Assessment of the Social Security System in Ukraine 2008–09

Crisis response and future reforms

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ILO DECENT WORK TECHNICAL SUPPORT TEAM AND COUNTRY OFFICE FOR CENTRAL AND EASTERN EUROPE

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Foreword

The global economic crisis – the "Great Recession" – has had a profound impact on the world of work. In Ukraine, the negative effects of the crisis on enterprises and workers emerged in late 2008, but have worsened since. This study has been produced as part of the ILO's efforts to support the country's crisis response and its attempts to achieve a sustainable and inclusive economic recovery, in line with the Global Jobs Pact.

The Global Jobs Pact, which was adopted by the International Labour Conference in June 2009, establishes an internationally agreed approach to guide national and international policies aimed at stimulating economic recovery, generating jobs and providing protection for working people and their families. The Global Jobs Pact calls for a decent work response to the crisis in order to strengthen efforts to maintain and create jobs, stimulate the development of sustainable enterprises, develop quality public services and protect both male and female workers, while safeguarding rights and promoting voice and participation.

It provides a framework for the period ahead and a resource of practical policies for the multilateral system, involving governments, workers and employers. The Global Jobs Pact prioritizes employment and building social protection as key elements of international and national action to aid recovery and development. Its principles for global action on jobs are as follows:

- Priority given to employment and building social protection within the framework of international and national action to aid recovery and development.
- Support for vulnerable women and men, including young people at risk, the low-waged, the low-skilled, those working in the informal economy and migrant workers.
- Maintaining employment and facilitating job transitions and access to the labour market for the jobless, for example, through public employment services and skills development.
- Avoiding protectionist solutions, including wage deflation and undermining labour standards.
- Social dialogue, tripartism and collective bargaining.
- Economic, social and environmental sustainability.
- Effective and efficient regulation of market economies to enable sustainable enterprises and employment.
- Heightened policy coherence, including increased development assistance to the least developed countries, as well as to countries with restricted fiscal leeway.

This study is located within this policy framework and is the latest element in the ILO's response to a request from the Ukrainian Ministry of Labour and Social Policy in December 2008 for the ILO to provide comprehensive policy advice on ways of mitigating the impact of the global economic crisis on Ukraine. This initiative was supported by the social partners. The ILO started practical work in December 2008, and in January 2009 a national conference on mitigating the impact of the crisis was organized in Kyiv with the technical and financial support of the ILO. In February 2009, a study of the economic and social situation of Ukraine was conducted, which was followed by a national tripartite working meeting on 26 May 2009 in Kyiv to discuss the results of this study and the way forward. The participants asked the ILO to conduct additional research and analysis on the following issues:

- Wages, income distribution and the tax system
- Social security and pension reforms
- Economic diversification and skills matching in the metallurgy and tourism sectors

The draft research papers were discussed at a National Tripartite Conference on "Recovering from the Crisis: Implementing the Global Jobs Pact in Ukraine" which was held in Kyiv, 20–21 May 2010.

The report contained in this volume, entitled "Assessment of the Social Security System in Ukraine 2008–09: Crisis response and future reforms", provides an assessment of the current social security system in Ukraine in the context of the global economic crisis and identifies priority actions in the field of social security.

I would like to express my appreciation to the authors and thank all the persons who contributed to this study. Special thanks are due to Mr. Vasyl Kostrytsya, ILO National Coordinator in Ukraine, for his administrative support. Olivier Scialom and Oxana Perminova provided valuable editorial assistance.

I trust that this publication will be a valuable reference source for the improvement of the social security system in Ukraine both during the current economic crisis and beyond.

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Table of Contents

List of tables

List of figures

List of tables in Statistical Annex

Introduction

The purpose of this report is to assess the current social security system in Ukraine in the context of the global economic crisis and to identify priority actions in social security.

This report was prepared by the research team of the Centre for Perspective Social Research, under the Ministry of Labour and Social Policy of Ukraine and the National Academy of Sciences of Ukraine, consisting: Nina Baranova (team leader), Natalia Poliak, Tatiana Novikova, and Viktoriya Boliubakh. The draft report was revised by incorporating the technical comments of Kenichi Hirose, Senior Specialist in Social Security, ILO Decent Work Technical Support Team for Central and Eastern Europe.

The main findings and recommendations of this report were presented at the National Tripartite Conference "Recovering from the crisis: Implementing the Global Jobs Pact in Ukraine" held in Kyiv on 20–21 May 2010. The comments provided at the Conference have been incorporated into this final report.

This report is organized as follows. Chapter 1 sets out the general context of the macroeconomic and labour market situation in Ukraine, with a particular focus on the impact of the global crisis on employment and household income. Chapter 2 provides a general overview of the current social security system and looks into its recent fiscal performance. Chapter 3 summarizes the current issues on the social security system in Ukraine and concludes with suggested future actions for further improvement of the social security system.

1. Impact of the global economic crisis on the Ukrainian economy

1.1 Macroeconomic indicators

In the period 2000–08 the Ukrainian economy achieved steady growth. Real GDP grew at an average annual rate of 7 per cent. In 2008, the real GDP growth rate fell sharply to 2.1 per cent, and in 2009 it recorded a negative rate of –15.1 per cent, as shown in Table 1.1.

TABLE 1.1
KEY MACROECONOMIC INDICATORS, 2004–09

	2004	2005	% increase on previous year	2006	% increase on previous year	2007	% increase on previous year	2008	% increase on previous year	2009	% increase on previous year
GDP at current prices (million UAH)	345,113	441,452	27.9	544,153	23.3	720,731	32.5	949,864	31.8	914,720	–3.7
Real GDP growth (%)	12.1	2.7	–	7.3	–	7.9	–	2.1	–	–15.1	–
GDP per capita (UAH)	7,273	9,372	28.9	11,630	24.1	15,496	33.2	20,534	32.5	19,862	-3.3
Average nominal monthly wage (UAH)	590	806	36.6	1,041	29.2	1,351	29.8	1,806	33.7	1,906	5.5
Increase in consumer price index (December, %)	112.3	110.3	–	116.6	–	116.6	–	122.3	–	112.3	–
Official ex-change rate 1 US dollar 1Euro	5.3054 7.2175	5.05 5.9716	–4.8 –17.3	5.05 6.6509	0.0 11.4	5.05 7.4195	0.0 11.6	7.7 10.85	52.4 46.2	7.97* 11.43	3.5 5.3

Source: State Statistics Committee of Ukraine.

Note: * December, 2009

In October 2008, Ukraine began to feel the effects of the financial crisis, including massive capital outflows, significant devaluation of the national currency and the de facto nationalization of several large commercial banks.

As shown in Table 1.2, GDP grew steadily over the period 2004–08. In 2008, GDP per capita amounted to 20,534 UAH (1,893 euros).

TABLE 1.2
GDP AND OTHER ECONOMIC INDICATORS, 2004–08

	2004	2005	2006	2007	2008
GDP at current prices (million UAH)	345,113	441,452	544,153	720,731	949,864
GDP per capita (UAH)	7,273	9,372	11,630	15,496	20,534
Gross household income (million UAH)	212,583	298,838	364,052	471,671	–
Real gross household income (million UAH)	194,965	263,247	333,761	417,989	–
Real gross household income per capita (UAH)	4,109	5'588	7,134	8,987	–
Household consumption at current prices (million UAH)	221,713	306,769	385,681	509,533	689,055
Household consumption per capita at current prices (UAH)	4,672	6,512	8,243	10,955	14,896

Source: "Statistical Yearbook of Ukraine" (2005–08), State Statistics Committee of Ukraine.

Both nominal and real wages increased for 2004–09, as shown in Table 1.3. However, real wage growth slowed significantly over this period. In 2008, real wage growth was 6.3 per cent, which is half the real wage growth of 2007. In 2009, real wages decreased by 9.2 per cent.

TABLE 1.3
NOMINAL AND REAL WAGES, 2004–09

	Nominal wage		Real wage, % increase on previous year
	UAH	% increase on previous year	
2004	590	27.5	23.8
2005	806	36.7	20.3
2006	1,041	29.2	18.3
2007	1,351	29.7	12.5
2008	1,806	33.7	6.3
2009	1,906	5.5	−9.2

Source: State Statistics Committee of Ukraine, http://www.ukrstat.gov.ua.

Table 1.4 presents the annual change in real wages observed on a monthly basis from January 2006 to December 2009. Negative real wage growth was first observed in November 2008 and the downward trend continued throughout 2009.

TABLE 1.4
GROWTH OF REAL WAGES, 2006–09 (PERCENT CHANGE IN COMPARISON TO THE SAME MONTH OF THE PREVIOUS YEAR)

	2006	2007	2008	2009
January	22.8	12.8	14.1	−11.8
February	22.4	11.9	16.9	−14.1
March	25.5	10.1	9.3	−11.0
April	24.6	10.5	7.7	−8.1
May	21.8	12.8	5.0	−9.1
June	20.6	11.7	5.4	−8.6
July	19.4	13.8	6.2	−10.0
August	19.7	11.8	5.6	−11.3
September	16.0	12.3	7.1	−11.0
October	11.0	15.6	4.8	−10.9
November	9.8	14.4	−0.2	−5.8
December	11.7	10.3	−3.0	−0.9

Source: State Statistics Committee of Ukraine, http://www.ukrstat.gov.ua.

Table 1.5 presents average monthly nominal wages from January 2008 to December 2009. The year-on-year growth rates of average monthly nominal wages were falling until October 2009. However, the year-on-year growth rates of average wages started to rise in November and December 2009, although it is not certain that this will continue.

TABLE 1.5
AVERAGE MONTHLY NOMINAL WAGE, 2008–09 (UAH)

	2008	2009	2009 increase on 2008, %
January	1,521	1,665	9.4
February	1,633	1,723	5.5
March	1,702	1,818	6.8
April	1,735	1,845	6.3
May	1,774	1,851	4.3
June	1,883	1,980	5.2
July	1,930	2,008	4.1
August	1,872	1,919	2.5
September	1,916	1,964	2.5
October	1,917	1,950	1.7
November	1,823	1,955	7.2
December	2,001	2,233	11.6

Source: State Statistics Committee of Ukraine, http://www.ukrstat.gov.ua.

Table 1.6 compares the average wages of men and women for 2005–09. Although the wage difference by sex has been decreasing, in 2009 women's average wages still stood at only 77.2 per cent of men's.

TABLE 1.6
AVERAGE MONTHLY NOMINAL WAGE BY SEX, 2005–09 (UAH)

	Men	Women	Women's wages in comparison to men's, %
2005	953	675	70.9
2006	1,216	885	72.8
2007	1,578	1,150	72.9
2008	2,080	1,565	75.2
2009	2,173	1,677	77.2

Source: State Statistics Committee of Ukraine, http://www.ukrstat.gov.ua.

The minimum wage in Ukraine has increased steadily in recent years. While its level is still low (approximately 54 euros), it increased by 2.8 times from 262 UAH in 2005 to 744 UAH in 2009, as shown in Table 1.7.

TABLE 1.7
MINIMUM WAGE IN UKRAINE, 2005–09

	Minimum wage	
	UAH per month	% increase on same period of previous year
01.01.2005	262	27.8
01.04.2005	290	22.4
01.07.2005	310	30.8
01.09.2005	332	40.1
01.01.2006	350	33.6
01.07.2006	375	21.0
01.12.2006	400	20.5
01.01.2007	400	14.3
01.04.2007	420	20.0
01.07.2007	440	17.3
01.10.2007	460	22.7
01.01.2008	515	28.8
01.04.2008	525	25.0
01.10.2008	545	18.5
01.12.2008	605	31.5
01.01.2009	605	17.5
01.04.2009	625	19.0
01.07.2009	630	20.0
01.10.2009	650	19.3
01.12.2009	744	23.0
Cumulative increase from Jan 2005 to Dec. 2009, %		184.0

Source: Set annually in accordance with the Law on the State Budget.

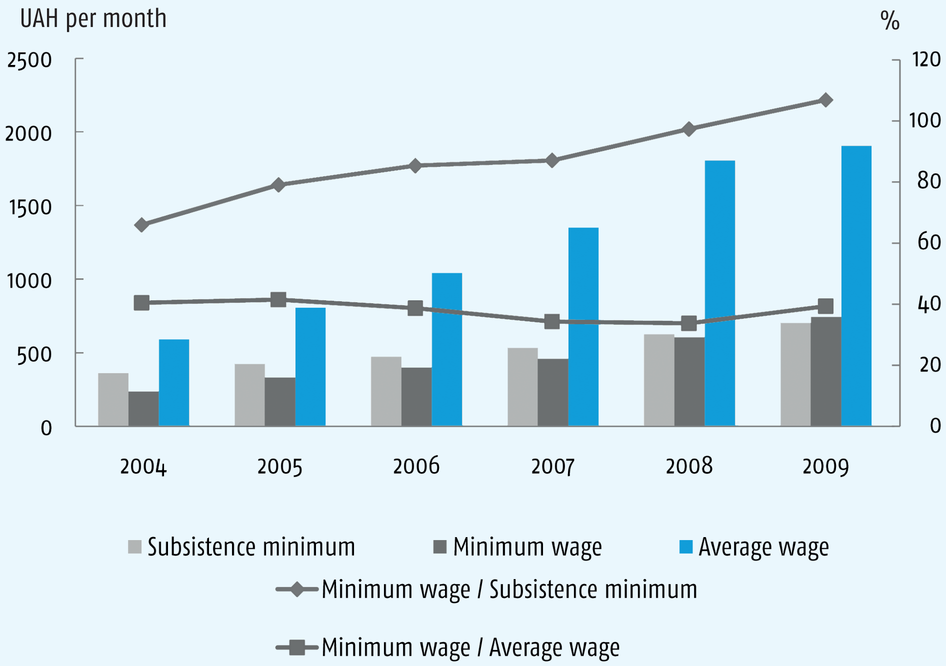
Table 1.8 and Figure 1.1 compare the average wage, minimum wage and subsistence minimum (minimum subsistence level) for 2004–09. The minimum wage remained at 40 per cent of the average wage for this period, but its level in relation to the subsistence minimum increased significantly, from 60 per cent in 2004 to 106 per cent in 2009.

TABLE 1.8
COMPARISON OF SUBSISTENCE MINIMUM, MINIMUM WAGE AND AVERAGE WAGE, 2004–09 (PER CAPITA, MONTHLY AVERAGE)

	2004	2005		2006		2007		2008		2009	
	UAH	UAH	growth %	UAH	growth %	UAH	growth %	UAH	growth %	UAH	growth %
Subsistence minimum*	362	423	16.9	472	11.6	532	12.7	626	17.7	701	11.9
Subsistence minimum for an able-bodied person*	387	453	17.1	505	11.5	568	12.5	669	17.8	744	11.2
Minimum wage*	237	332	40.1	400	20.5	460	15.0	605	31.5	744	22.9
Average wage	590	806	36.6	1041	29.2	1,351	29.8	1,806	33.7	1,906	5.5

Note: The subsistence minimum, subsistence minimum for an able-bodied person and minimum wage are calculated at the end of the year.
Source: State Statistics Committee of Ukraine.

FIGURE 1.1
COMPARISON OF AVERAGE WAGE, MINIMUM WAGE AND SUBSISTENCE MINIMUM, 2004–09



Source: Calculated using the data of the State Statistics Committee of Ukraine and the Law on the State Budget.

