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 and observed impacts of the war on decent rural employment and labour markets 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 before the war

1. 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

Source: World Development Indicators (2022) [3]
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.

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.
2. 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 [5].

![Figure 4. Labour force participation, by age cohort and location](image)

Source: ILO modelled estimates (2020) [4]

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](image)

Source: ILO modelled estimates (2020) [4]
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).
3. **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 [7]. 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 [8].

Besides Ukrainian nationals residing overseas, there were before the conflict between Ukraine and the Russian Federation 734,000 internally displaced persons in Ukraine [9]. Most of these displacements were a result of the conflict in Donetska and Luhanska, which led to an economic outward migration from these region, leading in particular to disproportionate displacement and migration of younger population to other regions in Ukraine as well as abroad [1].

2. **Implications of the conflict on labour markets and decent rural employment**

1. **In Ukraine**

The war in Ukraine has adversely affected labor markets and employment in Ukraine. Recent ILO estimates indicate that employment in Ukraine in 2022 will be 15.5 percent lower than in 2021, corresponding to 2.4 million fewer jobs [10]. Labour markets, employment, and working conditions in rural areas are also adversely affected by the war. Basic infrastructure and the provision of public services have been affected [1]. Farms and their infrastructure have also been destroyed or damaged by military attacks [11]. The conscription and involvement of the population on the conflict has also affected 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 [12].

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) [12] 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).

FAO’s notes on the impact of the war on food security have already stressed the potential threats to food security and agricultural markets through production risks [11,12]. Many of these production risks are tied to the impact of the war on the labour force. According to the latest UNHCR reports, more than 7.8 million refugees from Ukraine were recorded across Europe and 6.5 M internally displaced as of November 22, 2022 [13]. It is also estimated that 6 M people returned to their habitual place of residence by the same date [13,14]. 70 percent of the internally displaced people (IDP) were women. 31 percent of IDPs are aged 18-35 and 48 percent aged 36-59 [15]. Most of the IDPs were also coming from the regions (oblasts) of Donetsk (23 percent) and Kharkiv (21 percent) [16]. Internal displacements, combined with the conscription and requirement for men aged 18 to 60 years to stay and join the fight [17], have reduced the labor force availability in rural areas [11]. From the start of the war, Ukrainian farms had 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 [18].

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 [11]. This could 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 [11,19]. The impact of the war on their production could trigger negative spillover effects on rural and agricultural local labour markets. The workloads of those remaining in the conflict-affected areas can also increase as a result of the shortages [11].

2. **In neighboring countries and the rest of the world**

The negative implications of the Ukraine crisis are also set to affect the world of work globally. As stressed in an initial assessment conducted by the ILO in May 2022, the energy crisis and increased food and energy prices resulting from the crisis can threaten employment around the world, in particular low-and middle-income countries [20]. Indeed, the negative impacts of the war on the economic growth, combined with the incomplete recovery from the COVID-19 crisis can affect labour markets and jobs through different mechanisms. Poverty and jobs in countries dependent on food and fuel imports are vulnerable to price and trade shocks, while the poor in grain exporting countries may see their incomes fall [20]. High and continuous inflation levels are for instance reducing workers’ purchasing power [10,21].

Labour markets in Europe have also experienced a large influx of working-age refugees from Ukraine following the aftermath of the crisis. According to a survey implemented by UNHCR in selected host countries, 83 percent of the refugees in these countries are between 18 and 59 of age and 69 percent of these have a vocational or (post-) university education [22]. Overall, refugees from Ukraine are more educated than the average population in their country of origin [23]. As a result of this influx of educated refugees, the labour force is expected to increase in hosting European countries. An OECD study conducted in July 2022 estimated that the labour force in Europe is about to increase by 0.5 percent by the end of 2022, with some heterogeneity across countries, the highest being in Czech Republic (2.2 percent), Poland (2.1 percent), and Estonia (1.9 percent) [23]. There is at this stage no evidence that this large influx of refugees may have negatively impacted employment and labour markets in hosting countries. The aforementioned OECD study predicted a relative change of 0.4 percent in employment is also expected in host countries in
Europe, with the higher effects projected in Czech Republic, Poland, and Estonia [23]. In Poland, agriculture is estimated to be one of the sectors to gain employees.

In some European countries, such as Poland, the United Kingdom, or Germany, the agricultural sector relied before the war on a large contingent of seasonal agricultural workers helping to fill the labour shortages were coming from Ukraine [24–26], including during the COVID-19 lockdown periods [27]. Anecdotal evidence suggests that some farms in the United Kingdom have been facing seasonal labour shortages since the beginning of the war, and started hiring seasonal workers from other countries, such as Romania and Bulgaria to replace Ukrainian workers [28].

Countries in Central Asia are also affected through the linkages with the Russian Federation’s economy [10]. Many countries in the regions are highly dependent on remittances from Russia [8,29]. However, remittances levels from Russia to these countries are expected to drop as Central Asian migrant workers lose their jobs with the reduction of economic activities in Russia. These remittances have also lost some of their value following the devaluation of the ruble [30].

