



Complementary Information Note

The impact of the war in Ukraine on rural labour markets

Key considerations and entry points for the promotion of decent rural employment in the recovery phase

Since 2014, the armed conflict in the Eastern areas of Donetska and Luhanska has resulted in a humanitarian crisis in Ukraine, affecting the livelihoods of the people living in these areas, those displaced by the conflict, as well as those living in other areas of the country. Economic opportunities and labour markets have been strongly affected by the conflict, with the conflict-affected regions presenting the highest unemployment rates in the country since 2015 (15.7 percent in Donetska and 16.6 percent in Luhanska, against 10.3 percent nationally in the second quarter of 2021), as well as the COVID-19 pandemic [1].

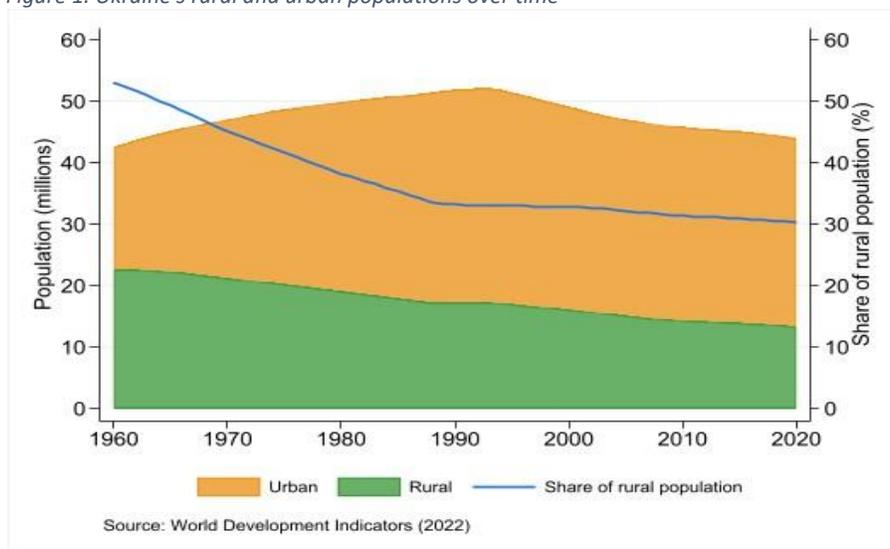
Rural households in the areas close to this conflict have also been affected particularly hard by the situation in the region [1,2]. The current war between Ukraine and the Russian Federation will pose additional threats and negatively impact Ukraine's rural labour markets, potentially affecting rural households and populations' livelihoods through multiple pathways. This short note provides a brief overview of rural labour markets and decent rural employment indicators in Ukraine before the onset of the war; briefly reviews potential impacts of the war on decent rural employment in Ukraine; and suggests a few recommendations on how the promotion of decent rural employment can potentially contribute to the recovery phase.

1. Rural labour markets in Ukraine

The importance of rural and agricultural employment

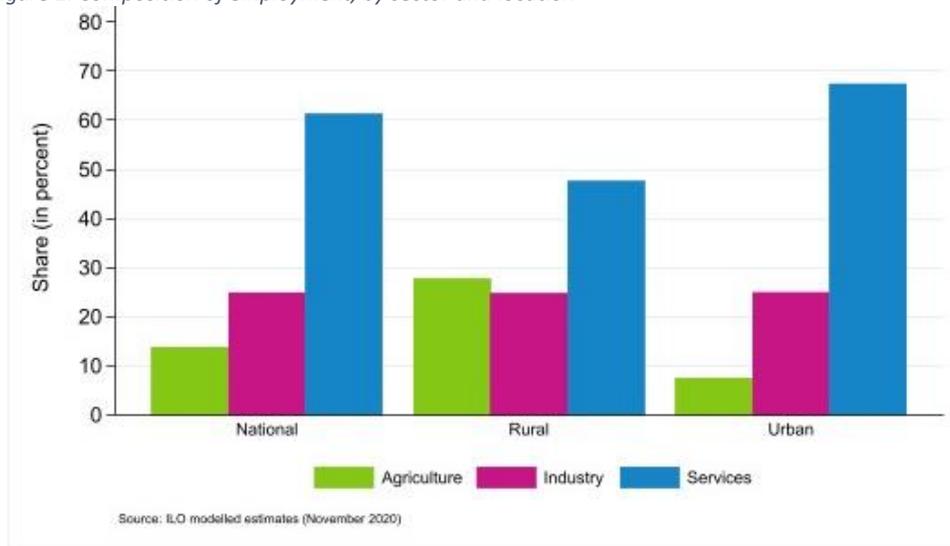
Rural employment remains important for a significant share of Ukraine's population. Even though the share of population living in rural areas has been declining in Ukraine over the past years, about 30 percent of the country's population still live in rural areas (around 13.6 million people)(Figure 1). Rural employment thus remains an important source of income and livelihoods, providing about 31 percent of the country's labour force (around 5.7 million people).