1.2 Labour market trends

Table 1.9 presents the key labour market indicators in Ukraine for the period 2004–09.

TABLE 1.9
KEY LABOUR MARKET INDICATORS, 2004–09

	Unit	2004	2005	Annual increase (%)	2006	Annual increase (%)	2007	Annual increase (%)	2008	Annual increase (%)	2009	Annual increase (%)
Economically active population 15–70 working age (*)	'000 persons	22,202.4 20,582.5	22,280.8 20,481.7	0.4 –0.5	22,245.4 20,545.9	–0.16 0.3	22,322.3 20,606.2	0.3 0.3	22,397.4 20,675.7	0.3 3.3	22,150.3 20,321.6	–1.1 –1.7
Rate of economically active population 15–70 working age	% of the corresponding age group	62.0 71.1	62.2 70.9	– –	62.2 71.2	– –	62.6 71.7	– –	63.3 72.3	– –	63.7 71.6	– –
Employed 15–70 working age	'000 persons	20,295.7 18,694.3	20,680.0 18,886.5	1.9 1.0	20,730.4 19,032.2	0.2 0.8	20,904.7 19,189.5	0.8 0.8	20,972.3 19,251.7	0.3 0.3	20,191.5 18,365.0	–3.7 –4.6
Employment rate 15–70 working age	% of the corresponding age group	56.7 64.6	57.7 65.4	– –	57.9 65.9	– –	58.7 66.7	– –	59.3 67.3	– –	57.7 64.7	– –
Unemployed (according to the ILO definition) 15–70 working age	'000 persons	1,906.7 1,888.2	1,600.8 1,595.2	–16.0 –15.5	1,515.0 1,513.7	–5.4 –5.1	1,417.6 1,416.7	–6.4 –6.4	1,425.1 1,424.0	0.5 0.5	1,958.8 1,956.6	37.5 37.4
Unemployment rate (ILO definition) 15–70 working age	% of economically active members of the corresponding age group	8.6 9.2	7.2 7.8	– –	6.8 7.4	– –	6.4 6.9	– –	6.4 6.9	– –	8.8 9.6	– –
Registered unemployed	'000 persons	975.5	891.9	–8.6	784.5	–12.0	673.1	–14.2	596.0	–11.5	693.1	16.3
Registered unemployment rate	% of economically active population of working age % of population of working age	4.7 3.5	4.4 3.2	– –	3.8 2.8	– –	3.3 2.4	– –	2.9 2.1	– –	3.4 2.5	– –
Unoccupied persons (**) registered at state job centres during the year	'000 persons	2,900.6	2,887.3	–0.5	2,700.4	–6.5	2,419.7	3.3	2,500.7	3.4	2,143.3	–14.3
Placement rate	% of those registered	33.9	36.4	–	39.7	–	45.4	–	43.3	–	32.8	–
Participated in public works	'000 persons	414.2	419.2	1.2	437.4	4.4	422.1	–3.5	428.5	1.5	240.9	–43.8
Participated in vocational training	'000 persons	184.4	193.3	4.8	203.4	5.2	229.4	12.8	245.2	6.9	157.1	–35.9

Notes:

* Working age is legally defined as 15–60 years for men, and 15–55 years for women.

** Includes economically inactive population (retired pensioners, students, housewives and so on).

Source: Statistical collection "Economic activity of population of Ukraine" (2005–09), State Statistics Committee of Ukraine.

Comparing the key labour market indicators in 2008 and 2009, the following observations are made:

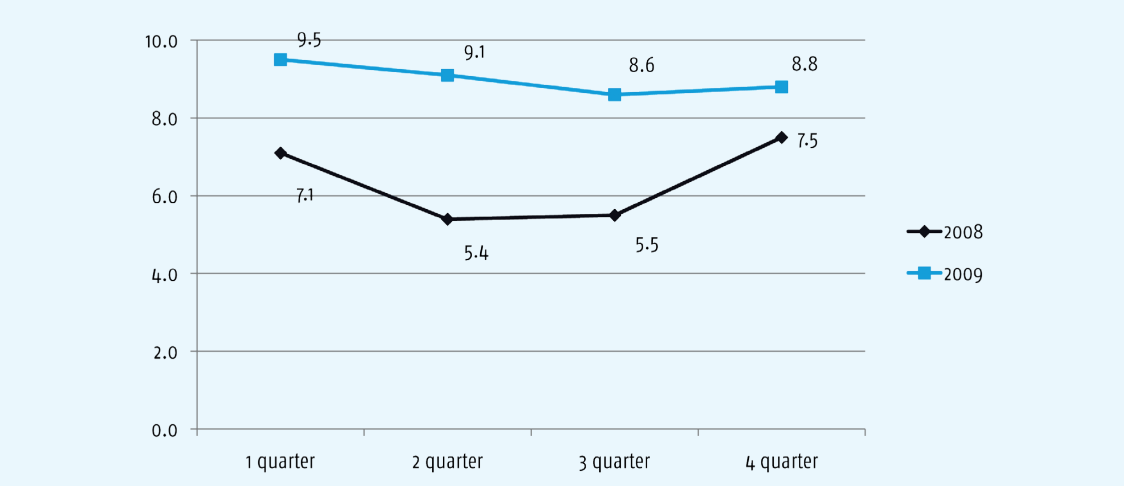
- The rate of economically active population decreased from 72.3 per cent to 71.6 per cent;
- The employment rate decreased from 67.3 per cent to 64.7 per cent;
- The number of economically inactive persons decreased by 2.8 per cent;
- The number of registered unemployed decreased by 14.3 per cent;
- The number of unemployed (according to the ILO definition) increased by 37.5 per cent;
- The number of job vacancies decreased by 27.8 per cent;
- The rate of job placement through the State Employment Office decreased from 43.3 per cent to 32.8 per cent.

The number of economically active persons aged 15–70 reached 22.2 million in 2009 (monthly average), marking a 1.1 per cent increase compared to 2008. Of these, 20.2 million (91.2 per cent) were employed. By age, the highest employment rate is observed in the age group 30–49, while the lowest is observed in the age groups 15–24 and 60–70.

In 2009, the number of unemployed was 2.0 million, according to the ILO definition. Thus the unemployment rate was 8.8 per cent of the economically active population, which is slightly below the EU average (7 per cent). Figure 1.2 shows the quarterly development of the unemployment rate in 2008–09.

FIGURE 1.2

UNEMPLOYMENT RATE, 2008–09 (BASED ON THE ILO DEFINITION – AS A PERCENTAGE OF ECONOMICALLY ACTIVE POPULATION)



Source: Calculated using State Statistics Committee of Ukraine data, http://www.ukrstat.gov.ua.

There was a sharp increase in the unemployment rate, from 5.5 per cent in the third quarter of 2008 to 7.5 per cent in the fourth quarter of 2008, and to 9.5 per cent in the first quarter of 2009. In 2009, the unemployment rate decreased slightly to 9.1 per cent in the second quarter and to 8.6 per cent in the third quarter. However, it increased slightly to 8.8 per cent in the fourth quarter.

In December 2008, the number of newly unemployed persons registering at employment centres amounted to 7,000–11,000 per day, while in June–September 2009 this number declined to 1,200–1,500 persons per day.

According to the State Statistics Committee, in the first half of 2009, the number of employed persons was 20.2 million and the number of unemployed was 2 million. Thus, the unemployment rate (according to the ILO definition) in the first half of 2009 was 9.1 per cent of the economically active population. Among the unemployed, 71.4 per cent lived in urban areas and 28.6 per cent lived in rural areas.

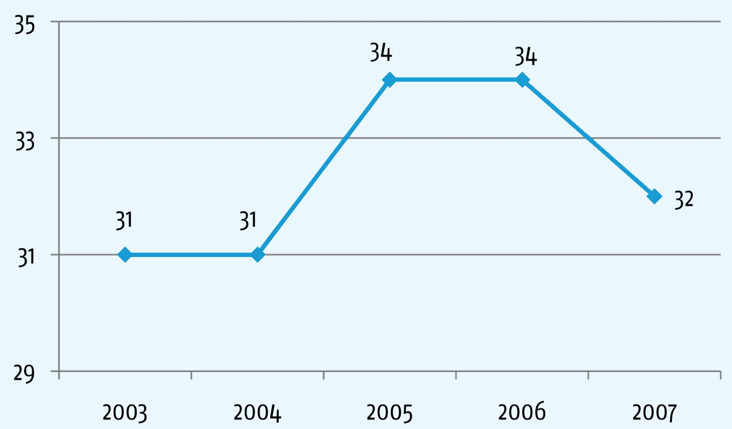
The state implements public works programmes to provide jobs to the unemployed. In 2009, a total of 240,900 persons were employed in public works, a decrease of 43 per cent over 2008. Almost all of these workers (99.6 per cent) were previously unemployed. In order to enhance the skills of the unemployed, the State Employment Office provides vocational education and training programmes in all fields.

1.3 The informal economy

In Ukraine, the size of the informal economy is estimated by the Ministry of the Economy and by the State Statistics Committee.

The Ministry of the Economy estimates the size of the informal economy using indirect methods, based on financial, monetary and economic data and taking into account the difference between household spending and the volume of retail trade. The integrated estimation of the informal economy is calculated as the average of results obtained by various methods. According to the estimates of the Ministry of the Economy, the size of the informal economy varied in the range of 31–34 per cent of GDP for 2003–07, as shown in Figure 1.3.

FIGURE 1.3
ESTIMATED SHARE OF THE INFORMAL ECONOMY, 2003–07 (AS A PERCENTAGE OF GDP)



Source: Ministry of the Economy (Economic Strategy Department, Economic Security Section).

Alternatively, the State Statistics Committee uses official statistical data and estimates that the size of the informal economy is in the range of 17–18 per cent of GDP.

In addition, based on the monthly surveys on economic activity and in line with the methodological recommendations of the ILO, the State Statistics Committee estimates the number of persons working in the informal economy. Table 1.10 shows the estimated number of workers in the informal economy by sex and location for the period 2004–08. Table 1.11 presents the estimated number of workers in the informal economy by economic sector for the period 2005–08.

TABLE 1.10
ESTIMATED NUMBER OF WORKERS IN THE INFORMAL ECONOMY BY SEX, LOCATION, AND EMPLOYMENT STATUS, 2004–08

	Employed in informal economy		Of whom:			
			Employee (hired labour)		Self-employed (not hired labour)	
	Total (in thousands)	% of total number of employed	Total (in thousands)	% of total number of employed of corresponding status	Total (in thousands)	% of total number of employed of corresponding status
Total population 2004	3,939.5	19.4	1,155.6	6.8	2,783.0	83.5
2005	4,436.3	21.5	1,260.7	7.5	3,175.0	84.3
2006	4,623.3	22.3	1,313.3	7.8	3,310.0	84.0
2007	4,661.7	22.3	1,340.4	7.9	3,321.3	82.3
2008	4,563.8	21.8	1,535.9	8.9	3,027.9	80.2
Women 2004	1,865.9	18.6	482.2	5.8	1,383.7	85.1
2005	2,190.0	21.7	464.5	5.7	1,725.5	88.4
2006	2,249.2	22.4	466.0	5.8	1,783.2	88.7
2007	2,263.7	22.3	464.6	5.8	1,799.1	86.5
2008	2,159.9	21.3	501.1	6.1	1,658.8	85.1
Men 2004	2,073.6	20.2	673.4	7.9	1,400.2	81.8
2005	2,246.3	21.2	796.2	9.1	1,450.1	79.9
2006	2,374.1	22.2	847.3	9.7	1,526.8	79.2
2007	2,398.0	22.3	875.8	9.9	1,522.2	77.8
2008	2,403.9	22.2	1,034.8	11.5	1,369.1	75.0
Urban 2004	1,363.2	9.6	868.3	6.6	494.9	50.7
2005	1,310.9	9.3	910.1	6.9	400.8	44.5
2006	1,319.4	9.3	918.7	6.9	400.7	43.1
2007	1,319.8	9.2	910.8	6.8	409.0	40.5
2008	1,423.3	9.9	1,010.9	7.6	412.4	39.5
Rural 2004	2,576.3	42.0	287.3	7.6	2,289.0	97.0
2005	3,125.4	47.0	350.6	9.4	2,774.8	96.8
2006	3,303.9	50.5	394.6	11.2	2,909.3	96.7
2007	3,341.9	50.7	429.6	12.0	2,912.3	96.3
2008	3,140.5	47.9	525.0	13.7	2,615.5	95.8

Source: Statistical collection "Economic activity of population of Ukraine" (2005–08), State Statistics Committee of Ukraine.

TABLE 1.11
ESTIMATED NUMBER OF PERSONS EMPLOYED IN THE INFORMAL ECONOMY, BY ECONOMIC SECTOR, 2005–08

	2005	2006	2007	2008
Total (in thousands)	4,436.3	4,623.3	4,661.7	4,563.8
% of total employed	21.5	22.3	22.3	21.8
by branch of economic activity:				
Agriculture, hunting, forestry, fishing	72.0	71.6	70.5	65.7
Construction	6.9	11.8	9.0	12.1
Trade	11.8	12.8	11.6	12.8
Transport	1.4	1.2	1.2	1.5
Other activities	6.9	7.7	7.7	7.9

Source: Statistical collection "Economic activity of population of Ukraine" (2005–08), State Statistics Committee of Ukraine.

From these two tables and other sources, the following observations can be made:

- It is estimated that 4,564 thousand persons were employed in the informal economy (21.8 per cent of total employed) in 2008, compared to 4,662 thousand (22.3 per cent of total employed) in 2007.
- In 2008, about one-third (33.7 per cent) of the workers in the informal economy were employees and the remaining two-thirds (66.3 per cent) were self-employed. The employees working in the informal economy were concentrated in urban areas, whereas self-employed persons working in the informal economy were concentrated in rural areas. In particular, almost half of those employed in rural areas were working in the informal economy.
- Disaggregating by sex, the number and percentage of workers in the informal economy were higher for men than for women.
- Differentiating by economic sector, agriculture was the dominant activity in the informal economy, followed by trade and construction.
- In 2008, 80.6 per cent of the workers in the informal economy were able-bodied. By age-group, the highest participation rate in the informal economy was observed among those aged 60–69 years.

1.4 Household income distribution

Table 1.12 presents the structure of total household income for the period 2004–08. More detailed household income data are presented in Tables A.1 to A.4 in the Statistical Annex.

