

# **The Role of Employers' Organizations of Ukraine in Promoting Youth Employment and Strengthening Vocational Education and Training System**

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## Contents

1. Background information.....	3
2. Research methods .....	3
3. Country profile .....	4
4. The latest outlook of Ukrainian economy .....	5
5. The overview of youth labour market .....	7
6. Policies and institutions for youth employment promotion.....	8
7. Youth entrepreneurship and SME development.....	13
8. Vocational education: system, problems and challenges .....	14
9. The role of EOs' in the youth employment and VET system reform.....	20
10. . The problems summary.....	24
11. Policy proposals .....	26
12. Annex: The summary of results of two focus groups discussions.....	28
13. Bibliography and interviewed persons.....	31

## **1. Background information**

The common problems of economies in transition are low competitiveness and productivity resulting in high unemployment, particularly among the youth. The typical reasons for that are:

- Undeveloped and unfavourable business environment;
- Slow pace of economic reforms;
- The mismatch between job seekers professional structure provided by VET institutions and labour market demands;
- The lack of well educated and trained job applicants; and
- The outdated VET institutions and governance system.

The time lag between labour market signals and the actual employers' needs requires stronger intervention from different labour market players, particularly, from employers' organisations, and better communications and cooperation among all social partners as well as the government agencies concerned.

After the collapse of the Soviet Union, and during the following transition to the market economy many VET institutions had been liquidated. Unfortunately, most of them have not been replaced by equally effective private education and training providers to fill the gap.

In such conditions the role of employers' organisations has become of critical importance to speed up the process of youth development and linking closely VET institutions outcomes to enterprise needs. These needs are very dynamic and are changing much faster than existing VET system reacts in adjusting their curricula, training facilities and equipment, teaching methods and techniques. The most of the VET institutions are still overcentralized, with poor administration and slowness in management decision making.

The purpose of this research was to identify the status, problems and the needs of employers' organisations in Ukraine in strengthening their role in advancing the youth employment and VET reform system through better partnership and social dialogue in order to contribute to improving the fit between youth professional qualifications demand and supply.

## **2. Research methods**

The main research methods were desk study of publications, official documents, and research papers of various national and international organizations as well as the project documents. But the most revealing were information and opinions obtained from almost forty top-administrators and managers, officials and experts from international organizations, government agencies, employers organizations, the ILO correspondent in Kiev, educational and training institutions and enterprise owners and managers as well as employers' organizations and two focus group discussions.

The ILO correspondent in Kiev and the employers' organizations staff have done an excellent job in preparing my visits to the relevant ministries and state agencies concerned with youth employment promotion and vocational education and training institutions and SMEs development. I have also used my own contacts among

Ukrainian government officials, enterprise managers and owners, and local management consultants as well as my previous studies of these issues.

### **3. Country profile**

Ukraine is the second largest country in Europe with the area of 603,700 sq km and is strategically located between Russia and the Western Europe. Its population has fallen more than 10% from 51.5 million in 1990 to 46.2 million in 2007, with continuous decline of about 1 million inhabitants every three years, mainly because of migration. It is rich on natural and human resources to play a significant role in the global economy. It has productive land, a relatively developed industrial base, well trained labour, and a quantitatively impressive education system.

The Ukrainian people belong to the southern branch of the Eastern Slavs. Kievan Rus became the centre of a great civilization, with Orthodox Christianity established in the tenth century, but fell in 1240 to the Mongols. They in turn were driven out by the Grand Duchy of Lithuania in 1362. The territory which is now Ukraine had only brief periods of independence prior to 1991 – under the Cossacks from the fifteenth century until union with Russia in 1654, and very briefly after the Bolshevik Revolution in 1917.

The Parliament declared Ukraine's independence on 24 August 1991. This was confirmed by referendum on 1 December 1991, with 90% approving the decision. Ukraine's formal independence was recognized by the international community on 30 December 1991.

Ukraine is Parliamentary-Presidential Republic with pro-market economy and pro EU membership. The major political groupings are: Our Ukraine - People's Self-Defence, Yulia Tymoshenko Bloc (both pro-market economy, pro-reform, pro-EU membership), Party of the Regions (favours close relations with Russia and EU membership, most support in the East), Lytvyn Bloc (centrist alliance), and Communists.

In September 2008, the ruling coalition has collapsed, following the withdrawal of the pro-presidential Our Ukraine-People's Self-Defence (OU-PSD). The talks on forming an alternative coalition had no results.

The constitutional shortcomings that fuelled a destabilising power struggle in 2006-07 between the President and the previous government, led by the Party of Regions, is remaining a source of tension. Changes to the constitution introduced in 2006, transferred some of the president's powers to parliament and the government, paving the way for conflict because of their ambiguity. Tensions over the issue will rise as politicians begin to position themselves for the next presidential election. Yushchenko favours a stronger presidency, whereas Viktor Yanukovich, the leader of the PoR, advocates a greater role for the prime minister. During 2008 Ms Tymoshenko has also come out in favour of a parliamentary system.

The risk of a destabilising escalation in tensions with Russia has increased following the recent events in Georgia. Adding to it, Ukraine has yet to reach a difficult agreement with Russia on the price of gas imports in 2009. With growing political instability, disintegrated governing coalition and the lack of policy consensus within

the political elite, the country is preparing for one more unscheduled election followed by presidential elections in 2010.

Public support for Ukraine receiving a NATO Membership Action Plan (MAP) has not increased, according to most opinion polls. With some of NATO's leading member states now even more reluctant to admit Ukraine in the wake of the Russia-Georgia conflict, it is unlikely that Ukraine will be granted a MAP at the meeting of NATO foreign ministers scheduled for December 2008.

The continuing domestic political turmoil has not improved Ukraine's EU prospects. At the September 9th EU-Ukraine meeting in Paris, Ukraine was offered the prospect of signing an association agreement in 2009, but EU officials were at pains to stress that the agreement did not carry any implication of eventual EU membership. Instead, they expressed their hope for unity among Ukrainian politicians.

Some progress can be expected on deregulation and liberalisation, as Ukraine's main parties agree that it is desirable to deepen economic links with the EU after the Ukraine's accession to the WTO in May 2008. However, the political influence of vested business interests and the approach of a presidential election mean that one should not expect rapid progress on crucial outstanding reforms.

#### **4. The latest outlook of Ukrainian economy**

The youth employment depends in a great degree upon the economic situation and business climate. The economy grew by almost 8% annually in 2006-07. The GDP per head (US\$, PPP) has been increased from 6,303 in 2006 to 7,014 in 2007. However, certain signs of overheating have emerged since 2007, including extremely high inflation and a rapidly widening current-account deficit. In 2007 the Ukraine real GDP growth was down to 7.7% from 7.9% in 2006. It is expected that growth will drop to 6.5 in 2008 and 4.7 in 2009, reflecting the slowing of global expansion and an easing of domestic demands, declining credit, the downside risks and political uncertainty as well as global financial crises in September 2008.

High inflation (106<sup>th</sup> place among 131 countries, WEF, 2008) and a widening current-account deficit will present the main risks to macroeconomic stability in 2009-10. Risks have increased further following the intensification of global financial turmoil after September 2008. Inflation accelerated sharply in late 2007 and early 2008, reaching a peak of 31.1% year on year in May 2008. Rising food and energy costs, combined with the government's populist expenditure measures, were the main factors behind the rise in inflation.

The current-account deficit is expected to widen to an annual average of 9.5% of GDP in 2009-10 owing to rising import costs and strong import volume growth. The main risks to the growth outlook are the possibility of a sharp rise in the price of gas imports from Russia in 2009, and a further deterioration in the global financial and economic outlook.

Since the credit growth has already begun to ease, there have been signs that industry is being hit by declining competitiveness. After recovering in May 2008 from industrial output slowdown during the first 5 months, the growth of total industrial output for 2008 is expected to be reduced from 10.2% in 2007 to 6.6% and then to

5.5% in 2009. The growth of gross fixed investments is expected to fall down from 24.9% in 2007 to 13% in 2008 and to 9% in 2009.

