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UNUSED POTENTIAL: YOUTH UNEMPLOYMENT AS A THREAT TO SUSTAINABLE DEVELOPMENT IN UKRAINE

НЕВИКОРИСТАНИЙ ПОТЕНЦІАЛ: МОЛОДІЖНЕ БЕЗРОБІТТЯ ЯК ЗАГРОЗА СТАЛОМУ РОЗВИТКУ УКРАЇНИ

This article examines the issue of youth unemployment in Ukraine, which has intensified in the context of full-scale war and economic instability. The study identifies the main causes of unemployment among young people aged 18 to 35, including the mismatch between education and labor market needs, lack of work experience, and limited job opportunities in war-affected regions. The article analyzes the socio-economic consequences of youth unemployment and outlines strategic directions for addressing it, such as promoting youth entrepreneurship, improving vocational guidance, and enhancing employment support programs. Emphasis is placed on the importance of youth integration into the labor market as a prerequisite for the country's post-war recovery and sustainable development. Based on the results of the study, a set of measures to intensify youth employment policy is proposed.

Key words: youth unemployment, employment, war, labour market, self-employment, dual education, economic instability.

У статті досліджується проблема молодіжного безробіття в Україні як одна з найгостріших соціально-економічних викликів сучасності, що набула особливої актуальності в умовах повномасштабної війни, економічної нестабільності та масштабної міграції. Виявлено, що рівень безробіття серед молоді у 2023 році становив 17,8%, що майже вдвічі перевищує показники серед дорослого населення. Молоді українці віком від 18 до 35 років стикаються з численними бар'єрами на шляху до працевлаштування. Серед яких виступає відсутність професійного досвіду, невідповідність освіти ринковим потребам, обмеженість доступу до вакансій, особливо у прифронтових та деокупованих регіонах. Наводяться статистичні дані щодо рівня безробіття серед молоді, його територіальної диференціації та динаміки під впливом воєнних дій на території нашої держави. У роботі визначено ключові соціально-економічні наслідки молодіжного безробіття, серед яких: втрата трудового потенціалу, посилення соціальної напруги, еміграція, зниження якості людського капіталу.

У процесі дослідження використано статистичні дані Держстату України, Національного банку, Центру економічних стратегій, соціологічні опитування молоді, а також результати праць провідних українських науковців.

Авторами проаналізовано сучасний стан ринку праці України, виокремлені його структурні зміни, зумовлені воєнними подіями, а також проблеми, пов'язані з демографічним спадом, мобілізацією, вимушеним переміщенням молоді та низьким рівнем заробітної плати. Зроблено акцент на значущості розвитку механізмів адаптації молодих людей до нових економічних реалій, зокрема через впровадження дуальної освіти, підтримку молодіжного підприємництва, цифрову перекваліфікацію та партнерство між освітою і бізнесом.

За результатами дослідження запропоновано комплекс заходів з активізації політики зайнятості молоді: удосконалення співпраці між освітою та бізнесом, підтримка стартапів, стимулювання мобільності робочої сили, формування менторських програм та підвищення прозорості інформації про можливості працевлаштування. Надані рекомендації мають прикладне значення для розробки стратегій подолання молодіжного безробіття в умовах післявоєнного відновлення економіки України.

Ключові слова: молодіжне безробіття, зайнятість, війна, трудовий ринок, самозайнятість, дуальна освіта, економічна нестабільність.

JEL Classification: J13, J21, J64

Problem statement. Unemployment among the country's youth constitutes a significant social and economic challenge in Ukraine. A salient issue confronting young Ukrainians within the 18 to 35 age demographic is the predicament of encountering a vicious circle. The absence of experience, a prerequisite for securing employment, engenders a vicious cycle wherein the acquisition of work experience becomes an insurmountable challenge without prior employment. In the contemporary context, characterised by the repercussions of a full-scale war, economic turbulence and mass migration, the issue of youth employment has attained paramount significance, not only from an economic perspective, but also in terms of national security.

