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## LABOR SURPLUS AND YOUTH EMPLOYMENT IN RURAL AREAS OF UKRAINE: CAUSES, CONSEQUENCES, SOLUTIONS

## НАДЛИШОК РОБОЧОЇ СИЛИ ТА МОЛОДІЖНА ЗАЙНЯТІСТЬ У СІЛЬСЬКИХ РАЙОНАХ УКРАЇНИ: ПРИЧИНИ, НАСЛІДКИ, РІШЕННЯ

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The article examines structural factors of labor surplus in rural Ukraine and their implications for youth employment. It shows that technological modernization of agriculture, industrial decline and demographic change cause persistent worker displacement and increase unemployment risks for young people. The role of labor migration, especially internal migration, as an adaptive response to regional labor imbalances is analyzed. Youth mobility, constrained by weak transport infrastructure, limited jobs and low wages, is insufficient to compensate these imbalances. The lack of a diversified industrial and service base in rural communities restricts job creation. The article highlights the need for managed internal migration, better micromobility and transport accessibility, and incentives for employers to create jobs in peripheral regions, alongside policies that support youth employment and invest in human capital.

**Keywords:** labor surplus; youth employment; migration; internal mobility; rural area of Ukraine; regional development.

У статті здійснено всебічний аналіз комплексних чинників формування надлишку робочої сили в сільській місцевості України та їх довготривалого впливу на можливості зайнятості молоді. Встановлено, що структурні трансформації аграрного сектору, зумовлені інтенсивною механізацією, цифровізацією виробничих процесів і переходом до великих високопродуктивних агроформувань, призводять до стійкого зменшення попиту на робочу силу та вивільнення значної кількості працівників. Паралельне звуження промислової бази у периферійних регіонах, відсутність диверсифікованих секторів економіки та обмеженість локальних сервісних ринків унеможливають формування альтернативних каналів зайнятості, що особливо загострює ситуацію серед молоді — найбільш мобільної, але структурно вразливої групи населення. Показано, що надлишок робочої сили має кумулятивний вплив на локальні ринки праці: зниження рівня оплати праці, погіршення співвідношення між працездатним населенням і фінансовими можливостями місцевих бюджетів, скорочення інвестицій в інфраструктуру та зростання соціальної напруги. Молоді працівники стикаються з дефіцитом кваліфікованих вакансій, нестачею можливостей професійного застосування, переважанням сезонної та неформальної праці. Це стимулює як внутрішню, так і зовнішню міграцію, що посилює відтік людського капіталу з периферії та формує довгострокові демографічні ризики. Автори доводять, що внутрішня трудова мобільність, попри свій потенціал, не виконує компенсаторної функції через недостатню розвиненість транспортної інфраструктури, високу вартість щоденної міграції, нестачу регулярного сполучення та низьку мікромобільність домогосподарств у сільській місцевості. У статті обґрунтовано необхідність державної підтримки механізмів регульованої внутрішньої міграції, розвитку доступних транспортних рішень, підвищення мобільності молоді, створення індустріальних та сервісних центрів зайнятості поблизу малих населених



пунктів. Аргументовано, що комплексне поєднання політики інфраструктурного розвитку, стимулювання інвестицій у регіони та підвищення доступності робочих місць є ключовим для подолання трудових дисбалансів і формування сталих траєкторій молодіжної зайнятості в сільських районах України.

**Ключові слова:** надлишок робочої сили; молодіжна зайнятість; міграція; внутрішня мобільність; сільський район України; регіональний розвиток.

**Statement of the problem.** The problem of development of rural and peripheral areas in the world and in Ukraine is primarily economic. For Ukraine, one of the key challenges is the surplus of labor in some settlements and rural areas in general, which results in long-term unemployment and other negative social consequences. The surplus of labor leads to low wages and unemployment, and therefore to a deterioration in the ratio between local budget revenues and the number of population. Hence, there are limited opportunities for investment in infrastructure and self-financing of development programs. Subsidies from the state or European budget for infrastructure development (roads, gasification, landscaping, schools, medical institutions, etc.), although they improve the quality of life, hardly solve the problem of a shortage of jobs. This has a particularly acute effect on young people, who face limited employment opportunities in their specialty, low earnings and are forced to either agree to informal employment or migrate.

