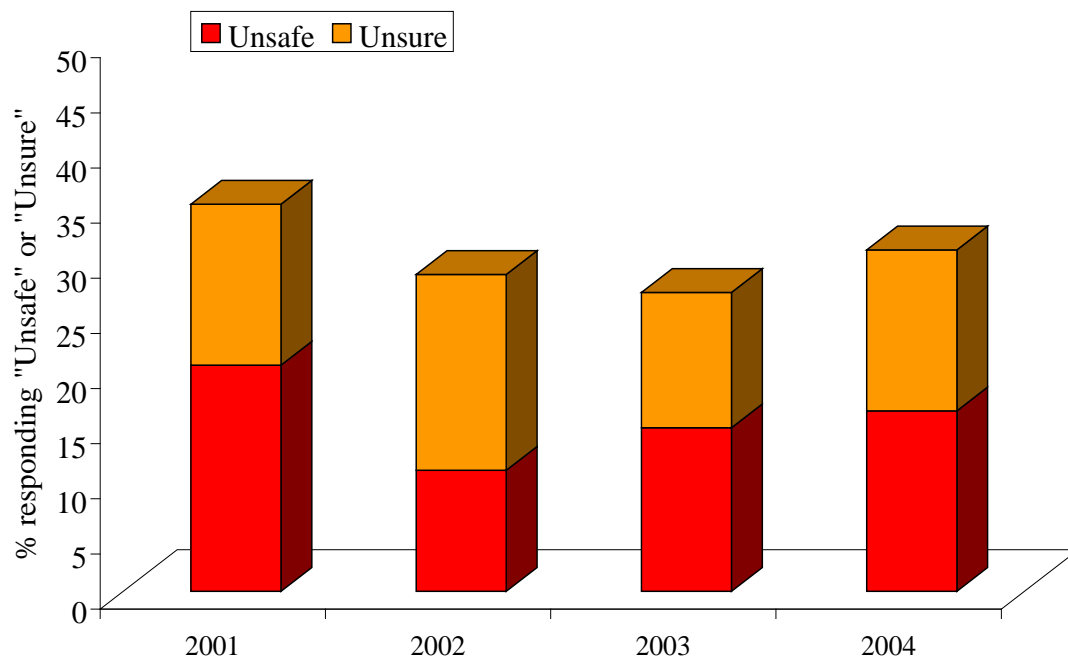
Source: UPSS4, N = 5,212,524

Figure 53. Per cent of men thinking that working environment is unsafe, Ukraine, 2001-2004



Source: UPSS1, 2, 3, 4

Figure 54. Per cent of women thinking that working environment is unsafe, Ukraine, 2001-2004

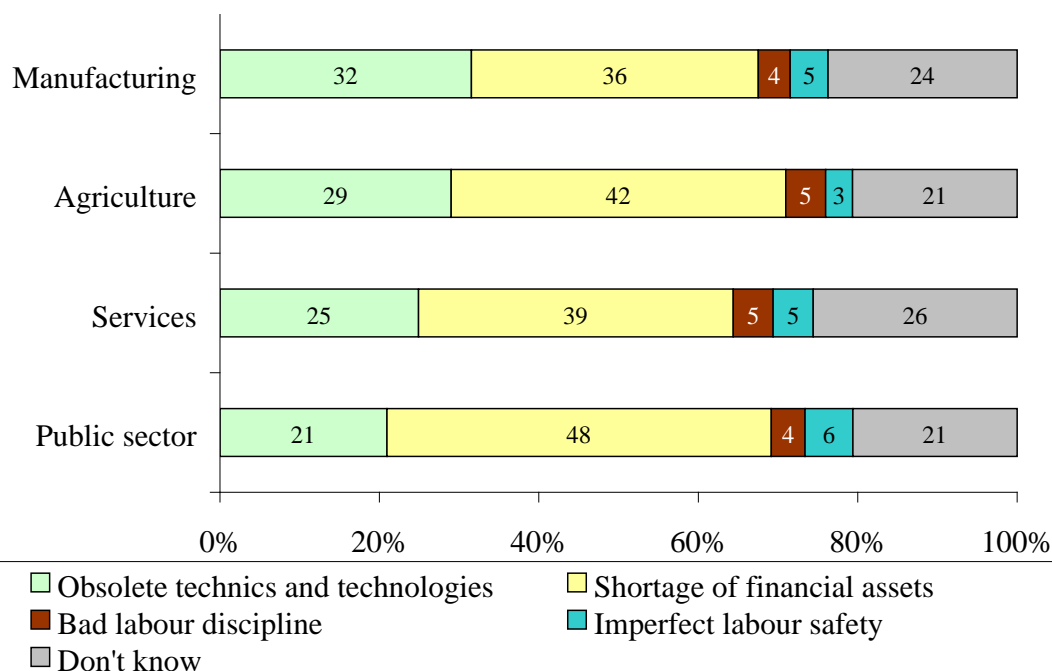


Source: UPSS1, 2, 3, 4

Clearly, unsafe labour is widespread due to the state of the economy and the legacy of lack of appropriate investment. In that regard, more workers attribute unsafe working conditions to lack of funds to make improvements (42%) and to *obsolete equipment and technology* (26.2%) than to anything else, with poor procedures or labour indiscipline being less often mentioned (Figure 55). The main factors that workers themselves notice are unguarded dangerous machinery, excessive noise and chemicals in the air (Tables 16 and 17). One must be wary of interpreting the low responses on monotonous movements and labour intensity, since these tend to reflect expectations as much as actual conditions.

Why do workers put up with unsafe or *hazardous* conditions? Respondents were asked why people did so, and the most common reason was that they did because of the extra pay involved (44.2%); this was followed by fear of job loss (20.7%), lack of alternative given their qualifications (15.7%), additional leave or benefits (10.9%) and willingness to overlook the risk (7.4%).

Figure 55. Reasons preventing safe working conditions, by sector, Ukraine, 2004



Source: UPSS4, N = 4,305,818

Table 16. Sources of workplace hazards, by sector, Ukraine, 2004
(per cent men reporting specific factor, multiple responses allowed)

Hazard	Sector	Manufacturing	Agriculture	Services	Public service
Chemicals	Unsafe	21.6	15.0	13.8	9.1
	Unsure	14.1	16.6	13.6	7.1
Unguarded/dangerous machinery	Unsafe	34.1	22.1	26.5	9.5
	Unsure	10.6	16.6	12.3	6.8
Ionizing radiation	Unsafe	14.6	6.2	11.3	6.7
	Unsure	20.3	25.4	16.5	11.2
Excessive heat or cold	Unsafe	24.2	13.1	14.6	6.7
	Unsure	12.6	17.5	14.9	9.1
Excessive noise	Unsafe	31.8	16.9	21.8	9.5
	Unsure	11.2	17.0	12.4	8.1
Excessive vibration	Unsafe	20.9	13.9	17.6	6.7
	Unsure	14.2	18.7	14.4	9.6
Gas-laden air	Unsafe	27.8	14.5	15.3	5.1
	Unsure	13.7	19.4	16.8	11.1
Monotonous movements	Unsafe	15.8	5.2	6.8	3.9
	Unsure	19.3	23.9	22.6	13.3
Underground work	Unsafe	13.3	9.6	9.9	6.4
	Unsure	21.7	24.1	21.7	12.5
Intensity	Unsafe	17.7	10.5	14.3	9.7
	Unsure	22.5	25.8	25.0	13.6

Source: UPSS4, N = 9,518,341

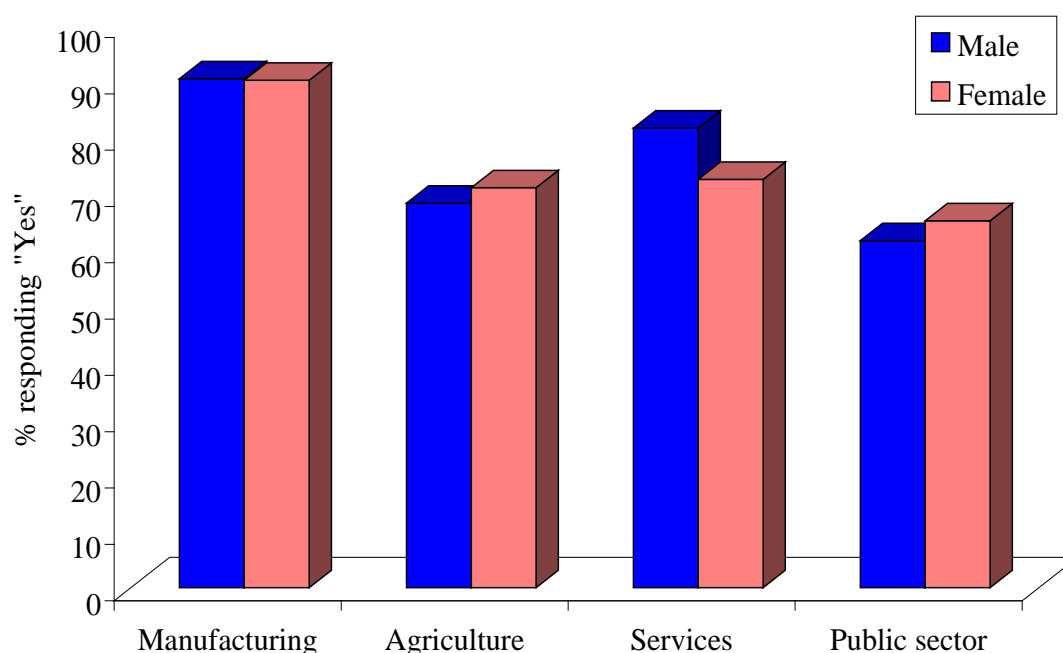
Table 17. Sources of workplace hazards, by sector, Ukraine, 2004
(per cent women reporting specific factor, multiple responses allowed)

Hazard	Sector	Manufacturing	Agriculture	Services	Public service
Chemicals	Unsafe	12.7	7.7	7.1	8.8
	Unsure	11.1	15.7	14.2	11.5
Unguarded/dangerous machinery	Unsafe	16.5	9.1	9.3	5.6
	Unsure	10.0	14.6	13.4	10.9
Ionizing radiation	Unsafe	9.3	5.3	6.2	6.0
	Unsure	18.8	20.6	17.0	14.1
Excessive heat or cold	Unsafe	13.4	9.4	7.1	7.2
	Unsure	11.9	16.4	13.8	10.6
Excessive noise	Unsafe	15.9	9.4	10.3	8.4
	Unsure	11.5	15.1	13.8	12.2
Excessive vibration	Unsafe	9.6	6.5	5.4	4.3
	Unsure	14.1	17.3	15.5	12.1
Gas-laden air	Unsafe	12.2	6.7	6.3	4.7
	Unsure	14.3	17.9	16.9	14.0
Monotonous movements	Unsafe	5.0	4.2	2.9	2.7
	Unsure	18.3	20.1	19.5	15.8
Underground work	Unsafe	9.3	7.0	5.7	4.1
	Unsure	17.1	20.0	20.8	15.1
Intensity	Unsafe	10.6	7.0	6.8	7.7
	Unsure	17.6	20.2	22.3	16.4

Source: UPSS4, N = 9,518,341

What is being done to rectify these evidently insecure working conditions? Safety departments and/or committees are still the norm in Ukraine, for both men and women (Figure 56), but there is pervasive scepticism about their effectiveness. Less than half of those working in establishments that had a safety department, or service, believed it to be effective (44%), whereas nearly a third believe it is insufficiently effective or ineffective (32.7%), with 42.2% in agriculture thinking that. Another source of inequality is concealed here, in that low-paid workers are more likely to be in jobs where, according to their own views, there is only an ineffectual safety service.

Figure 56. Existence of safety committee or department in workplace, by sector, Ukraine, 2004



Source: UPSS4, N = 4,305,817

An aspect of work security that tends to be outside the responsibility of safety departments is personal safety from physical threat or mental *stress*. This is a considerable problem globally, as we have shown elsewhere.³¹ In Ukraine in 2004, some 3.9% of all workers said they had been harassed in some way in the past 12 months (4.3% of women, 3.7% of men), of which 1.2% amounted to systematic rudeness and 1% from managerial pressure. Stress and harassing behaviour at work are issues receiving increasing attention internationally. Some 3.2% of workers in Ukraine, according to the survey data, claim to have missed work for stress-related reasons in the past 12 months.

Sexual harassment is a sensitive issue in all countries. In Ukraine in 2004, only a tiny proportion of women claim to have had this problem, but about 2% of all workers said they knew of other workers who had been exposed to sexual harassment over the past 12 months. It is most likely that these figures understate the real problem.³² Over two in every five workers (43.7%) believed firms should have a specific policy to deal with such harassment in the workplace, with 23.3% saying there was no need for one. *It is surely necessary for the Government to adopt new measures to ensure that if such harassment does occur there are appropriate remedies.*

In sum, work insecurity remains a chronic problem for Ukrainian workers, and the new Government needs to rectify many aspects of it. If the country is to be integrated progressively into Europe, this feature of the labour market must be radically improved.