Output in manufacturing, the leading economic sector, fell by 1.1% year on year in August, including such subsector as metallurgy, which accounts for over one-quarter of total industrial output and more than one-third of the country's exports (reduced by 8.6% year on year). External demand and price conditions for the Ukrainian metals industry have deteriorated sharply recently. Most of Ukraine's steel plants are now reported to be working at only 60-70% of capacity, and some have even warned of a possible halt in production because of a lack of orders.

Other important industrial subsectors to experience declining output in August included foodstuffs (down by 3.5% year on year), coal and refined petroleum products (down by 4.9%), and chemicals (down by 9.1%). Even engineering, which has been growing at the fastest pace of all because of robust domestic and foreign (especially Russian) demands, saw a significant slowdown in expansion in August, to 13.4% year on year, compared with 24.6% in July.

Construction, which provided an important boost to economic growth in 2006-07, despite its relatively small share of overall GDP of around 4.5% in 2007, has fallen into recession in 2008 because of high input costs and a tightening of the mortgage market.

Agriculture is the only leading economic sector to buck the slowing trend, and it saw output growth jump to over 20% year on year in January-August, compared with 10.8% in January-July.

The important factors underlying recent growth of Ukrainian economy are deteriorating; the period of “easy” productivity gains via low wages and increases in capacity utilization has come to an end; and consumer credit growth is bound to slow. The evidence also suggests that Ukrainian manufacturers find it difficult to compete abroad on quality. Moreover, in coming years, the competitiveness of the export sector will be hit by further increases in the price of natural gas imports. The global competitiveness index of Ukraine is very low and falling, Ukrainian competitiveness rank is 73 among 131 countries (WEF, 2008).

Other reasons of reducing the growth are slow and half-hearted structural reforms and economic liberalization. More improvements are needed, including emergence of efficient governance, transparent market conditions, fighting corruption and improving the legislative framework to bring more economic activity out of Ukraine's large shadow economy. The quality of public institutions is extremely poor and has been ranked as 104 among 131 countries (WEF, 2008).

Privatization revenue was just 3% of the annual target for the first 5 months of 2008, pushing the government returning to the international capital markets to help finance the budget deficit. The prospects for significant progress on privatization have diminished because of the political conflict between the President and Prime Minister. The government large-scale privatisation plans remain on hold, following the decision to call off the auction of the Odessa Portside Plant by the President, also suspending several other large privatisations planned by government. Privatisation plans now risk

being overtaken by the recent political crises, which impedes the Parliament legislative capabilities.

After joining World Trade Organization (WTO), import duties have been lowered on a whole range of products as part of Ukraine's obligations. As a result, Ukraine has become one of the most liberal members of the WTO, with its average weighed import duty falling from 7.02% to 5.67% (and from 14% to 11% on agricultural products). Some experts consider it as too much and too early. The weak agribusiness and SME still require certain protection.

Although the Ukrainian banking sector is generally sound, the tightening of credit conditions globally promises a less favourable external environment for country corporations and banks, which has increased their borrowing abroad in the past few years to fund domestic credit growth. The global credit crunch is likely to affect growth in industry negatively. On 14 October Fitch Rating agency noticed significant growth of short-term risks for Ukrainians banks. Combinations of instability on the global financial markets, worsening the macroeconomic basic indices and political uncertainty have led to outflow of deposits and reducing the proposals on the internal monetary markets. The quality of business environment has been worsen and ranked as 81 among 131 countries.

At the time of writing this Report, the state does not have neither updated long-term strategic plans for economic development nor anti crises programme to be approved by parliamentary (there is no ruling coalitions any more at present). And as the result there are no strategic visions and plans for HRD. Adding to these critical economic and political conditions, the hypertrophy of Ukrainian development model has led to focus on investing into physical and natural capital, the remaining smallest part of resources was directed to human capital development (employment promotion, education and health).

## **5. The overview of youth labour market**

The analysis of the labour market indicates the positive trends in employment and unemployment levels in Ukraine. Steady increase of employment rates from 55.4% to 57.9% (2001- 2006) revealed a positive trend in employment. In 2007, the level of employment was up to 58.7%, the increase – by 0.8% comparing with 2006. The level of economic activities of the population (age 15 – 70) in 2007 was 62.6%.

The employment growth was due to a higher share of self-employed (20% of all employed), which occurred mainly due to the more dynamic informal sector. In 2006 employment in this segment of economy was 4.6 million persons, or 22.3% of total employment. 82% of all self-employed were in agriculture working at home on their own small piece of lands.

The unemployment rate (by ILO methodology) of persons aged 15-70 shows a declining trend – from 10.9% in 2001 to 6.4% in 2007. The registered unemployment rate is low and reducing from 2.7% in 2006 to 2.3% in 2007 and expected to be 2.1% in 2008.

One of the conditions reducing the labour potential development in Ukraine is demographic crises. The reasons are emigration of labour active population,

particularly youth, reducing life longevity, worsening age structure. By assessment of the international charity fund “Caritas Ukraine”, there are about 4.5 millions of Ukrainian workers and specialists abroad, and the most of them are illegal.

In 2000-2006, overall youth employment increased by 11.7%; while, overall employment in Ukraine increased only by 2.8%, resulting in a higher youth share in total employment which grew from 23.2% to 25.3%. From 2006 to 2007 the youth employment level (age of 15 -24) increased from 35.1% to 36.6% of total employment; and for the age group 25 -29 – from 75.4% to 76.5%. Among unemployed people who are clients of State Employment Services (SES), 50% between 15 and 29.

This resulted in a larger share of youth in total unemployment with its increase from 42% to 42.2%. Overall youth unemployment rates demonstrate a positive declining trend from 19.2% in 2000 to 10.9% in 2006. In the unregistered labour market unemployment of young persons in the age of 16-28 demonstrated a positive declining trend – from 13.7% in 2000 to 7.6% in 2006

The share of youth in the informal sector was 28.2% of total employment in this sector in 2006. This indicates certain difficulties for youth in getting employment in the formal sector of economy, for absence of necessary skills and work experience as well as relevant job openings.

An important reason for relatively high youth unemployment is a misfit between demands and supply for young educated people at the labour market. The most important misbalance of demands and supply among university graduates are for economists, commerce, engineering, medicine, education and social sciences. To find a job for these professions is the most difficult task.

The deficit among workers professions has become extremely acute: about 28% of industrial and 60% of agricultural enterprises feel the lack of qualified labour force. At the same time a lot of job seekers have very low skills and wrong qualification structure. There is also an acute shortage of qualified workers in such occupations as machine operators, instrumentalists, maintenance and assembly workers, builders and metal processing operators, and even workers for petrol filling stations.

## **6. Policies and institutions for youth employment promotion**

The Ministry on Family, Youth and Sport (MoFYS) was empowered to implement the national youth policy. With the legal, organizational and economic mechanism in place, the key crucial efforts related to youth employment were focused on creation conditions for promotion of:

- youth employment by maintaining existing and creating new jobs;
- support of youth self-employment and entrepreneurship;
- providing youth with professions and skills adequate to the labour market needs;
- providing training over the entire period of employment;
- improving motivation for formal productive employment; and
- re-employment of unemployed youth



The activities of MoFYS are focused on assisting to youth to get their first job on their specialty after graduation from educational institution, and then to get secondary employment. It also assists to young people in finding job abroad providing that they could not find it in Ukraine, and have good education and professional qualifications.

To enforce the national youth policy, a set of laws, President Decrees, and resolutions of the Cabinet Ministers has been passed. Current national legislation provides for wide legal guarantees for youth employment, youth entrepreneurship and self-employment in case of unemployment. They are now working on new legislation which would guarantee first employment after graduation from VET schools or universities. Also this law would guarantee any tax holidays for 1 year of first employment of young people and would subsidy about 70 – 80% of their salary to employers.