According to the State Statistics Service, in 2023, the youth unemployment rate was 17.8%, which is almost double that of the adult population. The figures indicate not only a lack of opportunities in the labour market, but also a deep structural crisis that requires immediate intervention [1,8]. The presence of elevated levels of youth unemployment has been demonstrated to engender a number of adverse consequences, including the erosion of human capital, depopulation, the escalation of social tensions, and a deceleration in the nation's economic recovery.

Analysis of recent research and publications. A significant number of Ukrainian scholars have dedicated their research to the analysis of employment and unemployment. The following are of particular relevance: S.B. Ivanitska, O.S. Lysiuk, Y. Lavra, I.O. Morokhovets, L.S. Melnychuk, A. Marshal, O.V. Poluyaktova, T.I. Pavliuk, K.D. Semenova, S.T. Slusar, S. Bandur, O. Vyshniak, M. Dolishnyi, Y. Krasnov, E.M. Libanova. The findings of their research are of significant importance for the development of science. S. Ivanitska and I. Morokhovets emphasise the importance and relevance of this issue, and posit that young people constitute an untapped reserve for reforming and bringing the state to a new socio-economic level [2-4].

The objective of this study is to analyse the primary factors contributing to youth unemployment in Ukraine, to assess the consequences of this phenomenon, and to identify effective strategies to overcome it.

Presentation of the main material. The following is a synopsis of the primary material. The ongoing war is having a profound effect on Ukraine's economy, with a particularly significant impact on the labour market. This market, which underwent significant transformations in structure and geography during the full-scale invasion, is now gradually recovering in the face of instability and uncertainty, adapting to new realities. However, the hostilities, structural and territorial changes, massive population displacement and mobilisation have had a deleterious effect on employment opportunities. As demonstrated in Fig. 1, a study undertaken by the National Bank of Ukraine revealed a decline of more than 25% in the working-age population (15-70 years old) in early 2024 when compared to 2021. According to a study conducted by the Centre for Economic Strategies, approximately 50% of these losses can be attributed to individuals who do not work remotely and who are travelling abroad. The study further indicates that the proportion of individuals who work remotely is estimated to be between 8-10%. The NBU estimates that a further 40 percentage points of the decline in the labour force in 2023 compared to 2021 will be attributable to demographic losses, the occupation of territories, and the transition of some of the population to an inactive state. This is likely to be due to difficulties in finding employment for internally displaced persons, the need to care for loved ones, a shortage of skills needed in the market, etc [1,8].

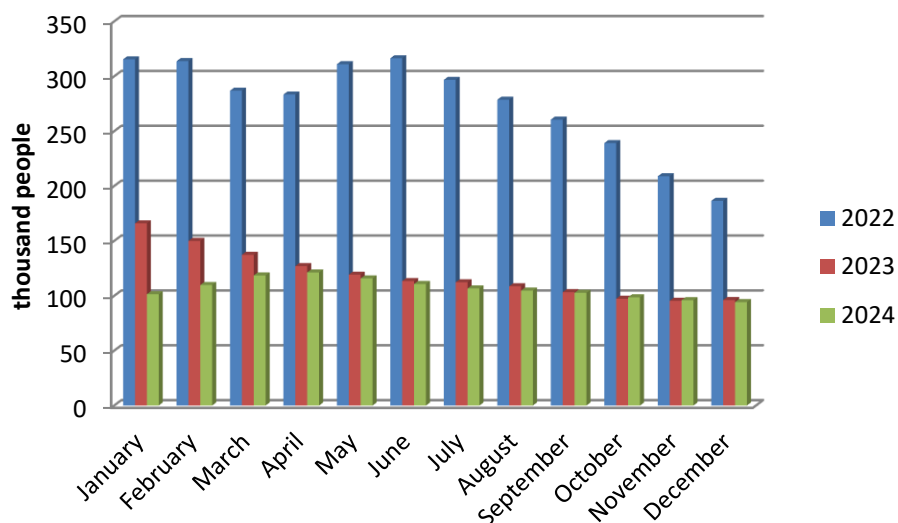


Fig. 1. Number of registered unemployed in 2022-2024 (compiled by the author based on [1,8])