The life of Central Asian migrants is also affected. On the one hand, anecdotal evidence suggests that Russia remains the main destination of migrants from the region and those who did not lose their jobs remained in the country [30]. On the other hand, Central Asian migrant workers who were already present in Russia were considering looking for more lucrative work opportunities elsewhere, namely in Southeast Asia and the Middle East [31]. Migrant laborers from the region are also seeking employment in richer countries. Among these, Great Britain, where Tajik and Kyrgyz workers have started working on farms, filling the post-Brexit labour shortages in agriculture [30].

3. Implications for vulnerable groups

IDPs, refugees, and returnees

According to a recent survey conducted by IOM, IDPs have also been facing specific employment challenges. IDPs present lower employment status (41 percent, employees and own business combined) than before the war as well as lower than non-IDPs. A large share of unemployed IDPs have also lost their jobs due to war (84 percent), compared to unemployed among non-IDPs (73 percent) [16]. Both unemployed IDPs and non-IDPs are vulnerable to the aforementioned difficulties when looking for a job, these being more pervasive for the former [16].

Another recent survey conducted by IOM sheds some light on the situation and challenges faced by returnees in labour markets. In terms of return location, the vast majority of the 6 million returnees settled in urban areas while 15 percent settled in a rural area/village or a farm [14]. While the data and information are not disaggregated by rural/urban location, a higher proportion of the returnee population is female (57 percent) and children aged under 17 (25 percent) [14]. Among the reasons for return, employment or own business were ranked second by returnees (34 percent) behind sentimental reasons (42 percent).

However, returnees face, among others, an array of labour and employment-related challenges, such as the businesses not having restarted since the start of the war or the farming and industry operating at lower levels compared to before the war [14]. By October 2022, 15 percent of the returnees aged 18-64 were unemployed and those looking for job are facing multiple challenges (e.g., interest and experience mismatch, lack of work due to the war, low salaries, informal employment) [14]. A recent study from the Norwegian Refugee Council focusing on refugee returns from Poland also finds that employment is one of the main challenges faced by returnees [32].
As mentioned in Section 2.2., Ukrainian refugees can contribute to the labour force in European host countries [23]. A recent survey of refugees, conducted between May and June 2022, found that 68 percent of respondents (including 36 percent unemployed) were not economically active, with only 28 percent employed or self-employed, and the remaining four percent attending professional training, apprenticeships or volunteering [33]. Overall, a majority of refugees tend settle in urban areas or larger cities in host countries [23]. Recent data from Germany nevertheless suggest that rural areas remain the third location for refugees in the country [34]. Anecdotal evidence also suggests that Ukrainian refugees have sometime settled and found livelihoods and employment in rural areas in European countries, such as France or Ireland [35,36].

Children, women, and youth

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 [37]. 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.

The economic downturn and crisis affecting neighboring countries as well as countries depending on Russia and Ukraine for food commodities, fertilizers, trade, or remittances can also have implications for child poverty and labour [38]. Recent UNICEF estimates indicate that an additional 4 million children are projected to live in poverty following the economic shock prompted by the war in Ukraine, accounting for 40 percent of the increase in poverty. 9.2 percent and 5.2 percent of children are expected to fall into poverty in Russia and Ukraine, respectively, as a result of the crisis [38]. Such a surge in poverty can potentially increase children’s risks to be in child labour. In Ukraine, this may increase the vulnerability of children already at risk of child labour in rural areas, where higher rates of children in child labour are found (Figure 7).

The war has also exacerbated the pre-existing inequalities between men and women in Ukraine [11,17]. Labour market and employment inequalities highlighted in Figures 5 and 6 may also eventually be aggravated by the war and crises. For instance, rural women in territories occupied by the Russian army cannot do agricultural work because of the high insecurity and lack of resources [39]. Their unpaid care and domestic work responsibilities have also increased following their accommodating IDPs [39]. Women, who also represent the majority of adult Ukrainian refugees, also face specific challenges accessing employment in host countries. Besides the complex procedures for the recognition of work qualifications and lack of knowledge of the local language in the host countries, the need for childcare is a major challenge faced in accessing employment [33].

In the same vein, the war can impact youth and exacerbate the aforementioned inequalities and challenges they face on rural labour markets (i.e., see Figures 3, 4, and 6). Younger returnees (aged 18-34) also seem to have returned in average earlier than older returnees [40]. Ensuring they find decent employment opportunities in their location of return or resettlement is thus critical.

4. 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 [41] 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, though education and training, micro-business startup services, among others [41].

3. At a broader scale, public work programmes can contribute to create and rehabilitate infrastructure [42], while helping vulnerable workers increase their resilience through income and work wages.

4. In the aftermath of the war, 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 returnees and internally displaced persons, including 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 [43], which can contribute to the reconstruction. Economic integration of Ukrainian refugees in host countries should be promoted through the provision of decent employment opportunities, among others.

6. Collect age, gender, and location-disaggregated data (among other social markers) to better assess the decent employment and work deficits in agriculture and rural areas and identify the needs of the most vulnerable groups. Such assessments and data will help inform and tailor interventions to support the most vulnerable groups and those affected by the war.
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