

Domestic labor market's modern development trends in terms of European integration

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Abstract – The main trends of the domestic labor market in terms of European integration are considered. It is mentioned that the current development model of the domestic labor market is quite paradoxical and characterized by contradictions which make obstacles for effective integration. To remove the obstacles for effective integration of the domestic labor market in the European area was proposed to conduct numerous measures that should be aimed to protect domestic producers and employees, to stimulate its competitiveness, to strengthen the role of the state and public organizations in providing national priorities and its accordance with international standards.

Key words – labor market, development of the labor market, European integration, employment rate, welfare of population, shadow employment.

I. Introduction

Ukraine's participation in European integration is not just the international interaction of economies but especially is the process of penetration of the European Union institutions in the domestic economy. The main characteristics of this integration process are not only depth, but the complexity and duration, as well as the ambiguity of the impact on various aspects of social life, including development of the domestic labor market – the intersection area of employers and employees vital interests.

II. The main material of research

In the current economic conditions the development and functioning of the domestic labor market is highly important due to solving a number of socio-economic problems, such as increasing of employment, welfare and poverty overcoming. Focusing on the priority of the labor market is obvious, because the number of unemployed in Ukraine exceeds 1.5 mln. people despite of its annual decreasing (in 2012, the unemployed population (ILO) in the age of 15-70 was 1,589.8 ths. people, in 2013 – 1,510.4 ths. people, in 2014 – 1,847.6 ths. people). Thus, a quarter of mentioned unemployed receives unemployment benefits (according to the State Statistics Service of Ukraine on 01.01.2015, the number of registered unemployed was 512.2 thousand people (1.9% of the working age population), 408.4 thousand people of mentioned above (79.7%) receive unemployment benefits, the average amount of it is 1232 UAH per month) [1]. However, receiving benefits, as in general the salary in Ukraine, does not protect from poverty and low living standards.

In the European Union (EU) people are considered to be poor if their incomes are less than 60% of the average in the country, all social benefits are include as well. According to the State Statistics Service of Ukraine, in 2013 55% of Ukrainians received income less than 60%

of the average in the country (in 2013 the average salary was 3265 UAH. (268.1% of the subsistence minimum for working aged people), 7.1% of Ukrainians received income more than average salary). Thus, 22.1% of Ukrainians had an average income 1560,1-1920,0 UAH. per month, 21.3% – 1200,1-1560,0 UAH. per month, 9.1% - 840,1-1200 UAH. per month, 2.3% - 480,1-840,0 UAH. per month, 0.1% – up to 480 UAH. per month [1]. Such «sad» statistics proves the increasing of poverty in Ukraine, low official salaries and different benefits.

The features of the domestic labor market development are its instability and significant shadow economy. According to ILO, the level of shadow employment in Ukraine is about 9%. According to the experts from the Institute of Economics and Forecasting, the share of employees in the "shadow" is 16.61% of all workers [2].

The high level of shadow employment in Ukraine is explained by the following reasons.

One of the main reasons of this increasing is the poverty problem. In economic practice it is believed that the poor are families in which the main item of expenditure, the value of which is several times higher than all others, is the cost of purchasing food. In Ukraine, according to research carried out on this item of expenditure accounts for nearly 60% of the family income, while in the European Union, this figure does not exceed 15-25%. The major food products in Ukraine are milk and dairy products, vegetables, bread and bakery products.

To survive in modern conditions, households are obliged to find extra sources of income, which are often from the shadow economy. Typically, such sources are from the private property, the accumulated capital, personal farm, individual and family employment, industrial and domestic services to households, unofficial and informal employment in trade and services, as well as the involvement of employees and the working population in another shadowed incomes in almost all sectors of the economy and especially in the sphere of circulation.

Another reason of the shadow employment spreading is the desire of employers to reduce expanses and to «hide» income from tax. In particular, in the official enterprises «fairly» earned salary is paid to workers against applicable wage order. So, actually paid salary, bonuses, benefits, etc. are much higher than officially recorded in the accounting documents.

Illegal enterprises, firms, factories, etc. without registration are made to omit taxes payment. Its production and financial flows are not recorded and salaries are paid to employees without official documentation.