An important measure in assisting in youth labour and social adaptation was setting up youth labour centres. Their objectives are to address issues on youth job-placement, provide with work, promotion of youth initiatives, training and upgrading skills of young persons. The centres operate closely with local authorities, VET system, health and culture institutions, employment offices, companies, and relevant NGOs. About 100 Youth Centres in 17 regions and universities has been also created.

There are few important institutions dealing with youth development. The Ukraine National Centre of Social Youth Services, Ukrainian Institute of Social Research, Foundation for Support of Housing Construction for Young Persons work as the unites of the MoFYS. The National Council on Youth Affairs under the President of Ukraine, and Committee on Youth Policy, Sport and Culture in the Parliament have been established and now are in operation.

An important tool for youth policy implementation is the All-National Program for Youth Support (2004-2008) which is supposed to:

- support for youth getting the first job, incentives for employers for creating additional jobs; regulatory and legal, financial and organizational support for youth getting a second job;
- support youth centres, business centres and incubators; create career centres for job-placement of students and universities graduates; support for those who combine studies and work;
- use the state support mechanism for youth farming and youth entrepreneurship in rural areas; promoting relevant programs; implementing educational projects;
- support NGOs aimed at youth employment and entrepreneurship promotion.
- develop the modern labour market data base, attract media for better information about the most needed professions, organize youth fairs to meet employers and get a proper career guidance.

The new state programme “Preserving and developing the labour potential in Ukraine for 2008 – 2017” also aims at improving the youth employment promotion and professional development. Among its main objectives are the followings:

- Providing all kind of education and training (secondary, vocational and university) and improving continuing education in accordance with labour

market demands; developing effective methods of vocational education and training, effective youth adaptation to enterprise conditions, promote jobs with high skills contents; improve VAT curricula for better fit between supply and demands;

- Facilitating self employment based on the SME development, innovative business and clusters development; promoting decent and productive work and entrepreneurship;
- Increasing the role of employers' organizations in formulating the state economic strategies and policies. Include into General Agreement the issues of labour potential development; increase the number and state support of enterprises' vocational training centres, on-job training and advanced training;
- Developing the modern labour market information system, attracting media for better information and promoting the most needed professions, organizing the youth fairs to enable them to meet employers and get effective career guidance (see case below)

An important role in youth employment promotion plays the State Employment Service (SES) with its 654 employment centres, 16000 staff of which about 6000 state employees. SES also serves as an executive body for managing Unemployment Fund.

## **Case: Action in Chernigov – the First Job to Youth**

The job fair “Youth – first job” took place on 22 May 2008 in premises of “Expocentre” in Chernigov. It was organized by the Regional Employment Centre (REC) jointly with the Regional Department of Education and Science, and local employers.

The purpose was to inform young graduates from universities and VET institutions about available first jobs, conditions to get them, set of services provided by REC, and the information bank of vacancies in the Chernigov region. Another objective was to orient young people in professions which are the most in demands as well as not in demand (economists, jurists, accountants, managers, and teachers).

During the fair there were 14 presentations from VET schools and universities. Their representatives provided consultations and advise to young people about their activities and learning processes, conditions for enrolment.

Several consultative kiosks from regional employment services provided information on the vacancies and employment conditions, labour legislations and rights of workers. Enterprise managers also organized presentations of their companies, vacancies and conditions for employment, get in close contacts with young people.

Youth have also been informed about new government decisions on subsidies to employers if their enterprises provide the first jobs. These subsidies were intended for the most deficit working occupation with the greatest demands by the labour market such as plasterer, house-painter, electro welder, construction workers and technicians, metalworker, repair mechanics, milling-machine operator, lathe operator, tractor driver, machinist in agribusiness and also industrial engineers, and even doctors,

The advantage in providing the first employment would be given to graduates from VET system or universities who could obtain employment guarantee for the first 2 years and the guaranteed wage not less than 1280 UAN, and get first experience for further career development.

During this event the young people could meet the top-administrators from regional authorities dealing with youth education and training and employment promotion as well as SME development

Among unemployed who are clients of State Employment Service 50% is youth between 15 and 29 years old. During 2007 SES had assisted 230 thousands unemployed people to get job of which about 51% were youth up to 35 years old. The level of youth job placement by SES from 2006 to 2007 has increased from 43.3% to 49.6% of registered unemployed. To provide temporary jobs to unemployed youth SES jointly with local authorities organize different public works, in which 120 thousands young people took part.

There is a growing trend of retraining unemployed. In 2007, retraining programs covered 180 occupations and areas. Special emphasis was placed on vocational retraining under employers' contracts. 2,437 unemployed below 35 were re-trained under employers' contracts over 2007. The employment offices conduct seminars on occupational guidance for unemployed, and a special course "Small business management". Upon completing the course 330 unemployed below 35 were paid a one-time unemployment benefit to start own business. During the last year 11.5 thousands young unemployed had received financial support from SES to start their own business

In 2007 SES initiated the state programme (2008 - 2013) on youth professional orientation. As a result, about 950 thousands young people from secondary and high schools, or 86% of all youth registered in the SES, have received different services in professional orientation as well as information about future qualifications demands.

SES has recently created a new computerized terminal to be installed in every school during the next three years to improve professional orientation. By the end of 2008 such terminal will be installed in 1000 schools. The pupils would be able to find out which occupations are the most in demands, the skill structure and job content required by each occupation, the wage range, required practical skills and knowledge and even to run your own psychological tests on suitability for certain occupation for a given individual.

For each vacancy there will be all contact information required to locate a given organization and personnel to set up a date for the first meeting. SES local offices has already made agreements with 180 general schools to place computerized terminals with details on professions demanded by the labour market and services available at employment offices in school premises to be accessible to all pupils. Such terminal would be of great help to youth employment promotion and professional orientation.

SES also uses an interesting practice running vacancies fairs in many cities and regions where young people could get information about demands for different occupation, meet employers, discuss conditions of employment and career prospects. About 12 thousands of pupils from secondary and high schools took part in similar events around the country. About 60 thousands parents took part in such fairs since children usually take seriously their advice.

To stimulate enterprises to employ young people, SES uses the system of subsidies to companies agreed to employ youth. The state commitments on securing the first job for young persons for the minimum period of two years are fixed in the Labour Code "On promotion of social formation and development of youth in Ukraine". The Ministry of Labour and Social Policy (MoLSP) has approved the "Procedure on

employers' subsidies for creation of new jobs to be filled with unemployed", which provide protection against pre-term redundancy of youth with the first job. In 2007 more than 37 thousands young people were employed using such subsidies.

Despite these legal provisions supporting youth employment, there is no guarantee that the laws would be followed because of deficiency in the mechanisms of implementation. The main its drawbacks are as follows:

- Still insufficient incentives for employers for youth job-placement;
- The legislation main focus is on protection from unemployment while the emphasis should be put on employment guarantees.

Another problem is poor linkages and cooperation between SES Centres with VET institutions, which should be improved.

## **7. Youth entrepreneurship and SME development**

It is well known from international experience that SMEs are one of the most important sources for new job creation, particularly for youth. Therefore, SMEs development and entrepreneurship promotion is to be among the key factors both of economic growth and youth employment promotion.

The dynamics of SME development shows positive trends by numbers and employment. In 2000-2006, a number of small companies in Ukraine increased by 1.41 times. Annual average employment in SME has been increased by more than 2%.

To promote youth entrepreneurship the program for entrepreneurship support was developed with the aim to assist youth in getting necessary skills, training in small companies, obtaining licenses and credits, efficient operations of local business promotion offices to identify eligible for one-time unemployment benefit for youth who wants to start business and assist in business planning and loans; and conducting the annual contests "Best employer of a year" with an individual nomination "Best young employer of a year", \*Best business plan".