³¹ ILO Socio-Economic Security Programme, 2004, op.cit., chapter 7.

³² According to one report, "It is generally agreed that sexual harassment of women in the workplace is a widely tolerated social practice in Ukraine, and, given the precarious nature of the current job market, is one which women are often forced to put up with." O. Rudneva, G. Khrystova, I. Kononenko, N. Orlova and O. Kochemyrovska, Alternative Report to the UN Committee for the Elimination of All Forms of Discrimination against Women (Kharkiv, CEDAW, 2002), p.15.

8. Skills Reproduction Security

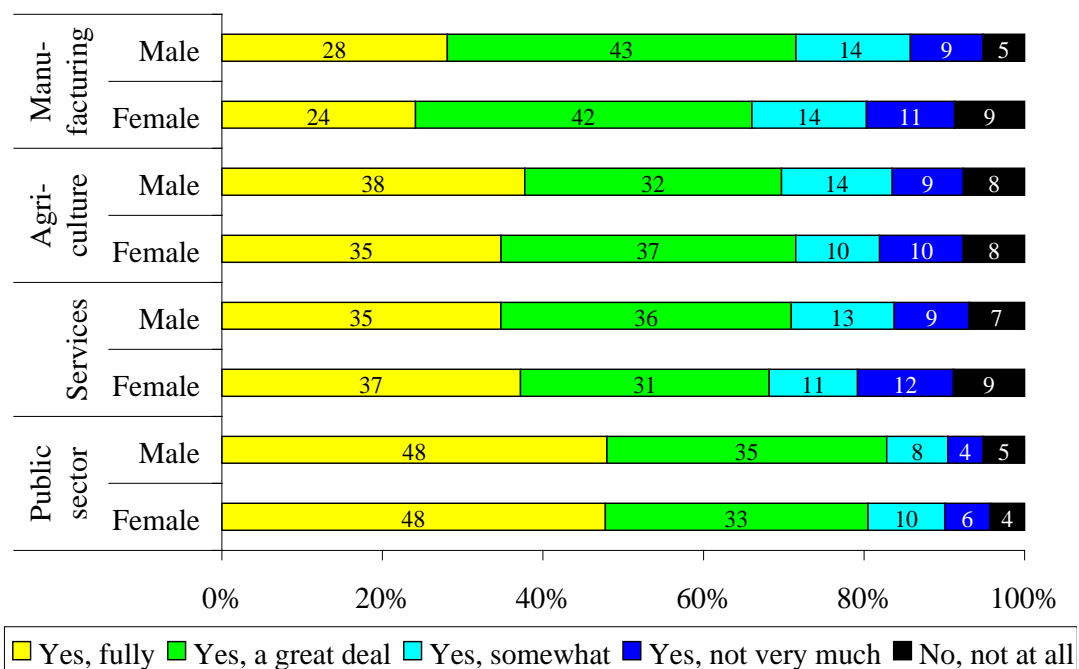
Everybody has innate competencies; everybody could benefit from having their competencies brought out, through formal and informal education, training and work experience. “Skill” is neither fixed nor, except very rarely, used to its optimum degree. Possessing and using competencies is part of human security, as is the knowledge and opportunity to modify, refine or redevelop skills if the need or opportunity arises.

Ukraine has a rich culture, in which learning has played an important part. But labour training and retraining have been relatively neglected in the recent past. Systems of enterprise-based training were abused or neglected in the latter part of the Soviet era, often being disguised as perks for workers. Developing a new culture of learning and occupational competence is particularly difficult in the light of that legacy. But it must be done if Ukraine is to modernise.

Although it was often a misnomer in the Soviet era, when ‘going on training’ was almost a euphemism for a bureaucratic perk, a lot of workers in Ukraine have had some training. But it is clear that for the needs of a modernising society, the system of training is in a bit of a mess and there is a *skill allocation* problem.

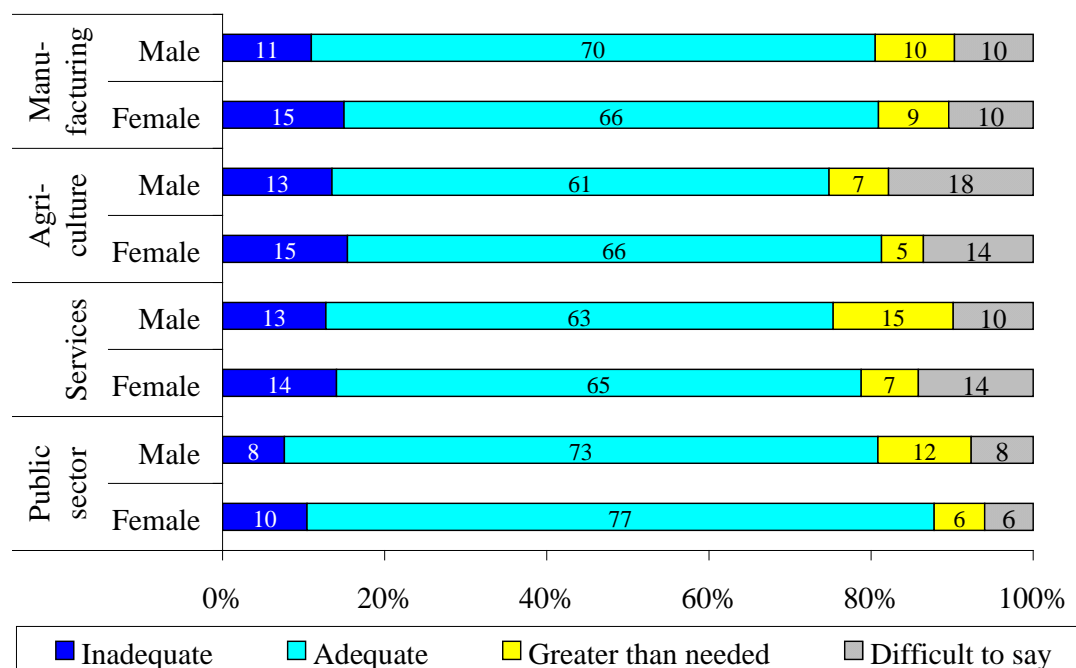
For example, only a little over a quarter of workers in manufacturing use the training they have received ‘fully’ (Figure 57). And while a lot of workers feel that their formal skills are ‘inadequate’ for their jobs, almost as many feel that their skills are greater than needed for the jobs they are doing (Figure 58). Another way of looking at it is that in agriculture, manufacturing and private services, only about two-thirds of all workers think their skills are in balance with the work they are required to do.

Figure 57. Per cent of workers using training in their job, by sector and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 9,239,979

Figure 58. Workers' view on adequacy of skills for their job, by sector and gender, Ukraine, 2004 (per cent)

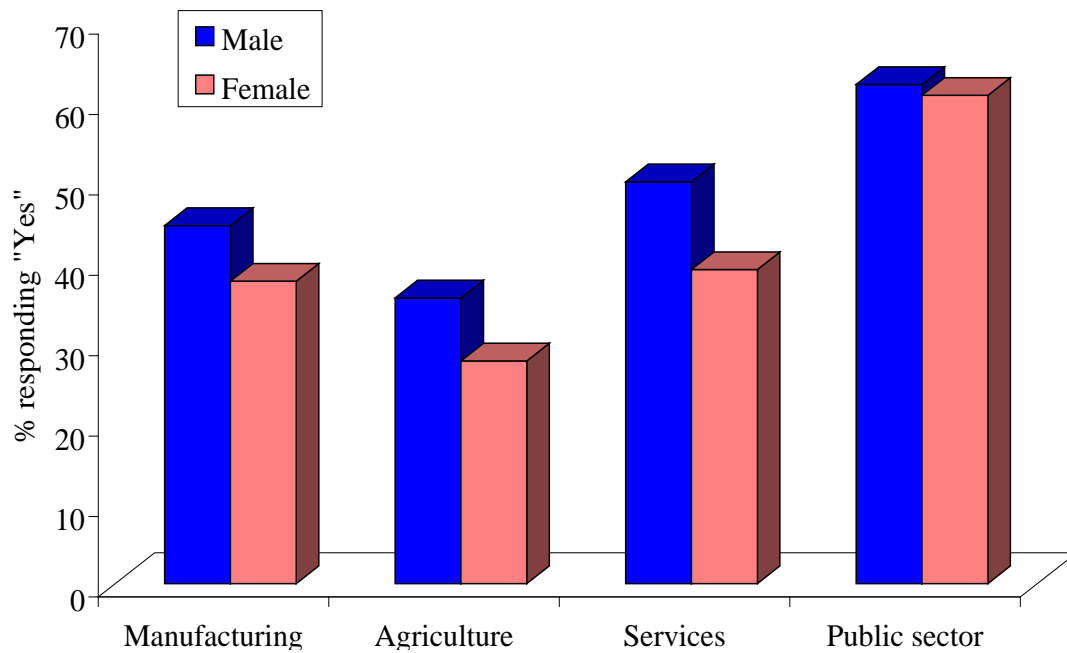


Source: UPSS4, N = 9,239,977

A large proportion of workers are not confident of using their past training in their jobs in the next five years – a large majority in agriculture and manufacturing (Figure 59). Is this recognition that the past training was inadequate, or that their old jobs have become obsolescent? In any case, it could have various effects on their desire or willingness to take fresh training. They might be made reluctant to do so because previous training has left them with no sense of a possession of viable skills, or it might prompt them to upgrade to meet the emerging challenges.

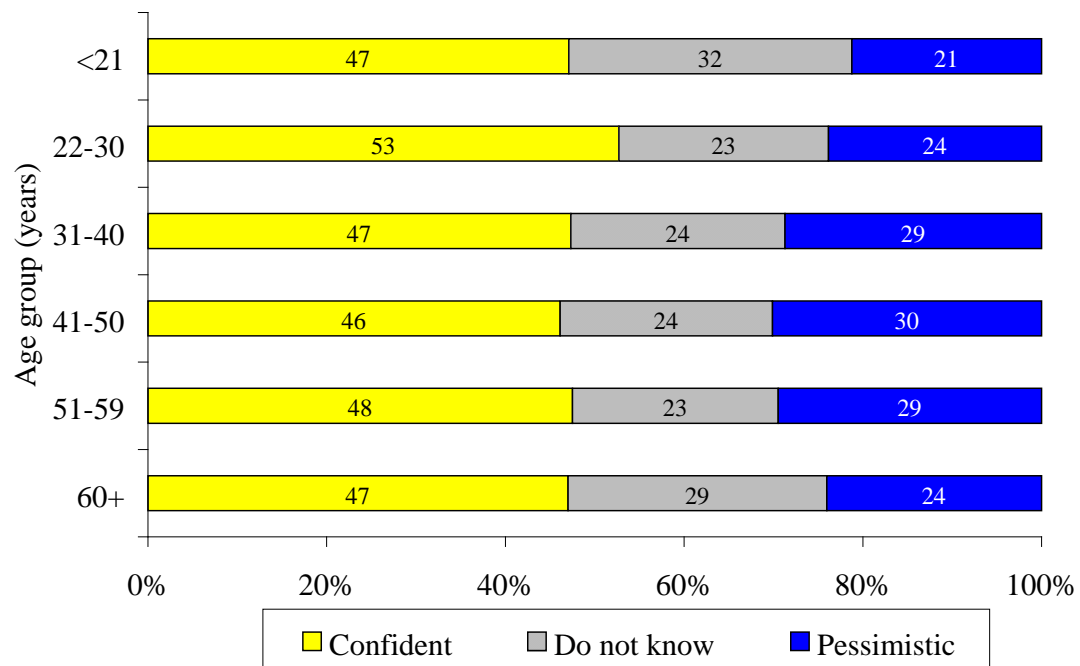
All we can say from the available data is that a large number of workers, particularly those in their 20s and 30s, recognise the need to acquire new skills in the near future (Figures 60, 61 and 62); the proportion of young workers expressing this was slightly more than in 2003. But what is potentially a major problem is that only about half the workforce believe they would have access to training (Figure 63).