TABLE 1.12
HOUSEHOLD INCOME DATA, 2004–08

	2004		2005		2006		2007		2008	
	UAH	%	UAH	%	UAH	%	UAH	%	UAH	%
Total average monthly income per household	911.78	100.0	1,321.44	100.0	1,611.67	100.0	2,012.1	100.0	2,892.84	100.0
Labour remuneration	412.88	45.2	606.70	46.00	780.17	48.4	1,018.8	50.6	1,427.63	49.4
Income from entrepreneurship and self-employment	40.65	4.4	65.10	4.9	74.0	4.6	104.65	5.2	151.43	5.3
Cash pensions	184.63	20.2	288.52	21.8	340.65	21.1	414.89	20.6	597.24	20.6
Cash social benefits(*)	15.43	1.7	23.52	1.8	35.06	2.2	42	2.1	61.7	2.1
Income from sale of agricultural products	43.56	4.8	60.84	4.6	61.91	3.8	72.3	3.6	93.44	3.3
Income from sale of private and domestic property	1.01	0.1	1.57	0.1	2.18	0.1	2.08	0.1	9.92	0.3
Income from sale of real estate	7.13	0.8	3.00	0.2	6.59	0.4	3.79	0.2	11.99	0.4
Property income (**)	6.94	0.8	7.41	0.6	10.04	0.6	10.59	0.5	16.38	0.6
Cash support from relatives and other persons	44.40	4.9	61.07	4.6	73.52	4.6	91.27	4.5	128.6	4.4
Alimony	2.31	0.3	3.02	0.2	4.49	0.3	5.18	0.3	8.08	0.3
Other cash income (stipends and other)	17.3	1.9	20.40	1.6	23.0	1.5	26.1	1.3	35.0	1.2
Non-cash income(***)	100.06	11.0	120.97	9.1	132.78	8.2	147.51	7.4	181.37	6.2
Use of savings, loans; debt repayments	35.51	3.9	59.33	4.5	67.29	4.2	72.96	3.6	170.03	5.9
Number of households ('000)	17,633.8		17,539.4		17,417.5		17,341.1		17,199.0	
Average size of household (persons)	2.62		2.60		2.60		2.60		2.60	

Notes:

* Since 2002, including cash subsidies and reimbursement of cost of liquefied gas and fuels.

** Property income and other funds, dividends, interest on deposits, rental revenue and so on.

*** Includes:

- Value of consumed products that were produced on private subsistence farms or individually procured;
- Non-cash benefits and subsidies to pay for housing and communal utilities, electricity, fuel;
- Non-cash benefits to pay for goods and services related to health, travel, recreation facilities, transportation and communications services;
- Non-cash benefits to pay for commuter transportation, communications;
- Pecuniary valuation of assistance from relatives and other persons.

Source: Statistical collection "Household Expenditures and Resources in Ukraine" (2004–08), State Statistics Committee of Ukraine.

From these tables, the following observations can be made:

- Throughout the period 2004–08, an upward trend in household income may be observed. The share of labour remuneration in total household income increased from 45.2 per cent in 2004 to 49.4 per cent in 2008. The share of non-cash income fell steadily, reaching 6.2 per cent in 2008. The increase in the share of cash social benefits in total household income for the period 2004–08 is due to the state policy to improve social protection in Ukraine.
- The income structure varies considerably between urban and rural households (see Table A.1 in the Statistical Annex). In 2008, the share of labour remuneration in urban households was 23.1 per cent higher than in rural households.
- There is a marked difference between the structure of total resources of households with children and households without children (compare Tables A.2 and A.3 in the Statistical Annex). The average income of households with children is 30 per cent higher than that of households without children.
- As shown in Table A.2 in the Statistical Annex, the share of cash pensions, stipends and social benefits in the total income of households with children increases steadily with the number of children in the family. This is mainly due to the state policy on social protection for families with children.
- Households whose main source of income comes from entrepreneurship have the highest total income, although these households constitute only 1 per cent of all households (see Table A.4 in the Statistical Annex). About 40 per cent of households have transfers as their primary source of income; the share of pensions in the total resources of such households exceeded 57.1 per cent in 2008.

Table 1.13 shows the percentage distribution of households by income for 2007 and 2008.

From 2007 to 2008, the income level increased for both urban and rural households, which improved living standards. There is a significant difference in terms of income distribution between urban and rural households, with rural incomes being much lower than those of urban households.

It should be noted that for the period 2000–06, average per capita expenditure was used as the criterion for evaluating households' living standards. Since 2007, average per capita income has been used instead. Table A.5 in the Statistical Annex presents household distribution according to the level of total per capita expenditure in 2005–06.

TABLE 1.13
DISTRIBUTION OF HOUSEHOLDS BY AVERAGE PER CAPITA INCOME, 2007–08

	All households		Urban areas		Rural areas	
	2007	2008	2007	2008	2007	2008
Average monthly per capita income (UAH)	Percentage					
	100.0	100.0	100.0	100.0	100.0	100.0
below 300.0	3.7	0.9	2.1	0.3	6.8	2.0
300.1–480.0	17.9	6.1	15.3	4.0	23.2	10.3
480.1–660.0	28.9	15.0	27.6	12.4	31.8	20.2
660.1–840.0	21.2	19.5	21.5	17.8	20.6	23.3
840.1–1,020.0	28.3	18.2	33.5	18.3	17.6	18.2
1020.1–1,200.0	–	12.7	–	14.1	–	9.8
1200.1–1,380.0	–	9.3	–	10.4	–	6.9
1380.1–1,560.0	–	5.9	–	7.1	–	3.4
1560.1–1,740.0	–	3.7	–	4.2	–	2.6
1740.1–1,920.0	–	2.6	–	3.3	–	1.2
above 1,920.0	–	6.1	–	8.1	–	2.1
Cumulative share of population with monthly per capita income (UAH) below:	Percentage					
300	3.7	0.9	2.1	0.3	6.8	2.0
480	21.6	7.0	17.4	4.3	30.0	12.3
660	50.5	22.0	45.0	16.7	61.8	32.5
840	71.7	41.5	66.5	34.5	82.4	55.8
1,020	100.0	59.7	100.0	52.8	100.0	74.0
1,200	–	72.4	–	66.9	–	83.8
1,380	–	81.7	–	77.3	–	90.7
1,560	–	87.6	–	84.4	–	94.1
1,740	–	91.3	–	88.6	–	96.7
1,920	–	93.9	–	91.9	–	97.9

Source: Statistical collection "Household Expenditure and Resources in Ukraine" (2006–08), State Statistics Committee of Ukraine.

1.5 Poverty

Table 1.14 presents the percentage of the population whose average income was below the subsistence minimum for 2007–08, by social groups. Table 1.15 presents the percentage of households whose average per capita income was below the subsistence minimum for 2006–08, by urban and rural areas.

TABLE 1.14
PERCENTAGE OF POPULATION WITH AVERAGE PER CAPITA INCOME BELOW THE SUBSISTENCE MINIMUM, BY SELECTED GROUPS, 2007–08

	All population	Social group				
		Persons in employment	Unemployed pensioners	Children under 18	Students	Other (unemp-loyed, house-wives and so on)
2007	39.8	30.6	41.2	54.9	32.8	59.7
2008	25.6	19.7	18.9	41.6	21.7	47.2

Source: Statistical collection "Household Expenditures and Resources in Ukraine" (2006–08), State Statistics Committee of Ukraine.

TABLE 1.15
PERCENTAGE OF HOUSEHOLDS WITH AVERAGE PER CAPITA INCOME BELOW THE SUBSISTENCE MINIMUM, BY URBAN AND RURAL AREAS, 2006–08

	Total	Urban areas	Rural areas
2006	43.3	38.6	53.9
2007	23.7	21.7	28.0
2008	13.3	10.4	19.8

Source: Statistical collection "Household Expenditures and Resources in Ukraine" (2006–08), State Statistics Committee of Ukraine.

The percentage of the population with an average per capita income below the subsistence minimum fell dramatically, from 39.8 per cent in 2007 to 25.6 per cent in 2008. Children under 18 years of age and the unemployed are among the most vulnerable social groups; more than 40 per cent of those in these groups had incomes below the subsistence minimum. Furthermore, about 20 per cent of persons in employment and unemployed pensioners have incomes below the subsistence minimum. These indicators suggest that, despite recent improvements, the level of wages and social benefits in Ukraine remains low.

There was a 30 per cent decline in the number of households with average per capita incomes below the subsistence minimum, which fell steadily from 43.3 per cent in 2006 to 13.3 per cent in 2008. The percentage of households living below the subsistence minimum is higher in rural areas than in urban areas.

However, as shown in Table 1.8 and Figure 1.1, the increases in the average wage and the minimum wage were much faster than that of the subsistence minimum. Table 1.16 presents the key poverty indicators for 2004–08. The poverty line, which is defined as 75 per cent of the median aggregate equivalent expenditure, increased from 271 UAH in 2004 to 778 UAH in 2008. However, the other indicators showed no significant reduction in poverty during the period 2004–08.

TABLE 1.16
KEY POVERTY INDICATORS IN UKRAINE, 2004–08

	2004	2005	2006	2007	2008
Poverty line (UAH per capita, monthly)	271	365	430	526	778
Poverty level (%)	27.3	27.1	28.1	27.3	27.0
Poverty depth (%)	24.0	23.8	23.8	23.1	23.1
Gini coefficient (%)	30.2	30.6	30.9	29.1	30.1
Poverty differentiation coefficient (%)	55.6	55.2	54.3	53.0	53.8

Notes: definitions of key poverty indicators:

- Poverty level is the percentage of the population living below the poverty line.
- Poverty depth is the deviation of poor people's income (expenditure) from the poverty line.
- The Gini coefficient measures the extent to which the distribution of income deviates from a perfectly equal distribution.
- The poverty differentiation coefficient is an indicator of the degree of stratification among the poor in relation to the poverty line. It is computed as the difference between the highest and the lowest decile values of the incomes (expenditure) of the poor, correlated with the poverty line.

Source: Ministry of Labour and Social Policy of Ukraine.

In Ukraine, almost 12 million people are living below the poverty line. A report by the World Bank shows that employed persons account for 30.2 per cent of the poor.

Table 1.17 shows the poverty incidence rates of households by size for the period 2004–08. The poverty incidence for households with children is significantly higher than for households without children. Furthermore, among households with children, the poverty incidence rate increases with the number of children.

There is a downward trend in the poverty incidence of households with children, whereas there is an increasing trend in the poverty incidence of households with no children.

TABLE 1.17
PERCENTAGE OF HOUSEHOLDS WITH AVERAGE PER CAPITA INCOME BELOW THE SUBSISTENCE MINIMUM, BY HOUSEHOLD SIZE, 2004–08 (PERCENTAGE)

	2004	2005	2006	2007	2008
Households with children	35.4	35.4	35.3	33.9	33.1
Households without child	18.0	17.7	19.3	19.4	19.7
Households with children					
with 1 child	26.5	28.9	27.6	27.3	26.4
with 2 children	42.2	42.9	41.8	40.6	42.0
with 3 or more	69.6	66.0	68.4	64.6	62.4
with 4 or more	85.5	64.7	79.9	70.8	76.4
with children under 3	44.2	36.4	42.0	39.5	37.6
with all adults employed	26.1	27.9	27.8	26.3	24.6
with employed and unemployed adults	42.7	41.7	40.5	40.5	40.3
Households without children					
with all persons of working age	14.7	15.4	15.2	15.0	14.8
with all persons of retirement age	17.8	16.2	21.4	21.8	20.7
with all persons over 75	26.9	22.7	28.9	28.9	29.0
with at least 1 unemployed person	30.7	31.1	35.2	32.0	35.9
Total	27.3	27.1	28.1	27.3	27.0

Source: Ministry of Labour and Social Policy.

As Table 1.18 shows, both the poverty level and poverty depth fell in urban areas for the period 2004–08. However, a slight increase was observed in rural areas.

TABLE 1.18
POVERTY INDICATORS, BY RURAL AND URBAN AREAS, 2004–08

	2004	2005	2006	2007	2008
Poverty depth, %					
Urban	22.6	22.6	22.5	21.1	20.9
Rural	26.0	25.4	25.4	25.4	26.3
Total	24.0	23.8	23.8	23.1	23.4
Poverty level, %					
Urban	23.5	23.2	23.0	22.1	21.5
Rural	35.0	35.2	38.4	37.9	38.2
Total	27.3	27.1	28.1	27.3	27.0

Source: Ministry of Labour and Social Policy.

1.6 Migration

Today, Ukraine is a country of origin, destination and transit for international migrants. In the context of the demographic changes due to declining birth rates, Ukraine in fact needs an increasing number of immigrants in order to sustain its economic development.

The directions of migration of Ukrainians for the period 2004–09 are presented in Table A.6 in the Statistical Annex.[1] As the table shows, while there was a net outflow of migration in 2004, the balance turned positive in 2005. The trend of excess inflow of migration has continued. As Table 1.19 shows, in 2009, the net inflow of migrants exceeded 13.4 thousand.

TABLE 1.19
MIGRATION DATA, 2008–09 (PERSONS)

	2008			2009		
	Inflow	Outflow	Balance migration	Inflow	Outflow	Balance migration
Migration in all directions	710,790	695,869	14,9211	642,819	629,372	13,447
including :						
Migration inside region	407,507	407,507	–	367,104	367,104	
Migration between regions	265,960	265,960	–	242,798	242,798	
International migration	37,323	22,402	14,921	32,917	19,470	13,447

Source: State Statistics Committee of Ukraine.

Currently, a large number of Ukrainian citizens are working abroad. The international migration of Ukrainian workers affects the demographic and socio-economic development of the country, creates new security challenges and calls for more adequate policies in the realm of migration and socio-economic development, human rights protection and international relations.

The Ministry of Labour and Social Policy estimates the number of migrant workers at about 3 million. However, the Ukrainian Parliamentary Commissioner for Human Rights estimates that up to 7 million Ukrainians are working abroad.

The number of Ukrainian migrant workers has been increasing in recent years. According to the Institute of Sociology of the National Academy of Science, 15.7 per cent of households had at least one member working abroad in 2006 (this rate was 11.8 per cent in 2004 and 12.1 per cent in 2005). By 2006, 10.6 per cent of Ukrainians had experienced working abroad: 4.7 per cent had worked once, 2.2 per cent had worked twice and 3.3 per cent had worked three or more times. Only 28.3 per cent of Ukrainian migrant workers had signed a labour contract with their employers. The rest are considered to be migrant workers with irregular status.

According to data from Ukrainian embassies, the estimated number of Ukrainian migrant workers by country of destination is as follows: 1 million in Russia, 300,000 in Poland, 200,000 in both Italy and the Czech Republic, 150,000 in Portugal, 100,000 in Spain, 35,000 in Turkey and 20,000 in the USA.

The westward direction, unlike the eastward one – that is, Russia – has become increasingly attractive because of higher remuneration and better working conditions. Some EU countries have initiated regularisation processes to provide irregular migrants with legal status.

Initially, migrant workers came mainly from large cities, but at present there are more migrant workers from rural areas than from urban areas. In addition, both the age and the education profile of migrant workers have changed significantly since the 1990s. Currently, most migrant workers have completed higher education, while in the 1990s the majority had completed mainly secondary education.

1 It should be noted that the official data do not include migrant workers with irregular status.

A Decree on migration policy was issued by the National Security and Defence Council on 15 June 2007. The Decree addressed the problems of illegal migration, visa and border control and problems of readmission. The priorities of the state policy on international labour migration were: reduction of the scale of emigration; stimulation of labour immigration in contrast to emigration; provision of social protection for citizens employed abroad; and the creation of conditions for their return to Ukraine.

The Ministry of Labour and Social Policy of Ukraine is in charge of the implementation of labour migration policy. Specifically, it regulates companies which provide intermediary assistance for employment abroad. It also participates in the preparation and ratification of international treaties and agreements on labour migration, monitors labour migration and initiates scientific research.

In view of Ukraine's long-term demographic trends, labour migration policy should focus principally on two areas:

(1) Protecting the rights of Ukrainian citizens working abroad and providing more favourable opportunities for their legal employment in foreign countries through ratification of corresponding international treaties, improvement of mechanisms for their implementation, visa regime simplification and gradual cancellation of visa requirements for certain groups of citizens, in particular, the residents of border regions.