Another National Program of Youth Support for 2004-2008, includes the part on promotion of youth entrepreneurship, which covers the reation of the state support mechanism for promotion of youth farming and youth entrepreneurship in rural areas; implementation of educational projects for young persons in rural areas with a focus on entrepreneurship; support for NGOs programs aimed at entrepreneurs initiatives; easy-term taxation of young persons starting own business; setting easy-terms for crediting youth in entrepreneurship, etc. Particularly important is to support expanding the diapasons of skills and even integration of few professions in one as demanded by SME labour markets. It is well known that SMEs could not afford to keep many persons with too narrow specialization.

Unfortunately, Ukrainian Parliament has never considered issues of SME development as a priority. The budget law for 2008 does not allocate sufficient finance to SME development and strengthening the middle class, while most of the new jobs for youth are created by the SMEs.

There is an excessive monopolization in the retailing where about 7 – 8 owners of supermarket chains could dictate the prices. The Antimonopoly Committee does not play its role sufficiently. To find out small company for different repair and small work is very difficult but for large companies such small jobs are not profitable. The development of SME sector is very poor, large companies' pressures removing many of them from the market.

Recently, the Kiev city authorities have started campaign to remove small stalls and shops, which spoil the city view and environment. It could be understood. But the method itself was far from the social dialogue process and partnership. City workers just lifted stall on tracks together with goods and equipment and moved them outside like garbage. By conservative estimate, about 40-45 thousands people would be without means for existence. Before such measures, the city authorities should discuss it with SME association, propose and agree on acceptable alternative and better organized place for such SMEs. Actually that was done only after intervention of the SME association.

Many government officials, particularly, at the local levels excessively intervened into enterprise affairs. Despite a legislation that no state agency has right to visit and audit them more frequently than once in 5 years, many state agencies continue to visit them with different control pretexts to get bribes.

There are some good legal provisions for youth entrepreneurial initiatives provided by laws such as “On Government Support to Small Business”, “On National Program of Promotion of Small Business in Ukraine”, the Decree of the President “On Actions Providing Support and Further Promotion of Entrepreneurship”.

However, the problem is in implementing such provision. There is common opinion among employers and general public in Ukraine that some success in SME development just illustrates the presence of traditional entrepreneurship spirit among Ukrainians, but not necessarily because of the government policy in SME support.

## **8. Vocational education: system, problems and challenges**

Successful economic reforms and innovation-led growth cannot be achieved without solving the major issues confronting Ukrainian education sector which is the main supplier of skills for the national economy. Education has played a significant role in Ukraine's economic and social development, both during Soviet times and since independence as well. Funding the education was high and selected pedagogical innovations were supported at the top political levels. The outcomes included high literacy rates and solid basic knowledge (especially in the sciences), a large core of skilled workers and some outstanding scientific and technological achievements.

During the transition period a lot of VET schools have been disappeared, but still Ukraine has been able to sustain some of its comparative advantages in terms of excellence in education and training. But in the late 90<sup>th</sup> the VET system has failed to take up necessary actions in line with changes in demand for labour. Vocational schools cut enrolment; they practically did not change a structure of occupational training. Over 2000-2006 a number of vocational schools have been increased by more than 50 units but accompanied with a drop in learners by 51 thousand.

At the beginning of 2008 there were 650 vocational training schools, by September 2008 – twenty of them disappeared, though the total funding of vocational education from different sources has grown by 40% comparing with 2007. Today much more youth than a few years ago entered the VET institutions.

The VET schools operates under state plans (“state orders”) developed by the five ministries, including the Ministry of Education and Science (MoES), MoLSP and a few industrial ministries, but there are a lot of complaints about the efficiency of this central planning system. The best VET schools which are still in operation ignore these state orders (see the box with an extract from interview below). Realising that the present forms of state planning and budgeting the VET institutions is out of date, the MoES now is slowly moving into decentralization patterns of education management, conducting pilot experiments in three regions.

Mr. Petrovich, Director of Interregional high vocational school of communications, Vice President of the National Association of the Vocational Education Schools, and an adviser to the Parliament, informed during the interview that his 85 years old vocational school has today about 1000 students acquiring a number of professions for industry and services.

It is considered as one of the best vocational training school in Kiev region. They have established direct links with large companies which provide facilities for students’ practical activities and skills improvement. Jointly with several large companies the school set up the Vocational Training Centre specializing only on practical skills development using these companies’ modern equipment.

The main clients of this school are only companies; so the school ignore state plans imposed on them by the MoES which does not know real situation at the fast changing labour markets. The school develops their own plans based on local immediate and mid-term demands from employers and the pressure from new students themselves. As a result, almost 90 - 95 % of their graduates get jobs, though about 30% of them leave it during the first year because of low wages.

The lack of proper VET system management starting from political and legislative levels and down to small town administration, as well as selfish behaviour of some employers saving on decent wages and investment into HRD have led to many systemic problems of the vocational education in Ukraine. The analysis of demand and supply of Ukrainian education and training services, conducted within the framework of the Joint World Bank – European Commission Initiative, culminated with the formation of the following education sector’s overall “problem tree”:

- Education and training system does not correspond to the needs of economic growth, competitiveness and innovation in Ukraine

- Outputs of education/training services do not conform to quality requirements of clients and customers
- Governance and management are inadequate
- Financing mechanisms are outdated

Let us break down these problems into more specific ones and discuss them in details:

*Mismatch between demand and supply.*

There is a gap between the volume and quality of specialists, technical service workers and highly skilled professionals from market demands and employers requirements. While there is an acute lack of metal workers, welders, builders, there is “overproduction” of economists, jurists, accountants, journalists incidentally prepared in VET schools. Also, there is a problem of too narrow specialization. For example, one VET school prepares specialists just for mixing cement. This mismatch is also the result of insufficient monitoring and analysis of workers occupations demanded by labour markets and companies.

*Excessively centralized VET management system*

The management of the VET system is over centralized and based on State Orders developed by a few ministries which could not get reliable data on professions, skills demands and its structure. There is no reliable statistics and mechanisms to collect it at the country level since demands change very fast. Therefore, the State Orders as a planning mechanism for state budgeting of the educational institutions has become destructive. By assessment of the Research Institute of the Social and Labour Relations, about 40% of state funds have been distributed irrationally and wasted. For 2007 – 2008 in accordance with State Order plan 3280 places have been provided for enrolment on agronomy professions. At the same time the registered demand for such profession by 01.01.2007 was only... one specialist. For zoo engineers 1425 places were allocated while the demand was 20, for bachelor in arts – 4158 and the demands – only 25, ecology 2440 places – the demands – 5 (see a case of what happen to the decentralised VET institution).

*The low quality of vocational education and training*

Complaints about low quality of education and training in Ukraine are widespread among clients, customers and other stakeholders. Many young workers after VET schools do not have necessary practical skills, initiative and not even interested in learning. The average quality of graduate from vocational schools is 6 points of 12 (excellent). By different assessments, VET schools spent only about 10-20% of learning time for practical skills development. The owner of one company provided an example when they recently have to fire young construction engineer with university education with initial salary \$1000 (which is quite high for the first job of young specialists in Ukraine) because he does not literally know anything about construction and could not be trusted to do anything. Many parents and students pay for education just for prestige and do not care too much for the education quality, which leads to corruption and the attitudes from the educational institutions: “they pay money – they should get diplomas”. The clear objective and effective control on the quality of education and how educational funds are spending practically does not exist. Many quality control functions are given to the MoES which also responsible for planning, funds distributions and educational service delivery. Certainly, these two functions – education service delivery and their quality control should be separated and allocated to different authorities.



### **The case: From central control to independence**

After restructuring, the Training and Qualification Centre of Paton Welding Institute had got independence not only from ministries, but from the Welding Institute as well. The system of compensation has been changed moving from fixed small salaries to flexible pay system resulted in voluntary increase in teaching load and raising wages for best specialists and trainers. The general effectiveness of the Centre operations was dramatically improved.