Figure 59. Feeling confident of using past training over next five years, by sector and gender, Ukraine, 2004 (per cent)



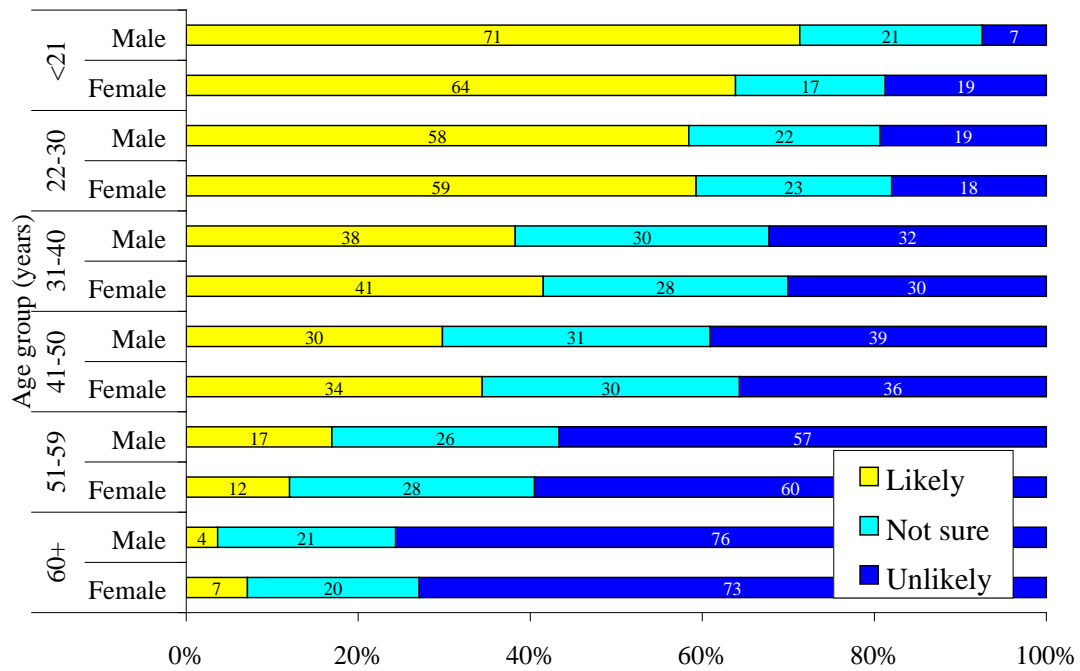
Source: UPSS4, N = 9,239,976

Figure 60. Extent of confidence in using past training over next five years, by age, Ukraine, 2004 (per cent)



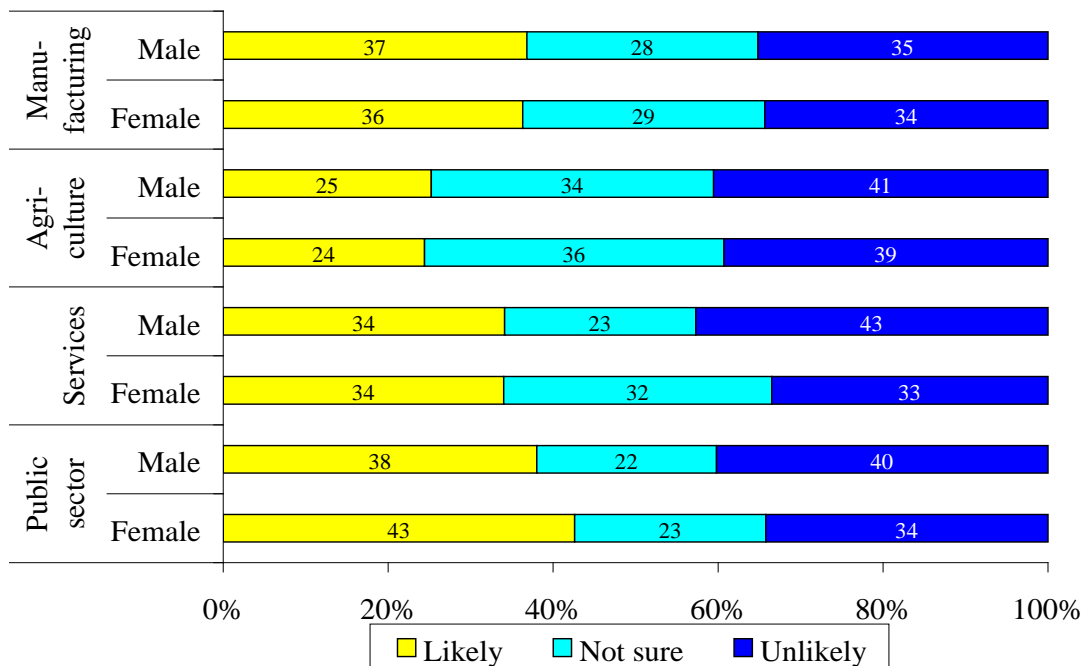
Source: UPSS4, N = 9,239,977

Figure 61. Perceived need to acquire new work skills in next five years, by age and gender, Ukraine, 2004 (per cent)



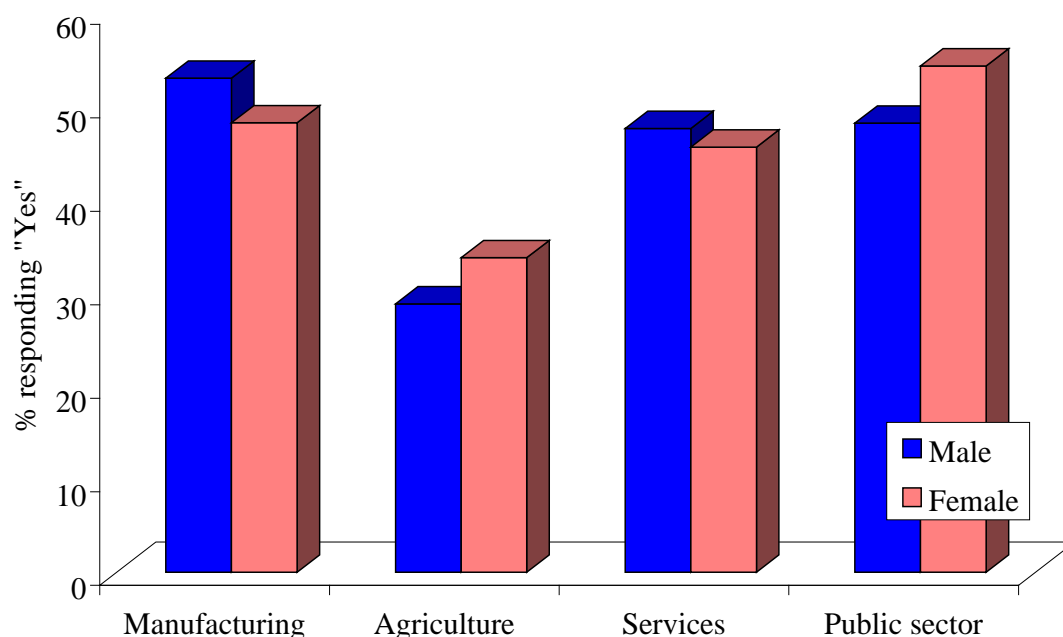
Source: UPSS4, N = 9,518,341

Figure 62. Perceived need to acquire new work skills in next five years, by sector and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 9,518,344

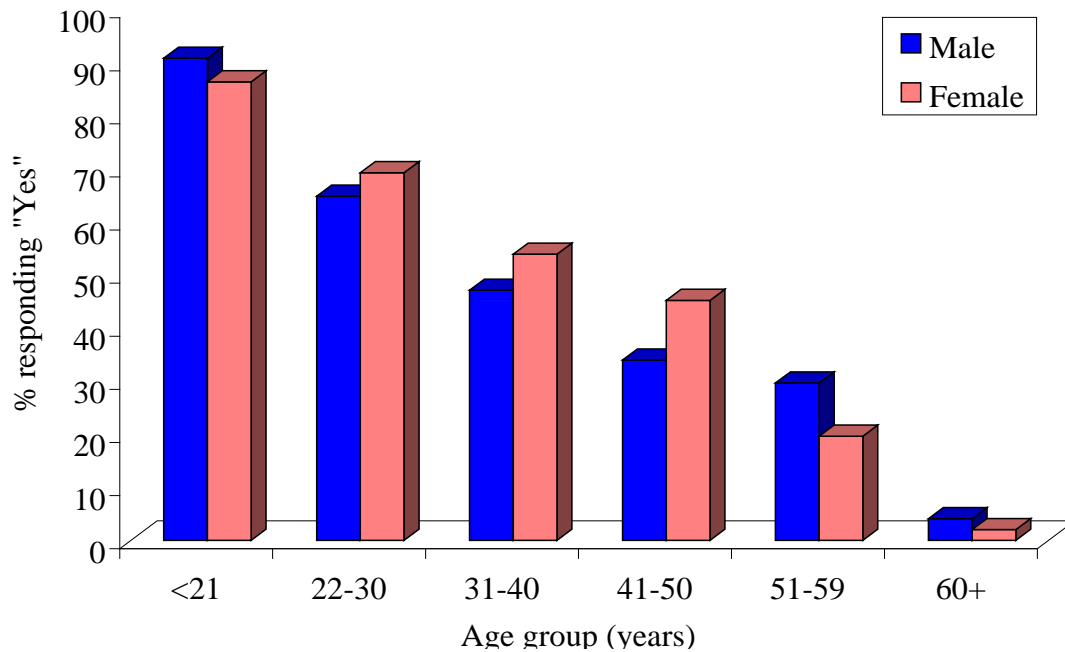
Figure 63. Perceived access to training if needed, by sector and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 9,518,342

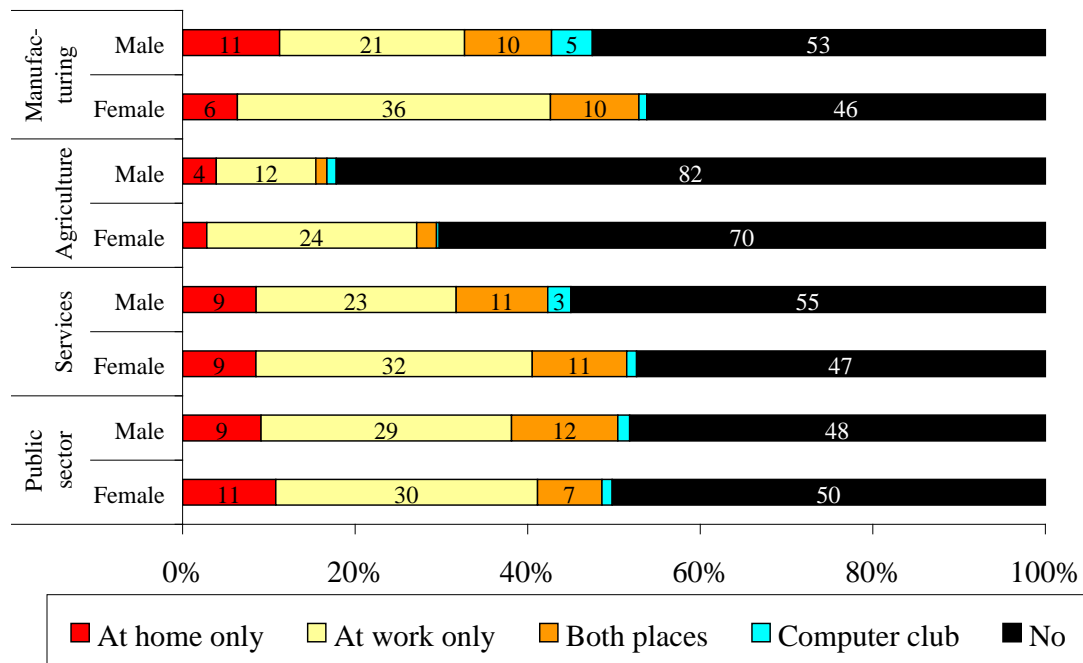
A key skill in the 21st century is the capacity to use computers. In this regard, in the 1990s Ukrainians were at a disadvantage relative to citizens in many other European countries. The situation is still not good, but is improving. Slightly more young Ukrainians say they can use a computer than was the case in previous rounds of the survey, and there is evidence that more have access to computers, both at home and at work. Over two-thirds of all those in their 20s and 30s say that they can use computers (Figure 64). But still a majority does not have access to a computer (Figures 65 and 66). The latter will have to improve further.