The labour market of Ukraine is facing significant challenges due to the ongoing conflict. The economic shock caused by the Russian invasion at the beginning of the war resulted in a decline in both labour demand and supply. Consequently, demand for labour began to recover, albeit at a gradual pace. Concurrently, the number of individuals seeking new employment surged during the summer of 2022, surpassing the average figures observed in 2021. However, from that point onward, the trends diverged: the demand for labour exhibited a constant recovery in conjunction with the economic recovery, whilst the activity of job seekers constantly declined, not least due to Ukrainians' migration abroad and mobilisation into the Ukrainian armed forces.

Labour market activity continues to be lower than levels recorded prior to the full-scale war. It is evident that individuals are pursuing employment opportunities with greater vigour in comparison to the previous year. However, the number of new CVs posted remains approximately 80% of the average level observed in 2021. The number of new vacancies has almost ceased to increase, remaining at 85-90% of the 2021 level (Fig. 2) [12].

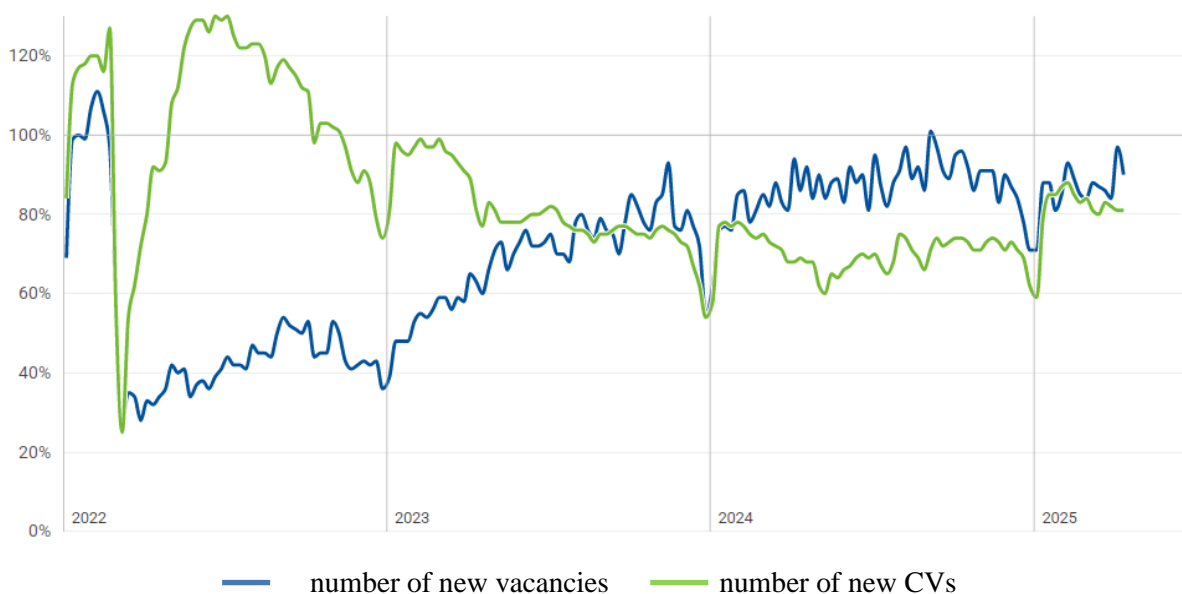


Fig. 2. Synthetic indices of the number of new vacancies and new CVs [10]