The system of full-time teaching staff was liquidated and the Centre has acquired flexibility to hire the best specialists as teachers as visiting professors, paying them for their contribution and efficiency, not for position. The Centre introduced employment contracts for teaching and technical staff. The new marketing service was introduced to deal directly with the labour market and company-clients.

The new training methodology has been introduced to take care of specific needs of students with different educational background, needs and learning capabilities. The Centre itself (not the Ministry) decides about the program content and the time necessary for skills development. The new system of quality management for training and certification was developed and installed. The new information management system expanded the range of users and improved horizontal management and cooperation between departments.

The Centre top management delegated more power down to departments and sections saving more time to deal with strategic and development issues, market assessment and client relationships. The direct cooperative links with the Academy of Pedagogical Sciences as well as with other VET institutions and companies-clients has been expanded. The financial flexibility, earning and distribution of money on the hottest items contributed significantly into the Centre professional staff motivation and material base development.

#### *Lack of qualification and occupational standards*

Existing qualification requirements are predominately based on the time spent in an education institution and its accreditation level. National qualification framework for different levels of the education system is incoherent and non-compatible internationally. Qualifications do not correspond to current and potential socio-economic needs of the country, and there is no system for skills set to be modernized. Nationally recognized and employer-led sectoral occupational standards as well as transparency of assessment of learner's achievements are absent. The system for

licensing and accreditation of educational organizations and programmes is not effective.

*Poor financial and material resources.*

In the VET system the facilities and particularly industrial equipment for skills development is very old and out of date. VET schools are scattered among many “owners’ networks”, including state agencies and private structures, and it is extremely difficult to license, certificate and control quality. The structural changes have led to squeezing the manufacturing industries destroying cooperative links between VET institutions and enterprises facilities served as a base for acquiring practical skills. By assessment, about 60% of educational institutions should be integrated, enlarged, and some of them liquidated to concentrate the best institutions materials and human resource to provide world class education and training

*Inadequate teaching resources*

Human resources in the VET system are inadequate to ensure quality of the educational process and its results. Professional development of teachers and VET institutions administrators is irregular and lacking funding. Process of attestation and certification of administrative and teaching staff is outdated. There is no reliable system of rating the quality of VET institutions. The level of salaries of teachers and trainers is extremely low, particularly in the VET system. The best professionals are looking for other jobs

*The outdated values among many young people and their parents.*

There is serious misbalance in priorities and mentality among the youth. Most of them believe that the best way out of poverty is only the university education. The workers professions are considered as a low choice. Youth and their parents develop excessive demands for university education, particularly for managers, economists, jurists, PR, show business, and similar, for which the needs on the labour market is low. As a result, the education and training system provide about 60% of youth with higher (university) education and only 40% - with vocational education. It should be vice versa. Many such university graduates could not find a job while workers professions are in a great deficit.

*The lack of employer’s involvement into VET operations.*

Employers’ organizations are not sufficiently active in their role in policy decisions in the area of education and providing government agencies with information on real needs for specialists and workers. There is also a problem in legislations concerning the role of employers’ organizations as a social partner in influencing the VET institutions. Some important terms of education governing mechanisms are not defined properly; the list of qualification and occupational standards are not developed yet. For example, “List of bachelors and young specialists” approved by the Cabinet Ministers in 2007, was developed without taking into account requirements of national and international standards (international classifiers of professions and occupations). The Express-Survey of 120 employers (2007) representing different economic sectors indicated that 68% of them did not understand where and how to use 55% of occupations mentioned in the “List” The employers complain that essential part of economic activities either absent in the “List” or too narrowed. The tax legislation does not stimulate employers to invest into HRD and training, setting their own training centres. It hurts particularly SME which could not afford to set up own training facilities and spend for training. The MoES

does not cooperate with employers; it is too close for outside influence. Their plans for VET operations have no relevance to real employers' demands. The employers have no role in budget planning the VET system, which is quite hidden process.

To cope with the above problems a serious modernization reform of the VET system in Ukraine should be build along the following strategic directions:

- To modernize VET governance and management
- To create internationally compatible quality assurance system
- To optimize financing

They are in full conformity with the goals and priorities of the “National Doctrine of Educational Development in Ukraine for the 21<sup>st</sup> Century” which states that “Quality of education is a national priority”; “Updating and modernizing education administration and governance is strategically indispensable to reforming the educational sector” and “The system of financing education has to provide stable conditions for the development of all aspects of education”. Therefore the reform of the VET system should be carried out along the following lines:

- The management of VET system should be decentralized, preferably evolutionary, and carefully during the next few years. For this it is important to modify legislation, create local agencies for managing VET schools with representation and active participation of all social partners, train local administration to run VET institutions, to divide clearly responsibilities between central state agencies, regional, local and employers' organizations, also reflecting interests of sectoral employers' organizations. The relevant ministries should deal with long-term policies and developments needs the of VET system, legislations, quality standards and the mechanism of their control and similar strategic issues. There are even more radical proposals among local experts and users of VET system: all VET institutions should be removed from all ministries, and transferred to a special professional state agency which should be managed by the Council or Governing Body with representatives from all interested ministries, employers and workers' organizations, but managed by professional managers and specialists in this area. This would strengthen very much needed direct contacts with employers' organizations at the central and local levels.
- To improve the quality of VET outcomes it is necessary to establish the modern quality assurance system for VET sector which includes competence-based qualification standards determining normative quality requirements to the outputs; quality standards for the outcome oriented learning process; organizational and technical support infrastructure for quality assurance; and adequate financial, human and material resources to ensure quality of the educational process and its results. Thus, it is necessary to develop national qualification standards, with occupational standards packaged into qualification standards of various competence levels for sector occupations. Occupational standards serve as building blocks for qualification standards which were identified earlier as normative requirements to the quality of the education sector outputs. The competence-based education and training system should be introduced as well with the establishment of a special statutory authority to be responsible for the delivery of State policy on quality assurance in the education sector. As to the quality of education assessment

the most important approach should not be the number of hours and disciplines learned, but the ability to use them: *what the worker can do* – the set of competencies dealing with the ability to do.

- The national mechanisms for such VET quality assurance should at least consist of the Education Quality and Qualification Authority (EQQA) as a statutory body performing regulatory and organizational functions; the network of employer-led sectoral organizations – Sector Qualifications Councils – for the development of learning outcome-based sectoral occupational and qualification standards based on the general criteria determined by a statutory authority. There should be also “third party” for quality certification. The government should depart from direct administration of the education and training delivery to the certification of its quality by a third party. Certifying organization would take the responsibility in front of the consumers and clients as an education quality guarantor.
- To improve practical skills of learners, there were a few proposals to set up the Centres of Practice which would concentrate the best equipment for skills training and could be made available for several VET institutions in the close locality to use them collectively. Practical activities for VET students should take more than 70 – 80 % of total study time. Now it is only about 20 –30%. The main reasons are lack of modern equipment on the VET facilities accompanied by resistance of teachers who used lecturing and have poor practical experience in industry.
- The MoES and the MoE should stop using the state orders as the base for budgeting and financing the VET institutions. Training and education funds should be passes down to regional levels and consumers of training services (students and enterprises), not to VET providers. This would introduce certain level of competition between VET schools; provide the freedom of choice for youth to select the most appropriate for them. Also it would motivate local companies to spend their money for training in accordance with employers’ needs, not training providers. Also it would eliminate unfair competition between state VET schools and private ones

## **9. The role of EOs’ in the youth employment and VET system reform**

Generally, employers’ organizations in Ukraine play certain role in human resource development, including youth vocational education and training and promotion its employment. However, this role could not be assessed as high and effective in promoting youth interests in these areas.