Figure 64. Ability to use a computer, by age and gender, Ukraine, 2004 (per cent)



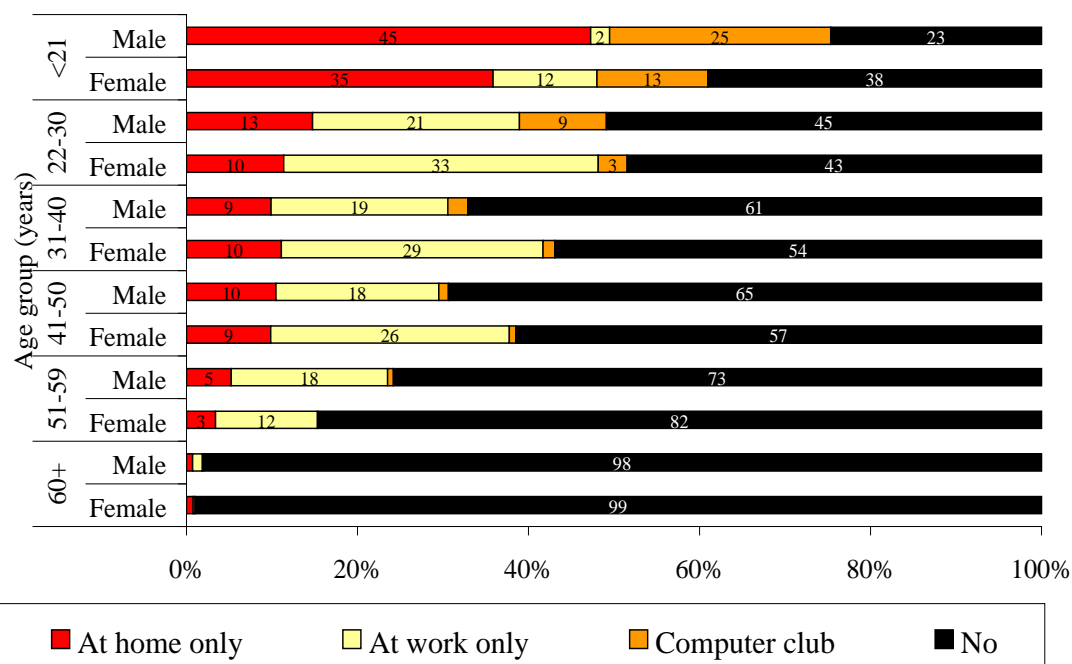
Source: UPSS4, N = 18,405,871

Figure 65. Access to computer, by sector and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 9,475,093

Figure 66. Access to computer, by age and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 18,405,869

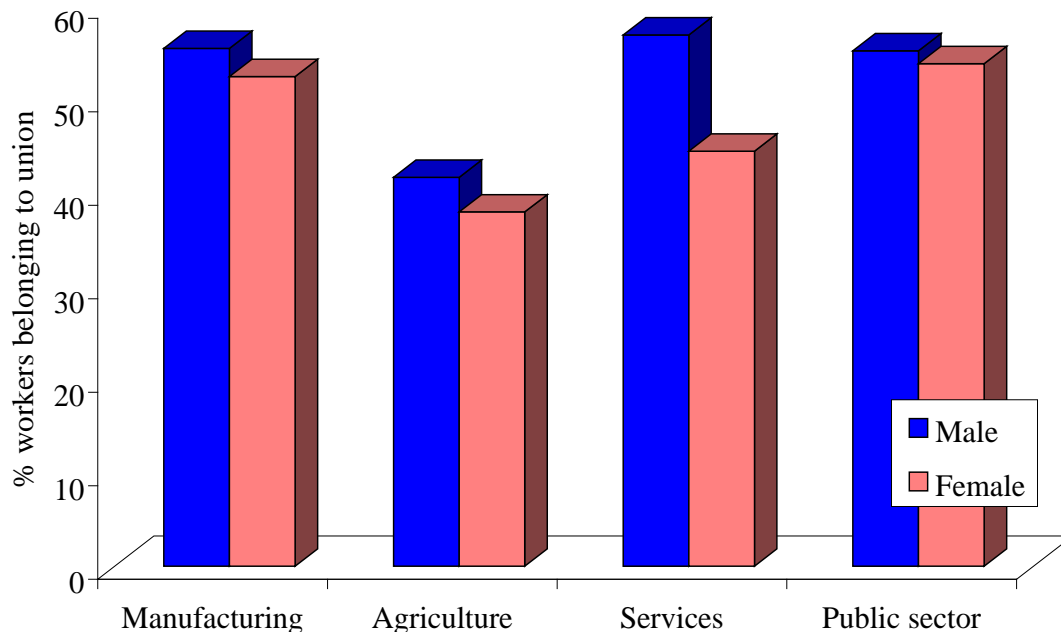
With respect to skill reproduction security, it should be recognized that this is one area where women do not have a disadvantage, which is quite unlike the situation in many if not most countries. A basic reason is that within the formal schooling system young women and men seem to be treated as equals. But at the end of secondary schooling, young men are faced by a period of military service, during which time the young women of the same age can continue with their formal education. To the extent that educational credentials are used as screening criteria in recruitment and promotion, this may give young women a distinct advantage in the labour market.

9. Voice Representation Security: A Disappearing World?

It can be argued that the two primary forms of economic security are income security and *Voice representation security*.³³ Without effective Voice, both collective and individual, the vulnerable will always remain vulnerable, to exploitation, oppression and all forms of insecurity. Traditionally, the trade union has been the representative voice of workers. But it lost its radical edge under the Soviet system; many would say that it has remained too close to management to be much more than a supplementary part of management. However, trade unions have remained the main – if not only – vehicle for worker bargaining and representation.

During the 1990s, the *unionisation* level (i.e., the percentage share of the labour force in unions) has declined from its artificial level in the Soviet era, when it was virtually impossible to be outside a union and hold a formal job. But the level may have stabilised – being just over 50% in both 2003 and 2004. Unionisation among men remains slightly higher (Figure 67).

Figure 67. Unionization, by sector and gender, Ukraine, 2004 (per cent)



Source: UPSS4, N = 9,518,342

Many more people (26.3%) thought that unionization had fallen over the past five years than thought it had risen (4.2%); 6.7% thought it was about the same, and 62.7% said they did not know. As for their general attitude towards unions, more were positive (45.7%) than negative (20.1%), with 34.2% reporting that they had a “mixed opinion”. This reflected a slight recovery in pro-union attitude over the previous year. As in the past, older workers were more likely to have a positive attitude.

As emphasized in reports on previous rounds of the UPSS, the union movement in Ukraine has a big educational challenge ahead of it if it is to secure legitimacy. For instance, many more workers supported “company unions” (28.2%) than industrial or sectoral unions (8.1%), with 35% saying they did not know what type they favoured

³³ ILO Socio-Economic Security Programme, 2004, op.cit.

and 23.1% saying 'none'. Most trade unionists in market economies would regard company unions as less independent and more dependent on management than industrial unions.

Few Ukrainians (10.9%) knew of any other organizations that might represent workers' interests apart from unions, although over half (57.4%) thought they knew of an organization that would represent the interests of the self-employed. Presumably the latter included employers' organizations. Essentially, unions are still the only mainstream organizations to represent workers, even though there is ample evidence that NGOs are spreading and are seen increasingly as institutions to which to turn in times of need.

An aspect of representation is *participation*, which can take many forms. One indicator is the extent of communication between workers and management. In this respect, 61% of workers said they had opportunity to discuss claims and personal issues with management, while 20.6% said they had no such opportunity and 18.4% said they were unsure. And 48.3% said they thought they could trust their management to look after their welfare, while 31.1% thought they could not trust them.

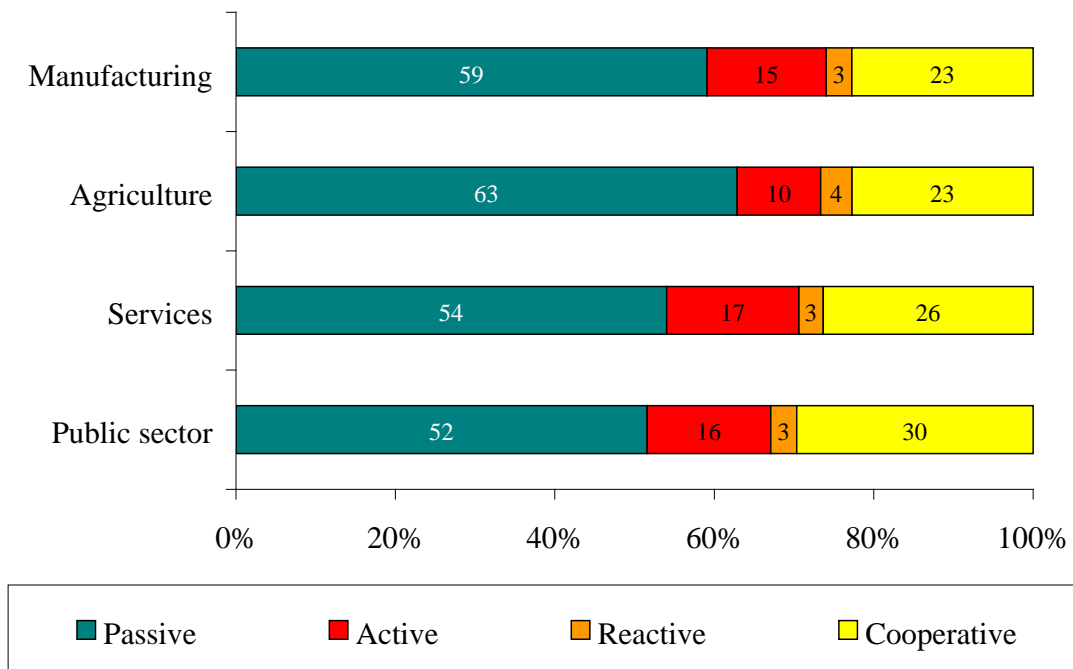
Whether or not people know of organizations of representation is one indicator of collective consciousness. Whether or not they choose to belong – or are able to belong – is another. Whether or not they would be prepared to take collective or individual *action* to defend their *rights* or defend or advance their *entitlements* is quite another.

Are Ukrainians typically passive or active citizens? Are they solidaristic or individualistic in their attitudes and behaviour? Obviously, these are complex questions. There are several indicators in the UPSS.

As in previous rounds, employed workers were asked: “*What type of attitude characterises the majority of workers in your enterprise?*” Just over 56% said that most workers were generally ‘passive’, 25.8% thought they were “cooperative”, 3.3% thought they were mainly ‘reactive’, while merely 14.7% thought they were ‘active’ And, as observed in earlier years, agricultural and industrial workers were more likely than service and public service workers to perceive their fellow workers as passive (Figure 68).

When asked what type of attitude best characterised themselves, only 28.1% said they were passive, which was about the same as in previous years. About themselves, the most common answer was ‘consensual with management’, with 46.8% giving that answer (Figure 69). No doubt, this reflects how they see themselves, when the same attitude would be described more pejoratively when seen in others! However, the key point is that relatively few people feel active themselves or consider their fellow workers to be active. For Voice to be effective in addressing social and labour market ‘wrongs’ and injustices, citizens and workers must have a sense of activism.

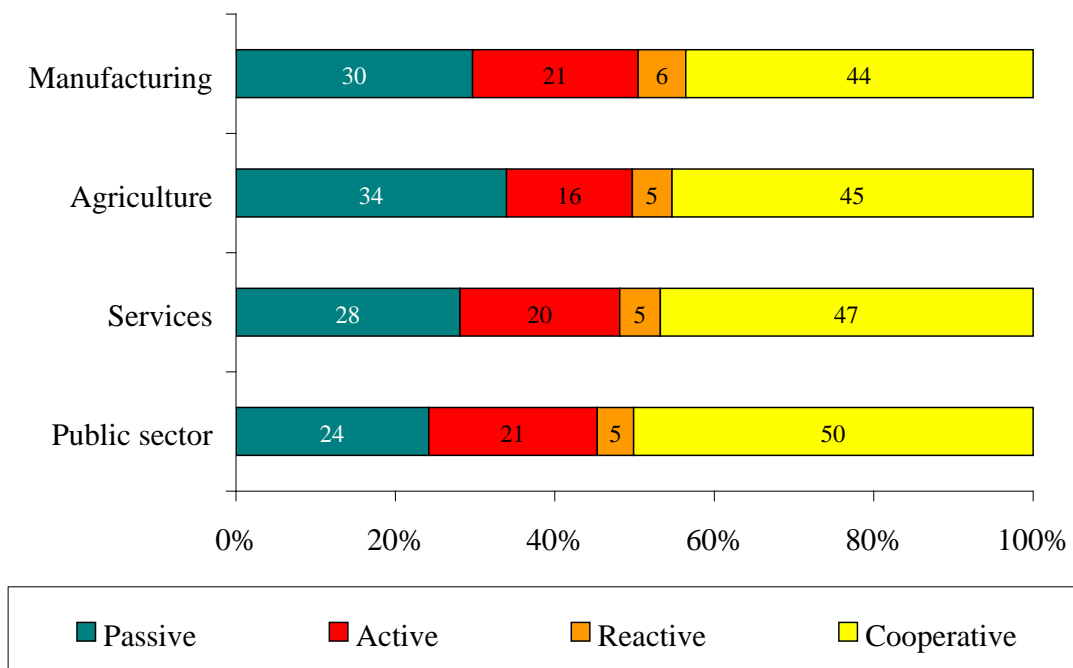
Figure 68. Perceived typical attitude for majority of workers, by sector, Ukraine, 2004



Source: UPSS4, N = 9,509,738

As in previous rounds of the UPSS, by way of exploring attitudes to collective agency and collective action, respondents were asked how they would react to certain labour market contingencies. The responses were somewhat similar to what they had been in earlier years, suggesting some collective consciousness but a lack of faith in government.

Figure 69. Perceived general attitude of respondent, by sector, Ukraine, 2004



Source: UPSS4, N = 9,518,342

For instance, as shown in Table 18 and Figure 70, in the case of sustained *wage arrears* lasting three months or more, few workers saw the government as the source of support, since only 11% thought it worthwhile applying to a government agency. This was actually more than in either of the previous two years. Some 40.5% thought they would take the employer to the courts (down from earlier years), 13.6% thought they would go to the trade unions (up slightly), 3.2% would strike (down), and 2.4% would demonstrate (down slightly). A tiny minority would take no action whatsoever (roughly the same as before), presumably reflecting a lack of faith in any of the available channels of protest.