Figure 1. Ukraine's rural and urban populations over time



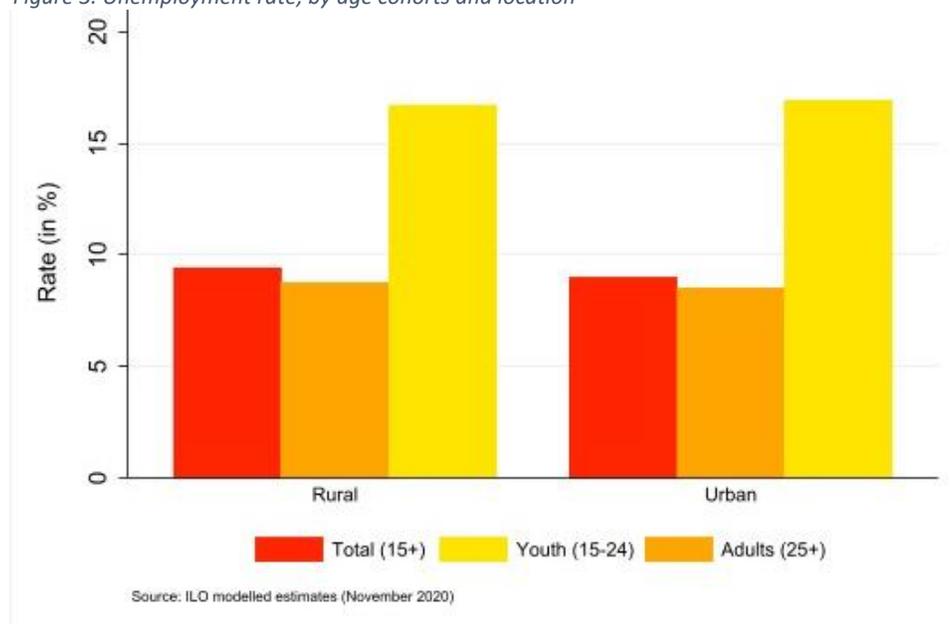
Rural labour markets were thus before the onset of the war between Ukraine and the Russian Federation an important source of livelihoods and income for a non-negligible share of households in Ukraine. Rural households were working in different sectors, mostly in the services (47 percent), followed by agriculture (27 percent) and the industry (25 percent) sectors. Agriculture also provides employment to about seven percent of workers in urban areas (Figure 2). Rural and urban households working in the agriculture sector will thus also most likely be severely affected through the multiple impacts of the war on these sectors and rural labour markets.

Figure 2. Composition of employment, by sector and location



Furthermore, an important share of households and individuals in rural areas was already in a situation of unemployment before the conflict, increasing their vulnerability. As displayed in Figure 3, unemployment rates in rural areas and urban areas were relatively similar (9.4 and nine percent, respectively). This stresses the importance to address unemployment in both rural and urban areas as well.