There could be a few reasons for this. But the most important of them are as follows: (1) The Ukrainian society is now too politicized and divided along the political party lines and some employers’ organizations repeat this pattern. And the youth development is not among their major concerns. (2) There are too many employers’ organizations scattered centrally, by sectors, and regionally, with excessive individualistic behaviour and therefore nobody from central and local governments and unions take them seriously, including employers themselves – members and non-members of these organizations. (3) The social dialogue in Ukraine is very weak and its mechanisms have not been developed properly legally and organizationally, and

this situation leaves a lot of room for government agencies to decide “be or not to be” the consultation with employers.

Now there are three major employers’ organizations which are more or less known in Ukraine. The first one is the Federation of Employers (FEU) with 561 members including enterprise and sectoral associations. This organization represents the interests of Ukrainian employers in the ILO and is a member of IOE. Though among its main objectives are “to implement efficiently the programme of labour resource development” and “to organize and hold training seminars and workshops” this consultant could not locate enough proofs which would witness their active implementation. During the focus group process the FEU leadership recognized this problem as well.

The second most visible employer’ organization is the Confederation of Employers of Ukraine (CEU), which has less membership but include several powerful associations and enterprises from the most important manufacturing sector, including some high tech and communications industries. The CEU is much more active than others in youth employment promotion and, particularly, in VET system development. It systematically participates in designing important legislative and regulative documents on these matters, takes part in many international and bilateral projects, seminars and round tables and is well known in the ministries dealing with youth development and employment promotion. The CEU is also quite active in the employers’ occupation and skills needs assessment and lobbying its ideas and recommendations on VET development in the Parliament and governments agencies.

The CEU is a key partner of World Bank VET project with an objective to develop the concept of the national qualification system, which has been already agreed with the MoLSP and the MoE. This project consists of three major parts: VET system management, VET financing and VET quality. The Concept of professional orientation of youth has been developed by CEU jointly with the project partners based on the European Qualification Framework and now is waiting for approval. The draft of legislation on the National Qualification System has been developed which foresees the setting up independent centres for skills and competence assessment. The CEU complaints that the Council of the MoES set up by law on professional education and vocational training, does not function and it is not a great help in implementation of this project.

The third employers’ organization which is better known to public from the past than by its present activities is the Ukrainian Union of Industrialists and Entrepreneurs (UUIE) since it was the first employers’ organization in the country after the collapse of the Soviet Union. It is headed by Parliament member, who has made UUIE rather his political party than functioning employers organizations and should not be taken seriously as it is. And its present leader has never resigned from its Presidency even when he joined top governmental positions what was against the tripartism and the freedom of associations’ principles.

Such disintegration of the focus and energy of employers’ organizations as a result of some players’ personal political ambitions explain the common weaknesses of employers’ organizations in Ukraine and their modest achievements in their major objectives, including the youth and VET system developments. Below there are just a few extracts from the interviews:

*An employer:* “I am not interested to join any employers’ associations since I do not see any benefit in it for my company, I do not know even their name, location, web-cites...”

*A member of the FEU board:* “I believe that all associations of employers are too politicized and think that it is very bad for business”.

*Member of Parliament:* “Our business is excessively politicized, and those who promote “right politicians” have more advantages, which are often linked with corruption. To fight this trend it is important to strengthen the local, industrial and national employers’ organizations, and they should not deal with political issues. Political instability could impact on the structure of representative bodies from employers’ organizations and the quality and openness of social dialogue at the national levels. There is also a trend in the distribution of local and industrial associations of employers between two major national employers’ organizations – CEU and FEU, which would certainly reduce the focus and energy of lobbying the employers’ interests in government agencies and in the process of social dialogue in general.”

The new draft Law is now under preparation, which would provide more rights to employers and their organizations in the area of vocational education and training and deciding upon occupation standards and skills profiles. It would stipulate that it is compulsory to invite all social partners (workers and employers) as well as the MoLSP to take part in the VET planning, providing information on enterprise needs. It would provide better fit between the demand and supply.

There are still some problems in legislation on social partnership and the role of employers’ organizations. The new draft of the changes into the Law on “On Employers Organizations of Ukraine” which is under discussion in the Parliament, is certainly improving the old law adopted in 2001. However there is some criticism of its certain positions. For example, there is no mentioning about equal rights of members of associations, which would promote excessive centralization making employers’ organizations old fashioned pyramid of hierarchy. Some of the law articles remove the word “employer” in several types of entrepreneurial organizations making their definition narrow. The new Labour Code is also under consideration, which employers consider unbalanced since it provides more rights to Unions. For example, if adopted, it would provide rights to enterprise union meetings to remove top-managers from their positions, which is unacceptable in a market economy.

There is also a criticism on the weakness of social dialogue process in Ukraine. There is lack of systematic communications and information flows in both directions between social partners. Even when employers’ representatives make their proposals at the Ministry Governing Council as the social partner, nobody takes them seriously and even not bothering to explain why.

However, there were some complaints from the ministries as well. For example, when the MoFYS invited the CEU to participate in their round table discussion on the draft legislation on youth development, it sent the person of low position who is not in the picture of issues discussed and her input was zero. There were also examples, when employers’ organizations sent irrelevant people to participate in the training programmes and seminars within the frame of international projects on developing partnership and social dialogue.

An important contribution into social dialogue and partnership could be made by a new General Agreement between Cabinet of Ministries, national organizations of employers and workers for 2008 – 2009. This document stipulate that any initiatives on legislation concerned to any side signed this Agreement, should be invited for discussion of the drafts and other documents dealing with policy and strategy as well as with adopting new legislation on issues of interest.

Unfortunately, not all employers' organizations, both national and sectoral, have been invited to discuss this Agreement and as a result, not all of them have signed it. Therefore, it could not be considered as "General". Some of the issues mentioned in Agreement and proposed by employers could not be implemented in reality and some of them if implemented would kill many businesses. For example, the employers' side in the Agreement promises to raise wages by no less than 25% annually. As a result, the rate of growth of real wages would overrun the rate of growth of GDP which would increase already high inflation, reduce productivity and competitiveness.

The opinion of CEU, which refused to sign it, is that the General Agreement should be developed and signed only after defining the minimal social standards, which should be in agreement with budget process, and expected price changes on energy and other important parameters, and only then making concrete commitments by employers. This process in developing the text of Agreement was absent.

What is interested, that after signing the Agreement, only the MoLSP fully followed the agreement while other ministries, including the MoES have not sent their drafts of different policy documents to social partners for comments and proposals. Because of such attitudes of some ministries, the social dialogue has not been effective yet. That is also one of the reasons why FEU does not have much influence on the state in the VET system development, its strategy and operations.

In February 2008 the new Council of Entrepreneurs (CE) under the Cabinet of Ministry was created to pay more attention to business development and employment issues. The previous CE did not play expected role as an adviser and consultative body in decisions on economic and social issues as well as promotion of social dialogue between employers and government. Though the positive side of the new CE was attracting attention to entrepreneurship promotion, the negative side is attempts in involving employers into doubtful political games. As result, as civil institutions, the CE is losing its role and a lot of important business problems such as better dialogue with authorities; human resource development and VET system reforms, competitiveness of business, etc. have not been considered and solved.

All the above employers' problems and achievements together define the impact of the employers' organization in the promotion of youth employment and VET system development. The employers are now providing more pressure for decentralizing the VET system management and financing regional tripartite Councils to deal with the funds distribution, personnel policies and managing VET operations locally. The industrial employers' associations are also planning to take more active part in these processes. For example, of 23 main services of Ukrainian Association of Furniture Manufacturers (UAFM) three concerned with vocational education and training, including exchange of experience and study visits; cooperation with the VET institutions; and organizing presentations, training programmes and seminars.

Yet, generally, employers' organizations do not play sufficiently active role in policy decisions in the areas of education and training and providing the information on their real needs in skills and occupations to VET system and government agencies responsible for educational strategy, policy and development. As a result, employers have to provide additional training to graduates immediately after employing them, the quality of which is often quite doubtful. The employers are very reluctant to invest into human resource development and vocational education preferring to compete for skilled and experienced workers at the labour markets.