(2) Creating conditions for reducing emigration for the purpose of employment abroad and migrants' return to their homeland through optimal deployment of remittances for development purposes; in particular, offering opportunities to returning migrants to start new businesses, creating new jobs and improving living conditions in migrants' regions of origin.

2. Review of the existing social security systems in Ukraine

2.1 Overview

The Constitution of Ukraine, which was adopted by the Parliament in June 1996, affirms that every citizen has the right to social security which provides income security in the event of incapacity for work, loss of a breadwinner, unemployment, old-age and other cases envisaged by law.

The existing social security schemes in Ukraine are as follows:

- Pension insurance, which provides old-age pensions, disability pensions, survivor's pensions, long service pensions and burial benefit;
- Unemployment insurance, which provides unemployment benefit, lump-sum benefit for employees, vocational training, retraining and professional development for the unemployed, organization of public works, etc.;
- Sickness insurance, which provides sickness benefit, maternity benefit, funeral assistance, sanatorium treatment and health improvement benefit;
- Employment injury insurance, which provides benefit for injured persons in case of temporary disability, total disability and death due to industrial accident as well as medical care;
- Social assistance, which provides assistance to families with children, low-income families, persons disabled from childhood and children with disabilities;
- Social protection for war veterans, which provides lump-sum assistance, special privileges and grants for war veterans;
- Social protection for the consequences of the Chernobyl accident;
- Social welfare service benefits for disabled people, providing free telephone installation, provision of vehicles, provision of carriages and prostheses, rehabilitation services and job creation.

The social security system in Ukraine is financed by social security contributions and by the state and local budgets. Four social insurance funds have been established; (1) the Pension Fund, (2) the Unemployment Insurance Fund, (3) the Fund for benefits for temporary incapacity for work and funeral grants and (4) the Employment Injury Benefits Fund. These funds receive social insurance contributions and provide benefits and services. Although there are transfers between social insurance funds and the state budget, these funds are managed separately.

The remainder of this chapter provides an overview of the current social security system.

2.2 Pension insurance

The basic legislation on the pension system in Ukraine consists of the Law on Mandatory State Pension Insurance and the Law on Non-State Pension Provision, both of which were passed by Parliament in 2003. These laws lay down the following structure for the Ukrainian pension system:

- The mandatory solidarity (pay-as-you-go) pension system, which is based on the principles of solidarity and subsidization. This system is administered by the Pension Fund.
- The mandatory savings pension system, which is based on the principle of the accumulation of contributions in individual savings accounts.
- The voluntary private pension scheme, which is based on the principle of the voluntary participation of individuals, employers and their associations in the accumulation of pension savings.

The mandatory solidarity pension system and the voluntary private pension scheme have been implemented since 2004. However, as of 2010, the detailed regulations of the mandatory savings pension system have not yet been worked out. Therefore, the mandatory savings system has not yet been implemented (see section 3.2). In what follows, the focus will be on the mandatory solidarity pension system.

The Ministry of Labour and Social Policy and its local offices are responsible for the supervision of the mandatory state pension system. Supervision of the law and compliance with the mandatory savings pension shall be the responsibility of the State Commission for the Regulation of Financial Services Markets.

Table 2.1 presents average monthly pension benefits and the number of pensioners for the period 2004–09. Table 2.2 presents the revenue and expenditure of the Pension Fund for the period 2005–09.

TABLE 2.1
AVERAGE MONTHLY PENSION AND THE NUMBER OF PENSIONERS, 2004–09
(AT THE BEGINNING OF THE YEAR)

	Average monthly pension (UAH)				Number of pensioners (in millions)
	Total	of which			
		Old age pension	Disability pension	Survivors' pension	
2004	182.2	194.2	170.9	120.2	14.3
2005	316.2	323.8	305.2	262.9	14.1
2006	406.8	417.7	393.2	302.8	14.0
2007	478.4	497.0	435.8	339.3	13.9
2008	751.4	798.9	598.2	474.3	13.8
2009	898.4	942.7	742.7	647.0	13.7

Source: http://www.ukrstat.gov.ua

TABLE 2.2
REVENUE AND EXPENDITURE OF THE PENSION FUND, 2005–09 (MILLION UAH)

	2005	2006	2007	2008	2009
Total revenue	65,733.3	72,197.1	104,274.7	153,853.8	148,415.6
1. Revenue of the Pension Fund	42,702.1	54,292.8	101,379.8	101,950.6	99,821.1
– contributions (employers and workers)	40,465.3	49,086.2	99,110.0	98,888.6	95,575.9
– contributions from those who chose simplified taxation system	362.7	581.5	882.8	1,067.9	1,435.9
– other revenues	763.2	839.2	1,386.9	1,994.0	2,809.2
2. Transfer from the state budget	22,606.7	17,263.0	25,618.5	41,423.7	48,539.0
– subsidy for military pensioners, covering the pension fund deficit	21,399.3	15,593.1	24,237.4	40,256.6	30,145.2
3. Transfer from the Unemployment Insurance Fund	162.8	234.0	150.2	10.9	6.7
4. Transfer from the Employment Injury Benefits Fund	111.3	140.4	77.1	102.8	48.8
Total expenditure	64,064.9	74,007.5	99,940.5	150,349.1	165,729.3
1. Expenditure of the Pension Fund	59,877.8	62,013.9	77,176.3	117,128.2	132,068.7
– pension benefit expenditure	56,513.3	59,269.4	74,166.9	110,032.1	124,776.4
2. Transfer to the state budget	5,345.7	7,854.7	22,519.6	32,957.8	33,345.6
Balance	1,668.4	–1,810.4	1,920.7	3,504.7	–17,313.7

Source: Mandatory State Social Insurance and Pension Security (2006–08), published by Ministry of Labour and Social Policy and the Pension Fund of Ukraine.

2.2.1 Old-age pension

An old-age pension is payable when a worker with at least five years insurance period attains retirement age, which is 60 years for men and 55 years for women.

The pension amount depends on the pensioner's past wages and insurance period. The old-age pension is calculated on the basis of the following formula:

$$P_{old\text{-}age} = W_{avg} \times C_{ins},$$

where,
$P_{old\text{-}age}$ is the amount of the old-age pension;
W_{avg} is the average wage of the insured person over the insurance period;
C_{ins} is the pension coefficient.
In the above, the pension coefficient is calculated as follows:

$$C_{ins} = (S_m /12) \times (A_{ins} \times 100\%),$$

where,
S_m is the total number of months in the insurance period;
A_{ins} is the accrual rate per one year of insurance (in percent).

The accrual rate is 1.35 per cent for each year of insurance (for periods in which workers simultaneously contribute to the mandatory savings pension system, the accrual rate is 1.08 per cent). For each full year of insurance in excess of 25 years for men and 20 years for women, the old-age pension is increased by 1 per cent, although not more than by 1 per cent of the minimum old-age pension.

Full old-age pension benefits are granted to persons who have completed an insurance period of 25 years for men and 20 years for women. If the insurance period is shorter – but with a minimum of five years – the old-age benefit is reduced proportionately.

The minimum old-age pension is set at the level of the subsistence minimum for a person incapable of working. In 2009, the minimum old-age pension was 498 UAH per month. There is no fixed amount of the maximum pension. However, the maximum pension coefficient is set at 75 per cent (for persons who are entitled to a pension on preferential terms, the maximum pension coefficient is 85 per cent).

For a newly retired male worker with 30 years of insurance, the above pension formula[2] produces an old-age pension amounting to 40.5 per cent of the average wage (the pension coefficient is calculated as 1.35% x 30 = 40.5%).

2.2.2 Disability pension

According to the Law on Mandatory State Pension Insurance, persons certified by the relevant authorities as disabled are entitled to receive disability pensions.

There are three benefit levels depending on the degree of disability:

- Group I (severe disability): persons who are incapable of working and, in most cases, require constant attendance receive 100 per cent of the old-age pension;
- Group II (moderate disability): persons who are usually incapable of working or capable only under limited conditions receive 90 per cent of the old-age pension;
- Group III (partial disability): persons who are considered partially capable of working receive 50 per cent of the old-age pension.

The required insurance period for disability pension is five years for persons aged 32 or over. However, for persons younger than 32 years of age this period is gradually reduced to two years (for persons up to 23 years of age).

2.2.3 Survivors' pension

Survivors' pensions are payable to the children, dependent spouse and parents of deceased persons.

In case of one survivor, the amount of the survivors' pension is 50 per cent of the old-age pension. If there are two or more survivors, the total amount of the survivors' pension is 100 per cent of the old-age pension, to be shared equally.

If children lose both parents, the survivors' benefit is calculated on the basis of the old-age pension of one of the parents.

2.3 Unemployment insurance

The Law on Mandatory State Social Unemployment Insurance, which came into force in 2001, stipulates entitlement to unemployment benefit and lays down the legal, financial and organizational aspects of the mandatory state unemployment insurance. The Ministry of Labour and Social Policy and its local offices are responsible for the supervision of the mandatory unemployment insurance.

2 Without taking into account the additional increase for a period in excess of 25 years.

Unemployment benefits and related services are provided to the insured workers and first-time job seekers, as well as other unemployed workers who are registered according to the established procedure.

Unemployment benefits include:

- unemployment (cash) benefit;
- lump-sum grant for the unemployed to start a business;
- partial unemployment benefit;
- unemployment benefit during vocational training; and
- funeral benefit for unemployed persons.

In addition, the following services are provided:

- job search and job placement;
- vocational (re-)training, advanced training and career guidance;
- organization of public works; and
- information and consultation services related to employment.

Unemployment benefits are payable to unemployed insured persons who were in full- or part-time employment for more than 26 weeks over the 12-month period prior to unemployment.

The amount of unemployment benefit is calculated as follows:

- 50 per cent of the average wage for persons with fewer than two years of insurance;
- 55 per cent of the average wage for persons with two to six years of insurance;
- 60 per cent of the average wage for persons with six to ten years of insurance;
- 70 per cent of the average wage for persons with more than ten years of insurance.

Unemployment benefit is paid at 100 per cent for the first 90 days, at 80 per cent for the following 90 days and at 70 per cent thereafter.

In addition to insured persons, the unemployment benefit is also payable to the following persons:

- persons who were employed for fewer than 26 weeks over the 12 months prior to unemployment;
- persons who wish to resume work after more than six months of inactivity;
- insured persons whose employment contract was terminated due to grave infractions of the employment rules.

In this case, the amount of the unemployment benefit is equal to the statutory subsistence minimum for an able-bodied person. In view of the financial resources of the Unemployment Insurance Fund, the minimum unemployment benefits for 2009 have been set as follows:

- 500 UAH (42 euros) for persons who fulfilled the required insurance period; and
- 360 UAH (30 euros) for persons entitled to the benefit regardless of the insurance period.

Table 2.3 presents the revenue and expenditure of the Unemployment Insurance Fund for the period 2005–09.

TABLE 2.3
REVENUE AND EXPENDITURE OF THE UNEMPLOYMENT INSURANCE FUND, 2005–09 (MILLION UAH)

	2005	2006	2007	2008	2009
Total revenue	2,615.7	2,800.1	3,718.1	4,763.1	5,804.4
1. Contributions (employers and employees)	2,596.7	2,784.2	3,594.8	4,717.2	5,759.1
2. Others	18.1	15.5	23.1	42.6	44.8
3. Transfer from the state budget	0.95	0.46	100.2	3.3	0.4
Total expenditure (including reserves)	2,525.7	2,959.3	3,584.7	4,753.9	5,882.9
1. Material security and social services, total	1,829.5	2,084.8	2,474.7	3,519.2	4,863.8
– Unemployment benefit	1,185.7	1,458.9	1,695.9	2,254.3	3,938.7
– Grant for the unemployed to start a business	149.1	84.5	96.3	183.0	1.4
– Benefit during vocational training	44.5	56.3	76.1	97.8	92.7
– Funeral benefit, material assistance(*)	36.2	1.6	1.6	1.7	1.7
– Vocational (re-)training, and professional development for the unemployed	94.4	103.5	121.7	230.8	277.5
– Organisation of public works	55.9	66.1	83.0	106.7	71.2
– Job placement	210.5	258.4	294.4	383.5	368.9
– Information and consultation services	46.1	52.7	100.5	254.4	59.9
– Vocational guidance services	–	–	–	–	29.2
– Part-time unemployment benefit	–	–	–	–	10.9
– Prevention of insured risks	–	–	–	–	0.3
2. Support for the employment service's information system	59.1	55.5	62.1	97.6	66.7
3. Transfer to the Pension Fund for costs related to early retirement	162.8	234.0	150.2	11.1	6.7
4. Administrative costs	373.4	471.3	583.5	846.6	846.3
5. Reserves	30.9	21.6	24.9	40.9	64.6
Balance	90.0	–159.2	133.4	9.2	267.3

Note: * Material assistance was abolished from 2006.
Source: Mandatory State Social Insurance and Pension Security (2006–09), published by Ministry of Labour and Social Policy and the Pension Fund of Ukraine.

2.4 Employment injury benefits

The basic legislation here is the Law on Mandatory State Social Insurance against Industrial Accidents and Occupational Diseases Causing Disability. The Law covers persons employed under an employment agreement (contract) at enterprises and establishments of all forms of ownership and in all branches, as well as the self-employed and own-account workers.

Employment injury benefits include:

- benefits for temporary incapacity for work;
- benefits for total loss of earning capacity;
- survivors' benefits; and
- medical and social assistance.

2.4.1 Temporary incapacity for work

Benefit in respect of temporary incapacity for work is paid at 100 per cent of the average earnings of the person affected.

2.4.2 Total loss of earning capacity

In case of the total loss of earning capacity, a worker is entitled to two types of benefits:

i. A lump sum, the amount of which is based on the average monthly wage of the person affected and the level of the loss of earning capacity (in percentage terms). The maximum amount is set at four times the average monthly wage from which contributions to the Fund are paid.
ii. In addition, monthly cash benefits are paid in order to compensate the loss of earning capacity. The amount of the benefit is 100 per cent of the average earnings of the person affected.

2.4.3 Death from an employment injury

In the event of death due to an employment injury or an occupational disease, the family of the person concerned is entitled to the following benefits:

i. A lump sum paid to the family of the deceased worker. The amount shall be not less than the total wages of the deceased worker for the five years prior to the employment injury or occupational disease. In addition, the lump sum is increased according to the number of dependants (including any child born within ten months subsequent to the death). The amount of increment per each dependent shall not be less than the total wages of the deceased worker for one year prior to the occurrence of employment injury or occupational disease.
ii. Monthly cash benefits are paid to the family of the deceased worker. The amount of monthly benefit is determined on the basis of the average wage of the deceased worker and the number of their dependents.
iii. Funeral expenses are paid in compliance with the procedure established by the Cabinet of Ministers.

2.4.4 Medical care

The Employment Injury Benefits Fund finances expenditure on medical and social benefits, including special feeding needs, the cost of appliances and medicines, preventive care, general and special curative care, laboratory care and dental care, if the Medical Commission has determined its necessity.

In case of temporary incapacity for work, the Employment Injury Benefits Fund finances all treatment costs.

Costs granted for special medical examinations depend on the nature of the care. The Medical Commission has laid down the following minimum amounts:

- the (daily) minimum wage to cover special medical care (physiotherapy, painkillers and so on);
- half the (daily) minimum wage to cover continuous care visits;
- a quarter of the (daily) minimum wage to cover domestic help (cleaning, laundry and so on).

Table 2.4 presents the revenue and expenditure of the Employment Injury Benefits Fund for the period 2005–09.