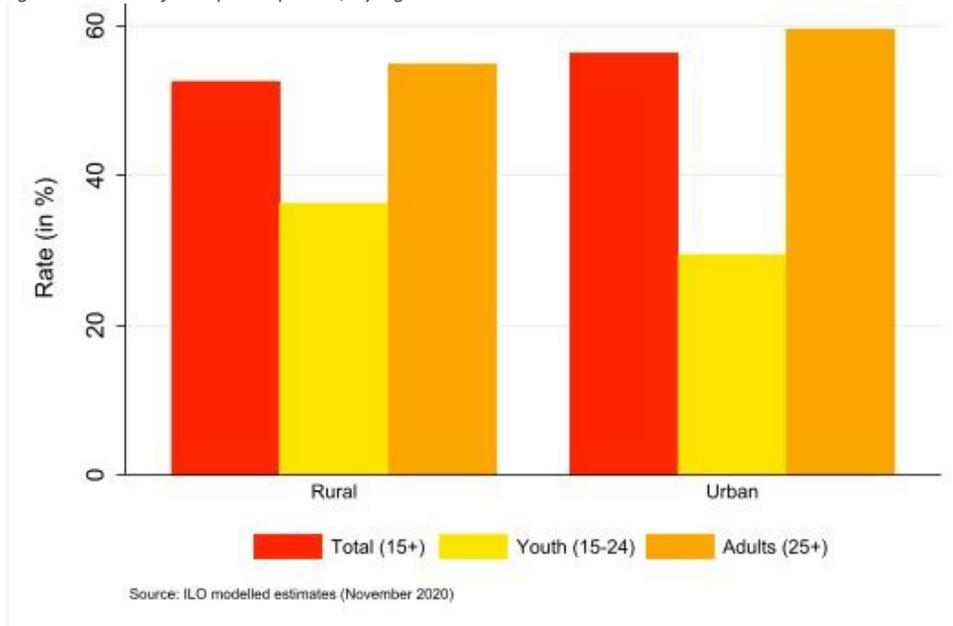
Figure 3. Unemployment rate, by age cohorts and location



Vulnerable groups in rural labour markets

Vulnerable groups face significant challenges related to decent work and employment in rural areas. As shown in [Figure 3](#), unemployment rate is almost two times larger for youth than for adults in rural areas (17 and nine percent respectively). As shown in [Figure 4](#), youth labour force participation is also higher in rural areas (36 percent against 29 percent in urban areas), which suggests that rural youth are constrained to joining the labour force earlier on than urban youth [3].

Figure 4. Labour force participation, by age cohort and location



Rural women also face challenges in rural labour markets. While the unemployment rate for rural women is slightly lower than the unemployment rate for rural men (8.4 percent vs. 10.3 percent) ([Figure 5](#)), the share of women Not in Employment, Education, or Training (NEET) (22.5 percent) is larger than the shares of rural men (13.5 percent) and urban women (18.9 percent) in NEET (

[Figure 6](#)). This stresses that rural women are more likely than their urban and male counterparts to be out of employment and not in education and training, which may indicate that they may be undertaking a larger share of unpaid care work.