## **10. . The problems summary**

The factors underlying the recent growth of Ukrainian economy are deteriorating; the period of "easy" productivity gains via low wages and increases in capacity utilization has come to an end. Worsening economic situation and global financial crises (September 2008) are reducing the access of the business to the external borrowing, the growth prospects are getting worse. The slow privatization and structural reforms have magnified these problems effect.

With growing political instability, disintegrated governing coalition including the Parliament, and the lack of policy consensus within the political elite, the country is preparing for one more unscheduled election. The political influence of vested business interests and the approach of Parliamentary and then Presidential elections mean that one should not expect rapid progress on crucial outstanding reforms including the breakthrough in youth employment promotion and VET system reforms.

The SME development has never been a priority in Parliament and state agencies as well. The budget for 2008 does not allocate sufficient finance to SME development, while most of the new jobs for youth are created by the SMEs. A lot of government officials at the local levels excessively intervened into enterprise affairs through too much paperwork, visits, and control resulting often in bribes paid to them by businesses.

Despite some legal provisions supporting youth employment, there is deficiency in the mechanisms of implementation: insufficient incentives for employers for youth job-placement; the main focus of legislation are on protection from unemployment, not on employment promotion.

There is mismatch between the volume and quality of specialists, technical service workers and highly skilled professionals and market demands. The deficit among workers professions (machine operation, instruments, maintenance and assembly lines, builders and metal processing occupations) is extremely high.

The quality of vocational education and training is low. Many young workers after VET do not have necessary practical skills, initiative and not even interested in learning. The average quality of graduate from vocational schools is 6 points of 12 (excellent). There is no clear objective and effective control by state agencies, public or private institutions of quality of education and how educational funds are spend. Two functions – education delivery and quality control should be separated and allocated to different authorities.



The management of the VET system is overcentralized based on the outdated system of State Orders lacking reliable data on professions and skills demands. There are no reliable mechanisms to collect data ongoing structural changes and labour market information. VET institutions have poor linkages with SES Centres and access to their data base.

Lack of qualification and occupational standards is another problem. VET institutions are scattered between different ministries and agencies and there is no central certification body or other agency which could control standards of competencies for skills and occupations. Existing qualification requirements are based on the time spent and accreditation level of an institution, not on outcomes. National qualification framework is incoherent and non-compatible internationally. Employer-led sectoral occupational standards as well as transparency of assessment of learner's achievements are absent. The system for licensing and accreditation of educational organizations and programmes is not effective.

The VET financial resources, facilities and equipment for skills development are very poor, and out of date. Human resources are inadequate to ensure quality of the educational process. Professional development of teachers and VET administrators is irregular and lacking funding. Process of attestation and certification of teaching staff is outdated. The level of salaries of teachers and trainers is extremely low. The state does not provide sufficient funds for development of VET material base and the modern equipment. There is lack of flexibility in the budgeting: managers of the state VET schools have no rights to spend out-of-budget money earned from selling their services to companies on strengthening their material base and motivating best trainers.

There is serious misbalance in priorities and mentality among the youth. Most of them believe that the best way out of poverty is only the university education. The workers professions are considered as a low choice. As a result, the ratio of university/vocational education is 60 / 40. It should be vice versa.

The involvement of employers into VET operations is very poor. Employers' organizations are not sufficiently active in their role in policy decisions in the area of education and in providing government agencies with real needs for specialists and workers. The tax legislation does not stimulate employers to invest into HRD, setting their own training centres. Employers have no role in VET budget planning, which is quite hidden process from public.

The efforts and energy of the employers are not sufficiently focused on youth development critical issues. In Ukraine there are several employers' organizations scattered centrally, by sectors, and regionally, with excessive individualistic behaviour. As a result, nobody from central and local governments take them seriously, including employers themselves.

The social dialogue in Ukraine is very weak and its mechanisms have not been developed up to now legally and organizationally. There is a lack of communications and understanding between different partners in youth development and employment promotion, the flow of information between them is restricted, often representatives from employers' organization are not invited by government agencies to discuss different policies, new laws on issues of common interest. Even more, there is some

unhealthy competition and jealousy between different employers associations themselves, which state bureaucracy use for their own advantage or to ignore all of them altogether. This situation leaves a lot of room for state agencies to decide involve or not to involve the employers into the consultation process in every particular case.

Generally, employers' organizations do not play sufficiently active role in policy decisions in the areas of education and training and providing the information on their needs in skills and occupations to VET system and relevant state agencies. The employers are very reluctant to invest into human resource development and vocational education preferring to compete for skilled and experienced workers at the labour markets.

## **11. Policy proposals**

Dealing with the policy proposals in Ukrainian present economic and political settings, it is understandable that there is an unfortunate combination of political crises, two forthcoming elections which would take a lot of resources and attention of politicians and top government officials, and the global financial crises. In such conditions it would be unrealistically to expect that any recommendations for the youth employment promotion and VET system reforms would be taken seriously by any state body and excessively politicized social partners.

However, the most of the recommendations have strategic dimension and long-term significance. Therefore, to raise the impact of the Ukrainian employers' organizations in promoting youth employment and VET modernization reform in the next few years it would be important to implement the following strategies, policies and measures:

- Bearing in mind the employment potential of SMEs, to speed up economic reforms and privatization, provide legal and economic stimulus, including favourable tax policy, for SME and entrepreneurship development, reduce government intervention in SMEs activities, including visits, unscheduled control and corruption; assist in getting loans and remove unnecessary regulations and norms.
- There should be systemic and integrated approach in changing legislation which would facilitate VET reform and cover all major components of educational system. The reform should start with legislative changes, then – institutional and financial mechanisms changes, then the development of new programmes and curricula, and finally informational system and professional staff development of educational institutions.
- The VET system management should be decentralized to regional and local levels. The national bodies should deal with issues of legislation, standards setting and the quality assessment, studying and spreading the best international experience and policy setting as well as assisting lower levels when necessary. The local VET management bodies and the VET schools should deal with their operational outcomes; coordinate their activities with local SES centres, public administration, and social partners and setting up VET-enterprise partnership bringing together demands and supply.

- The VET system management should be removed from the MoES and put under specially created the VET National Agency (NA) running by professional management and social partners concerned. This Agency would deal only with policy decisions, raising funds for modernization of the VET material base and programs, training methodology, facilities and improving selection and development of teaching staff as well as raising compensation and introducing motivation based on the achieved results. The operational management should be decentralized to the local levels.
- The State Order system should be liquidated as bureaucratic, inflexible, and oriented on existing (or past) programs and teachers needs rather the new market demands. Nobody in the ministry could know better immediate and short-term demands for occupations and skills than enterprises themselves. Thus, the educational needs forecasting and planning should be transferred to employers' organizations and the NA, specializing with such assessment, VET institutions rating, licensing, and accreditations. This NA should operate on self-financing principle.
- The new change strategy for VET quality assurance system should be developed and approved. The quality standards for the VET outcomes should be introduced. For this it is necessary to adopt a normative framework for unified system of competence-based occupational and qualification standards, with provision for labour market analysis and the leading role of employers in defining skills requirements based on competencies. The unity, impartiality, transparency and quality of the competence-based assessment system should be provided by introducing learning outcome-based qualification standards and normative requirements for certification and recognition of learning outputs.
- The competence-based National Qualification Framework compatible with the principles of the European Qualification Framework and founded on the competence-based qualification standards should be created. The technical support infrastructure for quality assurance including an Education Quality and Qualification Authority (EQQA) as a statutory body performing regulatory and organizational functions and country-wide network of employer-led and government supported Sector Qualifications Councils (SQC) dealing with the development of sectoral occupational and qualification standards should be set up.
- The system of the VET outcomes quality assessment should be shifted from the number of learning days, hours and subjects to the set of criteria related to "*what can you do practically*" after the study. For this, there is a need to develop a new independent assessment of the quality of professional qualifications. The education services should be separated from the quality control and delegated to legally independent agencies.
- A fully functional integrated education management information system (EMIS) should be established covering all levels from school to university. It should assist in decision-making, planning and monitoring in schools, colleges, universities, local and regional education departments, and the

MoES. This system should include labour market information and linked with the SES data base.