The issue of youth unemployment represents a significant challenge to the economic development of nations. It is widely acknowledged that young people are considered to be one of the most vulnerable categories of the population. This is due to their low resilience to shocks, lower level of professionalism, and a tendency to aggression or frustration due to alienation from work. The term 'young people' is defined in the Law of Ukraine 'On Promoting Social Formation and Development of Youth in Ukraine' of 25.02.1993, No. 2998-XII, as citizens aged 14 to 35. Conventionally, the unemployment rate among young people has been observed to be higher than that of other demographic groups, and during periods of economic downturn it has been shown to rise further. This phenomenon can be attributed to two primary factors. Firstly, there has been a decline in the overall number of job offers available on the labour market. Secondly, employers have demonstrated a preference for hiring workers with greater experience, leading to a reluctance to recruit younger individuals.

The war in Ukraine has had a profound impact on the labour market. The destruction of businesses, the decline in economic activity, and the forced displacement of millions of people have all contributed to a deepening employment problem. The highest unemployment rates have been recorded in the frontline regions, particularly in Donetsk and Kharkiv oblasts, where experts estimate that 40% of young people have lost their jobs. Furthermore, 65% of Ukrainian refugees are under the age of 35, and only 15% of them express a willingness to return to Ukraine after the war ends.

According to the State Employment Service, as of 1 August 2023, the official unemployment rate stood at 112.3 thousand people. A total of 23.9 thousand individuals (representing 22% of the total) were under the age of 35, thereby indicating a notable proportion of unemployed youth (see Fig. 3). Among the unemployed, 1.8 thousand people (2%) are recent graduates of educational institutions who have not previously been in employment. A significant proportion of young people in employment do not work in their field of specialisation. This finding underscores the necessity for alignment between the demands of the labour market and the educational sector.

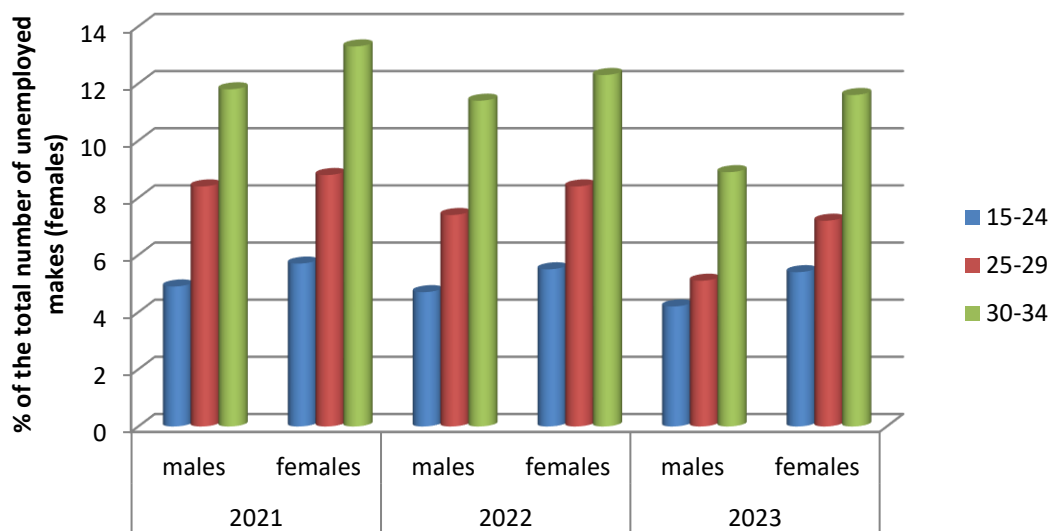


Fig. 3. Share of young unemployed, as of 1 August 2021-2023, by age group [8]

A thorough analysis of prevailing trends by region reveals that the most critical situation is observed in the eastern and southern regions of the country, namely Donetsk, Luhansk, Kherson, and Zaporizhzhia, where the youth unemployment rate ranges from 30 to 40%. Conversely, in the western regions of Lviv and Ivano-Frankivsk, the rate is considerably lower, ranging from 12-14%, a phenomenon that can be attributed, in part, to the emigration patterns and the participation of young individuals in temporary employment opportunities abroad.