Figure 5. Unemployment rate, by sex and location

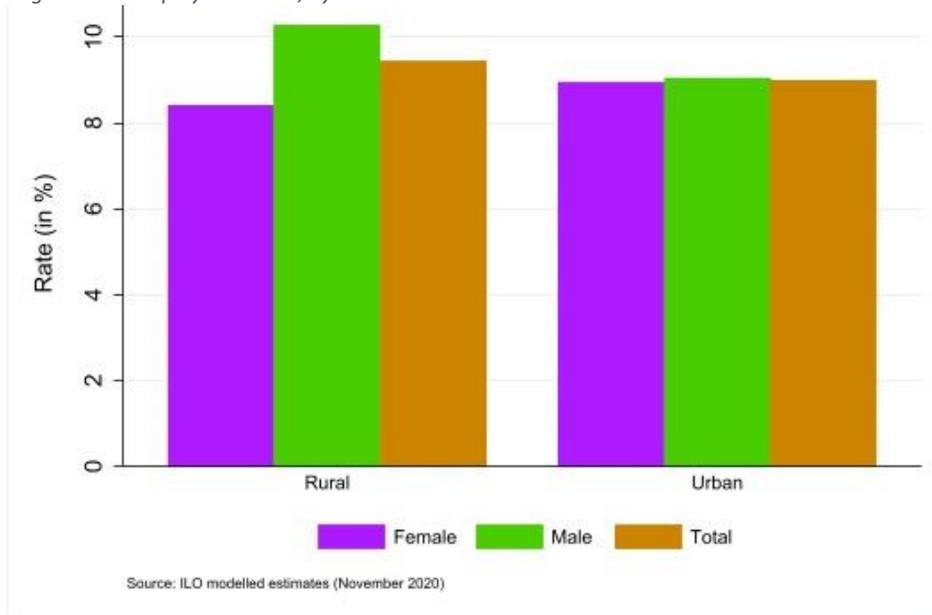
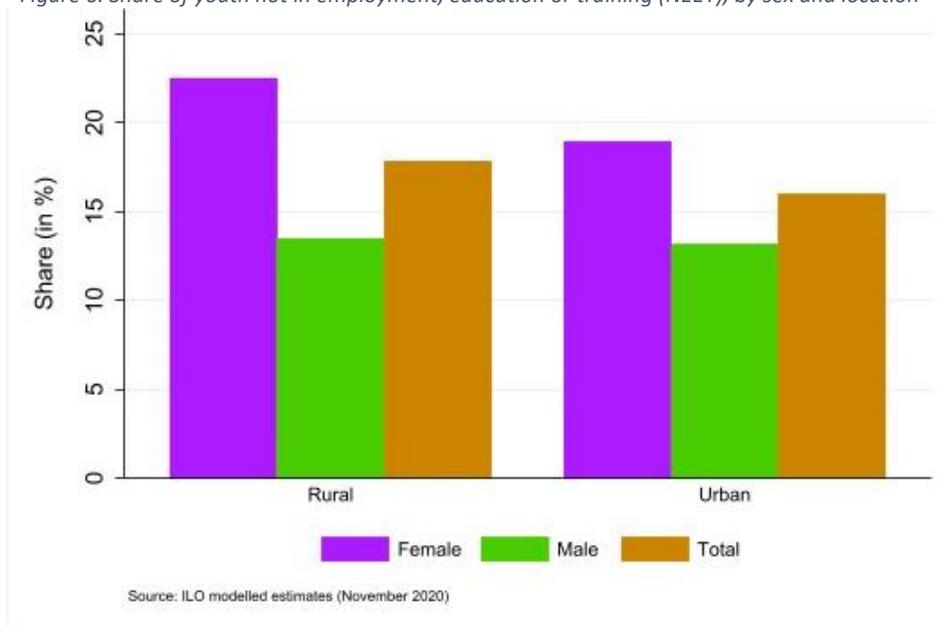


Figure 6. Share of youth not in employment, education or training (NEET), by sex and location



Rural households are also more inclined to resort to child labour than urban households. Twenty-five percent of children aged 5-17 were in child labour in rural areas in 2015, against 3.6 percent in urban areas (Figure 7). Disaggregating by sex, 27.6 percent of male children and 22.6 percent of female children were in child labour in rural areas. A significantly larger share of youth aged 15-17 in child labour was also found in child labour in rural areas (37.4 percent against 4.3 percent in urban areas). The share of children in hazardous work was also higher in rural areas than in urban areas (25.1 percent against 3.5 percent, respectively), for both male (27.6 percent against 4.5 percent in urban areas) and female children (22.5 percent against 2.6 percent). The situation was particularly critical for rural youth aged 15-17, with a share of 37.4 percent of children in this age cohort involved in hazardous work (

Figure 8).