TABLE 2.4
REVENUE AND EXPENDITURE OF THE EMPLOYMENT INJURY BENEFITS FUND, 2005–09 (MILLION UAH)

	2005	2006	2007	2008	2009
Total revenue	2,037.7	2,439.5	3,113.1	4,084.3	3,570.2
1. Contributions (employers and employees)	2,031.1	2,371. 5	3,005.2	3,926. 9	3,137
2. Others	6.6	11.4	14.8	157.4	433.2
Total expenditure	2,021. 9	2,346. 9	2,977.8	3,672. 8	3,533.7
1. Accident prevention	7. 2	6. 6	31. 1	118. 4	0.7
2. Employment injury benefits	1,773.7	2,002. 9	2,513. 2	2,862. 3	2,980. 0
3. Medical, professional and social rehabili-tation	63 .5	110.4	145. 6	200. 5	201.1
4. Costs of benefit transfer (banking and postal services)	15.1	17. 6	19. 7	28. 9	20.9
5. Other expenditure	143. 7	209.1	268.2	462.7	330.8
6. Transfer from the state budget	18. 7	0	0	0	0
Balance	15.8	92.6	135.3	411.5	36.5

Source: "Mandatory State Social Insurance and Pension Security" (2006–09)", published by Ministry of Labour and Social Policy of Ukraine and Pension Fund of Ukraine.

2.5 Sickness benefits, maternity benefits and funeral grant

The Law on Mandatory State Social Insurance in Case of Temporary Incapacity for Work and Expenses Incurred due to a Funeral, which came into force in 2001, determines the entitlement to (non-work related) sickness benefits, maternity benefits and funeral grants. Insured persons include those employed on the basis of a labour contract, as well as members of agricultural and other cooperatives.

The scope of the benefit covers (cash) sickness benefit, maternity benefit, funeral grants, sanatorium treatment and health promotion services.

The Law lays down the following levels of sickness benefit:

- 60 per cent of the average wage if the insurance period is less than five years;
- 80 per cent of the average wage if the insurance period is between five and eight years;
- 100 per cent of the average wage if the insurance period is more than eight years.

In addition, 100 per cent of the average wage is paid to the following persons:

- insured persons who were affected by the Chernobyl accident (classes 1–4);
- parents taking care of sick children below the age of 14 as a result of the Chernobyl accident
- war veterans who were affected by the Chernobyl accident.

The duration of benefits is the whole period of temporary incapacity for work. Thus, benefits are paid until recovery or until determination of permanent disability. The first five days of sickness benefit are paid by the employer.

The amount of maternity benefit is 100 per cent of the previous average wage, irrespective of the insurance period.

Table 2.5 presents the revenue and expenditure of the Fund for benefits of temporary incapacity for work for the period 2005–09. In addition to contributions, the fund also receives revenue from fines, penalties and other financial sanctions applied to insured individuals and government officials, as well as voluntary contributions from enterprises, institutions, organizations and individuals, and fees for sanatoria.

TABLE 2.5
REVENUE AND EXPENDITURE OF THE FUND FOR BENEFITS OF TEMPORARY INCAPACITY FOR WORK, 2005–09 (MILLION UAH)

	2005	2006	2007	2008	2009
Total revenue	4,896.5	7,257.6	5,515.4	7,227.6	7,024.5
1. Insurance contributions	4,550.3	5,829.3	4,907.3	6,496.5	6,124.6
2. Tax funding	221.5	345.1	407.3	474.4	451.8
3. Users' fees for sanatoria	69.7	92.1	118.7	163.4	177.9
Other revenues	54.9	991.2	82.1	93.4	73.4
Total expenditure	5,075.3	7,382.6	5,255.1	7,243.7	7,519.4
1. Benefit for temporary incapacity for work	1,985.3	2,351.5	2,962.5	3,917.6	3,955.3
2. Maternity benefit	446.9	661.5	854.2	1,328.9	1,493.5
3. Child birth benefit	1,006.8	2,351.6	–*	–	–
4. Child care benefit (for children under 3 years of age)	605.4	773.3	–*	–	–
5. Funeral grant	32.8	36.9	32.9	35.2	28.3
6. Health promotion programme	779.7	963.9	1,102.6	1,470.3	1,594.2
7. Administration expenses	174.5	224.2	258.3	455.2	375.0
8. Benefits for victims of Chernobyl disaster	12.9	17.0	21.3	31.3	35.9
Balance	−178.8	−125.0	260.3	−16.1	−494.9

Note: * These benefits have been paid by the social assistance system since 2007.
Source: Mandatory State Social Insurance and Pension Security (2006–09), published by Ministry of Labour and Social Policy and the Pension Fund.

2.6 Social assistance

The state social assistance system in Ukraine provides benefits to families with children, as well as assistance to low-income families, persons disabled from childhood and disabled children.

The basic legislation includes:

- the Law on State Social Assistance to Families with Children;
- the Law on State Social Assistance to Low-Income Families; and
- the Law on State Social Assistance to Persons Disabled from Childhood and Disabled Children.

State social assistance is financed by the state budget in the form of transfers to local budgets. State regulation and supervision of social assistance is the responsibility of the Ministry of Labour and Social Policy and its local offices.

Table 2.6 presents benefit amounts and number of beneficiaries of social assistance for the period 2005–09.

TABLE 2.6
SOCIAL ASSISTANCE BENEFITS, 2005–09

	2005	2006	2007	2008	2009
Social assistance for families with children					
Maternity benefit (for uninsured persons) average benefit,(UAH) number of beneficiaries	113 225,825	121 227,400	131 237,600	158 261,100	167 269,000
Child birth benefit amount of benefit (UAH) number of beneficiaries	8,498 571,499	8,500 568,183	8,500 552,550	12,240 for 1 child 25,000 for 2 children 50,000 for 3 children 581,500	12,240 for 1 child 25,000 for 2 children 50,000 for 3 children 605,900
Child care benefit (for children below 3 years of age) minimum benefit,(UAH) number of beneficiaries	90 591,107	90 641,500	90 1,112,800	130 1,162,100	130 1,330,600
Benefit for children under guardianship or custodianship minimum benefit, (UAH) number of beneficiaries	376 22,649	400 41,200	434 50,700	526 44,400	1,114 54,500
Child benefit to single mothers minimum benefit (UAH) number of beneficiaries	36.2 435,108	40 553,200	130 568,900	158 592,400	167 628,800
Social assistance for low-income families					
Families with working members minimum benefit (UAH) number of beneficiaries	100 64,904	110 47,832	121 31,879	133 31,782	133 –
Families with members incapable of working* minimum benefit (UAH) number of beneficiaries	140 926,638	155 668,497	171 510,146	188 497,885	188 –
Families with disabled persons minimum benefit (UAH) number of beneficiaries	150 91,821	165 58,767	182 48,472	200 48,187	200 --
Social assistance for persons disabled from childhood and disabled children					
Disabled from childhood (group I) average benefit (UAH) number of beneficiaries	332 2,036	359 7,470	570 65,779	705 67,564	747 –
Disabled from childhood (group II) average amount (UAH) number of beneficiaries	232 2,570	287 16,288	304 33,089	376 44,342	544 –
Disabled from childhood (group III) average benefit (UAH) number of beneficiaries	166 2,827	215 12,669	228 26,804	282 38,166	544 –
Disabled children under 18 years of age average benefit (UAH) number of beneficiaries	232 24,361	251 48,565	266 112,639	329 125,156	544 –

Note: * This category includes pensioners and children (except persons with disabilities).
Source: Statistical collection Social protection of population of Ukraine (2005–09), State Statistics Committee of Ukraine.

2.6.1 Social assistance for families with children

The Law on State Social Assistance for Families with Children provides the following types of benefits:

- maternity benefit (for non-insured persons);
- child birth benefit;
- child care benefit (for children below the age of 3);
- benefit for children under guardianship or custodianship;
- child benefit for single mothers.

(i) Maternity benefit (for uninsured persons)

This benefit is payable to women who are not insured by the state insurance for temporary incapacity to work.

The duration of maternity benefit is determined as follows:

- for normal deliveries – 70 days prior to childbirth and 56 days following childbirth (18 weeks);
- for deliveries with complications – 70 days prior to childbirth and 70 days following childbirth (20 weeks);
- for women who fell victim to the Chernobyl accident – 90 days prior to childbirth and 90 days following childbirth (26 weeks).

The Law provides that the amount of the benefit is 100 per cent of women's average monthly income (scholarship, cash security, unemployment benefit and so on) and should not be less than 25 per cent of the subsistence minimum for an able-bodied person.

(ii) Child birth benefit

Child birth benefit is paid to parents who are not insured by the social insurance scheme. If two or more children are born (or adopted, or enter into guardianship) the benefit is paid for each child.

Since 2005, part of the benefit is paid as a lump sum and the rest is paid as periodical payments. The duration is 12 months for the first child, 24 months for the second child, and 36 months for the third child or more.

In 2009, the amount of the benefit was 12,240 UAH (€1,020) for the first child (of which 4,800 UAH or €400 is paid as a lump-sum); 25,000 UAH (€2,083) for the second child (of which 4,840 UAH or €403 is paid as a lump-sum); and 50,000 UAH (€4,167) for the third and additional children (of which 5,000 UAH or €417 is paid as a lump-sum).

(iii) Child care benefit (for children under 3 years of age)

Child care benefit is paid to persons (parents, adoptive parents, guardian, grandmother, grandfather or other relative) who take care of children under 3 years of age. If there are two or more children, the benefit is paid for each child.

The amount of the benefit is the difference between the subsistence minimum for an able-bodied person and the average per capita family income in the past six months. The minimum amount is 130 UAH (€11) per month.

(iv) Benefit for children under guardianship or custodianship

This benefit is payable to persons who, under the relevant legal procedure, entered into the guardianship or custodianship of children who cannot remain in their parents' custody because of the latter's death, illness, loss of the right to custody of the child or for other reasons.

The amount of the benefit is twice the subsistence minimum for a child (depending on age). In case of the receipt of alimony, scholarship and other state assistance for children, the amount of the benefit is reduced accordingly. In 2009, the minimum amount of this benefit was 1,114 UAH (€93) per month.

(v) Child benefit for single mothers

The benefit is payable to single mothers (not married), single adoptive persons, widows and widowers with children. It is paid to divorced parents if they have lost their spouse but are not entitled to survivors' pensions or any social assistance.

The amount of the benefit is the difference between 50 per cent of the subsistence minimum for a child (depending on the child's age) and the average total family income over the previous six months. The minimum amount of this benefit is 30 per cent of the subsistence minimum for a child. In 2009, the minimum amount of this benefit was 167 UAH (€14) per month. The benefit is paid regardless of the receipt of any other benefit.

2.6.2 Social assistance for low-income families

The Law on State Social Assistance for Low-Income Families stipulates the entitlement to state social assistance of low-income families who are permanent residents in Ukraine.

Social assistance is paid monthly for a period of six months. The decision to grant social assistance is made by the labour and social assistance administration within 10 days of the application.

In accordance with the Law, the amount of social assistance is calculated as the difference between the subsistence minimum of a family and the average total family income calculated on the basis of the guidelines set out by the authorized institution. However, the amount should not be less than 25 per cent of the subsistence minimum for a family.

In 2009, the minimum monthly amount of social assistance for low-income families was 133 UAH (€11) for families of which all members are working, 188 UAH (€16) for families with members incapable of working (including pensioners and children) and 200 UAH (€17) for families with disabled members.

2.6.3 Social assistance for persons disabled from childhood and disabled children

The Law on State Social Assistance for Persons Disabled from Childhood and Disabled Children determines the entitlement to social assistance of persons disabled from childhood and disabled children below the age of 18.

The amount of the benefit is defined as follows:

- for persons disabled from childhood (Group I), 100 per cent of the subsistence minimum for a person incapable of working;
- for persons disabled from childhood (Group II), 80 per cent of the subsistence minimum for a person incapable of working;
- for persons disabled from childhood (Group III), 60 per cent of the subsistence minimum for a person incapable of working;
- for disabled children below 18 years of age, 70 per cent of the subsistence minimum for a person incapable of working.

In accordance with the provisions of the Law, persons disabled from childhood and disabled children are entitled to an additional benefit for taking care of other disabled persons. The amount of the benefit is equal to 15–50 per cent of the subsistence minimum for a person incapable of working.

2.7 Health insurance

Currently, Ukraine does not implement a contributory state social health insurance scheme. The Law on the Fundamental Principles of Ukrainian Legislation on Health Protection stipulates that the state will create conditions for efficient and accessible medical care for each individual. The state and communal medical facilities provide free medical care and social services necessary for the maintenance of health, medical and sanitary assistance, with free choice of doctors, and medical facilities.

2.8 Financing of the social security systems

As indicated in Table A.7 in the Statistical Annex, Ukraine's social expenditure in 2009 is estimated to be 365 billion UAH, which is 39.9 per cent of GDP. The composition of the social expenditure in 2009 as a percentage of GDP is as follows: 7.3 per cent for education, 4.0 per cent for health care, 8.6 per cent for social assistance and 20.0 per cent for social insurance funds (of which the Pension Fund stands at 18.1 per cent, and the Unemployment Insurance Fund at 0.64 per cent). The main financial resources for social security spending are contributions collected from employers and employees and transfers from state and local budgets.

Currently, there are four state social insurance funds to administer pension insurance, unemployment insurance, employment injury insurance and benefits for temporary incapacity for work and funeral grants. Table 2.7 summarizes the contribution rates of these social insurance systems.

TABLE 2.7
CONTRIBUTION RATES FOR MANDATORY STATE SOCIAL INSURANCE SYSTEMS, 2005–09

	Unemployment insurance	Temporary incapacity for work	Pension insurance	Employment injury(*)	Total
Employers					
2005	1.6%	2.9%	32.3%	1.73%	38.53%
2006	1.3%	2.9%	31.8%	1.51%	37.51%
2007	1.3%	1.5%	33.2%	1.51%	37.51%
2008	1.3%	1.5%	33.2%	1.51%	37.51%
2009	1.6%	1.4%	33.2%	–	–
Employees					
2005	0.5%	0.5% of wage below subsistence minimum 1% of wage above subsistence minimum	1% of wage below 150 UAH 2% of wage above 150 UAH	–	2% of wage below 150 UAH 3% of wage above 150 UAH 3.5% of wage above subsistence minimum
2006	0.5%	0.5% of wage below subsistence minimum 1% of wage above subsistence minimum	1% of wage below 150 UAH 2% of wage above 150 UAH	–	2% of wage below 150 UAH 3% of wage above 150 UAH 3.5% of wage above subsistence minimum
2007	0.5%	0.5% of wage below subsistence minimum 1% of wage above subsistence minimum	0.5% of wage below subsistence minimum 2% of wage above subsistence minimum	–	1.5% of wage below subsistence minimum 3.5% of wage above subsistence minimum
2008	0.5%	0.5% of wage below subsistence minimum 1% of wage above subsistence minimum	2% of total income	–	3% of wage below subsistence minimum 3.5% of wage above subsistence minimum
2009	0.6%	0.5% of wage below subsistence minimum 1% of wage above subsistence minimum	1–5% of total income 2% of total income for civil servant	–	–

Note: * Average contribution rates. The contribution rates range from 0.66% to 13.6%, according to the 67 classes of occupational risk.
Source: Mandatory State Social Insurance and Pension Security (2006–09), published by Ministry of Labour and Social Policy and the Pension Fund of Ukraine.