In response to systematic neglect of *work security* (or *labour safety*), many more were inclined to turn to trade unions, followed by applications to the courts, application to government agencies, demonstration, and strike. The only response that showed an increase was “no action”, suggesting a growing resignation in the face of poor working conditions and work insecurity.

In the case of *unfair dismissal* of other workers, court action was the most common preferred action, with about a quarter thinking it would be best to rely on the unions to contest it, with a few saying application to a government agency was most appropriate, or demonstrating, or striking.

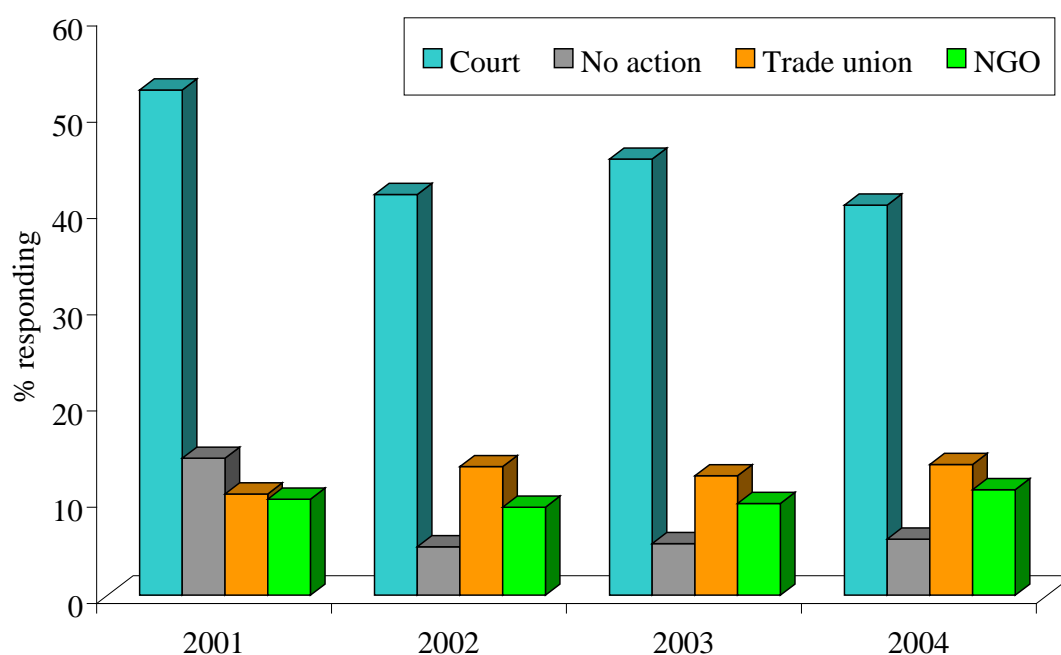
Application to the courts was the most popular reaction to *violations of a labour law or collective agreement* – one-third saying this, roughly the same as in previous years.

Table 18. Anticipated reactions to various labour market contingencies, Ukraine, 2004 (per cent of respondents)

Reaction	Wage arrears	Neglect of work security	Unfair dismissal	Violation of labour law/ collective agreement	Basic goods price increase	Local transport price increase	Disconnection of utilities	Increase in crime
Apply to the courts	40.5	22.4	30.7	33.3	6.0	5.1	13.9	17.5
Seek government support	11.0	12.1	7.4	7.8	23.3	28.3	30.9	37.9
Appeal to trade union	13.6	30.1	23.4	27.5	2.4	2.4	1.1	1.6
Demonstrate	2.4	1.7	2.1	1.3	12.9	12.7	4.6	6.0
Strike	3.2	1.5	1.7	1.2	5.8	5.7	1.6	2.8
No action	5.8	5.8	7.1	4.8	12.6	12.1	7.0	5.1
Other	3.6	4.1	3.8	3.3	4.1	3.8	5.3	4.0
Do not know	20.0	22.3	23.8	20.9	32.9	29.7	35.6	25.1

Source: UPSS4, N = 9,147,063

Figure 70. Type of action to take in case of wage arrears, Ukraine, 2004



Source: UPSS1, 2, 3, 4

The second most popular reaction was appeal to the union, followed by application to government agencies, demonstration and strike. Only one in twenty said no action should be taken, but this was up on previous years.

In response to *price increases on food and basic consumption goods*, seeking government intervention was the most common response, followed by taking part in a demonstration. But nearly as many said that “no action” was appropriate, while nearly a third said they did not know what they would do in this respect, as in the past.

In response to *price increases in local transport* – a basic need in Ukraine – the most popular action was to apply to government agencies, followed by public demonstrations, no action, strike, application to the courts, and application to trade unions.

In response to a *disconnection of water supply, gas or heating*, protesting to government agencies was again the most popular reaction, followed by application to the courts, demonstrations, strike, and appealing to trade unions. Again, inaction had increased as the preferred reaction.

In response to an *increase in crime*, easily the most popular reaction, as expected, was to look to government agencies, presumably demanding more police protection, although about a quarter said they would not know what to do. This was followed by application to the courts.

Some of these perceived responses might seem fanciful and unlikely to go very far, but they do show a pattern of perceived options to social pressures. What these figures suggest is that only a minority of workers feel that turning to the unions is the most appropriate avenue for addressing work-related or citizenship-related failings. In most respects, people do not know what they could or should do.

Finally, respondents were asked what issues they thought would be most likely to lead to protest-based reactions by workers. Low and unfair wages were the main factors (Table 19). The overall pattern was similar to that observed in the past.

Table 19. Potential reasons likely to lead to protest-based behaviour of workers, by gender, Ukraine, 2004

	Men	Women
Unfair wages	24.5	21.4
Low wages/arrears	30.7	26.0
Wage differentials	8.6	6.6
Unpaid leave	5.8	5.8
Threat of job cuts	10.8	10.4
Non-compliance of collective agreement	8.1	5.9
Delayed wages due to enterprise debt	3.0	1.7
Poor work safety	4.2	3.3
Lost benefits due to bankruptcy	2.3	2.2
Forced buy-out of workers' shares	1.1	0.7
Lack of information on enterprise	1.7	1.5
Low worker participation	1.2	0.8
Lack of information on profits	5.2	3.2

Source: UPSS4, N = 18,405,874

The picture of representation security that emerges from the 2004 round of the UPSS is that trade unions have retained a reasonably large membership but there is not a great sense of activism or collective involvement in the labour market, particularly bearing in mind the dismal social and economic circumstances over the past decade and more.

10. Views on Social Justice

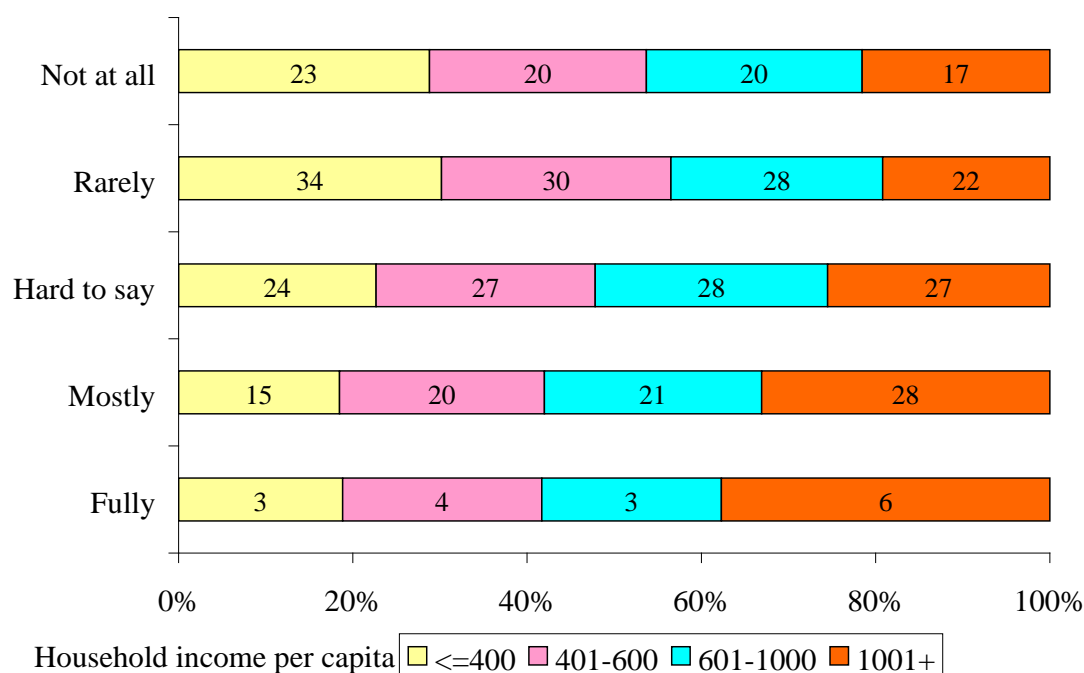
Social and economic security is ultimately a societal matter. Cultures and communities develop their norms and expectations about what is right, and governments are wise if they seek to pick up on those norms.

Security in part is about feeling that society is in tune with one's values and sense of identity. In this respect, what do Ukrainians believe should be the orientation of policies and institutions in their society? The UPSS explores this question by asking about perceptions of fairness, attitudes to income distribution and income security, and attitudes to social protection of various forms of work. This section merely presents the principal findings, recognising that a full interpretation deserves a much more detailed analysis.

Let us start with social values and *rights*. Respondents were asked, “Do you feel that you have equal rights with other members of society?” Only 4.1% said ‘yes, absolutely’ and 20.3% said ‘yes, in most respects’. In other words, less than a quarter of Ukrainians perceive equal rights as characterising its society. By contrast, 20.3% said there was definitely no equality and a further 29% said it was only in some respects, leaving 26.3% uncertain.

Women were slightly less likely to think there were equal rights, and workers were less likely than professionals and managers to think so. The older the person the more likely he or she was to think there was an absence of equal rights. And higher-income earners were more likely to think there was equality than lower-income earners. In spite of these predictable differences, what is striking is the overall feeling that there is an absence of equal rights in Ukraine.

Figure 71. Belief that equal rights are respected in Ukraine, by household income per capita, Ukraine, 2004

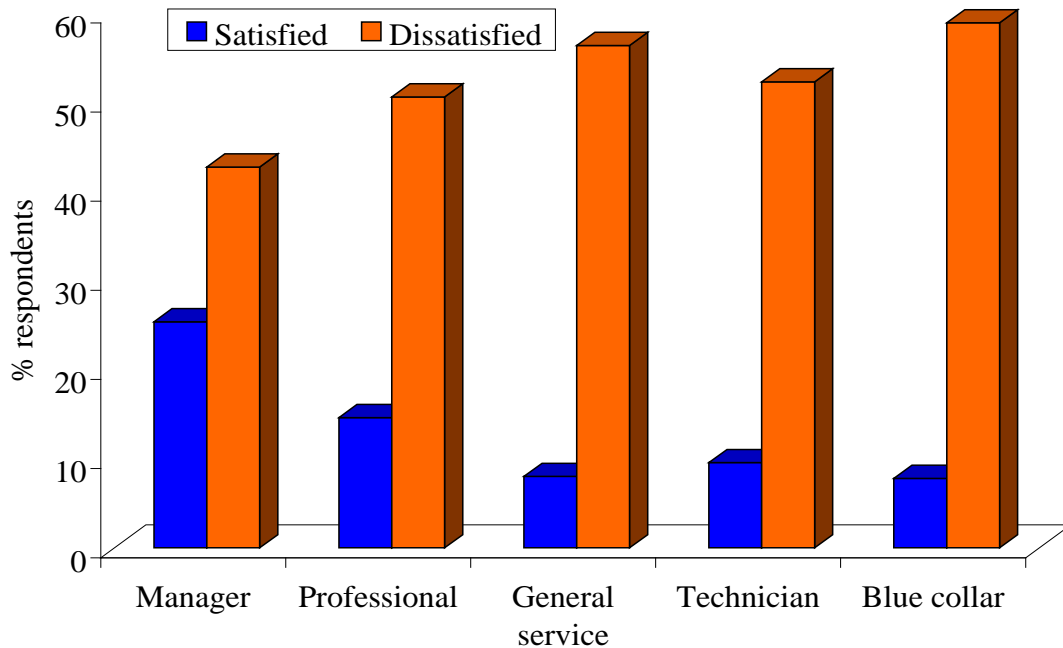


Source: UPSS4, N = 18,405,873

Social status is part of the perception of social justice. Respondents were asked whether or not they were satisfied with their personal social status. Merely 1% were ‘very satisfied’ and 12.5% ‘quite satisfied’. Over half were dissatisfied – 14.4% ‘very’ and 42.4% ‘quite dissatisfied’. These are sobering statistics.