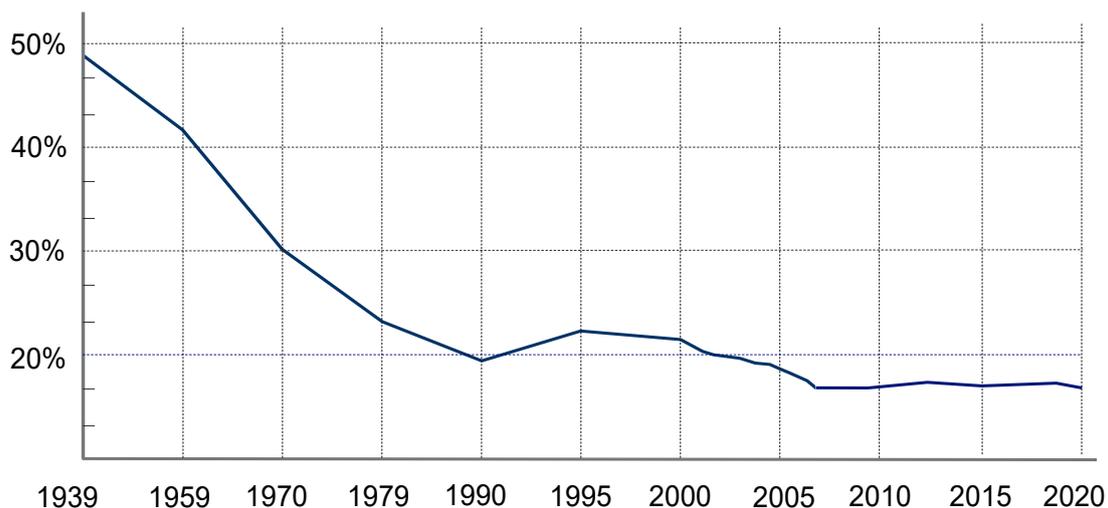
**Analysis of recent research and publications.** The issue of regional imbalances in the labor market, particularly in rural areas, is covered in statistical materials of the State Statistics Service of Ukraine [1; 2] and the State Employment Service of Ukraine [3; 4]. International organizations such as the Food and Agriculture Organization of the United Nations [5] and the International Organization for Migration [6] analyze the impact of the war on the functioning of the labor market and the transformation of employment in Ukraine, particularly in rural areas. In their works, they pay attention to the issues of deepening labor shortages, changes in population mobility, transformation of economic activity and increased vulnerability of certain groups, including youth. The studies of Y. Lupenko [7], N. Patika [7], V. Sarioglo [8] and A. Kuranda [8] emphasize systemic changes in agricultural production, technological innovation and the corresponding release of a significant number of labor. At the same time, the issue of labor surplus in rural areas, its impact on youth employment and youth migration strategies is not sufficiently addressed. This necessitates the study of this issue with a focus on the youth segment of the labor market.

**Formation of the objectives of the article** consists in determining the reasons for the formation of a surplus of labor in rural areas of Ukraine, analyzing its socio-economic consequences, primarily for youth, as well as substantiating possible directions of state policy regarding balancing the labor market and creating conditions for decent employment of youth in rural areas. Presentation of the main material.

**Summary of the main research material.** *Causes and consequences of labor surplus in rural areas of Ukraine.* The reason for the surplus of labor in rural Ukraine lies in the imbalance of labor resources between villages and cities, which dates back to Soviet times. Until the end of the 18th century, throughout the world, the vast majority of the population (80–90%) was employed in agriculture, but with the beginning of the industrial revolution in European countries, and later in other developed countries, there was a systematic displacement of those employed from the agricultural sector due to mechanization and the introduction of new technologies. In developed countries, only a few percent of all labor resources are employed in agriculture today.

In Ukraine, a similar process also took place, but with a significant time lag. If in 1939 almost half of the employed worked in agriculture, then by the beginning of the 1990s it was about 25%, and since the mid-2000s it has been 14–16%. (Fig. 1).

At the end of the Soviet period, the share of people employed in the agricultural sector in Ukraine remained significantly higher than in most European countries, which was due to both technological backwardness and the collective farm-state farm form of management. Socialist forms of labor organization reduced workers' interest in the results of work, which led to an excessive number of people employed in agriculture. At the same time, despite the involvement of citizens in seasonal work, the Soviet Union, with a share of people employed in agriculture of over 20%, was experiencing a food crisis and was forced to import agricultural products from the USA and Canada, where the share of people employed in agriculture was 3–4%.



**Figure 1. Percentage of people employed in agriculture in Ukraine in 1939–2020**

*Source: compiled by the author according to the State Statistics Service [2]*

The modern agricultural sector of Ukraine is undergoing gradual but fundamental changes. The transition to modern technology and organizational forms (farms, large industrial agricultural holdings, etc.) leads to the release of a significant number of labor. At the same time, international research confirms that after the start of the full-scale war, the situation on the labor market in rural areas of Ukraine was complicated by additional factors: increased vulnerability of households, changes in seasonality of demand, and reduced opportunities for formal employment in a number of communities [5].