In addition to social insurance contributions, the state and local budgets finance significant portions of social insurance expenditure, as well as social assistance and related expenditure.

Table 2.8 presents the consolidated expenditure on social security from the state and local budgets for the period 2004–09. It should be noted that expenditure is directed not only to the social security funds, but also to the social security departments, which provide a range of assistance for uninsured persons.

TABLE 2.8
SOCIAL PROTECTION AND SOCIAL SECURITY EXPENDITURE OF THE CONSOLIDATED BUDGET, 2004–09 (MILLION UAH)

	2004	2005	2006	2007	2008	2009
Total	19,494.5	40,110.8	41,535.8	48,639.9	74,312.9	78,769.9
Social protection of disabled*	628.0	798.2	1,359.1	2,356.4	3,155.4	3,239.3
Social protection of pensioners*	9,290.3	28,759.5	26,924.9	26,006.4	42,648.4	50,487.4
Social protection of unemployed*	–	0.54	0.15	100.0	9.6	7.9
Social protection of war and labour veterans	1,816.0	1,939.0	2,714.8	3,904.7	3,924.5	4,015.9
Social assistance for family, children and youth	1,971.8	3,310.7	5,172.5	8,795.7	11,576.9	14,992.8
Social protection of other categories	3,133.8	3,167.4	3,153.1	4,186.1	10,012.9	4,109.2
Housing assistance	2,262.9	1,757.3	1,758.5	2,643.6	2,262.2	1,272.6
Research and development	0.8	2.0	2.3	19.4	23.2	21.5

Source: Statistical Annual Digest "Budget of Ukraine" (2004–09), Ministry of Finance of Ukraine.

3. Current issues concerning the social security systems in Ukraine

3.1 Response of social security to the global crisis

Since late 2008, Ukraine's economy has been severely hit by the slowdown of the world economy. In the current economic crisis, the government of Ukraine has identified the following challenges: minimization of the negative influence of the crisis on the labour market, improvement of the social insurance system and pension security, focus on targeted programmes by granting social benefits and privileges, increase of social standards and guarantees and support for incomes and reforming the social service system. This section focuses on the social security measures to alleviate the effects of the crisis and their effectiveness based on Ukraine's experiences in 2009.

Generally speaking, in times of economic slowdown, the expenditure on social security schemes, especially the unemployment insurance scheme, will automatically go up, helping to stabilize the economy.

The amounts of the minimum wage and the subsistence minimum were increased in line with the increase in the price level. The government guarantees the maintenance of pension levels for working pensioners and increases the pension level for non-working pensioners in line with inflation. In 2009, the annual increase in the Consumer Price Index was 15.9 per cent, while the increase in the average nominal wage was 5.5 per cent only (the average real wage decreased by 9.2 per cent). This means that at least the purchasing power of the pensions has been preserved. The expenditure of the Pension Fund increased by 10 per cent from 150 billion UAH in 2008 to 165 billion UAH in 2009. Currently, the average pension benefit is 925 UAH.

The expenditure of the Unemployment Insurance Fund increased by 24 per cent from 4,753 million UAH in 2008 to 5,883 million UAH in 2009. However, as shown below, this is largely due to the increase in the average benefit, rather than the number of unemployed receiving the unemployment benefits.

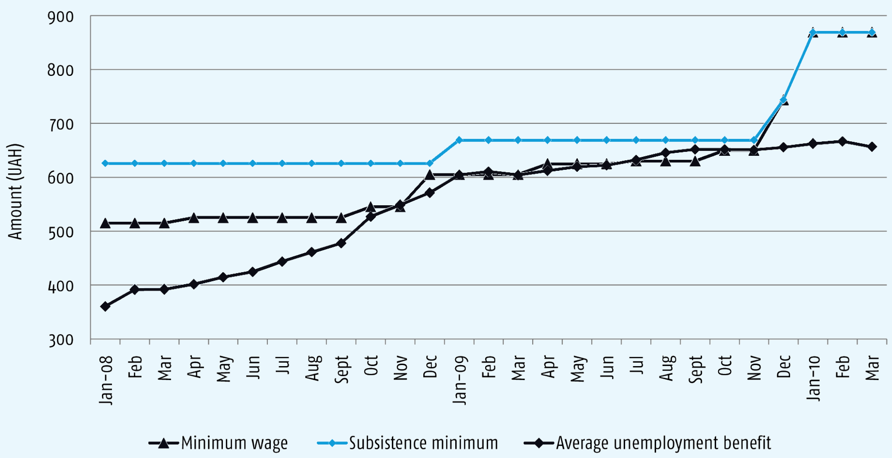
Figure 3.1 compares the average unemployment benefit with the minimum wage and the subsistence minimum level. Since the minimum unemployment benefit has been increased to 75 per cent of the subsistence minimum, the average unemployment benefit rapidly caught up with the minimum wage and kept its level during 2008–09. As depicted in Figure 3.2, from the beginning of 2008 till the end of 2009 the average unemployment benefit increased more than 80 per cent, which is almost double the rates of increase in the Consumer Price Index and the minimum wage.

On the other hand, Figure 3.3 compares the number of the unemployed (estimated according to the ILO definition[3] based on the Labour Force Survey) and the number of those actually registered with the State

[3] Unemployed are all persons of 15–70 years of age who did not work at all during the reference week, were actively looking for work during the four weeks previous to the interview, were available to start work within the two weeks following the survey week and were waiting to start a new job within a period of 30 days. The only exception are persons who did not look for work because they had already found work but it would start at a date subsequent to the reference period. These persons are classified as unemployed. (source: http://laborsta.ilo.org/applv8/data/SSM3/E/UA.html)

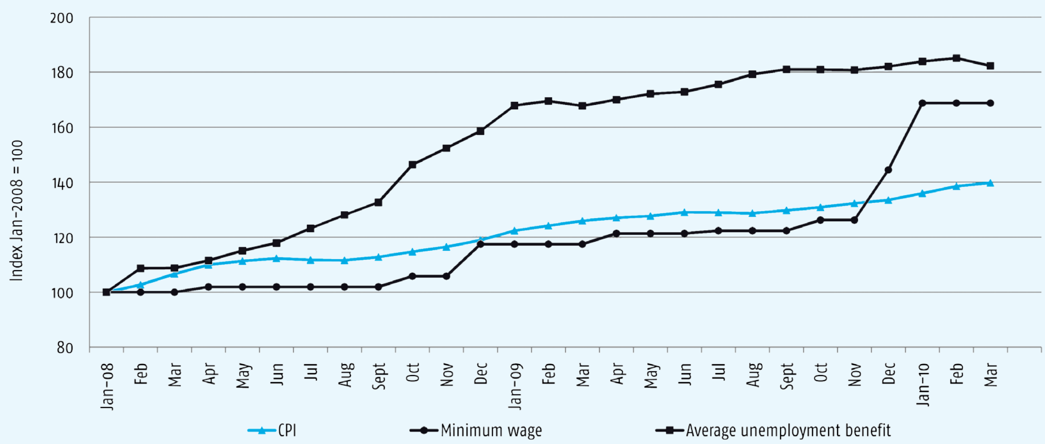
Employment Services. Although more than three quarters of the registered unemployed constantly receive the unemployed benefits, it can be clearly seen that starting from the second quarter of 2009, the gap between the number of the unemployed and the number of the registered unemployed started to grow and by now only 20 per cent of the unemployed receive unemployment benefits. Such discrepancy is ascribed to the tightened eligibility conditions and their application for registration with the State Employment Services in order to limit public finance deficits and meet the performance criteria for the large-scale financial support. As reported, in late 2008, the IMF agreed to disburse $16.4 billion (equivalent to 4.2 per cent of GDP) under a two-year Stand-By Arrangement to stabilize the banking system and preserve fiscal sustainability. Ukraine has so far received $10.9 billion over three tranches.

FIGURE 3.1
COMPARISON OF THE AVERAGE UNEMPLOYMENT BENEFIT, MINIMUM WAGE AND SUBSISTENCE MINIMUM FOR AN ABLE-BODIED PERSON, 2008–10Q1



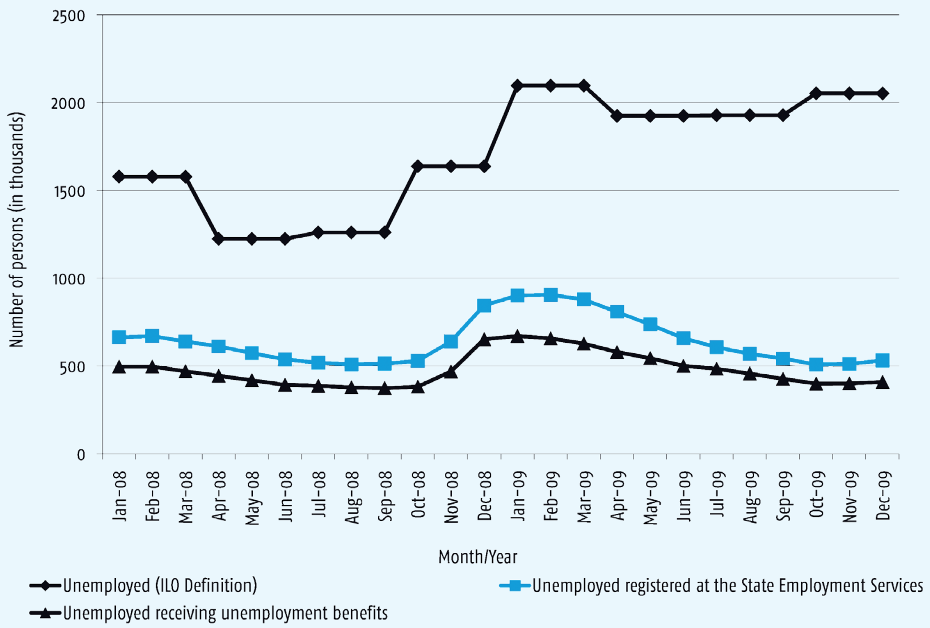
Source: State Statistics Committee of Ukraine, http://www.ukrstat.gov.ua.

FIGURE 3.2
COMPARISON OF THE AVERAGE UNEMPLOYMENT BENEFIT, MINIMUM WAGE AND CONSUMERS PRICE INDEX, 2008–10Q1



Source: State Statistics Committee of Ukraine, http://www.ukrstat.gov.ua.

FIGURE 3.3
COMPARISON OF THE NUMBER OF THE UNEMPLOYED, THE REGISTERED UNEMPLOYED AND THE UNEMPLOYED RECEIVING UNEMPLOYMENT BENEFITS, 2008–09



Source: State Statistics Committee of Ukraine, http://www.ukrstat.gov.ua.

In addition to the existing social protection mechanism to mitigate the effects of the global crisis on employment, the Parliament of Ukraine amended relevant laws and adopted several measures for maintaining the labour force, including the prevention of unreasonable, groundless or unjustified dismissal and social protection of workers. The framework for benefit entitlement in case of partial unemployment, as well as vocational retraining or upgrading of occupational skills has been developed. These costs, which amounted to 885 million UAH in 2009, were financed by the Unemployment Insurance Fund. As a result, a total of 702,700 job-seekers were placed in a job during 2009.

Furthermore, despite limited financial resources, basic state social guarantees were increased during 2009, as follows:

- The minimum wage was increased throughout 2009. At the end of 2009, the minimum wage reached the level of the subsistence minimum for an able-bodied person (744 UAH), which is 23 per cent higher than the minimum wage at the end of 2008.
- State social assistance for persons with disabilities and persons who are not entitled to pension benefits was also raised.
- In the 2009 budget, the expenditure on state social assistance to families with children and low-income families increased by 22.5 per cent, from 13.0 billion UAH in 2008 to 15.9 billion UAH. In June 2009, these benefits were provided to more than 110,000 families, almost half of which were families with three children or more.
- Benefits for children under guardianship or custodianship doubled.

As regards fiscal policy, there are competing views on the priority to be given between the preservation of fiscal sustainability and the countercyclical role of social security expenditure in times of economic crisis. For countries which have to rely on international financial support to cope with the crisis – such as Ukraine –, the pressure to contain the budget deficit often precedes the concern over the living standards of persons affected by the crisis[4]. The above analysis suggests that although Ukraine's unemployment scheme provided higher income protection it restricted the access to the unemployment benefits. It should be noted, however, that the effectiveness of the overall social security measures to alleviate the adverse impact on the labour market is yet to be determined in full detail.

In October 2009, the Parliament of Ukraine adopted the Law on the Establishment of the Subsistence Minimum and the Minimum Wage in 2009–10 (Law No.1646–VI of 20 October 2009). According to the Law, the minimum wage for 2010 is established as follows: 869 UAH from January, 884 UAH from April, 888 UAH from July, 907 UAH from October, and 922 UAH from December. The same Law also stipulates that the subsistence minimum for an able-bodied person will be the same amount as the minimum wage. This increase will also affect the minimum levels of social security benefits linked with the minimum wage or the subsistence minimum. However, the adoption of the Law, together with other issues, led to the suspension of the fourth tranche of the IMF Stand-By Arrangement worth $3.8 billion in November 2009. The 2010 state budget has adopted the above-mentioned increase in the subsistence minimum and minimum wage.

3.2 The pension reform debate

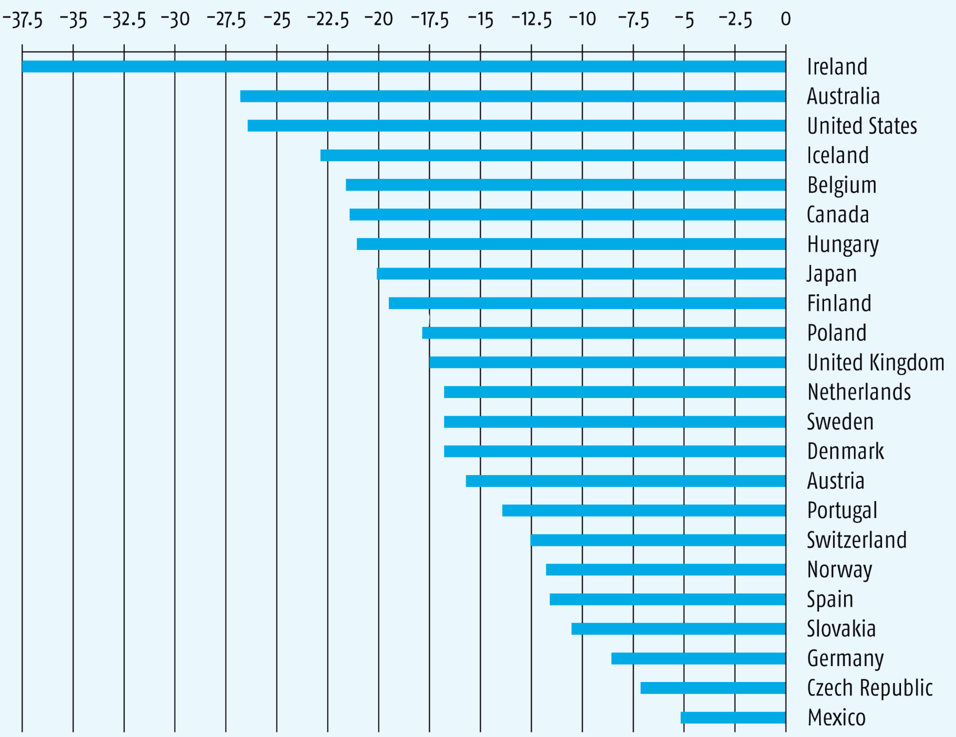
As already mentioned, the direction of pension reform in Ukraine is determined by the Law on Mandatory State Pension Insurance and the Law on Non-State Pension Provision, adopted by the Parliament of Ukraine in 2003. These Laws define the three-pillar structure of the Ukrainian pension system. So far, the mandatory solidarity pension system and the voluntary private pension schemes have been implemented. However, the mandatory savings system has not yet been put in place.