It is counted that today approximately half of the Ukrainian wages are hidden so that due to STA, Ukraine annually loses about 10 billion UAH of taxes [3].

Due to experts, the payment of wages «in envelopes» are usually made in small and medium enterprises because of high charges on salary fund. Large companies don't pay social contributions because of insurance companies.

In general, according to unions, today the shadow wage in Ukraine is oriented 200 billion. UAH. [2].

Huge impact on the labor market development in Ukraine have labor migration and the tense political situation in the country.

The main reason that motivates people to leave their homes and go in search of a better life abroad, is a difference between life levels and economic opportunities in various regions of the world, particularly between developed countries and developing countries. In recent decades, this gap grew steadily, determining the prosperity of some and striking poverty of others. For example, if compare the minimum wage among countries of the European Union the highest is in Luxembourg – 1923 euro, and the lowest in Bulgaria – 184 euros [4]. In Ukraine, the minimum wage is about 54 euros (from September 1, 2015 the minimum wage is 1378 UAH.) [1].

In modern terms, according to various estimates, abroad is from 3 to 7 million. Ukrainian labor migrants. Given that in Ukraine on January 1, 2013 was 31,846.8 thousand. People economically active population of working age (15-64 years), we can talk about migration from Ukraine almost ¼ of active working age population [4]. However, definitive data on this phenomenon does not exist, because in some cases, migration is informal (illegal) nature.

Most Ukrainian workers going abroad for a period of 1 to 6 months. This so-called sezonnyky migrants, most of whom work abroad on those jobs that do not require skills that they have.

The main areas of employment migrant workers are: construction, agriculture, collective services (street cleaning and construction waste), transport and communication services, domestic workers (home cleaning, cooking, looking after children and infirm elderly people), industry (mainly the production of consumer goods - baked goods, clothing, shoes), trade and services (including Hospitality). This division of labor migrants by field of activity varies significantly depending on gender and country of residence.

Overall, the analysis of the current domestic labor development market model shows that it is quite paradoxical and characterized by contradictions which are obstacles to effective integration. Employment policy and remuneration policy are not coordinated, government and market regulators do not interact, made decisions, are the reaction to events but are not proactive, labor market is separated from the real estate, credit, investment, goods and services markets; state controls effectiveness of employers, but not their payments to employees; legislation is developing, but laws are usually broken.

To remove obstacles of the effective integration of the domestic labor market into the European area, it first of all must be reformed by:

- improving the system of remuneration;
- expanding opportunities to gain the main and additional official income;
- social support for certain groups of people;
- preventing the growth of unemployment by creating working places using various resources;
- increasing the quality and competitiveness of the workforce;
- increasing productivity by innovation technologies and improving of work places;
- using the experience of leading countries to enhance socio-economic development.

Reforming of the domestic labor market generally coincides with the measures necessary for the European

integration of Ukraine's economy. In case of its implementation the conditions and the regulations of the labor market will be closer to European. However, it is necessary to remember that the European integration as well as any other process in the short term can cause considerable economic and social losses.

In general, the main advantages of European integration for the Ukrainian labor market and the economy in general are:

- changing of Ukrainian labor laws according to EU requirements;
- development of the system of working places in quantitative and qualitative dimensions;
- favorable investment climate and business environment;
- increasing of the productivity and competitiveness of the workforce;
- effective relocation of human resources;
- implementation of a new law and administrative culture in the relations between the subjects of the labor market;
- increasing of living standards.

The economic risks and threats of European integration include:

- dependence on external factors due to the enlarging of exports;
- dismissal of employees during enterprise restructuring; reduction in demand for domestic goods and services in the segment of uncompetitive working places;
- lack of investments to replace old technologies;
- lower quality of the national labor force in compare with foreign specialists, orientation of foreign investors not on innovation, but on the investment that quickly pays off and is less risky.

Conclusion

Overcoming the possible risks of European integration in the adaptation period, especially in its short phase, is possible only when they are considered and there are preventive and proactive measures of labor market regulation which must be aimed to protect domestic producers and employees, stimulate competitiveness, strengthen the role of the state and public organizations in ensuring national priorities and their compliance with international standards. Only the realization of all these measures will result in long term benefits of European integration changes in the domestic labor market development.

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