- Shift VET system financing from training providers to training customers (individual workers and enterprises), introducing the levy system, tax rebuts for training and education at the company expense, improving credit system for individuals. Use tax instruments to stimulate greater participation in VET by employers and employees. These may include: (a) allowing tax deductions for firms for training expenditures (staff, materials and equipment); and (b) allowing workers to deduct direct training costs from their taxable income. Use a formula to fund VET institutions based on a number of young people attending particular institutions as an effective instrument for needs-based resource allocation: money goes after students. Invite and stimulate private business to invest more in VET facilities and new equipment, training of trainers.
- The employers' organizations in Ukraine should play more active role in the implementations of youth employment strategy and VET system reforms. There should be openness and transparency in discussing and planning changes in these areas with social partners. The local representatives of employers should be actively involved in planning, operating and assessing the VET system quality, competence standards and models development, organizing students' practical activities in their companies, enhancing the technical base of the VET institutions and rating of their quality. A good experience, when some industrial associations setting up their own training centres deserved to be studied and disseminated. There should be better cooperation at all levels between SES and relevant employers' organizations in labour market assessment, job placing and vocational training. It would be useful to involve into teaching activities the practicing business people, managers; engineers and other top level professionals.
- The critical issue for all employers' organizations in Ukraine is to identify the most important common problems and concentrate their own resources nationally on solving them. It would be difficult to develop social dialogue between social partners with quite different interest if the employers themselves could not find the common points for cooperation.

## **12. Annex: The summary of results of two focus groups discussions**

### *1. Symptoms of the problems in the VET system in Ukraine*

- Lack of skilled workers and specialists
- Low quality of professional education
- The status of workers is going down
- The job accidents are of the increase
- Low competitiveness of products and services
- The quality of working life is worsening
- Brain-drain of the young skilled professionals and workers

### *2. The main reasons leading to changes in the VET systems*

- The low wages of VET teachers
- Poor working conditions
- Lack of finance in the VET system
- Poor skills development at workplace
- The production workers are getting older
- Skills and development programs does not fit to market demands
- Low quality of teaching
- Poor the material and technical base of VET institutions
- The system of professional orientation is weak
- Inadequate skills of production workers
- Employers and top management ignore the VET problems
- Low interests in professional education

### *3. What should be done?*

- The marketing services in the VET system should be introduced
- The system of VET teachers training should be improved
- The country VET management system should be decentralized
- The sources of finance for VET should be expanded with more involvement of employers and attracting state employment funds
- The system of professional orientation should be created
- The VET teachers salary should be raised and decent
- The system of continuous education should be introduced
- The entrepreneurs and top managers should undergo a special awareness training on the VET system issues
- The legislation on VET systems and incentives for companies to invest into HRD should be updated (tax stimulus, etc.)
- Link compensation to labour productivity
- Strengthen social partnership in VET system development

### *4. Overcoming possible resistance to VET systems reform*

#### *Issues which would provoke resistance from Legislators and Ministries*

- Demands for additional financing for VET infrastructure
- Laws to stimulate employers to invest into VET system
- Fighting the wild lobbyism
- Introducing marketing services to assess the training needs
- Decentralization of VET system and as a consequence – loosing the power and the control for the huge money flows
- Simplification of licensing and certification, as well as rating of VET institutions by the independent national agency.
- Replacing assessment standards based on hours and program contents by standards based on the competence models and ability to do (testing real skills, not hours learning)

#### *Possible resistance from VET institutions*

- Not all VET institutions would like to have more autonomy. Weak institutions would prefer to have central budgeting and less responsibility for self-sufficiency
- The raising the VET professional staff quality would demand extra-money and provoke the resistance from sponsors
- Growth of flexibility of VET institutions in working closely with employers, setting up direct links with companies-clients, enhancing market orientation of the VET system would demand more close partnership between them, more entrepreneurial qualities, management initiatives and innovations. All that could put additional pressure on the VET system management.
- Introducing payment by results would provoke jealousy from less capable teachers

*Possible resistance from employers*

- More expenditures linked to VET development in the companies
- Inertia of employers; “before it has been done by the state; let it continue to do in the future”
- Necessity to develop services marketing and needs assessment systems to be a real client of the VET system

*Possible resistance from trade unions*

- More trouble for them to include the VET into collective agreements and following up their implementation
- Take more energy and skills to promote favourable legislation for workers development and training

### **13. Bibliography and interviewed persons**

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#### ***Interviewed persons***

1. Shevchuk O – the Member of Parliament, Deputy Chairman of the Parliamentary Committee on Labour and Social Policies, the former Minister of Communication
2. Korolevskaya N. – the Member of Parliament, Chairman of the Parliamentary Committee on Industrial and Regulatory policy and Entrepreneurship
3. Kostrytsya V – the ILO National coordinator in Ukraine
4. Lytvyn S – National coordinator, the ILO Anti-trafficking programme in Ukraine
5. Gryshchenko V – Director General, Federation of Employers of Ukraine (FEU)
6. Nadraga V – Deputy Director General, FEU

7. Redko T – Director, Social Policy Department, FEU
8. Lysenko I – Deputy Director, Legal Department, FEU
9. Miroshnychenko O – Executive Vice-President, Confederation of Employers of Ukraine (CEU)
10. Gostev N – Deputy Director, Legal Department, CEU
11. Tkachenko K – Director of Development Department, CEU
12. Shumihin S – Director of Communication Department, CEU
13. Tolkachev D – leading specialist of the Legal department, CEU
14. Vodianyuk C – Consultant, CEU
15. Khmiliovsi V – President, Union of Leaseholders and Entrepreneurs, Editor of Journal “Employer”
16. Golubov O – President, Employers Union of Chemists Petrochemical industry of Ukraine,
17. Prytomanov S – Executive Director, Ukrainian Federation of Metallurgists
18. Klympush O – Chairman of the Governing Body, Ukrainian Association of Auto Transport Employers
19. Tsyurul P – Chairman, Employers Federation of Tourism
20. Golodivsky I – Kiev Employers Organization
21. Kurchenko M – Director General, Joint-Stock Company KMZ Magistral
22. Pavloff V – Director, Ukrainian Association of Furniture Employers
23. Lytvynenko M – Director General and Owner, corporation Lila,
24. Kolyshko R – Director, PR Department, Consortium “Industrial Group”
25. Vodianyuk C – PR Department, Consortium “Industrial Group”
26. Savchenko M – Deputy Director, “Kiev construction materials”
27. Tsvik M - PR manager, association of entrepreneurs
28. Merezhko V – Director, Joint-Stock Company “Zinbor”
29. Petrovich V – Director, Interregional High Vocational School of Communication, the adviser to Parliament on education and science
30. Ivashkevich V – Deputy Minister, Ministry of Labour and Social Policy
31. Zinkevich N – First Deputy Director, State Employment Service, Ministry of Labour and Social Policy
32. Deciatov T – Director, Department of Vocational and Technical Education, The Ministry of Education and Science
33. Pendzin O – Director, Department of Competition and Sectoral Transformation, Ministry of Economy
34. Dolopiat O – Deputy Director, Department of Infrastructural Development, Ministry of Economy
35. Kozlova H – Deputy Director, Department of Social and Humanitarian development. Ministry of Economy
36. Dmitrieva N – Director of Department of Social Standards and Reforms, Ministry of Economy
37. Tsimbal A – Senior Researcher, Counsel for Study of Productive Resources, The Academy of Science
38. Zakharenko K – Director, Department of Youth Social Development, Ministry of Family, Youth and Sport
39. Ivanenko T – Deputy Director, Department of Youth Social Development, Ministry of Family, Youth and Sport