It is noteworthy that the number of officially registered young unemployed people decreased during the war, as those who migrated abroad were removed from the register. The demographic

composition of the sample is predominantly female (78%), with the majority of these individuals falling within the 18-40 age bracket, which is considered to be the most productive age group [8]. However, it must be noted that these statistics do not fully reflect the situation in the country, as they do not include data on the population of the temporarily occupied territories. Furthermore, a proportion of the unemployed population did not register with employment services. Furthermore, a decline in the number of unemployed men under the age of 35 has been observed. This phenomenon can be attributed, firstly, to their enlistment in the Armed Forces, and, secondly, to their reluctance to enlist, which leads to their decision not to register with the employment service.

One of the primary factors contributing to the prevalence of unemployment is the incongruence between educational qualifications and the competencies demanded by the labour market. According to the Ministry of Education and Science of Ukraine, a significant proportion of humanities graduates, estimated at over 60%, encounter difficulties in securing employment within their respective fields of study. The war has resulted in the emergence of new barriers, including the destruction of infrastructure, limitations on mobility (particularly for men aged 18-60), and psychological fatigue. Economic factors, such as the comparatively low initial salaries (with an average of UAH 12,000 in major cities), have also been identified as a contributing factor to the reduced motivation to remain in the country.

Social isolation is also a salient factor: young people lacking experience frequently lack access to networking or mentoring opportunities that could assist them in entering the labour market.

The primary challenges confronting young individuals in the job market include a paucity of professional experience and the absence of requisite skills for adaptation. Social immaturity and a sense of professional insecurity further compound the situation. The dissonance between the initial employment and the level and quality of professional knowledge is a salient issue, as are the high demands placed upon employees by employers for professional competencies. The incongruity between the demands of the initial job and actual professional responsibilities is also a significant concern.

A study conducted by the Rating Lab among young people aged 15-30 in August 2023 shows that a significant proportion of respondents in Ukraine express a preference for self-employment and owning their own business (73%). A mere 19% of respondents expressed a desire to be employed. The data indicates that young people who are in employment or education are most likely to be independent (75% of those who are employed and students); to a lesser extent, those who are unemployed (61% of unemployed youth) [8].

The preponderance of young people who aspire to become self-employed can be attributed to the necessity of adequate labour mobility and a flexible labour market, compounded by the pervasive dissemination of the self-employment trend within Ukrainian society. The aspiration of young people to become self-employed may also be driven by their desire to make decisions independently and freely, and their greater willingness to take risks. Conversely, urban youth exhibit a lower propensity to express a desire for self-employment in comparison to their rural counterparts. This disparity can be attributed, at least in part, to the broader array of opportunities available in urban centres, which often provide avenues for securing remunerative employment. Concurrently, the aspiration to be employed is observed to rise with the age of the respondents.

For a considerable proportion of individuals who expressed a desire to be employed, the most significant aspect is a regular and stable income (64%), a phenomenon that can be attributed to the pervasive long-term instability in society. The preference for hired labour is attributable to several factors. These include uncertainty about the sufficiency of resources for self-employment (42%), the need to work fixed hours (38%), a lack of skills, knowledge and education to start a business (36%), and the desire to have job security (31%) [8].

Labour income has been identified as a key mechanism for unleashing the human factor and leveraging labour potential, serving as a catalyst for development and a significant incentive to enhance labour productivity. The level of remuneration offered by employers in our country does not always meet the expectations of today's young people, which is why they spend much more time looking for a job than older people. Moreover, the relatively low cost of labour has resulted in a considerable proportion of the well-educated and skilled population, including young people, facing

financial constraints. A study conducted by the Gradus Group has revealed that, in the context of military confrontation, a significant proportion of the youth demographic perceives their income to be inadequate. Specifically, the study found that more than 50% of respondents from this demographic consider their income to be insufficient, with almost 30% categorising it as categorically insufficient.