Manual workers were most likely to be dissatisfied, but over half of professionals, technicians and general service workers were also dissatisfied, as were nearly 43% of managers (Figure 72).

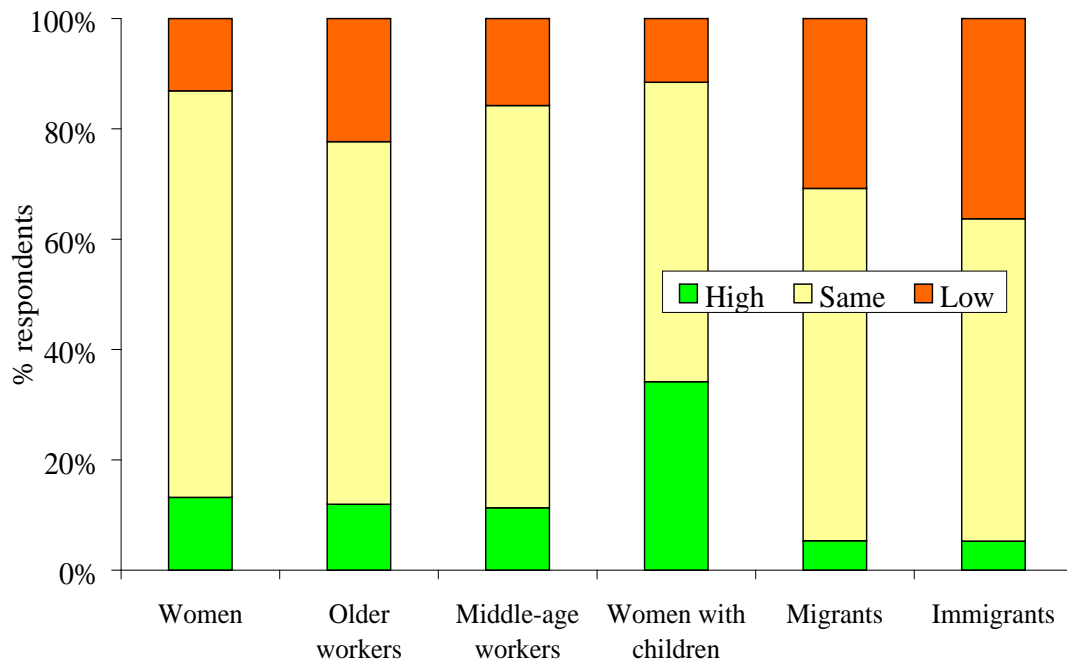
Figure 72. Whether satisfied with social status, by occupation, Ukraine, 2004



Source: UPSS4, N = 9,518,340

What then of *fairness*? In this respect, the survey has concentrated on attitudes to *discrimination* in the labour market. Two aspects were considered – recruitment for jobs and payment of wages. As Figure 73 shows, most people believe that there should be no discrimination in recruitment practices, against women, older workers or migrants from other parts of Ukraine or immigrants to the country. A similar picture in favour of equality comes through with respect to attitudes on wages. However, in both respects certain differences do emerge.

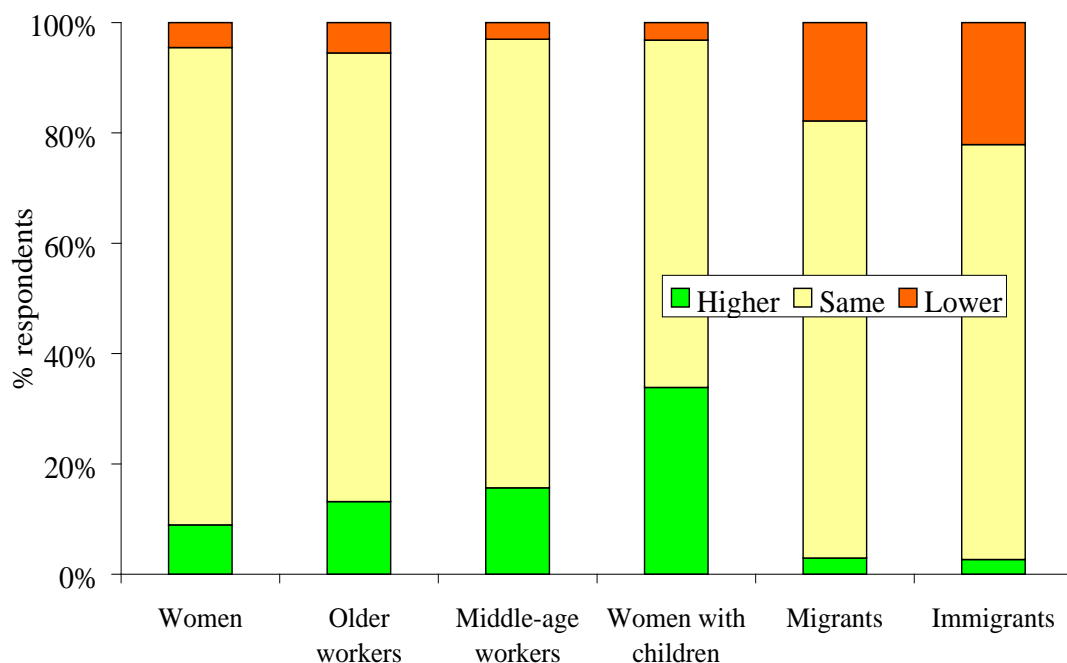
Figure 73. Whether high, low or same preference should be given in recruitment of specified groups of workers, Ukraine, 2004 (percent giving specified responses)



Source: UPSS4, N = 18,405,874

First, it is clear that there is greater willingness to tolerate or favour discrimination in recruitment practices than in wages, suggesting that certain groups should be given secondary preference for some reason but once in a job should be paid the same as others doing similar work.

Figure 74. Whether higher, lower or same wages should be given to specified groups of workers, Ukraine, 2004 (percent giving specified responses)

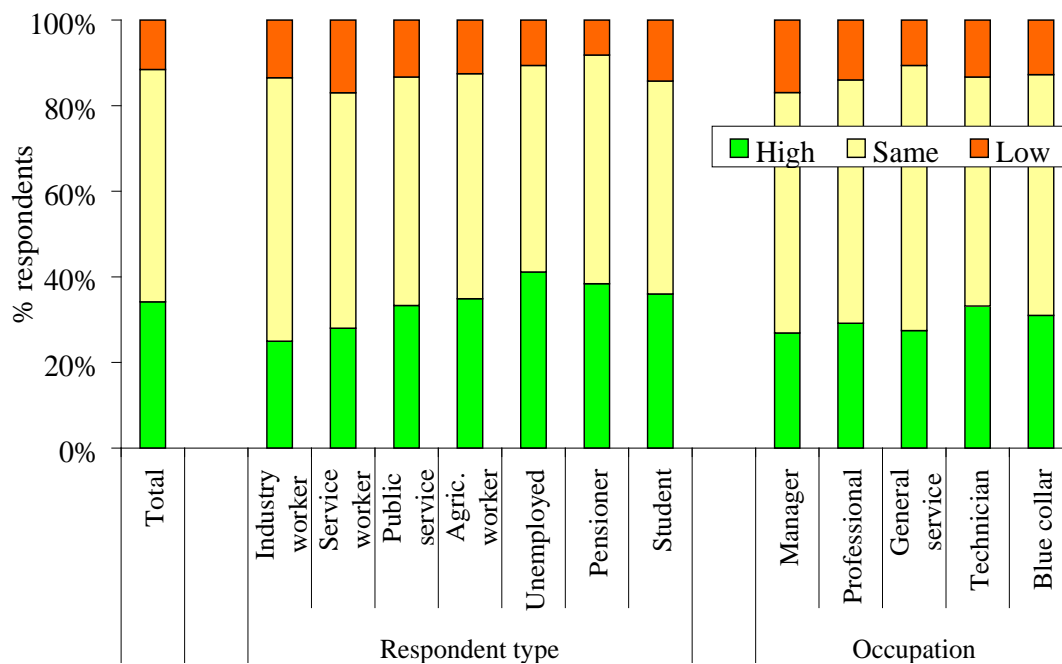


Source: UPSS4, N = 18,405,874

A substantial minority believe that there should be discrimination in favour of women with children relative to women without them, both in recruitment and in wages. This applies across all work-status groups (Figures 75 and 76). There are several possible reasons. It may be that this arises because of the special place given to mothers in Ukrainian society. It may be because most people appreciate the plight of women with small children in the social and economic circumstances of the country, and it may be because the traditional benefits and services provided to women with children have faded in recent years.

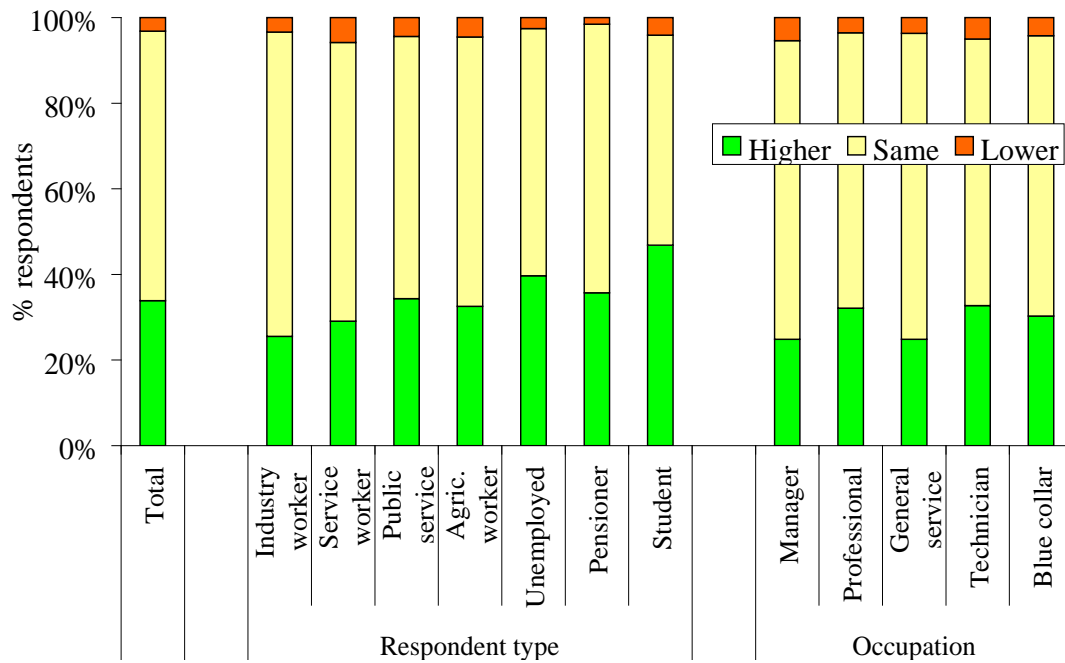
There is some evidence of *ageism discrimination*, with a minority favouring recruitment preferences for younger workers than those in their 50s, although it is not strong and does not vary by socio-economic groups (Figure 77). Given the demographic developments, Ukraine will have to retain more older workers in the labour force and will have to adapt jobs and labour policies to facilitate their continued involvement.