The crisis affected different categories of pension schemes in different ways. In defined-benefit pay-as-you-go pension systems, the immediate impact will be less severe than in fully-funded pension systems, where benefits are directly linked to the contributions and the interest earned on their investment. However, long-term contraction of employment and hence the number of contributors will also force the government to effect downward adjustments in the pay-as-you-go state pension system. One of the lessons learned from the experience of the crisis is the sensitivity of pension levels in fully-funded defined-contribution schemes with respect to the financial market volatility and the way its consequences had to be borne by workers. As indicated in Figure 3.4, private pension funds in OECD countries lost 23 per cent of their asset value in 2008.

In addition, the effects of the crisis were felt differently by different generations. As summarized in Table 3.1, the most affected are workers who are close to retirement, those with long periods of membership in the funded pension schemes, and in particular those whose investment portfolio is heavily exposed to riskier assets such as stocks. Those pensioners in private pension programmes who did not take annuities upon retirement may also be seriously affected. The reason why ILO Convention No. 102 requires old-age pensions to be paid as a life annuity (periodical payment made as long as the pensioner is alive) is precisely to protect the income security of the pensioners from the impact of unexpected macroeconomic shocks such as the crisis in 2008–09. These lessons should be appropriately taken into consideration in the future pension policy in Ukraine.

4 The original economic programme agreed by Ukraine and the IMF in December 2008 aimed for a balanced budget for 2009 based on an optimistic economic growth assumption of 4.2%. However, due to the dramatic deterioration of the economy, the programme had to revise its target twice to allow for a budget deficit up to 4% of GDP in the May review and up to 6% of GDP in the September review. The actual budget deficit in 2009 was estimated at 6.5% of GDP. Adding the deficit of the Naftogaz company (2.5% of GDP) and the Pension Fund (2.5% of GDP), the total public deficit is 11.5% of GDP. In March 2010, Ukraine and the IMF agreed that the 2010 state budget deficit will not exceed 6% of GDP.

FIGURE 3.4
REAL INVESTMENT RETURNS OF PENSION FUNDS, OECD COUNTRIES, 2008
%



Source: OECD, Pensions at a Glance 2009: Retirement-income systems in OECD countries.

TABLE 3.1
EFFECTS OF THE CRISIS ON PENSION SCHEMES BY DIFFERENT GROUPS

	Younger/prime-age workers	People near to retirement	Retirees
Strongly affected		Individuals in mature, private DC schemes Especially: i) where exposure to riskier assets is greater; and ii) where people are required to annuitise their balance at retirement	Retirees who did not annuitise their DC balances at retirement Especially those with greater exposure to riskier assets
Moderately affected		Individuals in mature, private DB schemes Public, PAYG systems with deficits	Retirees in plans with automatic benefit adjustments (e.g. conditional indexation, balancing mechanisms, sustainability adjustments)
Less affected	Most individuals in this group	Individuals with recently established private DC schemes	Retirees who annuitised DC balances before the crisis Most retirees with DB private pensions or public, PAYG benefits

Source: OECD, Pensions at a Glance 2009: Retirement-income systems in OECD countries.

On 14 October 2009, the Cabinet of Ministers adopted a scheme for further pension system reform, which describes its implementation in two stages over 2010–17. The first stage (2010–13) envisages the introduction of the pension indexation mechanism and several minimum pension levels, depending on the recipient's insurance period. The second stage (2014–17) would involve the completion of preparations for mandatory savings pension insurance (II pillar) and its stage-by-stage implementation, as well as the introduction of a unified legislative base for pension systems.

In the course of reforming the solidarity-based pension system the following changes were made:

- pension provision on the basis of individual contribution records;
- clear division of financial resources between the Pension Fund budget and the state budget;
- reduction of privileged pension rights funded from contributions;
- promotion of social dialogue in the management of Pension Fund;
- establishment of a minimum pension at a level not lower than the subsistence minimum for persons incapable of working.

There is evidence of widespread underreporting of wages. Almost one-third of insured persons pay contributions based only on the minimum wage. This not only affects current contribution revenues but also leads to a lower pension level in the future. Given the existence of a large informal economy and weak enforcement capacity, increasing the contribution rate will not improve legal compliance nor will it result in an increase in contributions to the Pension Fund.

In the longer term, the Ukrainian pension system is facing the challenge of an ageing population. According to population censuses, the old-age demographic dependency rate (the ratio of the population of pensionable age to the population of working age) almost doubled between 1959 and 2001, from 22.7 per cent to 41.1 per cent. According to the forecast of the Institute of Demography at the National Academy of Sciences, this ratio will increase to 50 per cent by 2025 and further to 76 per cent in 2050.

The number of contributors to the pension insurance system is 15.2 million, while the number of pensioners is 13.8 million. The system dependency rate (the ratio of the number of pensioners to the number of contributors) is therefore 90.8 per cent: in other words, 1.1 contributors support one pensioner. In 2009, the expenditure of the Pension Fund was 18.1 per cent of GDP, which accounted for 45.4 per cent of the total social expenditure.

One of the important issues in the current debate in Ukraine is whether or not to increase the normal retirement age, which is currently 55 years for women and 60 years for men. Analysis of employment by age shows that the share of the employed population in the working age population in Ukraine is lower than in most European countries which are making efforts to achieve the 50 per cent employment rate for persons aged 55–64 by 2010[5]. However, according to Pension Fund data, 2.8 million pensioners (or 20 per cent of all retirees) received old-age benefits and were still working in 2008. As shown in Table 3.2, if the retirement age in Ukraine remains unchanged, the duration of pension receipt is expected to extend to a considerable length (especially for women).

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5 In 2008, the employment rate of persons aged 55–64 years was 45.6 per cent for the EU average and 47.4 for the average of EU-15 countries. In 2009, the employment rate of Ukrainian workers was 59.5 per cent for age group 50–59, and 23.8 per cent for age group 60–70.

TABLE 3.2
THE NORMAL RETIREMENT AGE AND THE LIFE EXPECTANCY BY SEX IN SELECTED COUNTRIES

Country	Year	Normal retirement age (NRA) (years)		Life expectancy at NRA (years)	
		Males	Females	Males	Females
Ukraine	2010	60	55	14.3	23.4
Ukraine	2030	60	55	16.0	25.5
Ukraine	2050	60	55	17.5	27.2
Germany	2010	65	65	16.5	20.2
Germany	2030	67 (by 2029)	67 (by 2029)	16.8	20.5
United Kingdom	2010	65	60	16.5	24.0
United Kingdom	2020	65	65 (by 2020)	17.3	20.8
Hungary	2010	62	62	14.7	19.3
Hungary	2020	65 (by 2018)	65 (by 2020)	13.6	18.0
Poland	2010	65	60	14.1	22.5
Bulgaria	2010	63	60	14.0	20.4

Source: United Nations, World Population Prospects, 2008 edition.

Another serious concern is the erosion of trust in the pension system for all generations. The current retired generation receives pensions which have a much lower purchasing power than under the former system. On the other hand, the current working population realizes that if the pension system is maintained without any change, it will not receive adequate pensions when the time comes. This is leading to an increasing reluctance on the part of the current working population to contribute to the pension system.

The focus of future improvements of the pension system and pension reform should be in the following areas: (i) maintenance of a stable pension system; (ii) extension of the contribution base; (iii) establishment of an efficient system of private pension provision; (iv) adoption of the mandatory savings pension; (v) improvement of the pension formula and the pension indexation mechanism; (vi) reduction of the difference between the minimum and maximum pensions; and (vii) provision of social security benefits for Ukrainian citizens working abroad in case of accidents.

3.3 Comparative analysis of Ukrainian social security legislation with international and European standards

Recently, a study was conducted comparing Ukrainian social security legislation with the ILO Social Security (Minimum Standards) Convention (No. 102) and the European Code of Social Security. The study covers the following aspects: contingencies covered, minimum coverage of protected persons, types and minimum level of benefit, eligibility conditions and duration of the benefit.

The results of the study show that, out of nine branches of social security, Ukrainian legislation meets the standards required by ILO Convention No. 102 and the European Code of Social Security for the following five branches:

- sickness benefit;
- unemployment benefit;
- old-age benefit;
- employment injury benefit; and
- maternity benefit.

Due to the increase in the pension accrual rate per one insurance year (to 1.35 per cent since October 2008) and the increase in the average wage for the calculation of pensions to 928.81 UAH, the Ukrainian pension legislation now meets the minimum standards of social security of ILO Convention No. 102.

The base data used for the comparative analysis are summarized in Table 3.3.

TABLE 3.3
BASE DATA FOR COMPARATIVE ANALYSIS (IN PRICES AT THE BEGINNING OF 2009)

	UAH, monthly
Average wage	1,806
Average wage of a skilled worker	2,258
Average wage of a skilled worker for regions with high wage level	3,181
Average wage of a skilled worker for regions with low wage level	1,677
Average wage of an unskilled worker	605
Minimum wage	605
Subsistence minimum for an able-bodied person	669
Subsistence minimum for a person incapable for work	598
Minimum old-age pension	498
Minimum unemployment benefit for insured persons	500
Minimum unemployment benefit for not insured persons	360

On the basis of the comparative analysis, the following proposals have been formulated regarding the further improvements of the social security system in Ukraine:

- define the terms "standard beneficiary", "skilled manual male employee" and "ordinary adult male worker" in the Ukrainian legislations related to social security;
- introduce a contributory state social health insurance scheme, which meets international and European standards;
- introduce the universal family assistance for employed persons with children, regardless of their income level;
- gradually increase the social security benefits to a level sufficient to maintain the living standard of the family of the beneficiary.

3.4 Concluding remarks – the way forward

Social security systems in Ukraine play an important role in providing cash benefits or benefits in kind in the event of the various risks facing workers and their families.

In Ukraine, the global economic crisis has resulted in a significant increase in unemployment and a reduction in real wages. However, the existing social security schemes have responded to the crisis, although they could have responded more vigorously without the pressure to contain the budget deficit. To provide income support for unemployed workers and other vulnerable groups affected by the crisis, various measures have been taken by the social security system, in particular the unemployment insurance scheme. The Ukrainian experience presents a challenge as to how a country in need of international financial support can design effective policy and strategy to maintain well-functioning automatic stabilizers which support robust employment recovery, while at the same time achieving medium-term fiscal stability.

Furthermore, the crisis has directly affected the balance of the social security funds through a fall in contribution revenues and higher spending on benefits, as well as a substantial loss in assets invested by the third-pillar private pension funds.

In addition to the urgent challenge of coping with the adverse effects of the global crisis, the Ukrainian social security schemes, in particular the pension scheme, are facing a huge challenge to sustain the systems fiscally in view of the anticipated demographic change.

In general, the basic objective of pension reform is to make the system sustainable in the long run and credible for future generations, while ensuring its main function of providing adequate income security for the elderly, disabled and survivors. As in other countries with similar demographic trends, the policy debate will have to address such issues as the benefit level, retirement age, indexation and contribution rates. Since these reform measures inevitably affect the conflicting interests of tripartite stakeholders, it is important that the reform process should seek to build a national consensus on a package of measures acceptable to all stakeholders.

In order to assist in the ongoing crisis response and recovery measures, and to support the process of pension reform, the ILO is prepared to provide further help within the framework of the follow-up to the implementation of the Global Jobs Pact. In particular, the ILO stands ready to provide technical assistance in the assessment of the effectiveness of anti-crisis measures with social security, the policy analysis of the pension reform options, capacity building for estimating the financial effects of the reform options and the promotion of policy dialogue among the key tripartite stakeholders.

Statistical Annex

TABLE A.1
HOUSEHOLD INCOME BY URBAN AND RURAL AREAS, 2004–08

	2004		2005		2006		2007		2008	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
Average monthly income per household (UAH)	931.9	868.1	1,349.8	1259.9	1,663.8	1,496.5	2,097.5	1,822.4	3,064.7	2,510.6
Structure of total income	percent									
Total income	100.00	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Wages	53.5	26.3	54	27.1	55.8	30.3	57.7	32.7	55.6	32.5
Income from entrepreneurship and self-employment	4.7	3.7	5.5	3.7	4.8	4.2	5.7	3.8	5.8	3.9
Cash pensions	19.6	21.7	20.5	24.9	20.2	23.5	19.5	23.5	19.7	23.2
Cash social benefits	1.4	2.5	1.5	2.4	1.9	2.8	1.8	2.9	1.7	3.5
Income from sale of agricultural products	0.8	14.2	0.8	13.6	0.6	12.0	0.4	11.7	0.3	11.1
Income from sale of private and domestic property	0.1	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.4	0.1
Income from sale of real estate	1.2	0.1	0.3	0.1	0.5	0.1	0.2	0.2	0.5	0.1
Asset income	0.2	2.2	0.1	1.6	0.3	1.4	0.2	1.4	0.2	1.5
Cash support from relatives and other persons	5.9	3.9	4.9	3.9	4.9	3.7	4.8	3.8	4.5	4.2
Alimony	0.4	0.1	0.3	0.1	0.3	0.1	0.3	0.1	0.3	0.1
Other cash income (stipends and other income)	0.9	1.8	1.6	1.4	1.5	1.2	1.3	1.3	1.3	1.1
Non-cash income	7.3	19.6	5.7	17.2	5.0	16.2	4.4	14.9	3.7	13.3
Use of savings, loans; debt repayments	4.0	3.7	4.7	3.9	4.1	4.3	3.6	3.6	6.0	5.4
Number of households ('000)	12,074.2	5,559.6	12,009.5	5,529.9	11,987.2	5,430.3	11,958.6	5,382.5	11,864.8	5,334.2
Average size of household (persons)	2.55	2.77	2.55	2.75	2.54	2.75	2.54	2.74	2.54	2.74

Source: Statistical collection "Household Expenditure and Resources in Ukraine (2004–08)", State Statistics Committee.