To imagine the further dynamics of this process, it is worth comparing the state of the agricultural sector of Ukraine with developed countries. As of 2020, about 14% of the employed worked in agriculture in Ukraine, including forestry and fisheries [2]. At that time, in EU countries, under relatively similar natural and climatic conditions, this figure was 4.2% [9]. Among EU countries, only Romania (20.9%) and Bulgaria (16.6%) had a higher percentage of employed people in agriculture [9].

A comparison of absolute and relative indicators shows that labor productivity in Ukrainian agriculture is significantly inferior to the EU indicators (approximately 10 thousand conventional units of production per employee against 35 thousand in the EU), which implies a further reduction in the number of employees in this area. Even in the event of a complete revival of the agricultural sector of Ukraine (which is possible only on the basis of further modernization), half or two-thirds of the 2.2 million people who were employed in agriculture before

the full-scale invasion [2] will be released in the future. Already in 2000–2011, almost 1 million workers left the agricultural sector, and in 2012–2021 – about 1.2 million more (taking into account territorial losses). In the coming decade, the same fate is likely to await another 0.5–1 million people.

The robotization of the agricultural sector, the rapid beginning of which we are observing, will put additional pressure on the rural labor market, reducing entire professions. For young people, this will mean a reduction in demand for low- and medium-skilled labor in the countryside and the need to either improve their qualifications, focusing on other industries, or change their place of residence. As for the employment of rural residents in other sectors of the economy, the situation is not much better. Many industrial enterprises, including those located in rural regions, ceased their activities in the post-Soviet period, while new production was not launched. There has also been no radical improvement in the transport infrastructure that would allow rural residents to commute to work in other settlements for an acceptable distance every day. The hope that industrial enterprises capable of employing the population released from the agricultural sector will be created in rural settlements is mostly unjustified. In rural areas, in most cases, there is no necessary infrastructure: access roads and railways, high-voltage power lines, communication networks, educational institutions of the appropriate profile, logistics complexes, etc. Therefore, new enterprises will mainly be located in large industrial centers and near them, and not in the rural hinterland.

As a result, in the coming years, millions more people of working age in Ukraine may lose their jobs and will not be able to find them in their rural settlements or near them. For a significant part of the youth, the only relatively acceptable way out of the situation is labor migration to other regions of the country or abroad.

*Managed migration processes as a means of balancing the labor market of rural and peripheral territories.* The migration processes that are taking place and will take place in the future concern not only the rural population. The closure or re-profiling of market-forming enterprises, the decline of entire industries have made many cities of the country chronically oversaturated with labor. However, in rural areas this process of transition of labor resources to the category of "excess" is most noticeable due to the objectively lower social and migration mobility of the local population, with the exception of young people, who are more often ready to move. Colossal migration processes actually continue the trend of urbanization of the 20th century. However, since the 1990s they have occurred mainly spontaneously, and one of their most negative manifestations has been external labor migration. According to conservative expert estimates, even before the full-scale invasion, 3 million of our fellow citizens were constantly working outside Ukraine. Since opportunities for entire families to travel abroad are limited, mainly working-age people migrate, a significant part of whom are young people under 35. Children often remain in Ukraine under the supervision of relatives. Conscious or forced separation from the family, prolonged absence of parents, including young ones, creates the prerequisites for "social orphanhood".

Available data indicate that the war has significantly changed the mobility of young people and other population groups: internal migration is increasing, but a significant part of young workers face barriers when finding work in new regions, including skill mismatches and low local demand [6]. In conditions of structural changes and demographic pressure, it is young people who are most prone to mobility, but at the same time most sensitive to the loss of social ties and income instability [7].

Thus, if labor migration is inevitable for a certain part of the population, the state should consider internal migration as the most acceptable alternative to external migration. With internal migration, most of the negative consequences of external migration are either absent or mitigated:

- in the case of external migration, when part of the family goes abroad, relatives often do not see each other for years. With internal migration, workers have the opportunity to come home every month or more often;

- after employment in another region, one of the spouses can later move the other, and then the children. It is much more difficult to move the family to a permanent place of residence in another country;

- when employed abroad, Ukrainian citizens are in most cases deprived of full social protection both in their homeland and in the country of residence. This period is not included in the pensionable service; it is difficult to count on proper assistance in case of unemployment or an accident. In contrast, internal migration, under the conditions of legal employment, provides basic social guarantees;

- when employed abroad, a significant part of the earnings is spent outside Ukraine, while with internal migration, all taxes paid and a significant part of the expenses remain in the national economy;

- with internal migration, it is easier for a person to defend his labor and other rights, and the probability of getting into a situation of forced labor is much lower.