Figure 75. Whether high, low or same preference should be given in recruitment of women with children, by respondent type and occupation, Ukraine, 2004 (percent giving specified responses)



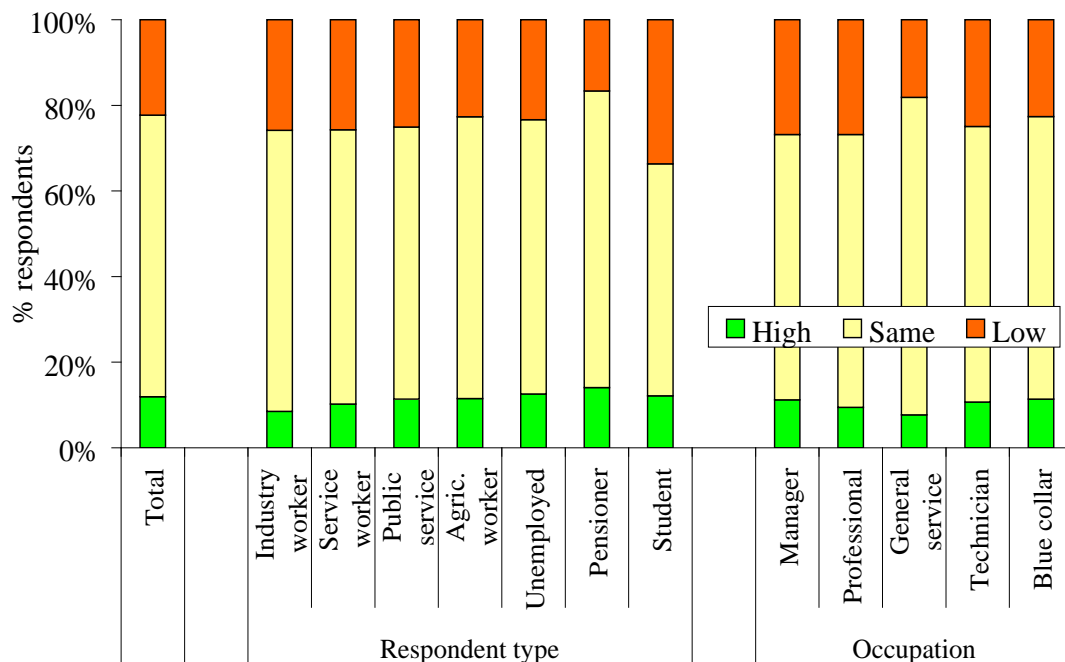
Source: UPSS4, N = 18,405,874

Figure 76. Whether higher, lower or same wages should be given to women with children, by respondent type and occupation, Ukraine, 2004 (percent giving specified responses)



Source: UPSS4, N = 18,405,874

Figure 77. Whether high, low or same preference should be given in recruitment of older workers, by respondent type and occupation, Ukraine, 2004 (percent giving specified responses)

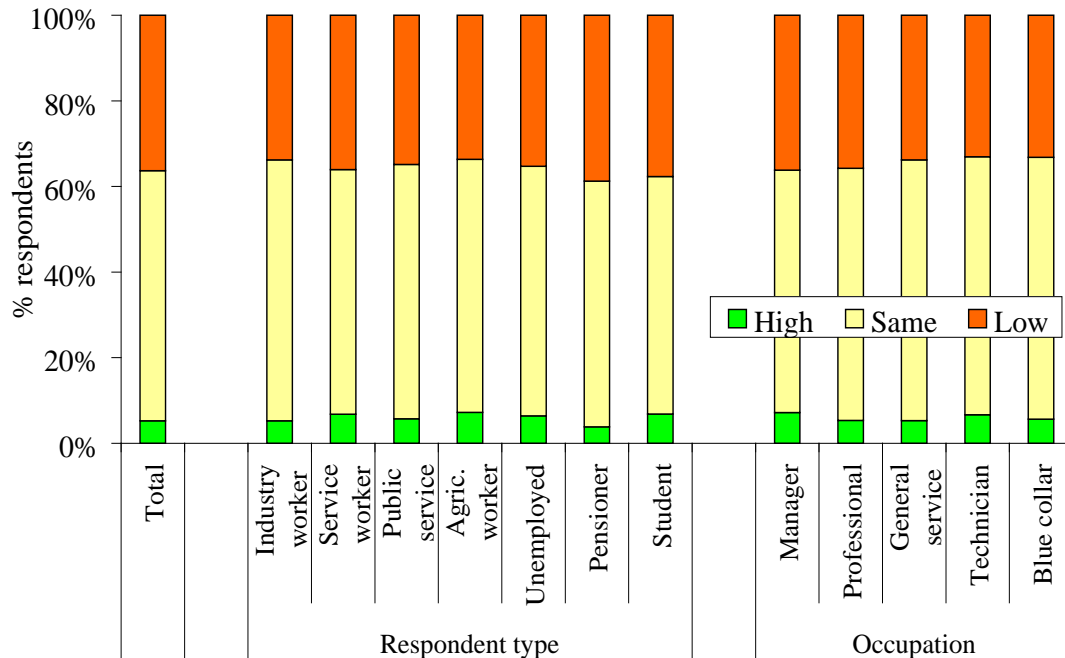


Source: UPSS4, N = 18,405,874

More significantly, there is some evidence of discriminatory attitudes towards immigrants, in that a substantial minority favour preferences being given in recruitment in favour of nationals. However, the strength of feeling seems relatively

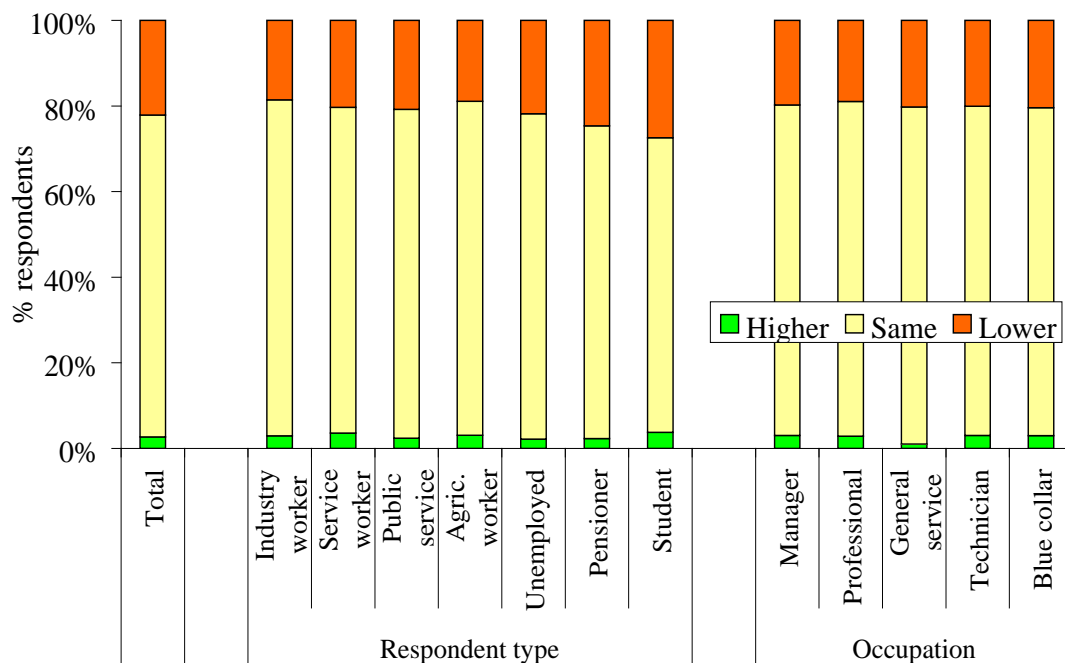
mutated compared with evidence from other countries, and there is a strong majority in favour of equal wages for immigrants and nationals (Figures 78 and 79).

Figure 78. Whether high, low or same preference should be given in recruitment of immigrants into Ukraine, by respondent type and occupation, Ukraine, 2004 (percent giving specified responses)



Source: UPSS4, N = 18,405,874

Figure 79. Whether higher, lower or same wages should be given to immigrants into Ukraine, by respondent type and occupation, Ukraine, 2004 (percent giving specified responses)



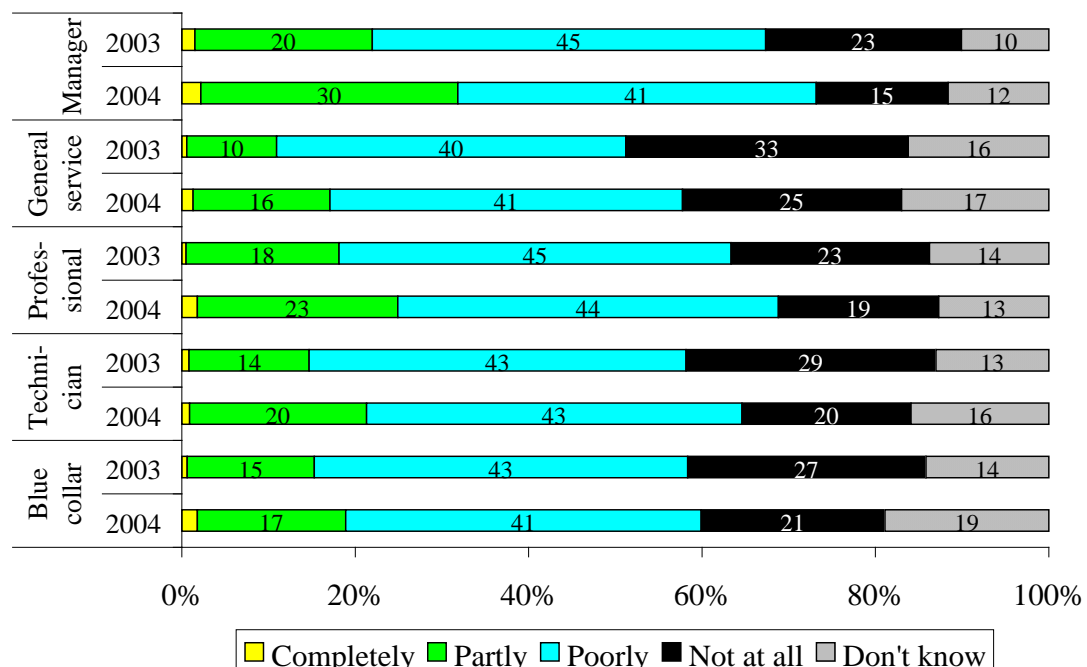
Source: UPSS4, N = 18,405,874

In sum, the evidence on attitudes remains encouraging. Similar results were found in previous rounds of the survey, and in general they display a set of attitudes favouring non-discrimination between socially identifiable groups.

What then of attitudes to *social protection*? People believe that social protection should be provided by their government. But they do not feel socially protected. In response to a direct question on the matter, only 1.7% of all adults said they felt completely socially protected; 22.4% feel partly protected; 45.8% feel not well protected; 19.1% feel not at all protected; 10.9% find it hard to say.

The good news is that in 2004 slightly more of all occupational groups felt partially or completely protected. The bad news is that over half of every occupational group, even “white-collar” workers, felt that they were poorly protected or totally unprotected (Figure 80). Quite clearly, most Ukrainians are dissatisfied with the lack of social protection by the state.

Figure 80. Whether respondent is socially protected, by occupation, Ukraine, 2003-2004

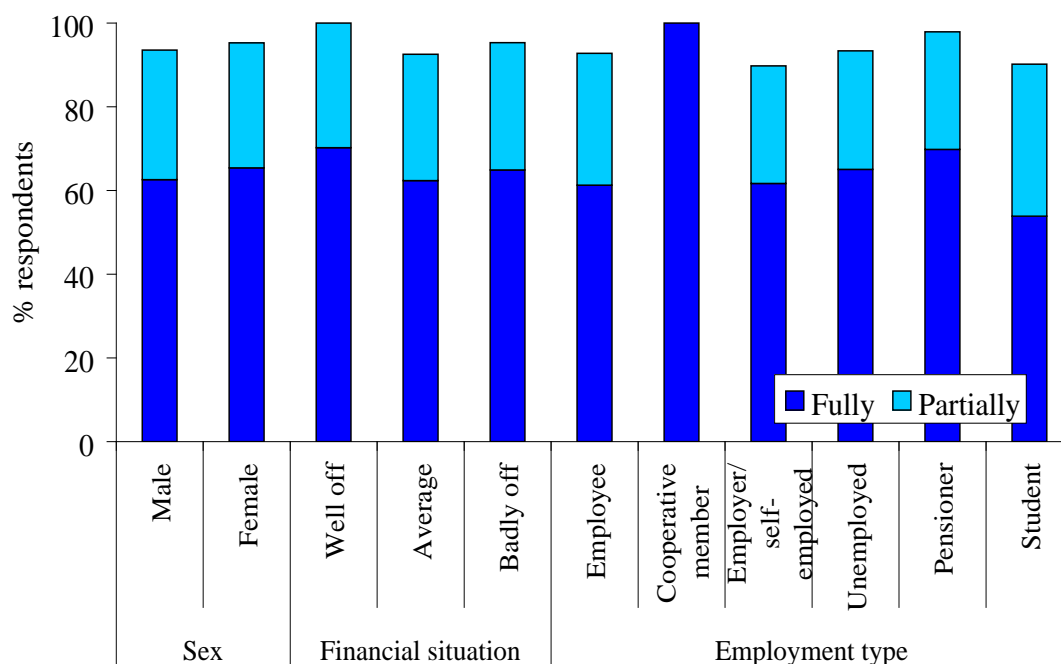


Source: UPSS3, 4

Most social protection in market economies is linked to the performance of *labour* or the *willingness to perform labour*. In other words, the systems have tended to tie benefits to income-earning activity and, usually, to the payment of contributions, either by the person concerned, by the person’s employer or by a parent in the case of child benefits. In many west European countries, this is gradually changing, with benefits being provided for those doing care work, in particular.³⁴

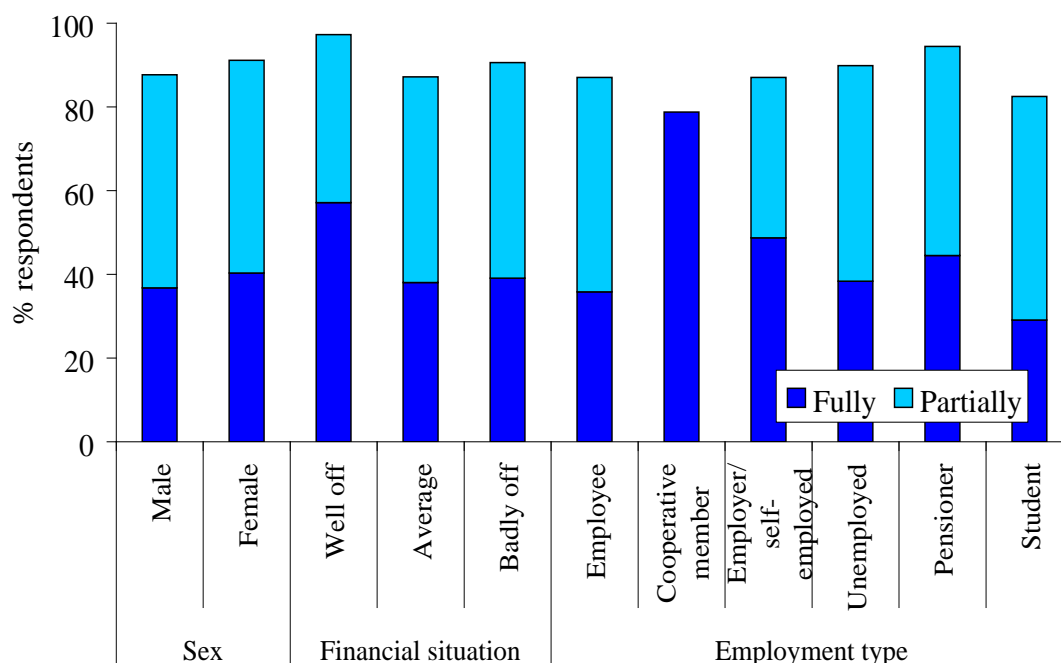
³⁴ For analysis of national experiences, see M. Daly (ed.), *Care Work: The Quest for Security* (Geneva, ILO, 2002).