The consequences of youth unemployment pose a serious threat to the welfare of the state. The consequences can be categorised into two distinct groups: social and economic. The social consequences of this phenomenon are manifold and include the formation of a 'lost generation', social uncertainty among young people, the threat of social unrest, riots and disturbances, an increase in the number of mental illnesses among young people, a worsening of the crime situation in the country, irrational use of labour potential and a 'brain drain'. The economic consequences of this phenomenon are manifold and include, but are not limited to, increased expenditure on unemployment benefits, the wastage of state budget funds on training specialists who do not secure employment, and an increase in unemployment benefits. This has resulted in a decrease in GDP and a decline in the standard of living of the affected population.

One potential solution to the issue of youth unemployment is the development of dual education, which combines theoretical training at an educational institution with practical experience at an enterprise. In EU countries such as Germany, Switzerland and Austria, this approach has been shown to be effective, with youth unemployment rates remaining below 6-8%. It is evident that students receive 50% of their training in a practical capacity, in that it is conducted on the job. This allows them to gain experience immediately.

In Ukraine, the concept of dual education was initiated in 2019 through pilot projects conducted by the Ministry of Education and Science of Ukraine. As of 2023, the programme has garnered participation from over 120 educational institutions, encompassing colleges in Kharkiv, Lviv, and Vinnytsia. A survey of programme participants revealed that 74% of students secure employment prior to graduation, with 62% of these receiving offers of continued employment from their respective companies. Concurrently, there is a necessity to allocate resources to the development of digital academies (Prometheus, GoIT), which are currently engaged in the training of tens of thousands of young individuals in contemporary professions.

The key areas for the development of dual education in Ukraine should include the following: the establishment of partnerships between universities and businesses; the professional development of teaching staff to support students in their on-the-job training; the promotion of the format among young people through information campaigns; and support for entrepreneurship.

It is evident that the EU's initiatives, such as Erasmus+, the Youth Guarantee, and internships, transcend mere exchanges and serve as pivotal instruments in shaping professional mobility. In Finland, for instance, the state guarantees every young citizen either a job or training, an approach that can be adopted through cooperation between the Ministry of Education and NGOs.

Ukraine has the second-highest number of freelancers on the Upwork platform worldwide. This represents a significant potential that necessitates infrastructural support, encompassing the expansion of internet coverage, the establishment of co-working spaces in regional areas, and the creation of state-level platforms for facilitating employment opportunities.

The organisation is currently engaged in preparations for the challenges that it is anticipated will be faced in the future. The impact of automation, AI and green transformation should already be predictable. The retraining of individuals in green jobs, creative industries, and robotics can be regarded as an investment in sustainability.

Conclusion. The involvement of young people in the economic life of a nation constitutes a pivotal investment in its future. Consequently, in periods of war and on the road to recovery, the state should prioritise the creation of favourable conditions for youth employment. This involves the implementation of open and effective support programmes for employers who will hire young people, as well as active work with young people to encourage them to work and dispel employers' prejudices about their qualifications. It is imperative that these objectives be prioritised within the governmental agenda, particularly in the domain of youth employment policy in the forthcoming years.

The issue of youth unemployment must be considered as more than a mere statistical indicator; it is, in fact, a reflection of the state's capacity to offer its citizens a secure future. The

development of dual education has been demonstrated to serve a dual function; firstly, it has been shown to bridge the gap between education and the labour market, and secondly, it has been demonstrated to assist young people in the development of practical skills, adaptability and professional responsibility. In light of the prevailing military circumstances, there is an imperative to adapt dual educational programmes to the conditions of distance and hybrid learning, leveraging virtual simulators and digital tools. In the absence of a comprehensive reform of education, business support, infrastructure, and international integration, there is a risk of significant economic consequences for Ukraine. Specifically, it is estimated that one in four young Ukrainians may face unemployment in the near future, potentially leading to a decline in the country's overall development prospects.

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