Regulation of migration processes is a serious challenge for state policy. Internal migration as an alternative to external migration can be stimulated by the following measures, some of which have already been implemented [3]:

1. Assistance through the state employment service to job seekers in finding employment throughout the country. It is desirable that a person leaves for employment already at a specific, remotely selected workplace.

2. Information, explanatory and motivational work. Local authorities and specialists of employment centers in regions with a surplus of labor should be aware of the features and advantages of internal migration and be able to convince clients, including young people, that it is an acceptable alternative to both external migration and long-term unemployment.

3. Taking into account the possibility of internal labor migration when conducting career guidance. In the case of a surplus of labor in the local labor market and low wages, when conducting career guidance work with children and youth, it is advisable to orient them not only to the local, but also to the all-Ukrainian labor market, where there is a sufficient number of high-paying vacancies. This is especially relevant for young people, who are the most mobile group

of the population and adapt the fastest to the conditions of a new place of residence and work. A thorough familiarization with the all-Ukrainian vacancy database is recommended.

4. Creating conditions and mechanisms to facilitate the return of Ukrainian citizens is an important direction of migration policy. This can be done by conducting individual information and explanatory work with the citizens themselves and their family members. During this work, it is advisable to emphasize that there are areas in Ukraine with high demand for labor and relatively high wages, and employment within the country has a number of advantages compared to employment abroad. Particular attention should be paid to young migrants, for whom return is associated with the possibility of long-term professional and family planning.

*Job creation in rural and peripheral areas.* An alternative to labor migration is the creation of additional jobs in regions with a surplus of labor. However, this process is limited by objective factors - the current ratio of the number of workers to the area at the current level of technology, which will only decrease in the event of further technical progress. The creation of jobs in the infrastructure sector or the service sector in rural areas is constrained by low incomes of the population and, accordingly, limited demand for these services.

The only realistic direction is the creation of industrial jobs available to residents of rural areas, in particular for young people and women [8]. However, the transfer of industry to rural areas, away from large cities, is constrained by the lack of the necessary infrastructure (access roads, high-voltage power lines, water pipes, etc.) and a narrow local labor market that does not provide a sufficient number of workers with the necessary qualifications.

The management of an enterprise organizing production in rural areas often faces the inability to find the required number of workers of the appropriate quality. There may not be vocational training institutions nearby, as well as qualified workers willing to move to a given village.

The solution may be to increase micromobility (daytime mobility) of workers. An employee who has his own vehicle can choose a workplace within a radius of up to 50 km from home. For young people, who are more prone to commuting, this opens up additional employment opportunities without a final break with the rural community. In Ukraine, the level of provision of personal transport is about 250 cars per thousand inhabitants, and in cities it is much

higher than in rural areas. Therefore, only a part of rural residents, including young people, have their own car. Another problem is high fuel costs - a daily trip to work can be a significant financial burden.

The lack of affordable means for commuting workers is one of the key factors inhibiting the development of rural and peripheral areas in Ukraine, while in developed countries the availability of appropriate transport and social infrastructure is an important factor in their prosperity. State policy and actions of local authorities should focus on the following areas: development of rural public transport; creation of infrastructure for individual means of transport (cycle paths, parking for mechanical and electric transport, charging stations, etc.); maintenance of rural roads in good condition; tax breaks and preferential loans for the purchase of cars by rural residents; ensuring access to fuel at preferential prices for rural car owners; stimulation of group transportation of workers ("carpooling"); a set of benefits and amenities for owners of electric cars from rural areas.

**Conclusions.** The development of rural and peripheral areas in Ukraine is hampered primarily by economic factors, the key among which is the surplus of labor force in local labor markets. This leads to relatively low wages, unemployment, social problems, chronic deficits in local budgets, etc. The reason for the surplus of labor force is the constant increase in labor productivity in agriculture in the absence of opportunities for extensive expansion of agricultural areas and the parallel decline of industrial potential in rural regions.

The central element of state policy in this area should be the regulation of migration processes, redirecting part of migration flows from external to internal migration and mitigating its negative consequences for families, especially young ones.

A comprehensive program for the development of industry and the service sector, focused on creating jobs available to rural residents, can counteract the depopulation of the periphery and promote the development of rural areas. Along with improving the investment climate and developing infrastructure, the main policy objective should be to increase the commuting mobility of the rural workforce. It is advisable to pay special attention to youth, as the most mobile and promising part of the country's labor potential, whose employment opportunities will significantly determine the development trajectories of rural areas of Ukraine.

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