Figure 7. Share of children in child labour, by sex, age, and location

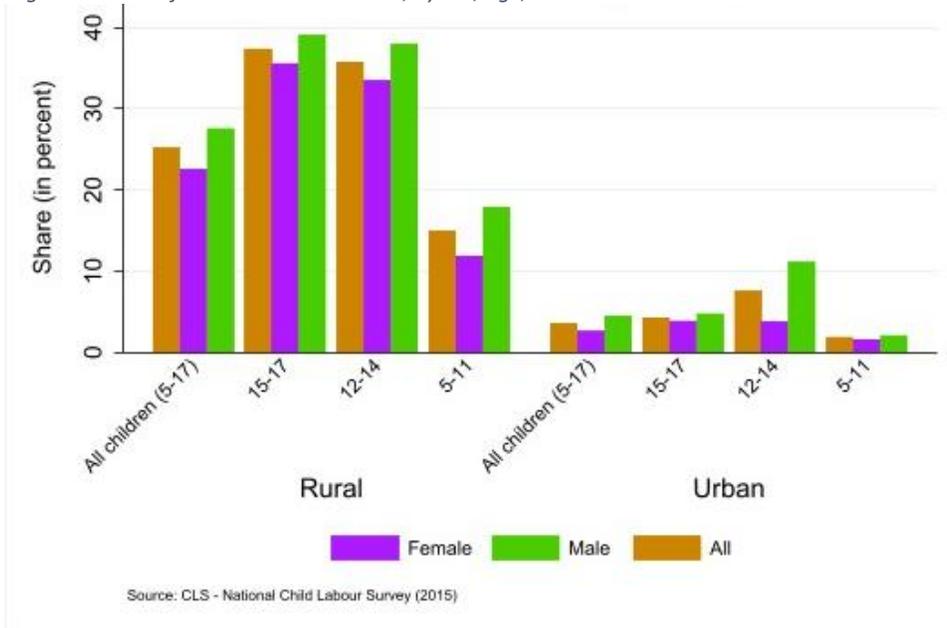
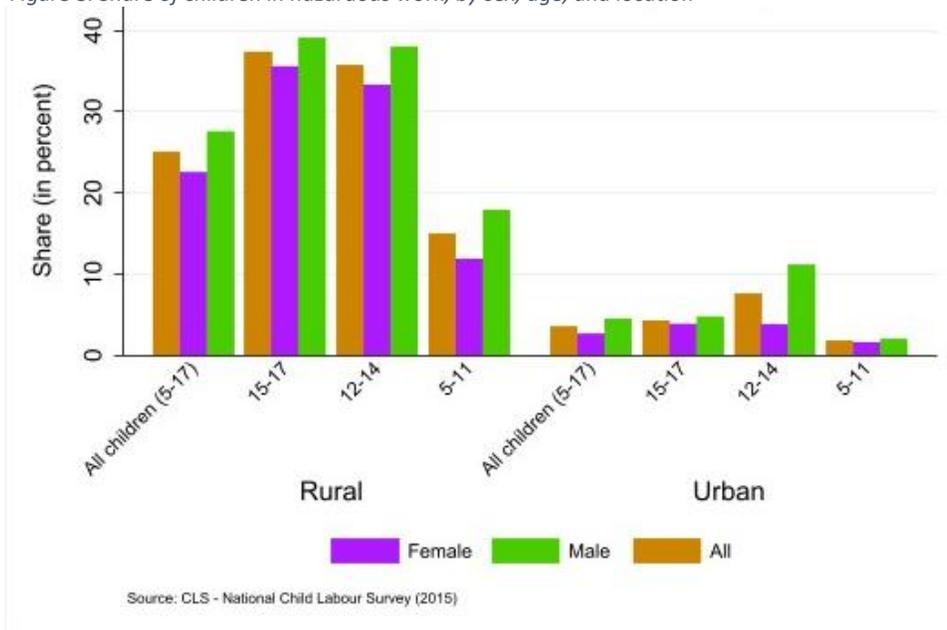


Figure 8. Share of children in hazardous work, by sex, age, and location



Migrants and internally displaced persons

Before the conflict, 6.1 million Ukrainian nationals were living abroad, of which 53 percent were residing in the Russian Federation, followed by 6 percent in the United States of America, 5.8 percent in Kazakhstan, 4.7 percent in Germany, 4.4 percent in Poland, and 4 percent in Italy [4]. Using data from the National Bank of Ukraine, Ratha and Kim (2022) estimate that remittance flows to Ukraine were greater than USD 19 billion in 2021 and represented 12 percent of the country's GDP [5].

Besides Ukrainian nationals residing overseas, there were before the conflict between Ukraine and the Russian Federation 734,000 internally displaced persons in Ukraine [6]. Most of these displacements were a

result of the conflict in Donetsk and Luhansk, which led to an economic outward migration from these regions, leading in particular to disproportionate displacement and migration of younger population to other regions in Ukraine as well as abroad [1].

2. Potential impact of the conflict on decent rural employment

Implications for the rural labour force

The current conflict and crisis will potentially affect labour markets, employment, and working conditions in rural areas. Basic infrastructure and the provision of public services will also be affected [1], while the conscription and involvement of the population on the conflict will affect the rural and agricultural labour force in the country. These factors, among others, will affect agricultural supply chains, both upstream and downstream, including through logistical and production risks [7].