TABLE A.2
HOUSEHOLD INCOME (FAMILY WITH CHILDREN) BY NUMBER OF CHILDREN, 2006–08

		All households with children	Number of children				
			One child	Two children	Three children	Four children	Five children or more
Average monthly income per household (UAH)	2006	1,988.03	1,968.11	2,035.84	1,950.06	1,982.98	2,126.26
	2007	2,501.07	2,475.31	2,572.71	2,340.69	2,889.66	2,306.58
	2008	3,536.23	3,573.03	3,458.67	3,474.42	2,764.49	3,407.59
	%						
Average monthly income per household (%)	2006	100.0	100.0	100.0	100.0	100.0	100.0
	2007	100.0	100.0	100.0	100.0	100.0	100.0
	2008	100.0	100.0	100.0	100.0	100.0	100.0
Wages	2006	55.1	58.7	49.7	41.2	32.8	30.9
	2007	57.1	60.3	51.7	43.2	29.2	39.6
	2008	56.9	59.6	51.5	44.6	27.5	23.0
Income from entrepreneurship and self-employment	2006	6.2	5.7	7.0	9.1	2.3	1.1
	2007	7.5	7.3	7.6	7.9	12.1	0.0
	2008	7.1	7.1	7.3	3.8	10.1	0.0
Income from sale of agricultural products	2006	4.3	3.5	5.8	5.6	6.3	5.4
	2007	3.8	3.0	5.3	6.1	9.7	10.5
	2008	3.5	2.9	4.8	6.4	3.1	6.0
Cash pensions, stipends and social benefits	2006	13.9	13.5	13.5	18	32.9	34.7
	2007	12.8	12.0	14.0	18.2	22.1	24.5
	2008	12.7	11.9	13.2	20.9	29.1	39.6
Cash support from relatives and other persons	2006	7.2	7.2	7.5	7.9	5.2	4.2
	2007	7.0	6.7	7.8	8.5	5.3	4.9
	2008	7.4	6.8	9.1	9.6	8.5	5.1
Value of consumed products produced on private subsistence farms or procured individually	2006	5.6	4.3	7.2	10.3	15.6	16.4
	2007	4.8	3.8	6.6	9.5	12.9	18.1
	2008	4.0	3.2	5.5	9.3	14.7	22.1
Other non-cash income	2006	2.7	2.6	3.2	2.8	3.2	2.5
	2007	2.6	2.4	2.7	3.3	3.0	1.9
	2008	2.2	2.2	2.4	2.6	2.8	1.5
Use of savings, loans; debt repayments	2006	5	4.5	6.1	5.1	1.7	4.8
	2007	4.4	4.5	4.3	3.3	5.7	0.5
	2008	6.2	6.3	6.2	2.8	4.2	2.7
Number of households ('000)	2006	6,567.0	4,330.0	1,914.1	242.4	50.4	30.1
	2007	6,538.8	4,453.2	1,824.1	196.6	48.6	16.3
	2008	6,497.1	4,590.8	1,660.6	199.0	33.9	12.8
Average size of household (persons)	2006	3.78	3.40	4.32	5.32	6.44	7.64
	2007	3.73	3.35	4.38	5.24	6.72	7.37
	2008	3.72	3.40	4.35	5.39	6.15	7.11

Source: Statistical collection "Household Expenditures and Resources in Ukraine (2006–08)", State Statistics Committee.

TABLE A.3
HOUSEHOLD INCOME (FAMILY WITHOUT CHILDREN), 2006–08

		All households without children	With one person		With two persons or more		
			Working age	Non-working age	All persons of working age	Working and non-working age	All persons of non-working age
Average monthly income per one household (UAH)	2006	1,383.88	983.99	678.93	2,021.59	1,820.39	1,370.94
	2007	1,716.12	1,148.16	854.33	2,491.51	2,268.93	1,666.26
	2008	2,502.27	1,704.65	1,218.63	3,511.6	3,432.25	2,416.34
		%					
Average monthly income per household (%)	2006	100.0	100.0	100.0	100.0	100.0	100.0
	2007	100.0	100.0	100.0	100.0	100.0	100.0
	2008	100.0	100.0	100.0	100.0	100.0	100.0
Wages	2006	42.6	56.6	6.1	66.1	42.7	10.0
	2007	45.0	58.3	9.0	69.9	43.8	10.8
	2008	42.9	58.1	8.2	67.5	40.7	9.7
Income from entrepreneurship and self-employment	2006	3.2	7.0	0.1	5.4	2.0	0.5
	2007	3.2	5.7	0.2	5.5	2.3	0.2
	2008	3.7	7.5	0.5	5.6	3.3	0.5
Income from sales of agricultural products	2006	3.5	2.0	2.8	3.5	3.7	4.3
	2007	3.4	1.9	3.2	3.3	3.6	4.2
	2008	3.0	1.9	3.0	3.0	3.0	3.5
Cash pensions, stipends and social benefits	2006	32.2	9.3	64.9	9.2	34.9	66.9
	2007	31.9	8.4	61.6	8.6	36.0	68.1
	2008	32.2	7.6	63.6	8.9	34.5	69.9
Cash support from relatives and other persons	2006	6.9	14.3	10.6	5.7	5.3	5.3
	2007	6.3	15.7	11.5	4.8	3.9	4.5
	2008	6.3	15.7	10.0	4.8	5.0	4.3
Value of consumed products produced on private subsistence farms or individually procured	2006	5.4	2.6	7.6	4.0	6.0	7.6
	2007	4.5	2.4	6.3	3.2	5.1	6.5
	2008	3.9	2.2	5.8	2.8	4.2	5.5
Other non-cash income	2006	2.7	3.2	5.4	2.0	2.1	3.2
	2007	2.8	3.4	5.9	1.6	2.3	3.6
	2008	2.4	2.9	5.0	1.5	1.7	2.9
Use of savings, loans; debt repayments	2006	3.5	5.0	2.5	4.1	3.3	2.2
	2007	2.9	4.2	2.3	3.1	3.0	2.1
	2008	5.6	4.1	3.9	5.9	7.6	3.7
Number of households ('000)	2006	10,850.5	1,243.9	3,046.3	2,870.8	1,917.8	1,771.7
	2007	10,802.3	1,252.6	2,911.6	2,866.3	1,968.4	1,803.4
	2008	10,701.9	1,177.7	2,907.5	2,818.1	2,119.8	1,678.8
Average size of household (persons)	2006	1.89	1.00	1.00	2.61	2.70	2.02
	2007	1.92	1.00	1.00	2.61	2.74	2.03
	2008	1.92	1.00	1.00	2.58	2.72	2.02

Source: Statistical collection "Household Expenditure and Resources in Ukraine" (2006–08), State Statistics Committee.

TABLE A.4
HOUSEHOLD INCOME BY SOURCE, 2006–08

		All households	Households with main source of income			
			Wages	Income from entrepreneurship	Income from self-employment*	Transfers, income from sale of assets**
Average monthly income per household (UAH)	2006	1,611.67	1,976.08	3,084.20	1,887.91	1,126.79
	2007	2,012.10	2,445.10	3,950.23	2,461.36	1,374.82
	2008	2,892.84	3,447.28	7,240.68	3,378.53	2,022.97
		%				
Average monthly income per household (%)	2006	100.0	100.0	100.0	100.0	100.0
	2007	100.0	100.0	100.0	100.0	100.0
	2008	100.0	100.0	100.0	100.0	100.0
Wages	2006	48.4	72.5	15.8	17.3	14.1
	2007	50.6	74.6	16.2	16.8	13.9
	2008	49.4	73.0	9.5	15.5	14.1
Income from entrepreneurship and self-employment	2006	4.6	0.9	66.7	26.1	0.9
	2007	5.2	1.0	67.1	33.5	1.0
	2008	5.3	1.1	51.9	33.3	0.9
Income from sale of agricultural products	2006	3.8	1.6	0.8	20.0	3.1
	2007	3.6	1.5	0.3	18.3	3.0
	2008	3.3	1.4	0.5	17.4	2.7
Cash pensions, stipends and social benefits	2006	23.7	9.6	4.6	10.9	56.1
	2007	23.0	9.6	4.2	10.9	56.4
	2008	23.1	9.8	4.5	9.8	57.1
Cash support from relatives and other persons	2006	7.1	5.2	2.8	5.3	11.6
	2007	6.6	4.5	3.1	4.7	11.9
	2008	6.8	4.9	1.2	7.6	11.1
Value of consumed products produced on private subsistence farms or individually procured	2006	5.4	3.4	2.5	12.9	7.1
	2007	4.8	3.0	1.5	10.7	6.3
	2008	4.0	2.7	0.8	8.7	5.5
Other non-cash income	2006	2.8	2.3	1.6	1.7	4.0
	2007	2.6	2.1	1.4	1.4	4.3
	2008	2.2	1.9	1.1	1.2	3.5
Use of savings, loans; debt repayments	2006	4.2	4.5	5.2	5.8	3.1
	2007	3.6	3.7	6.2	3.7	3.2
	2008	5.9	5.2	30.5	6.5	5.1
Number of households ('000)	2006	17,417.5	8,252.9	167.3	1,456.4	7,540.9
	2007	17,341.1	8,569.8	124.7	1,434.0	7,212.6
	2008	17,199.0	8,619.9	158.5	1,369.8	7,050.8
Average size of household (persons)	2006	2.60	3.06	3.32	3.18	1.98
	2007	2.60	3.05	3.28	3.20	1.93
	2008	2.60	3.03	2.90	3.19	1.95

Notes: *Households with predominant income calculating as sum of family members' income from self-employment and household income from sales of agricultural products and value of consumed products that were produced at private subsistence farms or individually procured.
**Households with predominant income calculating as sum of pensions, stipends, social benefits, cash subsidies and reimbursement of expenditure for purchasing liquefied gas and fuels (cash and non-cash), support from relatives and other persons, alimonies; households which do not have other income besides income from sales of private and estate property as well.
Source: Statistical collection "Household Expenditure and Resources in Ukraine (2006–08)", State Statistics Committee.

TABLE A.5
DISTRIBUTION OF HOUSEHOLDS BY AVERAGE PER CAPITA EXPENDITURE, 2005–06

Average monthly expenditure per capita (UAH)	All households		Household location			
			Urban areas		Rural areas	
	2005	2006	2005	2006	2005	2006
	%					
	100.0	100.0	100.0	100.0	100.0	100.0
below 180.0	5.9	3.1	4.3	1.9	9.0	5.6
180.1–240.0	10.4	6.5	8.7	5.2	13.8	9.0
240.1–300.0	12.9	10.1	11.4	7.9	16.1	14.4
300.1–360.0	13.3	10.5	12.9	9.6	14.1	12.3
360.1–420.0	12.2	11.6	12.5	11.1	11.8	13.0
420.1–480.0	9.4	10.1	9.8	9.9	8.7	10.3
480.1–540.0	8.1	9.7	8.6	10.7	6.9	7.7
540.1–600.0	6.3	7.1	6.8	7.6	5.4	6.1
600.1–660.0	4.4	6.2	4.8	7.0	3.4	4.7
660.1–720.0	3.5	4.9	4.1	5.2	2.3	4.4
above 720.0	13.6	20.2	16.1	23.9	8.5	12.5
Cumulative share of population with monthly total expenditure per capita below (UAH):	All households		Household location			
			Urban areas		Rural areas	
	2005	2006	2005	2006	2005	2006
	%					
180	5.9	3.1	4.3	1.9	9.0	5.6
240	16.3	9.6	13.0	7.1	22.8	14.6
300	29.2	19.7	24.4	15.0	38.9	29
360	42.5	30.2	37.3	24.6	53.0	41.3
420	54.7	41.8	49.8	35.7	64.8	54.3
480	64.1	51.9	59.6	45.6	73.5	64.6
540	72.2	61.6	68.2	56.3	80.4	72.3
600	78.5	68.7	75.0	63.9	85.8	78.4
660	82.9	74.9	79.8	70.9	89.2	83.1
720	86.4	79.8	83.9	76.1	91.5	87.5

Source: Statistical collection "Household Expenditures and Resources in Ukraine" (2005–06), State Statistics Committee.

TABLE A.6
DIRECTIONS OF MIGRANTS FROM UKRAINE, 2004–09 (PERSONS)

	Inflow	Outflow	Balance of migration
All directions of migration			
2004	789,379	796,994	−7,615
2005	763,222	758,639	4,583
2006	765,882	751,637	14,245
2007	758,292	741,454	16,838
2008	710,790	695,869	14,921
2009	642,819	629,372	13,447
Migration within Ukraine			
2004	750,812	750,812	–
2005	723,642	723,642	–
2006	721,655	721,655	–
2007	711,785	711,785	–
2008	673,467	673,467	–
Migration within the region			
2004	455,663	455,663	–
2005	439,269	439,269	–
2006	440,898	440,898	–
2007	435,844	435,844	–
2008	407,507	407,507	–
2009	367,104	367,104	
Migration between regions			
2004	295,149	295,149	–
2005	284,373	284,373	–
2006	280,757	280,757	–
2007	275,941	275,941	–
2008	265,960	265,960	–
2009	242,798	242,798	
Total international migration			
2004	38,567	46,182	−7,615
2005	39,580	34,997	4,583
2006	44,227	29,982	14,245
2007	46,507	29,669	16,838
2008	37,323	22,402	14,921
2009	32,917	19470	13,447
To CIS countries			
2004	32,583	28,865	3,718
2005	33,445	21,866	11,579
2006	33,972	21,270	12,702
2007	34,961	20,344	14,617
2008	29,593	14,770	14,823
To countries other than CIS countries			
2004	5,984	17,317	−11,333
2005	6,135	13,131	−6,996
2006	10,255	8,712	1,543
2007	11,546	9,325	2,221
2008	7,730	7,632	98

Source: "Statistical Yearbook of Ukraine" (2004–09), State Statistics Committee.

TABLE A.7
SOCIAL EXPENDITURE OF UKRAINE, 2000–09 (THOUSAND UAH)

Expenditure	2004	2005	2006	2007	2008	2009
I. Education	18,342,643.5	26,815,488.0	33,792,785.5	44,348,732.4	60,968,093.1	66,770,255.0
II. Health care	12,159,398.7	15,476,470.3	19,737,731.2	26,717,561.2	33,559,899.6	36,557,932.3
III. Social protection and security	19,494,524.7	40,110,836.9	41,535,836.3	48,639,956.8	74,312,960.7	78,769,940.9
Social protection of the disabled	628,016.9	798,248.1	1,359,075.1	2,356,445.3	3,155,437.1	3,239,303.1
Social protection of pensioners	9,290,311.6	28,759,518.5	26,924,962.6	26,006,401.5	42,648,411.9	50,487,356.0
Social protection of war and labour veterans	1,816,020.6	1,939,050.5	2,714,760.4	3,904,745.3	3,924,540.8	4,015,868.7
Social assistance for family, children and young people	1,971,843.2	3,310,697.9	5,172,462.6	8,795,674.8	11,576,930.0	14,992,791.1
Social protection of the unemployed	0.0	544.1	145.8	100,015.5	9,547.7	7,912.3
Housing assistance	2,262,865.1	1,757,270.0	1,758,471.0	2,643,630.3	2,262,212.3	1,272,626.6
Social protection of other categories	3,133,829.7	3,167,377.5	3,153,101.6	4,186,128.3	10,012,936.7	4,109,151.4
Research and development	819.8	2,011.6	2,310.9	19,452.9	23,199.8	21,477.1
Other activities in social protection sphere	390,817.7	376,118.6	450,546.5	627,462.9	699,744.5	623,454.5
IV. Social Insurance Funds	39,141,790.3	73,687,807.7	86,695,782.8	111,758,049.8	166,019,504.4	182,665,300.9
Pension Fund	31,762,354.3	64,064,900.0	74,007,500.0	77,176,284.8	117,128,204.7	165,729,300.0
Unemployment Insurance Fund	2,432,712.5	2,525,673.8	2,959,253.0	3,584,700.0	4,753,859.1	5,882,900.0
Fund of temporary disability benefits and funeral grants	3,356,414.0	5,075,300.0	7,382,585.0	5,255,096.0	7,243,708.0	7,519,400.0
Employment Injury Benefits Fund	1,590,309.5	2,021,933.9	2,346,444.8	2,977,790.0	3,672,819.0	3,533,700.9
Total	89,138,357.2	156,090,602.9	181,762,135.8	231,464,300.2	334,860,457.8	364,763,429.1

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