Figure 81. Per cent believing that Government should compensate care work for children under age 5, by gender, financial status and employment status, Ukraine, 2004 (percent favouring full and partial compensation)



Source: UPSS4, N = 18,405,874

Figure 82. Per cent believing that Government should compensate care work for elderly, by gender, financial status and employment status, Ukraine, 2004 (percent favouring full and partial compensation)

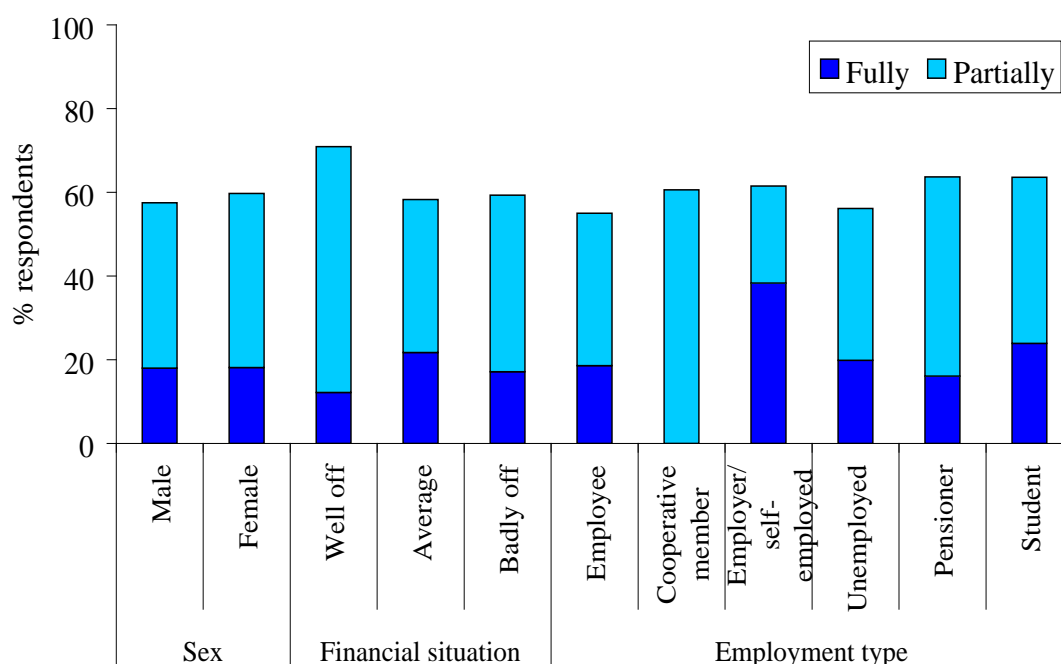


Source: UPSS4, N = 18,405,874

In the UPSS, respondents were asked whether they favoured compensation being provided, totally or partially, for those doing various forms of unpaid work. A remarkably high proportion favour compensating mothers doing care work for children (Figure 81), possibly reflecting the tradition of providing mothers with

extended paid and unpaid leave from their jobs. A majority of Ukrainians also believe that some compensation should be provided for those obliged or choosing to take care of elderly relatives, although more believe that should be partial payment (Figure 82). And a substantial number regard compensation for voluntary community work as desirable (Figure 83).

Figure 83. Per cent believing that Government should compensate voluntary work for community, by gender, financial status and employment status, Ukraine, 2004 (percent favouring full and partial compensation)



Source: UPSS4, N = 18,405,874

Finally, and most importantly, what do Ukrainians feel about principles of income distribution and income security? In all four rounds of the UPSS, this issue has been approached by asking whether or not respondents agreed with four principles. First, they are asked whether or not they agreed with the statement,

“There should be an upper limit on individual incomes.”

Nearly a quarter agreed that there should be a cap on high incomes, with just over a half disagreeing, the remainder being unsure. This reflected a slight drop in support for moderating income inequality in this way. Women tended to be more supportive, as did people living in rural areas, older people and those with inadequate incomes.

Second, respondents were asked whether or not they agreed with the principle,

“There should be a lower limit below which no person’s income should fall.”

Here, as in previous years, there is much stronger support, with nearly 60% agreeing and less than 22% disagreeing. Perhaps the most interesting finding is that support seems positively related to formal education. The understanding of a need for a right to basic income security seems to override any sense that, with more education, one could expect to have a higher income.

Third, they were asked about the statement,

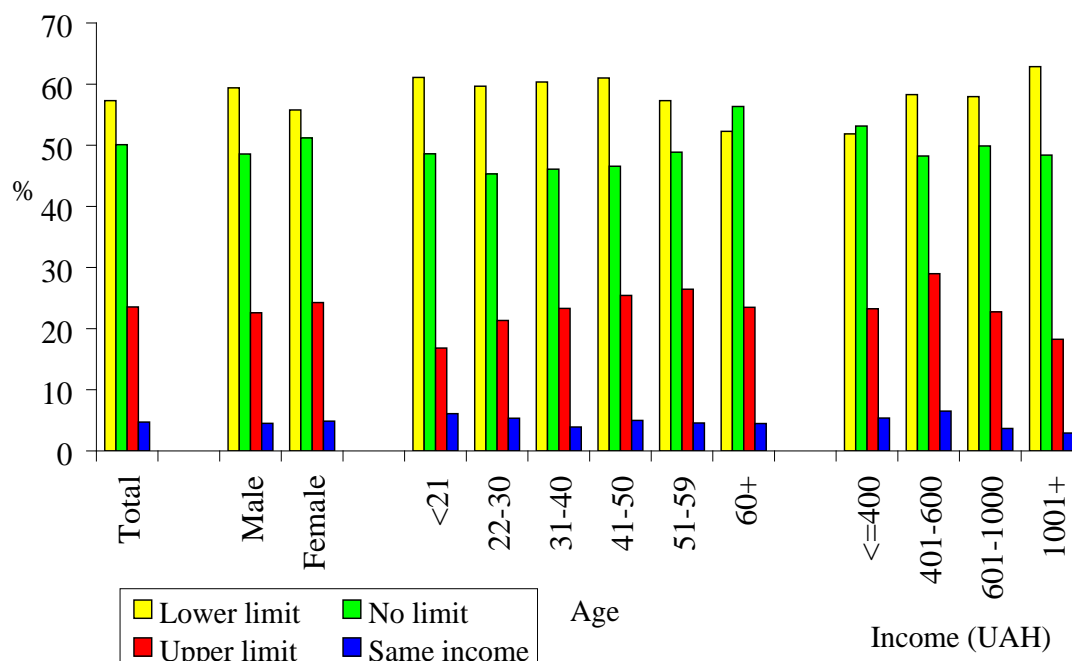
“There should be no restriction on individual’s income, but there should be policies to improve the situation of the least well off.”

In this case, about 47% supported the principle and 20% did not, which reflected a small drop in support compared with 2003.

Fourth, to the statement, *“Everyone should receive the same income”*, only a small minority of about 5% agreed, with slightly more rural dwellers agreeing than urban. Egalitarianism of this crude variety merely raises memories of things past.

So, the general conclusion on income distribution principles is that there is strongest support for a minimum income guarantee – a floor of socio-economic security – coupled with widespread support for some reduction in income inequality (Figure 72). The challenge for the new policymakers is how to put those principles into effect.

Figure 84. General income distribution principles, by gender, age group and income level, Ukraine, 2004



Source: UPSS4, N = 18,405,874

Note: “No limit” means no explicit limits, but policies to support the least well off;
 “Same income” means similar income for everyone.

11. Concluding Reflections

With a new Government, there is almost always a sense of new opportunities and redirection. The Ukrainian economy has the prospect of sustained growth, which should bring benefits to all the population. But the legacy is one of chronic impoverishment and very considerable income inequality. These realities must be seen in the context of extraordinary demographic and social developments.

First, among the latter is the shrinking population and the rapid *ageing of the population*. From over 50 million people the population has shrunk to about 47 million, and is expected to shrink further to little more than 42 million by 2026.³⁵ This is extraordinary. Perversely, as is well known, the fertility rate has fallen to a very low level (much lower than the abortion rate) and average life expectancy has fallen, while the number and proportion of elderly in the total population have been growing. These trends pose a tremendous challenge. The most dramatic consideration is that in the not too distant future *one in every four Ukrainians will be over the age of 65*.

Clearly, as shown in the UPSS and elsewhere, economic insecurity in old age is already chronically severe. The pension system has suffered during recent years, and reform has been a high priority for social protection policy. There should be little doubt that more people in their 60s and 50s must be economically active if an effective pension system is to emerge. But that means, as suggested earlier, that more incentives for older workers must exist, with more labour market reforms to combat *ageism discrimination*. And great care must be taken over the reform of the pension system, making sure to prevent it from becoming a source of increased income security for a minority while leaving growing numbers in a relatively and absolutely deprived state.

Second, mass chronic unemployment looks likely to remain a feature of the Ukrainian labour market for some time. For even though ageing and a shrinking population mean that labour supply may continue to shrink, the very low labour productivity levels of the past twenty years or more mean that output levels could grow very considerably without generating more jobs. Indeed, if the Ukrainian economy is to become internationally competitive, further job shedding will be very likely for the next two or three years, in spite of high rates of economic growth.

Third, a high priority should be attached to *work insecurity*. Working conditions remain dismal and hazardous, and the institutional mechanisms for protecting workers have apparently weakened over recent years. Besides the obvious need to ensure better health among workers of all ages, it must be recognised that poor working conditions lower productivity and raise non-wage labour costs.

Fourth, there is a need to monitor the development of *discrimination* in the labour market, and to reduce it wherever it occurs. Discrimination tends to reflect a lack of social solidarity and to accentuate that. However, while there is reason for some concern, it should not be presumed that women are disadvantaged or need extensive selective protection. In one respect, it is men who have faced greater insecurity – more being exposed to worse working conditions. And in another – skill security – it

³⁵ V. Steshenko, O. Khomra, O. Rudnitskiy and A. Stefanovskiy, Demographic Perspectives for Ukraine until 2026 (Kiev, Institute of Economics NAS, 1999).

is not apparent that women are disadvantaged. However, women are likely to receive lower earnings, and may be facing greater labour market insecurity, as their level of unemployment has risen into a double-digit rate.

Appendix: List of related ILO and SES publications on Ukraine

1. ILO Central and Eastern European Team, The Ukrainian Challenge: Restructuring Labour Market and Social Labour Policies (Budapest, ILO, 1994).
2. G. Standing, “*Struggling with insecurity in Ukraine: The Ukrainian People’s Security Survey 2002*”, Socio-Economic Security Programme Papers (Geneva, ILO, 2002).
3. G. Standing , “*Labour market crisis in Ukrainian industry: The 1995 ULFS*”, Labour Market Papers No.12 (Geneva, ILO, 1995).
4. L. Zsoldos and G. Standing, “*Worker Insecurities in Ukrainian Industry: The 1999 ULFS*”, InFocus Programme on Socio-Economic Security Papers No. 1 (Geneva, ILO, April 2000).
5. L. Zsoldos and G. Standing, “*Worker Insecurities in Ukrainian Industry: The 2000 ULFS*”, InFocus Programme on Socio-Economic Security Papers No. 11 (Geneva, ILO, 2001).
6. L. Zsoldos and G. Standing, “*Coping with Insecurity: The Ukrainian People’s Security Survey*”, InFocus Programme on Socio-Economic Security Papers No. 17 (Geneva, ILO, 2001).