FAO's recent notes on the impact of the conflict on food security have already stressed the potential threats to food security and agricultural markets through production risks [7,8]. Many of these production risks are tied to the impact of the conflict on the labour force. As of the end of March 2022, it is estimated that about 6.5 million persons were internally displaced and 4 million refugees fled Ukraine [9]. By March 16, 2022, more than half of the adult internally displaced persons were aged 40 or younger (21 percent aged 18-30 and 33 percent aged 30-40). Most of the IDPs were also coming from the regions (oblasts) of Kyiv City (30 percent), Kharkiv (25 percent) and the Kyiv region (15 percent) [10]. Internal displacement, combined with the conscription and requirement for men aged 18 to 60 years to stay and join the fight [11], has reduced the labor force availability in rural areas [8]. Ukrainian farms have already reported experiencing labour shortages with many of their workers quitting their jobs, further stressing the lack of workers as a concern to resume work on the farms as well [12].

Implications for decent rural employment

These labour shortages, coupled with shortages of other inputs (e.g., fuel, chemical, fertilizers, etc.), as well as the damages made to some farms during the war, will affect the production and performance of farms in the country [8]. This will in turn potentially affect their revenues and limit rural on- and off-farm employment opportunities for remaining (potential) workers. For instance, smallholders, who are responsible of a large part of the country's gross agricultural production, are also an important source of local employment and livelihoods [8,13]. The impact of the war on their production would trigger negative spillover effects on rural and agricultural local labour markets.

Conflicts can be a determinant pushing children into child labour, which can affect their physical and mental development and depriving them of the opportunity to learn, among others [14]. Labour shortages on farms, especially the smaller or more vulnerable, may also lead farmers to resort to child labour as substitution for the missing labour force.

Both the production risks (e.g., impossibility for farmers to attend their fields to plant and harvest their crops, overall implications for all agricultural activities) and logistical risks (e.g., disruptions on the supply chains through damages to infrastructures) [7] bear the potential to affect rural livelihoods throughout the food and agricultural supply chains in Ukraine. For instance, off-farm jobs (e.g., in food processing, transportation, and retail) may also be affected by the war (either directly or indirectly through the effects on on-farm production).

Implications for rural remittances in Ukraine and Central Asia

While remittances to Ukraine sent by Ukrainian nationals residing overseas to support their families are increasing, remittances from Russian Federation will most likely be disrupted due to the sanctions while the

devaluation of the ruble will affect their value. The reduction of economic activities in Russian Federation will also affect the employment and income of migrant workers. This can also have an impact on many countries in Central Asia who are highly dependent on remittances from Russian Federation [7,15]. At the same time Central Asian migrant workers who were supposed to make their journey to Russia put on standby mode their travel plans, while the ones already present in Russian Federation may have already considered looking for more lucrative work opportunities elsewhere, namely in Southeast Asia and the Middle East [16].

3. The promotion of decent rural employment for the recovery phase:

Considering the importance of rural employment and livelihoods in Ukraine, it is critical that policy and decision makers adopt policies and strategies that aim at addressing the specific challenges affecting rural employment and provide decent rural employment opportunities to rural households, including the most vulnerable groups, to contribute to the economic foundations for the economic recovery and development phase. Potential actions and responses could consist of the following:

1. Promoting productive employment as part of the economic foundations for a peaceful development in fragile contexts is critical. Unemployment, inequalities, and lack of employment opportunities can further drive fragility and conflicts [17] and should thus be addressed through the provision of productive and decent employment opportunities in rural areas.
2. On the short term, promoting temporary rural employment can minimize the risk and avoid exposing beneficiaries and populations to further insecurity in the reconstruction phase. For instance, livelihood and employment opportunities should be promoted, in particular to refugees and internally displaced persons, through education and training, micro-business startup services, among others [17].
3. At a broader scale, public work programmes can contribute to create and rehabilitate infrastructure [18], while helping vulnerable workers increase their resilience through income and work wages.
4. In the aftermath of the conflict, many rural youth will have lost most of their livelihoods. The promotion of employment for rural youth will help build their resilience and provide them with stable livelihoods – while contributing to the economic reconstruction and development of the country.
5. In the same vein, employment opportunities should be provided to returning refugees and internally displaced persons after the conflict to support their sustainable reintegration in rural areas. The latter can in return help rural areas through capital investments, skills and technology transfer, know-how and their social networks, creating spillover effects for the community [19], which can contribute to the reconstruction.

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